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P R O S P E C T U S



SOLAR DISTRICT COOLING GROUP BERHAD

(Registration No. 202301015665 (1509587-U))
(Incorporated in Malaysia under the Companies Act, 2016)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH THE LISTING OF AND QUOTATION FOR THE ENTIRE ENLARGED ISSUED SHARE CAPITAL OF SOLAR DISTRICT COOLING GROUP BERHAD (“**SDCG**”) ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“**BURSA SECURITIES**”) COMPRISING A PUBLIC ISSUE OF 118,670,000 NEW ORDINARY SHARES IN SDCG (“**SHARES**”) IN THE FOLLOWING MANNER:

- 21,192,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 21,192,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES AS WELL AS PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF SDCG AND ITS SUBSIDIARIES; AND
- 76,286,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS;

AT AN ISSUE PRICE OF RM[●] PER SHARE, PAYABLE IN FULL UPON APPLICATION

Principal Adviser, Sponsor, Underwriter and Placement Agent



MERCURY SECURITIES SDN BHD

(Registration No: 198401000672 (113193-W))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER SIX MONTHS FROM THE DATE OF THIS PROSPECTUS.

THIS PROSPECTUS HAS BEEN REGISTERED BY BURSA SECURITIES. THE APPROVAL OF THE ADMISSION TO THE OFFICIAL LIST OF THE ACE MARKET OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED SHARE CAPITAL ON THE ACE MARKET OF BURSA SECURITIES BY BURSA SECURITIES AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. BURSA SECURITIES HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF OUR SHARES BEING OFFERED FOR INVESTMENT.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE 170.

THE ACE MARKET OF BURSA SECURITIES IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET OF BURSA SECURITIES. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET OF BURSA SECURITIES. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

LISTING SOUGHT: ACE MARKET OF BURSA SECURITIES

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE OF MALAYSIA.

THIS PROSPECTUS IS DATED [●]

All defined terms used in this Prospectus are defined under “Presentation of Information”, “Definitions” and “Glossary of Technical Terms” commencing on pages xix, respectively.

RESPONSIBILITY STATEMENTS

Our Directors and Promoters of SDCG have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Mercury Securities Sdn Bhd (“**Mercury Securities**”), being our Principal Adviser, Sponsor, Underwriter and Placement Agent acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning the offering.

STATEMENTS OF DISCLAIMER

Our Company has obtained the approval of Bursa Securities for our Listing. Admission to the Official List of ACE Market is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

Bursa Securities is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

This Prospectus, together with the Application Form, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

OTHER STATEMENTS

You should note that you may seek recourse under Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 (“**CMSA**”) for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any person in relation to our Group.

Our Shares listed on Bursa Securities are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

You should note that any agreement by our Underwriter to underwrite our Shares is not to be taken as an indication of the merits of our Shares being offered.

Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, Directors, Promoters, Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Directors, Promoters, Principal Adviser, Sponsor, Underwriter and Placement Agent, or any of their respective directors or any other persons involved in our IPO.

This Prospectus has been prepared and published in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. This Prospectus will not be distributed outside Malaysia. Our Company, Directors, Promoters, Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised and take no responsibility for the

distribution of this Prospectus outside Malaysia. No action has been taken to permit a public offering of our Shares based on this Prospectus or the distribution of this Prospectus outside Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase any of our Shares being offered in our IPO in any jurisdiction or in any circumstance in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our Shares offered under our IPO in certain jurisdictions may be restricted by law. Prospective investors who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not be deemed to accept any liability whether or not any enquiry or investigation is made in connection to it. It shall be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO as stated in this Prospectus and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you had accepted our IPO in Malaysia and will be subject to the laws of Malaysia in connection therewith.

However, we reserve the right in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It will be your sole responsibility to consult your legal or other professional adviser on the laws to which our IPO or you are or might be subjected. Neither we nor our Promoters, Principal Adviser, Sponsor, Underwriter and Placement Agent nor any other advisers in relation to our IPO accept any responsibility or liability if any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the Bursa Securities are the same.

You are advised that the internet is not a fully secure medium. Your Internet Share Application may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in any doubt about the validity or integrity of the Electronic Prospectus, you should immediately request from us or the Issuing House, a paper/printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the paper/printed copy of this Prospectus for any reason whatsoever, the contents of the paper/printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the Bursa Securities, shall prevail.

In relation to any reference in this Prospectus to third-party internet sites ("**Third-Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third-Party Internet Sites, you acknowledge and agree that:

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way to the Third-Party Internet Sites. Accordingly, we and our Principal Adviser are not responsible for any availability of or the content or any data, information, files or other material provided on the Third-Party Internet Sites. You bear all risks associated with the access to or use of the Third-Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third-Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third-Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of

dealing with the Third-Party Internet Sites or the use of or reliance on any data, information, files or other material provided by the Third-Party Internet Sites; and

- (iii) any data, information, file or other material downloaded from the Third-Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer systems or loss of data resulting from the downloading of any such data, information, file or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus on the web server of the Internet Participating Financial Institutions which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institutions are not responsible for the integrity of the contents of the Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties;
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium; and
- (iii) the Internet Participating Financial Institutions are not liable (whether in tort or contract or otherwise) for any loss, damage or costs, that you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracy, change, alteration, deletion or omission in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

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INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative time and/or date:

Event	Time / date
Issuance of the Prospectus / Opening of Application	[•]
Closing of Application	[•]
Balloting of Applications	[•]
Allotment of our IPO Shares to successful applicants	[•]
Listing on the ACE Market	[•]

If there is any change to the indicative timetable above, we will advertise a notice of changes in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia and make an announcement of such changes on Bursa Securities' website accordingly.

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PRESENTATION OF INFORMATION

All references to “our Company” or “the Company” or “SDCG” in this Prospectus are to Solar District Cooling Group Berhad. All references to “our Group” or “the Group” or “SDCG Group” are made to our Company and our subsidiaries taken as a whole. All references to words such as “we”, “us”, “our” and “ourselves” in this Prospectus are to our Company and where the context otherwise requires, our Group. Unless the context otherwise requires, references to “Management” are to our Directors and Key Senior Management as at the date of this Prospectus. Statements as to our beliefs, expectations, estimates and opinions are those of our management.

All references to “you” are to our prospective investors.

All references to “Government” are to the Government of Malaysia.

The word “approximately” used in this Prospectus indicates that a number is not an exact one, but that number is usually rounded off to the nearest thousandth or 2 decimal places. Any discrepancies in the tables between the amounts listed and the totals in this Prospectus are due to rounding adjustments. Certain acronyms, technical terms and other abbreviations used in this Prospectus are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus.

Words denoting the singular will, where applicable, include the plural and vice versa and words denoting the masculine gender will, where applicable, include the feminine and/or neuter genders and vice versa. References to persons will, where applicable, include companies and corporations.

Any reference to provisions of the statutes, rules, regulations, enactments or rules of stock exchange will (where the context admits), be construed as reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactment to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

Any reference to a date and time will be a reference to Malaysian time, unless otherwise stated.

This Prospectus includes statistical data provided by us and various third parties and cites third-party projections regarding growth and performance of the market and industry in which we operate. This data is taken or derived from information published by industry sources and from our internal data. In each case, the source is stated in this Prospectus. Where there is no source stated, it can be assumed that the information originates from us or is extracted from the IMR Report prepared by Vital Factor Consulting Sdn Bhd (“**Vital Factor**”), the executive summary of which is included in Section 8 of this Prospectus. We have appointed Vital Factor to provide an independent market and industry review relating to an overview of the industry in which we operate in or exposed to. In compiling its data for the review, Vital Factor had relied on its research methodology, industry sources, published materials, its own private databanks and direct contacts within the industry.

We believe that the information on the industry as contained in this Prospectus and other statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the market and industry in which we operate. Third-party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurance can be given that the projected figures will be achieved and you should not place undue reliance on the third-party projections cited in this Prospectus.

The information on our website or any website, directly or indirectly, linked to our website does not form part of this Prospectus. If there is any discrepancy between the contents of such website relating to our Group and this Prospectus, the information contained in this Prospectus shall prevail.

If there are any discrepancies or inconsistencies between the English and Malay versions of this document, the English version shall prevail.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, our performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and do not guarantee future performance. Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions and include all statements that are not historical facts.

Forward-looking statements include, without limitation, statements relating to:

- (i) our future overall business development and operations plans;
- (ii) our future earnings, cash flow and liquidity;
- (iii) potential growth opportunities;
- (iv) our business strategies, trends and competitive position;
- (v) our ability to pay dividends; and
- (vi) the general industry environment, including the demand and supply of our products.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitations, those discussed in Section 9 of this Prospectus on “Risk Factors” and Section 12.2 of this Prospectus on “Management’s Discussion and Analysis of Financial Condition and Results of Operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the LPD.

Such forward-looking statements are made only as at the date of this Prospectus. Should we become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of our Listing, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus) and Rule 3.12D of the Listing Requirements.

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DEFINITIONS

The following terms in this Prospectus bear the same meaning as set out below unless the term is defined otherwise or the context requires otherwise:

COMPANIES WITHIN OUR GROUP:

SDCG or Company : Solar District Cooling Group Berhad (Registration No. 202301015665 (1509587-U))

SDCG Group or Group : Collectively, the Company and its subsidiaries

SUBSIDIARY OF OUR COMPANY:

SDC : Solar District Cooling Sdn Bhd (Registration No. 200301004597 (607017-T))

SUBSIDIARY OF SDC:

KED : Kejuruteraan Efektif Dinamik Sdn Bhd (Registration No. 201401042378 (1118545-H))

GENERAL:

ACE Market : ACE Market of Bursa Securities

Acquisition : Proposed acquisition by our Company of the entire issued share capital of SDC from Edison Kong and Eileen Liuk, for a total purchase consideration of RM15,257,618, which will be satisfied entirely via the issuance of 305,152,360 new Shares at an issue price of RM0.05 per Share

Act : Companies Act 2016

AGM : Annual general meeting

Applicant : Applicant for our IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application

Application(s) : Application for our IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application

Application Form(s) : Printed application(s) form for the application of IPO Shares accompanying this Prospectus

ATM : Automatic teller machine

Authorised Financial Institution: : Authorised financial institution participating in the Internet Share Application with respect to payments for our IPO Shares

BMU : Baseline monthly energy usage

Board : Board of Directors of our Company

Bursa Depository : Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))

DEFINITIONS (CONT'D)

Bursa Securities	:	Bursa Malaysia Securities Berhad (<i>Registration No. 200301033577 (635998-W)</i>)
CAGR	:	Compound annual growth rate
CCC	:	Certificate of Completion and Compliance
CCM	:	Companies Commission of Malaysia
CDS	:	Central depository system
CDS Account	:	Securities account established by Bursa Securities for a depositor for the recording of securities and for dealing in such securities by the depositor
CIDB	:	Construction Industry Development Board
CMSA	:	Capital Markets and Services Act 2007
Constitution	:	Constitution of our Company
COS	:	Cost of sales
COVID-19	:	Novel coronavirus disease, an infectious respiratory disease which first broke out in 2019
Director(s)	:	Director(s) of our Company
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
ESCO	:	Energy Service Company
Edison Kong	:	Kong Kam Onn, our Promoter, Managing Director, Substantial Shareholder and Specified Shareholder
Eileen Liuk	:	Liuk Ing Hong, our Promoter, Executive Director, Substantial Shareholder and Specified Shareholder
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the internet, and/ or an electronic storage medium, including but not limited to CD-ROMs (<i>compact disc read-only memory</i>)
Electronic Share Application	:	Application for our IPO Shares through a Participating Financial Institution's ATM
Eligible Persons	:	Collectively, the eligible Directors, employees of our Group and persons who have contributed to the success of our Group who are eligible to participate in the Public Issue
EPS	:	Earnings per share
FP(s)	:	Financial period(s) ended/ending 30 September, as the case may be

DEFINITIONS (CONT'D)

FP Under Review	: Collectively, FP 2022 and FP 2023
FY	: Financial year ended 31 December, as the case may be
FY Under Review	: Collectively, the past FY 2020, FY 2021 and FY 2022
GP	: Gross profit
Headquarters	: Our current head office at a shop office unit located at Wisma SDC, No 25, Jln Kajang Perdana 3/2, Taman Kajang Perdana, 43000 Kajang, Selangor
ICR or Sterling	: Sterling Business Alignment Consulting Sdn Bhd (<i>Registration No. 200401015607 (654110-P)</i>)
ICT	: Information and communication technology
IMR or Vital Factor	: Vital Factor Consulting Sdn Bhd (<i>Registration No. 199301012059 (266797-T)</i>)
IMR Report	: Independent market research report prepared by Vital Factor
Internet Participating Financial Institution	: Participating financial institution(s) in the Internet Share Application
Internet Share Application	: Application for our IPO Shares under the Public Issue through an Internet Participating Financial Institution
IPO	: Initial public offering
IPO Price	: Issue price of RM[●] per IPO Share
IPO Share(s)	: 118,670,000 new Shares to be issued by our Company pursuant to the IPO
Issuing House	: Tricor Investor & Issuing House Services Sdn Bhd (<i>Registration No. 1971101000970 (11324-H)</i>)
Key Senior Management	: Key senior management personnel of our Group comprising Edison Kong, Eileen Liuk, Ed Kamil bin Md Bashah, Khoirol Suhardi Bin Shaaban, Mohd Hanafy bin Rasimon and Gan Yee Shan
Listing	: Listing of and quotation for our entire enlarged issued share capital on the ACE Market
Listing Requirements	: ACE Market Listing Requirements of Bursa Securities
LPD	: 3 January 2024, being the latest practicable date prior to the registration of this Prospectus
Malaysian Public	: Citizens of Malaysia, and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia

DEFINITIONS (CONT'D)

Market Day	: Any day between Mondays and Fridays (both days inclusive) which is not a public holiday and a day on which Bursa Securities is open for trading of securities
MCO	: Movement control order
Mercury Securities or Principal Adviser or Underwriter or Placement Agent	: Mercury Securities Sdn Bhd (<i>Registration No. 198401000672 (113193-W)</i>)
MOH	: Ministry of Health, Malaysia
NA	: Net assets
NBV	: Net book value
Official List	: A list specifying all securities listed on Bursa Securities
Participating Financial Institution(s)	: Participating financial institution(s) for the Electronic Share Application
PAT	: Profit after tax
PBT	: Profit before tax
PE Multiple	: Price-to-earnings multiple
Pink Form Allocations	: The allocation of 21,192,000 new Shares to the Eligible Persons pursuant to the IPO
Promoters	: Collectively, Edison Kong and Eileen Liuk
Prospectus	: This prospectus dated [●] issued by our Company in relation to our IPO
Prospectus Guidelines	: Prospectus Guidelines issued by the SC
Public Issue	: The public issue of 118,670,000 new Shares at our IPO Price
PV	: Photovoltaic
Rules of Bursa Depository	: Rules of Bursa Depository as issued pursuant to the SICDA
REEM	: Registered Electrical Energy Manager
SC	: Securities Commission Malaysia
SEDA	: Sustainable Energy Development Authority Malaysia
Share(s) or SDCG Share(s)	: Ordinary share(s) in SDCG
Share Registrar	: Tricor Investor & Issuing House Services Sdn Bhd (<i>Registration No. 1971101000970 (11324-H)</i>)
SICDA	: Securities Industry (Central Depositories) Act, 1991

DEFINITIONS (CONT'D)

SPE	:	Sinar Perintis Ehsan Sdn Bhd (<i>Registration No. 201601006072 (1176998-K)</i>)
Specified Shareholders	:	Collectively, Edison Kong and Eileen Liuk
SPM	:	Sinar Perintis Makmur Sdn Bhd (formerly known as Tri Io Controls Sdn Bhd) (<i>Registration No. 201701018005 (1232170-A)</i>)
sq. ft	:	Square feet
SSA	:	Conditional share sale agreement entered on 11 August 2023 by the Company with the Vendors for the Company to acquire the entire issued share capital of SDC for a purchase consideration of RM15,257,618
Substantial Shareholders	:	Collectively, Edison Kong and Eileen Liuk
YM	:	Yang Mulia
Underwriting Agreement	:	Underwriting agreement dated [●] entered into between the Company and the Underwriter pursuant to our IPO
Vendors	:	Collectively, Edison Kong and Eileen Liuk, who are the vendors for the Acquisition
White Application Form	:	Application form for the application of our new Shares by the Malaysian Public accompanying this Prospectus

SDCG GROUP'S OPERATING LOCATION:

Headquarters	:	Our headquarters located at Wisma SDC, No. 25, Jalan Kajang Perdana 3/2, Taman Kajang Perdana, 43000 Kajang, Selangor Darul Ehsan, Malaysia
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CURRENCIES, UNITS AND OTHERS:

°C	:	Degree Celsius
RM and sen	:	Ringgit Malaysia and sen respectively
%	:	Per centum

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DEFINITIONS (CONT'D)**PROJECTS:**

Project Name	Brief descriptions
Administration Centre Project	: Refers to the integration of building management system for an administration centre in Kuantan, Pahang
Ampang Hospital Project	: Refers to the supply, installation, testing and commissioning of a hybrid solar thermal hot water system for Ampang Hospital, a public hospital in Ampang, Selangor
Ampang Office Tower Project	: Refers to the supply, delivery, installation, testing and commissioning of BMS and automatic control works for an office tower in Kuala Lumpur
Business School Project	: Refers to the supply, delivery, installation, testing and commissioning and maintenance of BMS and building security system works for a business school in Kuala Lumpur
Business School Residence Project	: Refers to the supply, delivery, installation, testing and commissioning and maintenance of BMS and building security system works for the residential accommodation of a business school in Kuala Lumpur
Chilled Water System Maintenance Project	: Refers to the replace and install valves, strainers, flexible connectors, pressure gauges, thermometers and other accessories of existing AHU and FCU in Kuala Lumpur
Commercial Building Project	: Refers to the supply, delivery, installation, testing and commissioning of BMS for a hotel and retail property development in Kuala Lumpur
Conference and Residential Complex Project	: Refers to the upgrading of BMS for a conference and residential complex in Kuala Lumpur
Conference and Training Facility Project	: Refers to the supply, delivery, installation, testing and commissioning and maintenance of BMS and building security system works for a conference and training facility in Kuala Lumpur
Cyberjaya Data Centre Project	: Refers to the upgrading of BMS and installation of energy management system at a data centre in Cyberjaya and recovery centre
Financial Institution Project	: Refers to the provision of building systems integration and contractor services for a financial institution in Kuala Lumpur
Gas District Cooling Maintenance 1 Project	: Refers to the provision of comprehensive maintenance for 2 units of direct-fired chiller at a plant in Putrajaya
Gas District Cooling Maintenance 2 Project	: Refers to the maintenance works for 2 units of direct-fired chiller at 2 plants in Putrajaya

DEFINITIONS (CONT'D)

Project Name	Brief descriptions
Healthcare University Project	: Refers to the supply, delivery, installation, testing and commissioning and maintenance of extra low voltage (ELV) works, chiller plant facility management system, building automation system, and fridge monitoring system for a health science university in Kuala Lumpur
Hospital 1 Contract	: Refers to the energy performance services involving the installation of a hybrid solar thermal hot water system at Hospital 1 in Sabah
Hospital 2 Contract	: Refers to the energy performance services involving the installation of a hybrid solar thermal hot water system at Hospital 2 in Sabah
Hospital 3 Contract	: Refers to the energy performance services involving the installation of a hybrid solar thermal hot water system and retrofitting of fluorescent tube lightings to LED lightings at Hospital 3 in Kedah
KETSA Project	: Refers to upgrading of BMS as part of the facility management and maintenance of the Ministry of Energy and Natural Resources in Precinct 4 Putrajaya
Ministry of Education 1 Project	: Refers to the upgrading of BMS in 3 blocks of buildings under the Ministry of Education in Putrajaya
Ministry of Education 2 Project	: Refers to the supply, delivery, installation, testing and commissioning of BMS in 2 blocks of buildings under the Ministry of Education in Putrajaya
Ministry of Finance Project	: Refers to the upgrading of BMS and energy management system under the Ministry of Finance in Putrajaya
Ministry of Health Project	: Refers to the supply, delivery, installation, testing and commissioning of BMS in 3 blocks of buildings under the Ministry of Health in Putrajaya
Miri Hospital Contract	: Refers to the energy performance services involving in the installation of a hybrid solar thermal hot water system and retrofitting of fluorescent tube lightings to LED lightings at Miri Hospital, a public hospital in Sarawak
Precinct 8 Putrajaya Project	: Refers to the supply, delivery, installation, testing and commissioning, service and maintenance of BMS for a mixed development in Putrajaya
Puncak Alam Hospital Project	: Refers to the supply, installation, testing and commissioning of BMS for a hospital in Puncak Alam, Selangor
Putrajaya Hotel ICT Project	: Refers to the supply, delivery, dismantle, installation, testing and commissioning and maintenance of information and communication technology (ICT), building security system services works for a hotel in Putrajaya

DEFINITIONS (CONT'D)

Project Name	Brief descriptions
Putrajaya Hotel Project	: Refers to the supply, delivery, dismantle, installation, testing and commissioning and maintenance of BMS for a hotel in Putrajaya
Sarawak Heart Centre Contract	: Refers to the energy performance services involving the installation of a hybrid solar thermal hot water system and retrofitting of fluorescent tube lightings to LED lightings at the Sarawak Heart Centre in Sarawak
Sarikei Hospital Contract	: Refers to the energy performance services involving the installation of a hybrid solar thermal hot water system and retrofitting of fluorescent tube lightings to LED lightings at Sarikei Hospital, a public hospital in Sarawak
Semiconductor Project	: Refers to the supply, delivery, installation, testing and commissioning of facilities management control services for a semiconductor manufacturer in Malacca
Sibu Hospital Contract	: Refers to the energy performance services involving the installation of a hybrid solar thermal hot water system and retrofitting of fluorescent tube lightings to LED lightings at Sibu Hospital, a public hospital in Sarawak

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GLOSSARY OF TECHNICAL TERMS

This glossary contains the explanation of certain terms used throughout this Prospectus in connection with our Group and business. The terminologies and their meanings may not correspond to the standard industry meanings usage of these terms.

- Air handling unit or AHU** : An air handling unit is a device designed to circulate and regulate the flow of air as part of a centralised cooling system. The main AHU components include a blower, cooling coil, filters, air intakes and diffusers. Warm and moist air from a designated area is sucked into the AHU through air intakes and blown across the cooling coil, through which chilled water from the chiller circulates. As the warm and moist air passes through the cooling coil, heat is transferred to the chilled water resulting in the cooling and drying of the air. The water (which is now warmer) is returned to the chiller for reuse, and the cooled and drier air is recirculated into the designated area through diffusers
- AHU are designed to handle and cool a larger volume of air compared to an FCU
- Airside equipment** : In a cooling system, airside equipment refers to the equipment installed at the interior space to be air conditioned by using chilled water to cool and dry the air. AHU and FCU are examples of airside equipment
- Building management system or BMS** : In the context of this Prospectus, this refers to the system of hardware, software and communications that integrates and centralises the monitoring and management of the building's mechanical, electrical and process utility facilities including air conditioning and mechanical ventilation, lighting, security access, close-circuit television, fire protection and process utilities such as plumbing, sewage and drainage systems
- Calorifier tank** : In the context of this Prospectus, it is an insulated pressurised water tank with a heat exchanger where heat from solar collector modules is transferred to the calorifier tank to heat water
- Command and control centre** : In the context of this Prospectus, this is a centralised facility at our Group's Headquarters in Kajang, Selangor where we can monitor our customers' connected BMS and solar thermal hot water systems. We are also able to control some aspects of the BMS and solar thermal hot water systems such as turning on or off fan coil units
- Concessionaire or concession company** : In the context of this Prospectus, it refers to our customers who have secured concessions to provide hospital support services for public hospitals, including facility engineering maintenance services, biomedical engineering maintenance services, cleansing services, health care waste management services, linen and laundry services, and facilities management services
- Direct digital controller or DDC** : Refers to the hardware installed at specific machinery and equipment or sub-systems to provide automated control (based on programming) and remote control. The hardware will also include embedded software for logic control based on logic and pre-determined conditions

GLOSSARY OF TECHNICAL TERMS (CONT'D)

- Energy performance contracting : In 2013, the Malaysian Government initiated energy performance contracting (EPC) to promote energy efficiency in government buildings. The EPC concept is based on an agreement between the government, as the building owner, and an energy services company (ESCO). Under the arrangement, the ESCO covers the initial capital cost to implement the energy efficiency improvement. Payment to ESCO is based upon the agreed sharing value between the ESCO and the building owner from the guaranteed savings achieved. After the agreement ends, the ownership of all the equipment and system installed at the facility will be transferred to the building owner
- Energy performance services : In the context of this Prospectus, energy performance services refer to the installation of hybrid solar thermal hot water systems and for some contracts, retrofitting of fluorescent lighting to LED lighting. We provide energy performance services to concessionaires of hospital support services for public hospitals to improve the energy efficiency of their respective public hospitals where we fund the total project investment and we are paid monthly over the period of our contract. Depending on the contract, we also have a share of the guaranteed savings which are paid monthly over the period of our contract. In the context of this Prospectus, we provide energy performance services to our customers, namely Edgenta Mediserve Sdn Bhd, Sedafiat Sdn Bhd and One Medicare Sdn Bhd
- Energy performance service contract : It refers to the contract with our customers who are concessionaires of public hospital support services that are directly involved in energy performance contracting. The concessionaires have engaged us as a subcontractor to carry out the energy efficiency work related to the installation of hybrid solar thermal hot water systems and for some contracts, retrofitting of fluorescent lighting to LED lighting. Our agreements are also subject to the approval of the Ministry of Health Malaysia. In the context of this Prospectus, it refers to our contracts with our customers, namely Edgenta Mediserve Sdn Bhd, Sedafiat Sdn Bhd and One Medicare Sdn Bhd
- Fan coil unit or FCU : A fan coil unit is a device that uses a fan and cooling coil to provide space cooling in an indoor space without connecting to air ductwork. The fan draws air into the fan cooling unit, where it passes over the cooling coil (which is supplied by chilled water from the chiller), cooled and dried, and then re-circulated into the room
- Heat exchanger : A piece of equipment designed to transfer heat between two fluids such as liquids, vapours or gasses. An example is heat in the atmosphere is transferred to a coil filled with water or some other fluids in the heat exchanger. Heat exchangers are used for both heating and cooling
- Hybrid solar thermal hot water system : In the context of this Prospectus, this mainly refers to our energy performance service contracts which involves the installation of a new solar thermal hot water system and integrating it with an existing boiler hot water system that uses either diesel or liquified petroleum gas as the energy source

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Kilowatt or kW	:	Equivalent to 1,000 watts
Light emitting diode or LED	:	A semiconductor device that emits light when electricity passes through it. LED light is used to provide illumination and uses less electricity for the same illumination intensity compared to other means of illumination such as fluorescent tube
Liquefied petroleum gas or LPG	:	In the context of this Prospectus, it refers to the fuel source used for the boiler hot water system
Manifold	:	In the context of this Prospectus, the manifold is the part of the solar thermal collector module where a row of several solar evacuated tubes is installed
Megawatt or MW	:	Equivalent to 1,000,000 watts
Process utility	:	In the context of this Prospectus, process utility includes plumbing, sewerage and drainage systems
Public hospital support services	:	In the context of this Prospectus, it refers to hospital support services for public hospitals, including facility engineering maintenance services, biomedical engineering maintenance services, cleansing services, health care waste management services, linen and laundry services, and facilities management services. These are the services specified by the Ministry of Health Malaysia to be provided by concessionaires
Retrofit	:	Addition or replacement of devices, machines, equipment or subsystems to an existing operational plant
Solar PV system	:	It refers to an electricity generating facility that converts sunlight to direct current.
Solar thermal	:	Refers to the practice of harnessing energy from the sun in the form of heat to directly increase the temperature of a substance such as water. In the context of this Prospectus, solar thermal energy in the form of sunlight is used directly to heat water for hot water system and space cooling system
Solar thermal collector module	:	In the context of this Prospectus, this is the component of a solar thermal hot water system that is designed to gather heat from sunlight. They comprise a row of solar evacuated tubes inserted into a manifold, which is supported by a frame. Solar collector modules are commonly installed on the roof or in suitable outdoor locations to collect sunlight
Solar thermal control system or STCS	:	In the contest of this Prospectus, it refers to the system designed to provide central monitoring and control of the solar thermal hot water system's operations, status and condition
Solar thermal cooling system	:	It refers to a centralised space cooling system that uses solar thermal energy to chill water for space cooling

GLOSSARY OF TECHNICAL TERMS (CONT'D)

- Solar thermal evacuated tube : In the context of this Prospectus, a solar evacuated tube is a sealed vacuumed circular transparent glass tube with a heat pipe in the middle. The heat pipe contains a heat transfer fluid which commonly comprises a propylene glycol mixture to absorb the heat from sunlight where the heated fluid will turn into heated vapour that will rise to the top of the solar evacuated tube to be transferred to another location
- Solar thermal hot water system : In the context of this Prospectus, it refers to a system designed to use sunlight directly to heat water. The main components of the system comprise one or more solar collector modules, solar pump and secondary heat transfer fluid, calorifier tank, hot water tanks, hot water distribution system and solar thermal control system
- Systems Integration : A process of connecting different systems, hardware, equipment, devices and components to ensure that they function seamlessly as one complete system. Commonly the process will include programming and connectivity to interface with different systems, hardware, equipment, devices and components
- Watt or w : A unit of measure of energy equivalent to one joule per second, corresponding to the rate of consumption of energy in an electrical circuit where the potential difference of one volt and current of one ampere

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name (Gender)	Designation	Nationality	Address
Ir. Dr. Khairul Azmy Bin Kamaluddin (M)	Independent Non-Executive Chairman	Malaysian	No. 12, Jalan Akuatik 13/77C D'Kayangan Seksyen 13 40100 Shah Alam Selangor
Edison Kong (M)	Non-Independent Managing Director	Malaysian	No.5, Jalan Ridgeview 2 Ridgeview Residences Taman Bukit Permai 43000 Kajang Selangor
Eileen Liuk (F)	Non-Independent Executive Director	Malaysian	No.5, Jalan Ridgeview 2 Ridgeview Residences Taman Bukit Permai 43000 Kajang Selangor
YM Raja Nor Azlina Binti Raja Azhar (F)	Independent Non-Executive Director	Malaysian	A-1461, Jalan Pelindung 2 Off Jalan Tengku Muhammad 25050 Kuantan Pahang
Wong Poh May (F)	Independent Non-Executive Director	Malaysian	162-1, Montana Melawati No. 12, Jalan Desa Melawati Desa Melawati 53100 Kuala Lumpur
Wong Keng Fai (M)	Independent Non-Executive Director	Malaysian	No 43, Lot 3714 Kampung Baru Tanah Merah Site C 71960 Port Dickson Negeri Sembilan

Notes:

M = Male

F = Female

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1. CORPORATE DIRECTORY (CONT'D)**AUDIT AND RISK MANAGEMENT COMMITTEE**

Name	Designation	Directorship
Wong Poh May	Chairperson	Independent Non-Executive Director
YM Raja Nor Azlina Binti Raja Azhar	Member	Independent Non-Executive Director
Wong Keng Fai	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Wong Keng Fai	Chairperson	Independent Non-Executive Director
YM Raja Nor Azlina Binti Raja Azhar	Member	Independent Non-Executive Director
Wong Poh May	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
YM Raja Nor Azlina Binti Raja Azhar	Chairperson	Independent Non-Executive Director
Wong Poh May	Member	Independent Non-Executive Director
Wong Keng Fai	Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY (CONT'D)

- COMPANY SECRETARIES** : Wong Youn Kim (MAICSA 7018778)
 CCM Practicing Certificate No.: 201908000410
 Chartered Secretary
 Fellow of the Malaysian Institute of Chartered Secretaries and Administrators
- Level 5, Tower 8, Avenue 5,
 Horizon 2, Bangsar South City
 59200 Kuala Lumpur
- Tel. No.: (603) 2280 6388
 Fax. No.: (603) 2280 6399
-
- REGISTERED OFFICE** : Level 5, Tower 8, Avenue 5
 Horizon 2, Bangsar South City
 59200 Kuala Lumpur
- Tel. No.: (603) 2280 6388
 Fax. No.: (603) 2280 6399
-
- HEADQUARTERS** : Wisma SDC
 No. 25, Jalan Kajang Perdana 3/2
 Taman Kajang Perdana
 43000 Kajang
 Selangor
- Tel. No.: (603) 8741 9885
 Fax. No.: (603) 8741 9860
 Email: enquiry@sdc.my
 Website: <https://sdc.my>
-
- PRINCIPAL ADVISER,
 SPONSOR,
 UNDERWRITER AND
 PLACEMENT AGENT** : **Mercury Securities Sdn Bhd**
 Registration No. 198401000672 (113193-W)
 L-7-2, No 2, Jalan Solaris
 Solaris Mont Kiara
 50480 Kuala Lumpur
- Tel. No.: (603) 6203 7227
 Fax. No.: (603) 6203 7117
-
- AUDITORS AND
 REPORTING
 ACCOUNTANTS** : **Crowe Malaysia PLT**
 Firm No. 201906000005 (LLP0018817-LCA) & AF 1018
 Level 16, Tower C
 Megan Avenue II
 12 Jalan Yap Kwan Seng
 50450 Kuala Lumpur
- Tel. No.: (603) 2788 9999
 Fax. No.: (603) 2788 9998
- Partner-in-charge : Ung Voon Huay
 Approval No : 03233/09/2024 J
 Professional Qualification : Fellow Chartered and Certified Accountant (FCCA) and Chartered Accountant Malaysia (C.A.(M))
 MIA membership no.: 14828

1. CORPORATE DIRECTORY (CONT'D)

DUE DILIGENCE SOLICITORS : **Wong Beh & Toh**
 Peti #30, Level 19, West Block
 Wisma Golden Eagle Realty
 142-C Jalan Ampang
 50450 Kuala Lumpur

Tel. No.: (603) 2713 6050

Fax. No.: (603) 2713 6052

INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS : **Vital Factor Consulting Sdn Bhd**
 Registration No. 199301012059 (266797-T)
 V Square @ PJ City Centre (VSQ)
 Block 6, Level 6, Jalan Utara
 46200 Petaling Jaya, Selangor

Tel. No.: (603) 7931 3188

Fax No.: (603) 7931 2188

Person-in-charge: Wong Wai Ling
 Bachelor of Arts from Monash University,
 Australia; Graduate Diploma in Management
 Studies from the University of Melbourne,
 Australia

Please refer to Section 8 (*IMR Report*) of this Prospectus for the profile of the firm and signing partner.

ISSUING HOUSE AND SHARE REGISTRAR : **Tricor Investor and Issuing House Services Sdn Bhd**
 Registration No. 197101000970 (11324-H)
 Unit 32-01, Level 32, Tower A,
 Vertical Business Suite
 Avenue 3, Bangsar South
 No.8, Jalan Kerinchi
 59200 Kuala Lumpur

Tel No.: +6(03) 2783 9299

Fax No.: +6(03) 2783 9222

INTERNAL CONTROL REVIEW CONSULTANT : **Sterling Business Alignment Consulting Sdn Bhd**
 Registration No. 200401015607 (654110-P)
 Unit C3A02, Level 3A
 Lobby 1, Block C Damansara Intan
 No 1, Jalan SS20/27
 47400 Petaling Jaya
 Selangor

Tel No.: +6(03) 7662 8010

Fax No.: +6(03) 7662 8610

LISTING SOUGHT : ACE Market

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2. APPROVALS AND CONDITIONS

2.1 APPROVALS AND CONDITIONS

2.1.1 Bursa Securities

Bursa Securities had, via its letter dated [●], approved the admission of our Company to the Official List of the ACE Market and the listing of and quotation for our entire enlarged issued share capital of 423,822,460 Shares on the ACE Market. The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(i)	[●]	[●]

2.1.2 SC

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, via the letter dated [●], approved the resultant equity structure of our Company under the Bumiputera equity requirement for public listed companies pursuant to our Listing, subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(i)	[●]	[●]

2.2 MORATORIUM ON OUR SHARES

Pursuant to Rule 3.19(1) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Specified Shareholders as follows:

- (i) the moratorium applies to our Specified Shareholders' entire shareholdings for a period of 6 months from the date of our admission to the ACE Market ("**First 6-Month Moratorium**");
- (ii) upon the expiry of the First 6-Month Moratorium, our Specified Shareholders' aggregate shareholding amounting to at least 45.00% of the total number of issued Shares remain under moratorium for another period of 6 months ("**Second 6-Month Moratorium**"); and
- (iii) upon the expiry of the Second 6-Month Moratorium, our Specified Shareholders may sell, transfer or assign up to a maximum of one-third (1/3) per annum (on a straight-line) basis) of their Shares held under moratorium.

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2. APPROVALS AND CONDITIONS (CONT'D)

The details of our Shares held by our Specified Shareholders which will be held under moratorium are set out below:

Specified Shareholders	Year 1				Year 2		Year 3	
	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium		Moratorium shares		Moratorium shares	
	No. of Shares	% of enlarged issued share capital ⁽¹⁾	No. of Shares	% of enlarged issued share capital ⁽¹⁾	No. of Shares	% of enlarged issued share capital ⁽¹⁾	No. of Shares	% of enlarged issued share capital ⁽¹⁾
Edison Kong	274,637,224	64.80	171,648,103	40.50	114,432,068	27.00	57,216,034	13.50
Eileen Liuk	30,515,236	7.20	19,072,004	4.50	12,714,670	3.00	6,357,335	1.50
Total	305,152,460	72.00	190,720,107	45.00	127,146,738	30.00	63,573,369	15.00

Note:

(1) Based on the enlarged total number of 423,822,460 Shares after our IPO.

Our Specified Shareholders have provided written undertakings that they will not sell, transfer or assign their respective shares under moratorium during the moratorium period in accordance with Rule 3.19 of the Listing Requirements.

The moratorium restriction, which are fully acknowledged and accepted by our Specified Shareholders, will be specifically endorsed on the share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar does not register any sale, transfer or assignment that contravenes with the aforesaid restriction.

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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:

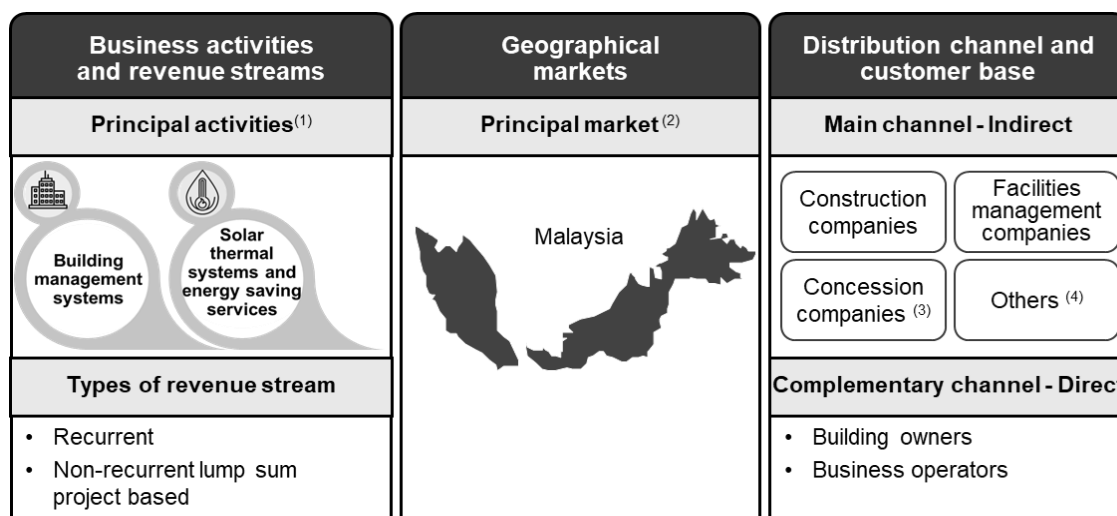
Company	Principal activities
Subsidiary of the Company:	
SDC	Provision and maintenance of building management systems, solar thermal systems and other energy services.
Subsidiary of SDC:	
KED	Mechanical and electrical works, and project management services.

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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4. DETAILS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATION PERIOD

The Application period will open at 10.00 a.m. on [●] and will remain open until 5.00 p.m. on [●]. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

4.2 INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative time and/or date:

Event	Time / date
Issuance of the Prospectus / Opening of Application	[●]
Closing date of Application	[●]
Balloting of Applications	[●]
Allotment of our IPO Shares to successful applicants	[●]
Listing on the ACE Market	[●]

If there is any change to the indicative timetable, we will advertise a notice of changes in widely circulated Bahasa Malaysia and English daily newspapers within Malaysia, and make an announcement of such changes on Bursa Securities' website accordingly.

4.3 PARTICULARS OF OUR IPO

4.3.1 Public Issue

Our Public Issue, representing approximately 28.00% of our enlarged number of issued Shares, are offered at the IPO Price is subject to the terms and conditions of this Prospectus and shall be allocated in the following manner:

IPO details	Notes	No. of Shares	Percentage of the enlarged issued Shares (%) ⁽¹⁾
Public Issue			
Malaysian Public via balloting	(i)	21,192,000	5.00
Eligible Persons	(ii)	21,192,000	5.00
Private placement to selected investors	(iii)	76,286,000	18.00
Total		118,670,000	28.00

Note:

(1) Based on the enlarged issued share capital of 423,822,460 after the IPO.

(i) Malaysian Public

21,192,000 new Shares, representing approximately 5.00% of our enlarged number of issued Shares will be made available for application by the Malaysian Public through a balloting process as follows:

- (a) 10,596,000 new Shares, representing approximately 2.50% of our enlarged number of issued Shares, made available to Bumiputera Malaysian Public; and

4. DETAILS OF OUR IPO (CONT'D)

- (b) 10,596,000 new Shares, representing approximately 2.50% of our enlarged number of issued Shares, made available to Malaysian Public.

(ii) Eligible Persons

21,192,000 new Shares, representing approximately 5.00% of our enlarged number of issued Shares, are reserved for application by the Eligible Persons under the Pink Form Allocations in the following manner:

Eligible Persons	Note	No. of Eligible Persons	Number of Shares allocated
Eligible Directors of our Company	(1)	4	1,575,000
Eligible employees of our Group	(2)	28	14,550,000
Persons who have contributed to the success of our Group	(3)	16	5,067,000
Total		48	21,192,000

The criteria of allocation to the eligible Directors, eligible employees and persons who have contributed to the success of our Group are as follows:

(1) Criteria of allocation to the eligible Directors

The basis and criteria for allocation to our eligible Directors is based on, amongst others, their respective roles, responsibilities, and their anticipated contribution to the Group. The allocation of new Shares to our eligible Directors is as follows:

Name of eligible Director	Designation	No. of Shares allocated
Ir. Dr. Khairul Azmy Bin Kamaluddin	Independent Non-Executive Chairman	555,000
YM Raja Nor Azlina Binti Raja Azhar	Independent Non-Executive Director	340,000
Wong Poh May	Independent Non-Executive Director	340,000
Wong Keng Fai	Independent Non-Executive Director	340,000
Total		1,575,000

(2) Criteria of allocation to the eligible employees

The basis and criteria for the Pink Form Allocations to the eligible employees of the Group as approved by our Board, are based on the following factors:

- (a) the eligible employee must be a full-time confirmed employee and on the payroll of our Group and who has not submitted his/her resignation as at the LPD prior to the issuance of the Prospectus; and
- (b) the number of new Shares allocated to the eligible employee is based on, amongst others, seniority within our Group, length of service, as well as past performance and contributions made to our Group.

4. DETAILS OF OUR IPO (CONT'D)

The number of new Shares to be allocated to our Key Senior Management is as follows:

<u>Name of eligible employee</u>	<u>Designation</u>	<u>No. of Shares allocated</u>
Ed Kamil Bin Md Bashah	Project Director	3,700,000
Khoirol Suhardi Bin Shaaban	Technical Director	3,700,000
Mohd Hanafy Bin Rasimon	Project Director	3,700,000
Gan Yee Shan	Finance Manager	350,000
Total		11,450,000

- (3) The criteria for allocation to persons who have contributed to the success of our Group, comprising our customers, suppliers and business associates, is based on, amongst others, their length of business relationship with our Group, past contribution to our success and/or potential contribution to our Group in the future.

As at the LPD, save as disclosed in Section 4.3.1 of this Prospectus, to the extent known to our Company:

- (a) there are no Substantial Shareholders, Directors or Key Senior Management of our Company who intend to subscribe for our new Shares save for the new Shares made available for application under the Pink Form Allocations; and
- (b) there are no person who intends to subscribe for more than 5% of our new Shares.

(iii) Private placement

76,286,000 new Shares, representing approximately 18.00% of our enlarged number of issued Shares, will be made available by way of private placement to selected investors.

4.3.2 Placement, underwriting and allocation of our new Shares

A summary of our new Shares to be allocated under our IPO (subject to the clawback and reallocation provisions as set out in Section 4.3.3 of this Prospectus) is as follows:

Our Underwriter has fully underwritten the following:

- (i) all the 21,192,000 new Shares which are to be subscribed by the Malaysian Public; and
- (ii) all the 21,192,000 new Shares which are to be subscribed by the Eligible Persons by way of Pink Form Allocations.

Please refer to Section 4.10 of this Prospectus for the salient terms of the Underwriting Agreement.

The 76,286,000 new Shares made available for private placement to be subscribed by selected investors will not be underwritten. Irrevocable undertakings will be obtained from the selected investors to subscribe for the aforementioned new Shares made available under private placement.

4. DETAILS OF OUR IPO (CONT'D)

4.3.3 Clawback and reallocation

Our IPO Shares will be subject to the following clawback and reallocation provisions:

(i) Malaysian Public via balloting

In the event that there are Shares which are not subscribed by the Malaysian Public, the remaining portion unsubscribed will be made available for application and offered to the selected investors under Section 4.3.1 of this Prospectus.

Any further Shares which are not subscribed for after being allocated and offered to the selected investors under Section 4.3.1 of this Prospectus, such Shares shall be underwritten by our Underwriter in accordance with the salient terms of the Underwriting Agreement.

(ii) Eligible Persons

Any Pink Form Allocations which are not subscribed by any of the Eligible Persons shall be offered to other eligible employees of the Group (excluding Directors of the Company). Thereafter it will be offered to the Malaysian Public under Section 4.3.1(i) and the selected investors under Section 4.3.1 of this Prospectus.

Thereafter, any remaining Pink Form Allocations which are not subscribed for will be underwritten by our Underwriter in accordance with the salient terms of the Underwriting Agreement.

(iii) Private Placement to the Selected Investors

In the event of under-subscription of the Shares by the selected investors by way of private placement, the remaining unsubscribed portion will be clawed back and reallocated to the Malaysian Public under Section 4.3.1 (i) of this Prospectus.

The clawback and reallocation provisions will not apply in the event if there is an over-subscription in all the allocations of our Shares at the closing date of our IPO.

The allocation of our IPO Shares shall be on a fair and equitable manner and shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants with a view of broadening our Company's shareholding base to meet the public shareholding spread requirement of Bursa Securities and to establish a liquid market for our Shares.

There is no over-allotment or "greenshoe" option that will result in an increase in the number of our IPO Shares.

4.3.4 Minimum subscription level

There is no minimum subscription in terms of proceeds to be raised from our IPO. However, to comply with the public spread requirement under the Listing Requirements, the minimum subscription level in terms of the number of Shares will be the number of Shares required to be held by public shareholders of our Company to comply with the public shareholding spread requirement under the Listing Requirements or as approved by Bursa Securities.

Under the Listing Requirements, we are required to have at least 25.00% of our total number of issued Shares to be held by a minimum of 200 public shareholders holding not less than 100 Shares each. This is the minimum subscription level in terms of the number of Shares.

We expect to meet the public shareholding requirements at the point of our Listing.

4. DETAILS OF OUR IPO (CONT'D)

If the public spread requirement is not met, we may not be permitted to proceed with our Listing. In such event, monies paid in respect of any application for our IPO Shares will be returned in full, without interest or any share of revenue or benefits arising therefrom. If such monies are not returned in full within 14 days after we become liable to do so, the provision of Section 243(2) of the CMSA shall apply accordingly.

4.3.5 Price stabilisation mechanism

We will not be employing any price stabilisation mechanism in accordance with the Capital Markets and Services (Price Stabilisation Mechanism) Regulations 2008 for our IPO.

4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKINGS

4.4.1 Share capital

Upon the completion of our IPO, our share capital would be as follows:

	<u>No. of Shares</u>	<u>RM</u>
Issued share capital after the Acquisition	305,152,460	15,257,718
Shares to be issued under the Public Issue	118,670,000	[●]
Enlarged issued share capital upon Listing	<u>423,822,460</u>	<u>[●]</u>
IPO Price per Share		[●]
Market capitalisation upon Listing (based on IPO price and enlarged number of issued Shares upon Listing)		[●]
Pro forma combined NA per Share (based on the pro forma combined statement of financial position as at 30 September 2023 after the Acquisition, Public Issue and the intended use of proceeds		⁽¹⁾ [●]

Note:

(1) Based on the pro forma combined NA after the IPO and adjusting for the use of proceeds from the Public Issue of RM[●] million and the enlarged issued share capital of 423,822,460 Shares after the IPO.

4.4.2 Classes of shares and ranking

As at the date of this Prospectus, we only have one class of Shares, being ordinary shares in our Company.

Our IPO Shares will, upon allotment and issuance, rank equally in all respects with our existing issued Shares, including voting rights, and will be entitled to all rights, dividends and distributions that may be declared subsequent to the date of allotment of the IPO Shares, subject to any applicable rules of the Bursa Depository.

4. DETAILS OF OUR IPO (CONT'D)

Subject to any special rights attaching to any Shares which we may issue in the future, our shareholders will, in proportion to the number of Shares held by them, be entitled to share in the profits paid out by us in the form of dividends and other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At every general meeting of our Company, a resolution put to the vote of the meeting shall be decided by way of poll. Each shareholder will be entitled to vote in person, by proxy, by attorney or by other duly authorised representative. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy.

On a show of hands, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative will have 1 vote. On a poll, each shareholder present either in person, by proxy, by attorney or other duly authorised representative will have 1 vote for each Share held or represented.

4.5 BASIS OF ARRIVING AT THE IPO PRICE OF OUR IPO SHARES

Our Directors, Promoters, Principal Adviser, Underwriter and Placement Agent have determined and agreed on the IPO Price of RM[●] per IPO Share based on the following factors:

- (i) the PE Multiple of approximately [●] times based on SDCG's EPS of approximately 1.23 sen for the FY 2022 calculated based on the PAT attributable to the owners of the Company for the FY 2022 of RM5.20 million and SDCG' enlarged issued share capital of 423,822,460 upon Listing;
- (ii) the Group's historical financial performance for the FY Under Review and FP 2023 is summarised as follows:

	Audited			
	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Revenue	14,709	17,594	18,648	16,806
GP	6,031	9,059	10,678	9,112
PAT attributable to:				
- Owners of the Company	1,999	4,217	5,195	3,408
EPS (sen) ⁽¹⁾	0.47	0.99	1.23	⁽²⁾ 1.07

Notes:

- (1) *Calculated based on PAT attributable to the owners of the Company divided by the enlarged issued share capital of 423,822,460 Shares after the IPO.*
 - (2) *Calculated based on annualised PAT attributable to the owners of the Company for the FP 2023*
- (iii) The pro forma combined NA per Share of RM18.68 as at 30 September 2023 and RM[●] after the IPO, which was computed based on the following:
 - the audited combined NA as at 30 September 2023, the IPO and its subsequent utilisation of proceeds from the Public Issue;
 - the enlarged number of issued Shares of 423,822,460 Shares upon Listing, and
 - (iv) our competitive advantages and key strengths as set out in Section 7.5 of this Prospectus;
 - (v) our business strategies and plans as set out in Section 7.19 of this Prospectus; and

4. DETAILS OF OUR IPO (CONT'D)

(vi) the IMR Report as set out in Section 8 of this Prospectus.

You should note that the market price of our Shares upon Listing is subject to vagaries market forces and other uncertainties. You should form your own views on the valuation of our IPO Shares before deciding to invest in them. You are also reminded to consider the risk factors as set out in Section 9 of this Prospectus before deciding to invest in our Shares.

4.6 DILUTION

4.6.1 NA per Share

Dilution is computed as the difference between our IPO Price paid by you for our IPO Shares and the pro forma combined NA per Share of our Group immediately after our IPO.

The following table illustrates the effect of our Group's pro forma combined NA for each Share to our shareholders:

Details		RM
IPO Price	(A)	[•]
Pro forma combined NA per Share as at 30 September 2023 after our Acquisitions and before the Public Issue (based on the issued share capital of 305,152,460 Shares)	(B)	0.06
Pro forma combined NA per Share after the Public Issue and the intended utilisation of proceeds (based on the enlarged issued share capital of 423,822,460 Shares)	(C)	[•]
Increase in the pro forma combined NA per Share attributable to the existing shareholders (after the Public Issue and the intended use of proceeds)	(C) – (B)	[•]
Dilution in the pro forma combined NA per Share to new investors	(A) – (C)	[•]
Dilution in the pro forma combined NA per Share to new investors as a percentage of the IPO Price	$[(A) - (C)] / (A)$	[•]%

Further details of our pro forma combined NA per Share as at 30 September 2023 is set out in Section 13 of this Prospectus.

4.6.2 Effective Cost per Share

Save as disclosed below, there has been no acquisition of any of our Shares by our Promoters, substantial shareholders, Directors and/or Key Senior Management or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our Shares from the date of our incorporation up to the date of this Prospectus:

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4. DETAILS OF OUR IPO (CONT'D)

Name	(1) No. of Shares	(3) Total Consideration (RM)	Average effective cost per Share (RM)
Edison Kong	(2) 274,637,224	13,731,956	0.05
Eileen Liuk	30,515,236	1,525,762	0.05

Notes:

(1) *Issued pursuant to the Acquisition.*

(2) *Including 51 subscribers' shares held by Edison Kong and 49 subscribers' shares which is currently held by Yew Kong Seong and will be transferred to Edison Kong upon completion of the Acquisition.*

(3) *Being the consideration for the Acquisition and 100 subscribers' shares.*

Save for the above and the Pink Form Allocations to our eligible Directors and Key Senior Management, there has been no other acquisition or subscription of any of our Shares by our Directors, Promoters, Key Senior Management, substantial shareholders and/or persons connected to them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, in the past 3 years up to the date of this Prospectus.

4.7 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

- (i) to enable our Group to raise funds for the purposes set out in Section 4.8 of this Prospectus;
- (ii) to enable our Group to gain access to the capital market to raise funds for future business growth opportunities;
- (iii) to provide an opportunity for the Eligible Persons as well as the Malaysian Public to participate in the future performance of our Group by way of equity participation; and
- (iv) to gain recognition through our listing status which will enhance our reputation so as to assist us in expanding our customer base, and retaining and attracting new skilled employees in our industry.

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4. DETAILS OF OUR IPO (CONT'D)

4.8 USE OF PROCEEDS

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

Details of use of proceeds	Reference	RM'000	%	Estimated timeframe for the use of proceeds from date of Listing
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>	

Further details of the proposed use of the gross proceeds from the Public Issue are as follows:

4.8.1 Expansion of our Headquarters

Our current Headquarters is housed in a 3-storey shop office unit with a built-up area of approximately 8,320 sq. ft., which we own in Kajang, Selangor. 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.

We have existing workstations to accommodate up to 26 employees, although our current workforce is 53 employees as at the LPD. Our employees from project department and technical and servicing department are primarily stationed at their respective project sites for project implementation and/or occupy the shared workstations at our Headquarters.

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 by constructing a new extension 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. The expansion of the Headquarters is expected to incorporate dedicated floor space for the following:

Floor	Purpose	
	Existing Headquarters as at the LPD	Headquarters after expansion
Ground	<ul style="list-style-type: none"> • Reception • Showroom • Storage room 	<ul style="list-style-type: none"> • Reception • Showroom • Storage room • New meeting room which is able to accommodate more than 20 personnel

4. DETAILS OF OUR IPO (CONT'D)

Floor	Purpose	
	Existing Headquarters as at the LPD	Headquarters after expansion
First	<ul style="list-style-type: none"> 10 workstations for finance, sales, procurement, administrative and human resources departments Discussion room 	<ul style="list-style-type: none"> Estimated 18 workstations for finance, sales, procurement, administrative and human resources departments Discussion room
Second	<ul style="list-style-type: none"> Command and control centre 16 share workstations for the project department and technical and servicing department 	<ul style="list-style-type: none"> Command and control centre Estimated 26 share workstations for the project department and technical and servicing department New discussion room

As at the LPD, we are in discussions with the identified professional consultants for the expansion of the Headquarters. Based on their preliminary assessment, each floor of the Headquarters will increase from approximately 2,700 sq. ft. to approximately 4,400 sq. ft. which will be allocated for the abovementioned purposes. The details of the floor plan are targeted to be submitted to the Majlis Perbandaran Kajang for approval in the 4th quarter of 2024.

The breakdown of the RM[●] million allocated the expansion of our Headquarters is as follows:

Details	(1) Estimated Costs RM'000
Construction works (including mechanical and electrical as well as infrastructure works)	[●]
Professional fees ⁽²⁾	[●]
Renovation, interior fit-out and furnishing	[●]
Total	[●]

Notes:

- (1) Based on fees estimation by our professional consultants.
(2) Comprise professional fees for architect, civil and structural engineers, mechanical and electrical engineers, and quantity surveyor.

The indicative timeline for the expansion of our Headquarters is as follows:

Estimated timeline	Milestones
4th quarter of 2024	Submission of building plan to Majlis Perbandaran Kajang
2nd quarter of 2025	Approval of building plan obtained
3rd quarter of 2025	Commencement of construction works
2nd quarter of 2026	<ul style="list-style-type: none"> Completion of construction works, renovation, interior fit-out and furnishing Application for Certificate of Completion and Compliance
4th quarter of 2026	Certificate of Completion and Compliance obtained

Pending the completion of the expansion of the Headquarters, we may consider to temporarily rent an additional office within the vicinity of our Headquarters in Kajang, Selangor, if necessary. As at the LPD, our current space limitations remain manageable, primarily due to the deployment of our employees from the project department and technical and servicing departments who are stationed at various project sites for project implementation.

4. DETAILS OF OUR IPO (CONT'D)

Upon completion of the expansion of the Headquarters, our Headquarters will increase from 26 workstations to 44 workstations, which will be sufficient to house our employees as our employees from the project department and technical and servicing department will still be primarily stationed at their respective project sites for project implementation and/or share workstations in our Headquarters.

In the event that our actual costs for the expansion of the Headquarters are higher than estimated, the deficit will be funded out of the portion allocated for our working capital requirements and/or internally generated funds. However, if our actual costs are lower than estimated, the excess will be utilised for our Group's working capital.

4.8.2 Tender bonds and/or performance bonds for future projects

We intend to allocate RM[●] million of our proceeds for tender bonds and/or performance bonds for our future projects. The allocation of our proceeds will improve our liquidity and cash flow position, which would place us in a better position to expand our projects portfolio in our BMS, solar thermal systems and energy saving services segments.

For the purposes of the submission of the bid or tender for future projects, we would commonly submit tender bonds, in the form of banker's cheque via our internally generated funds, to the prospective customers. Similarly, performance bonds are commonly required to be provided to the customers, in the form of bank guarantee via utilisation of the banking facility, upon execution of the contracts awarded.

In some cases, the purpose of a tender bond to be submitted along with the tender bid document is to provide a guarantee to the customer that we will undertake the project if we are awarded. We secure these contracts through the submission of tender bids or private proposals. The tender bond value is set not more than 5.00% depending on the tender. The validity of a tender bond lapses upon the end of the tender period. Generally, in the event we are awarded with the project, the tender bond will be substituted with a performance bond. Conversely, if our bid is not successful, the full amount of the tender bond is refunded.

On the other hand, for certain projects awarded to us, we are required to provide performance bonds to the awarding party as an assurance or security for us to complete our contractual obligations. The quantum of the performance bonds may differ between projects but is approximately 5.00% of the total contract sum. The performance bond is typically required to remain valid until 12 months upon the issuance of CPC or the expiration of the defect liability period, as the case may be. Subsequent to the completion of the projects and upliftment of the performance bonds, we will reallocate the amount to working capital which will then be either used for future performance bonds or other working capital requirements.

4.8.3 Purchase of materials for solar thermal systems and energy saving services

We intend to allocate RM[●] million of our proceeds for the purchase of materials for solar thermal systems and energy saving services which comprise solar thermal system components, solar thermal system installation materials and other materials.

Solar thermal system components are mainly for installation of solar thermal hot water systems as part of energy performance services and standalone installation of solar thermal hot water systems. The types of solar thermal system components that we purchased include calorifier tanks, solar and other pumps and STCS controller and sensor components. Whereas, solar thermal system installation materials that we purchase such as power cables and electrical components, as well as other equipment which mainly comprise LED lighting equipment and boiling pan, heat pumps and steam generator.

4. DETAILS OF OUR IPO (CONT'D)

The breakdown for each type of solar thermal system components, solar thermal system installation materials and other materials to be purchased cannot be determined at this juncture as it is dependent on projects that will be awarded to us.

4.8.4 General Working capital

We have allocated RM[●] million of our proceeds to supplement our working capital over 24 months from the date of our Listing. The general working capital will be utilised for our day-to-day operations including payments to suppliers and subcontractors, administration and operating expenses. The details of the utilisation are as follows:

General working capital	RM'000
Payments to suppliers and subcontractors	[●]
Administration and other operating expenses	[●]
Total	[●]

Materials and equipment costs as well as subcontractor costs are our largest cost of sales item (collectively contributing 89.50%, 81.42%, 79.04% and 82.37% in FY 2020, FY 2021, FY 2022 and FY 2023 respectively) and as such we have allocated approximately 85.00% of the proceeds raised for general working capital to make payment to suppliers and subcontractors.

4.8.5 Capital expenditure

We have allocated RM[●]million of our proceeds on purchasing new equipment, ICT related systems to enhance productivity and service delivery, with the breakdown as follows:

Details	Note	Estimated Costs RM'000
Purchasing new equipment for our BMS, and installation and maintenance of solar thermal hot water systems	(a)	[●]
Purchasing and subscription of ICT software and services	(b)	[●]
Total		[●]

(a) Purchasing new equipment for our BMS, and installation and maintenance of solar thermal hot water systems

We currently utilise tools and equipment to carry out our systems integration and maintenance services for BMS, and installation and maintenance of solar thermal hot water systems. We plan to purchase the following tools, equipment and vehicles to enhance our productivity and service delivery of these segments, with the estimated cost amounting to RM[●] million as follows:

Details	Number of units	Estimated Costs RM'000
Pick-up trucks	2	[●]
Forklift	1	[●]
Drones with thermal sensor	2	[●]
Panel cleaning equipment	1	[●]
Total		[●]

4. DETAILS OF OUR IPO (CONT'D)

(b) Purchasing and subscription for ICT software and services

We currently operate our command and control centre at our Headquarters to provide centralised monitoring of connected BMS and solar thermal or hybrid hot water systems, which supports our BMS and solar thermal and energy saving services segments. We also utilise third-party software to support our BMS and solar thermal and energy saving services segments, and overall administrative functions. We intend to expand our command and control centre and ICT resources to support our business growth by purchasing or subscribing to ICT software and services, with the estimated cost amounting to RM[●]million as follows:

Details	Estimated Costs RM'000
IoT software	[●]
Solar irradiance database	[●]
Computer-aided design software	[●]
Specialised design software	[●]
Energy system simulation software	[●]
Accounting software	[●]
Total	[●]

In the event that our actual costs for these capital expenditures are higher than estimated, the deficit will be funded out of the portion allocated for our working capital requirements and/or internally generated funds. However, if our actual costs are lower than estimated, the excess will be utilised for our Group's working capital.

4.8.6 Estimated listing expenses

We have allocated RM[●] million of our proceeds from the Public Issue for our listing expenses as follows:

Details	Estimated Costs RM'000
Professional fees ⁽¹⁾	[●]
Brokerage, underwriting and placement fees	[●]
Fees payable to authorities	[●]
Fees and expenses for printing and advertising	[●]
Miscellaneous expenses and contingencies ⁽²⁾	[●]
Total	[●]

Notes:

- (1) *Includes professional and advisory fees for, amongst others, Principal Adviser, Due Diligence Solicitors, Auditors and Reporting Accountants, IMR, ICR and Company Secretary.*
- (2) *Other incidental or related expenses in connection with the IPO, which include share registrar, issuing house, translators, media related expenses and IPO event expenses.*

If the actual listing expenses are higher than estimated, the shortfall will be funded from the proceeds allocated for our working capital requirements and/or internally generated funds. Conversely, if the actual listing expenses are lower than estimated, the surplus will be used for working capital purposes.

4. DETAILS OF OUR IPO (CONT'D)

Pending the eventual use of the gross proceeds from the Public Issue for the above intended purposes, we will place such funds in interest-bearing fixed deposit accounts with licensed financial institutions or in short-term money market instruments as our Directors may deem appropriate.

4.9 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

4.9.1 Brokerage

We will pay brokerage in respect of our IPO Shares under the Retail Offering at the rate of [●]% of the IPO Price in respect of all successful Applications which bear the stamp of either the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or the Issuing House.

4.9.2 Underwriting commission

Mercury Securities, as our Underwriter has agreed to underwrite up to 42,384,000 of our new Shares made available for application by the Malaysian Public and our Eligible Persons (“**Underwritten Shares**”) for an underwriting commission of [●]% of the total value of the underwritten Shares at the IPO Price in accordance with the terms of the Underwriting Agreement.

4.9.3 Placement fee

Mercury Securities, as our Placement Agent has agreed to place out 76,286,000 of our new Shares to selected investors. We will pay our Placement Agent a placement fee of up to [●]% of the value of Issue Shares at the IPO Price in accordance with the terms of the Placement Agreement.

4.10 DETAILS OF UNDERWRITING AGREEMENT

This section sets out the salient terms contained in the Underwriting Agreement. The capitalised terms used in this section shall have the respective meanings as ascribed thereto in the Underwriting Agreement.

The following are the salient terms of the Underwriting Agreement:

[The salient terms will be inserted once the Underwriting Agreement has been entered into and is available.]

4.11 TRADING AND SETTLEMENT IN SECONDARY MARKET

Upon our Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through the CDS (which is operated by Bursa Depository). This will be effected in accordance with the Rules of Bursa Depository and the provisions of the SICDA. Accordingly, our Company will not deliver share certificates to the subscribers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain our Shares in CDS accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as the shareholders of our Company in respect of the number of Shares credited to the respective CDS accounts.

4. DETAILS OF OUR IPO (CONT'D)

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS account being debited with the number of Shares sold and the buyer's CDS account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

All Shares held in CDS accounts may not be withdrawn from the CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of debt securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List of Bursa Securities;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading of shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares will trade under the odd lot board. Settlement of trades done on a "ready" basis on Bursa Securities generally takes place on the 2nd Market Day following the transaction date, and payment for the securities is generally settled on the 2nd Market Day following the transaction date.

It is expected that our IPO Shares will not commence trading on Bursa Securities until about 10 Market Days after the closing date of the Application. Holders of our Shares will not be able to sell or otherwise deal in our Shares (except by way of a book-entry transfers to other CDS accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters and Substantial Shareholders' shareholdings

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.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.2 Profiles of our Promoters and Substantial Shareholders

(i) Edison Kong

Promoter, Substantial Shareholder and Managing Director

Edison Kong, a Malaysian, aged 43, is our Promoter, Substantial Shareholder and Managing Director. Please refer to Section 5.2.2 (ii) of this Prospectus for details of Edison Kong's profile.

(ii) Eileen Liuk

Promoter, Substantial Shareholder and Executive Director

Eileen Liuk, a Malaysian, aged 44, is our Promoter, Substantial Shareholder and Executive Director. Please refer to Section 5.2.2 (iii) of this Prospectus for details of Eileen Liuk's profile.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.3 Changes in our Promoters' and Substantial Shareholders' shareholding in our Company

The table below sets out the changes in our Promoters' and Substantial Shareholders' shareholdings since incorporation and up to the completion of our IPO:

Name	As at 25 April 2023 (Date of Incorporation)				As at 29 May 2023			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoters and Substantial Shareholders								
Edison Kong	-	-	-	-	51	51.00	-	-
Eileen Liuk	-	-	-	-	-	-	⁽⁵⁾ 51	51.00
Substantial shareholder								
Yew Kong Seong ⁽¹⁾	100	100.00	-	-	49	49.00	-	-
Name	Before our IPO and after the completion of the Acquisition				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	⁽²⁾ %	No. of Shares	⁽²⁾ %	No. of Shares	⁽³⁾ %	No. of Shares	⁽³⁾ %
Promoters and Substantial Shareholders								
Edison Kong	274,637,224	90.00	⁽⁴⁾ 30,515,236	10.00	274,637,224	64.80	⁽⁴⁾ 30,515,236	7.20
Eileen Liuk	30,515,236	10.00	⁽⁵⁾ 274,637,224	90.00	30,515,236	7.20	⁽⁵⁾ 274,637,224	64.80
Substantial shareholder								
Yew Kong Seong ⁽¹⁾	-	-	-	-	-	-	-	-

Notes:

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

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

As of the date of this Prospectus, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares. The Shares held by our Promoters and substantial shareholders will have the same voting rights with the other shareholders of our Company, and there is no arrangement between our Company and our Promoters, with any third parties, which may at a subsequent date, result in the change in control of our Company.

Save for our Promoters and substantial shareholders named above, we are not aware of any other persons who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

5.1.4 Benefits paid or intended to be paid or given to our Promoters and Substantial Shareholders

Save as disclosed below, there are no other amount or benefits paid, intended to be paid or given to our Promoters and substantial shareholders within the 2 years preceding the date of this Prospectus:

- (i) Remuneration and benefits-in-kind arising from employment and directorship paid to our Promoters and Substantial Shareholders for services rendered to our Group in all capabilities as disclosed in Section 5.2.4 of the Prospectus;
- (ii) Dividend paid to our Promoters and Substantial Shareholders as follows,

	FY 2021	FY 2022	FP 2023	From 1 October 2023 up to the LPD
	RM'000	RM'000	RM'000	RM'000
Promoters and Substantial Shareholders				
Edison Kong	1,800	5,670	-	1,800
Eileen Liuk	200	630	-	200

- (iii) The issuance of 305,152,360 Shares as consideration for the Acquisition.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2 BOARD OF DIRECTORS

5.2.1 Directors' shareholdings

The details of our Directors and their respective shareholdings in our Company before our IPO (after completion of the Acquisition) and after our IPO (assuming full subscription of the Shares allocated for our Directors under the Pink Form Allocations) are as follows:

Name / Designation	Nationality	Before our IPO and after the completion of the Acquisition				After our IPO ⁽⁵⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	⁽¹⁾ %	No. of Shares	⁽¹⁾ %	No. of Shares	⁽²⁾ %	No. of Shares	⁽²⁾ %
Ir. Dr. Khairul Azmy Bin Kamaluddin/ <i>Independent Non-Executive Chairman</i>	Malaysian	-	-	-	-	⁽⁵⁾ 555,000	0.13	-	-
Edison Kong/ <i>Managing Director</i>	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/ <i>Executive Director</i>	Malaysian	30,515,236	10.00	⁽⁴⁾ 274,637,224	90.00	30,515,236	7.20	⁽⁴⁾ 274,637,224	64.80
YM Raja Nor Azlina Binti Raja Azhar/ <i>Independent Non-Executive Director</i>	Malaysian	-	-	-	-	⁽⁵⁾ 340,000	*	-	-
Wong Poh May/ <i>Independent Non-Executive Director</i>	Malaysian	-	-	-	-	⁽⁵⁾ 340,000	*	-	-
Wong Keng Fai/ <i>Independent Non-Executive Director</i>	Malaysian	-	-	-	-	⁽⁵⁾ 340,000	*	-	-

Notes:

* Less than 0.1%.

(1) Based on the total number of 305,152,460 Shares after completion of the Acquisition and before our IPO.

(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.

(5) Assuming our Independent Non-Executive Chairman/ Directors subscribe in full for their Pink Form Allocations.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.2 Profiles of our Directors

The profiles of our Directors are as follows:

(i) **Ir. Dr. Khairul Azmy Bin Kamaluddin,**
Independent Non-Executive Chairman

Ir. Dr. Khairul Azmy bin Kamaluddin, a Malaysian male aged 61, is the Company's Independent Non-Executive Chairman. He was appointed to the Board on 14 August 2023.

He graduated with a Bachelor of Science in Electrical Engineering (Power) from the Southern Illinois University in March 1985. His other qualifications include a Master of Science in Building Services Engineering from Brunel University in July 1997 and a Doctor of Philosophy in Electrical and Electronic from University Malaysia Sabah in November 2017. He is presently a holder of several committee memberships, amongst others, a member and a qualified professional engineer in electrical engineering awarded by the Board of Engineers, Malaysia (BEM), the president of the Biomedical Engineering Association of Malaysia (BEAM), a member of the Institute of Engineering Malaysia (IEM) and the annual council meeting member of the International Federation of Healthcare Engineers (IFHE). In addition to the above, he is also currently a holder of several accreditations, namely a certified energy manager by the Malaysian Green Technology and Climate Change Corporation, a certified healthcare facility manager by the International Advisory Council for Healthcare Facility Management and a certified MyCREST Facilitator and Assessor by CIDB.

He began his career in August 1985 with the MOH as an Acting Chief Engineer at the Hospital Kota Bharu, where he was involved in assisting the management of the hospital's engineering support unit and provision of maintenance work on hospital support services. While continuing to pursue his career, during which time he was positioned as the Senior Electrical Engineer at the hospital, he was granted by MOH a full-time study leave to pursue a Master of Science in Building Services Engineering from Brunel University from 1995 to 1997. During his tenure with MOH, he held various positions from August 1985 to November 2022. The last position that he held before his retirement was Senior Deputy Director (Services), where he was responsible for provision of strategic directions for the development, implementation and monitoring of all programs and activities for hospital support and clinic support services, biomedical engineering services and the MOH's engineering sustainability program.

In May 2023, he had established his own sole proprietorship, HCES Consultant, which is involved in technical consultation for healthcare engineering, facility management, building surface condensation and mold, energy management and sustainability in design, a position he currently holds.

Further details of Ir. Dr. Khairul Azmy bin Kamaluddin's principal business performed outside our Group and his principal directorships are set out in Section 5.2.3 of this Prospectus.

(ii) **Edison Kong**
Promoter, Substantial Shareholder and Managing Director

Edison Kong, a Malaysian male aged 43, is our Managing Director. He was appointed to our Board on 25 April 2023.

He graduated with a Bachelor of Mechanical Engineering from the University Tun Hussein Onn, Malaysia in August 2003. He was admitted into the Board of Engineers Malaysia in November 2008 as a graduate engineer and the Institution of Engineers

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Malaysia in March 2009 as a graduate member. In October 2009, he was registered with Green Building Index Sdn Bhd as an accredited Green Building Index Facilitator. He is also registered with ASEAN Centre for Energy under the ASEAN Energy Management Scheme as a Certified Energy Manager in June 2010 and the Malaysia Building Automation System Association ("BASAM") as a BASAM System Integrator in November 2018.

He began his career in July 2003 with Sigma Elevator (M) Sdn Bhd as a Sales Engineer, where he was involved in sales and marketing of lift and escalator services, advising consultants or clients on lift and escalator design and human traffic analysis on buildings. He left Sigma Elevator (M) Sdn Bhd in June 2004 and joined PFT Worldwide Corporation Sdn Bhd in the same month as a Project Engineer, where he was responsible for marketing and business development, project coordination, supervision and overseeing projects until March 2007, when he left as Senior Project Engineer. In April 2007, he joined Formis Automation Sdn Bhd as a Building Automation System Support Specialist, where he was in charge of marketing and business development, pre-sales and post-sales support, building automation system design and document for project tenders, product sourcing and management of a team of pre-sales and system implementers. He left Formis Automation Sdn Bhd in August 2008.

In September 2008, he joined SDC as the Head of Mechanical and Engineering Department/Director of Services, where he was responsible for sales, project management, conducting seminars and providing solutions to clients for renewable energy projects and building management system until April 2010. He was appointed as SDC's Deputy Managing Director in May 2010, where he was responsible for securing projects in the building management system and solar energy, managing and overseeing SDC's operations. In January 2011, he was appointed as the Acting Managing Director of SDC where he oversaw SDC's business development, project management and operations. In June 2011, he assumed the position of Managing Director of SDC where he is responsible for formulating and directing the overall strategy, growth and business of our Group.

He is the spouse of Eileen Liuk, our Promoter, substantial shareholder and Executive Director.

Further details of Edison Kong's principal business performed outside our Group and his principal directorships are set out in Section 5.2.3 of this Prospectus.

(iii) Eileen Liuk
Promoter, Substantial Shareholder and Executive Director

Eileen Liuk, a Malaysian female aged 44, is our Executive Director. She was appointed to our Board on 14 August 2023.

She graduated with a Bachelor of Mechanical Engineering from the University Tun Hussein Onn, Malaysia in August 2003.

She began her career in August 2003 with M & C Engineering and Trading Sdn Bhd as a Sales Engineer, where she assisted in preparing tender documents for building management system services as well as sales and marketing services until March 2004. In April 2004, she joined Formis Automation Sdn Bhd as an Account Manager, where she was responsible for project account management, managing sales activities of designated accounts, costings and tenders, sales and marketing, market research and analysis, material sourcing and price negotiation. She left Formis Automation Sdn Bhd in July 2009.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

In September 2009, she joined SDC as Business Manager, where she reported to the former Managing Director. She was primarily responsible to lead the marketing and business development function of the company, as well as material sourcing and price negotiation. In May 2010, she was promoted as SDC's Sales Director.

She is the spouse of Edison Kong, our Promoter, substantial shareholder and Managing Director.

Further details of Eileen Liuk's principal business performed outside our Group and her principal directorships are set out in Section 5.2.3 of this Prospectus.

(iv) YM Raja Nor Azlina Binti Raja Azhar
Independent Non-Executive Director

YM Raja Nor Azlina Binti Raja Azhar, a Malaysian, aged 56, is our Independent Non-Executive Director. YM was appointed to our Board on 14 August 2023 and is also a chairperson of our Nomination Committee and a member of our Remuneration Committee and Audit and Risk Management Committee.

YM graduated with a Bachelor of Laws from the University of Bristol, United Kingdom in June 1990. YM was called to the Bar of England and Wales as a Barrister-at-Law of the Honourable Society of Lincoln's Inn in July 1991.

YM undertook her pupillage with Messrs Raja Azhar & Husain Safri in September 1991 and was admitted as an Advocate and Solicitor of the High Court of Malaya in July 1992. Following completion of her pupillage, YM commenced her legal career with Messrs Raja Azhar & Husain Safri as a Managing Partner, a position she continues to hold till present. YM is currently involved in providing consultancy and corporate advisory work in relation to litigation, conveyancing and commercial matters.

Further details of YM Raja Nor Azlina binti Raja Azhar's principal business performed outside our Group and her principal directorships are set out in Section 5.2.3 of this Prospectus.

(v) Wong Poh May
Independent Non-Executive Director

Wong Poh May, a Malaysian, aged 44, is our Independent Non-Executive Director. She was appointed to our Board on 14 August 2023 and is also a chairperson of our Audit and Risk Management Committee and a member of our Remuneration Committee and Nomination Committee.

She graduated with an Advanced Diploma in Commerce (Financial Accounting) from the Tunku Abdul Rahman College, Malaysia in May 2003 and completed the Association of Chartered Certified Accountants ("ACCA") qualification examination in December 2003. She was admitted as a Member of the ACCA in February 2007 and progressed to obtain her ACCA's fellowship in February 2012. In September 2010, she was admitted as a Chartered Accountant of the Malaysian Institute of Accountants and subsequently obtained her Practising Certificate in November 2018. She is also an Associate Member of the Chartered Tax Institute of Malaysia since May 2019 and had obtained her chartered tax practitioner's qualification in May 2021. She is also currently a registered company secretary with the CCM.

She began her career in September 2003 with Messrs Khoo Wong & Chan as an Audit Assistant, where she was mainly responsible for assisting her Audit Senior in statutory audits.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

In April 2005, she left Messrs Khoo Wong & Chan as an Audit Semi-Senior and joined Messrs Ernst & Young (Malaysia) as Associate 1 in the Assurance and Advisory Business Services Division in May 2005 until she left Messrs Ernst & Young (Malaysia) as Senior Associate 1 in December 2007. Throughout her employment with Messrs Ernst & Young (Malaysia), she was involved in statutory audits and special purpose audits of both public and private companies in various industries.

She joined Messrs Deloitte (Singapore) in January 2008 as a Senior Associate Year 2 and left shortly in March 2008. At Messrs Deloitte (Singapore), she was responsible for statutory audits of private companies in Singapore.

In March 2008, she joined Messrs Ernst & Young (Singapore) as an Audit Senior in the Assurance and Advisory Business Services Division, where she was responsible for supervising various audit engagements and guiding the team in the execution of audit tasks.

In April 2009, she left Messrs Ernst & Young (Singapore) and joined BP Asia Pacific (Malaysia) Sdn Bhd within the same month as an Accountant, where she was responsible for the preparation of the group's financial outlook forecast and plan data and compliance. She left BP Asia Pacific (Malaysia) Sdn Bhd in January 2010.

In January 2010, she joined Focus Point Holdings Berhad as a Group Accountant, where she was responsible for the preparation of consolidated accounts, drafting financial statements and the monthly analysis on the group's performance. In addition, during her tenure in Focus Point Holdings Berhad, she was one of the company's representatives in the due diligence working group for the initial public offerings process. She left Focus Point Holdings Berhad in January 2011 after completion of the initial public offerings and took a maternity break until August 2011.

In August 2011, she joined Opus Group Berhad as a Finance Manager, where she was responsible for group financial reporting matters. Opus Group Berhad, Propel Berhad and Faber Group Berhad were amalgamated to be known as UEM Edgenta Berhad ("**UEM Edgenta**") in October 2014. During her tenure with UEM Edgenta, she held various positions from August 2011 to September 2018. The last position that she held was Head of Finance Operation (Asset Consultancy), where she was responsible for reporting to the Chief Financial Officer and Managing Director of Asset Consultancy as well as leading and coaching a team supporting the business unit of the asset consultancy and geotechnical infra services of UEM Edgenta in several areas, which included finance operation, group reporting, project accounts, budgeting, taxation, corporate finance and treasury.

In September 2017, she incorporated her own company, WPM Corporate Services Sdn Bhd and commenced business operations in provision of accounting, bookkeeping, tax, advisory and secretarial services in November 2018 after she obtained her Practising Certificate from Malaysian Institute of Accountants. In August 2019, she had also co-founded Ace Alpine Advisory Sdn Bhd, which is involved in the provision of accounting, bookkeeping, company secretary activities and tax consultancy services, where she is also currently responsible for overseeing the activities of the company.

Further details of Wong Poh May's principal business performed outside our Group and her principal directorships are set out in Section 5.2.3.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

(vi) Wong Keng Fai
Independent Non-Executive Director

Wong Keng Fai, a Malaysian male aged 33, is our Independent Non-Executive Director. He was appointed to our Board on 6 December 2023, and is also a chairperson of our Remuneration Committee and a member of our Audit and Risk Management Committee and Nomination Committee.

He graduated with a Bachelor of Science in Mathematics with Physics from the University of Southampton in June 2014. He is a Chartered Financial Analyst and has been a member of the CFA Institute since November 2019. He is also a holder of the Capital Markets Services Representative's Licence issued by the SC since July 2019.

He began his career in August 2014 with E2 Power Sdn Bhd, a subsidiary of Oversea-Chinese Banking Corporation as an Associate, where he assisted in operational projects and management matters in the Loan Operation Department, IT Department, Financial Controller Department and Head of Operation and Technology Office. He was subsequently promoted to Manager in February 2016 where he led multiple operational improvement projects in the Loan Operation Department.

In September 2016, he left E2 Power Sdn Bhd and joined Mercury Securities within the same month as an Associate in the Corporate Finance Department, where he assisted his team in several corporate exercises such as takeovers, merger and acquisitions, initial public offerings, private placements and rights issues for Malaysian public listed companies. He left Mercury Securities in May 2018.

In June 2018, he joined Visionnaires Capital Pte Ltd, Singapore ("**Visionnaires**") as a Senior Associate in the Corporate Finance Department, where he was involved in mergers and acquisitions exercises, fundraising deals and provision of strategic advisories.

In May 2019, he left Visionnaires and subsequently joined QuantePhi Sdn Bhd as a Team Lead in the Merger and Acquisition and Corporate Finance Department, a position he continues to hold till present. He is currently responsible for the management of a team of analysts in deal structuring, negotiation and execution process along with provision of advisories in respect of mergers and acquisitions, fundraising and debt restructuring exercises.

Further details of Wong Keng Fai's principal business performed outside our Group and his principal directorships are set out in Section 5.2.3 of this Prospectus.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.3 Principal directorships and principal business activities of our Directors outside our Group

Save as disclosed below, none of our Directors have any principal directorship and principal business activity performed outside our Group in the past 5 years up to the LPD:

(i) Ir. Dr. Khairul Azmy Bin Kamaluddin

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest held (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present involvement</u>						
HCES Consult	Technical consultation for healthcare engineering, facility management, building surface condensation and mold, energy management and sustainability in design	Sole Proprietor	11 May 2023	-	100.00	-
<u>Past involvement</u>						
-	-	-	-	-	-	-

(ii) Edison Kong

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as director</u>	<u>Date of resignation</u>	<u>Equity interest held (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present involvement</u>						
-	-	-	-	-	-	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held (%)	
					Direct	Indirect
<u>Past involvement</u>						
Panaltech Consulting Sdn Bhd	Energy efficiency consultant and to provide energy audit and saving solutions services, training, building and facilities maintenance, supply of electrical system, and to design, supply, install repair and maintenance of air-conditioning system, mechanical system and ventilation system, consulting	Director and Shareholder	30 August 2018	30 December 2022	60.00 ⁽¹⁾	40.00
Eco Niaga Sdn Bhd	Construction and development; promotion of green technology element and approach in facility management, operation and engineering relation; and to provide information and communication, technology services	Director and Shareholder	2 July 2019	15 February 2023	30.00	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

(1) He held 60.00% direct equity interest and 40.00% indirect equity interest by virtue of his spouse's equity interest in Panaltech Consulting Sdn Bhd prior to the disposal of such interest on 30 December 2022.

(2) He held 30.00% direct equity interest in Eco Niaga Sdn Bhd prior to the disposal of such interest on 15 February 2023.

(iii) Eileen Liuk

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as director</u>	<u>Date of resignation</u>	<u>Equity interest held (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present involvement</u>						
-	-	-	-	-	-	-
<u>Past involvement</u>						
Panaltech Consulting Sdn Bhd	Energy efficiency consultant and to provide energy audit and saving solutions services, training, building and facilities maintenance, supply of electrical system, and to design, supply, install repair and maintenance of air-conditioning system, mechanical system and ventilation system, consulting	Director and Shareholder	30 August 2018	30 December 2022	40.00 ⁽¹⁾	60.00

Note:

(1) She held 40.00% direct equity interest and 60.00% indirect equity interest by virtue of her spouse's equity interest in Panaltech Consulting Sdn Bhd prior to the disposal of such interest on 30 December 2022.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

(iv) **YM Raja Nor Azlina Binti Raja Azhar**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as director</u>	<u>Date of resignation</u>	<u>Equity interest held (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present involvement</u>						
Raja Azhar & Husain Safri, Kuantan branch	Law Firm	Managing Partner	-	-	100.00	-
<u>Past involvement</u>						
-	-	-	-	-	-	-

(vi) **Wong Poh May**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment as director</u>	<u>Date of resignation</u>	<u>Equity interest held (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present involvement</u>						
WPM Corporate Services Sdn Bhd	Provision of accounting, bookkeeping, secretarial services and tax consultancy services	Director and Shareholder	6 September 2017	-	100.00	-
Ace Alpine Advisory Sdn Bhd	Provision of accounting, bookkeeping and tax consultancy services	Director and Shareholder	8 August 2019	-	50.00	-
<u>Past involvement</u>						
-	-	-	-	-	-	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

(vi) Wong Keng Fai

Company	Principal activities	Position held	Date of appointment as director	Date of resignation	Equity interest held (%)	
					Direct	Indirect
<u>Present involvement</u>						
Capbright Sdn Bhd	Venture capital companies and activities of holding companies	Director and shareholder	3 October 2023	-	62.00	-
<u>Past involvement</u>						
Yield Mountain Sdn Bhd	Retail of sale of any kind of product over the internet, wholesale of a variety of goods without any particular specialization; business management consultancy services	Director	24 July 2019	24 May 2022	-	-

The involvement of our Independent Non-Executive Chairman and Independent Non-Executive Directors in the above business activities outside our Group will not affect their contributions to our Group and does not give rise to any actual or potential conflict of interest situation with our business, as the principal activities of these companies are not similar to our Group's business nor are they customers or suppliers to our Group. Their involvement in the business activities outside our Group will not affect their contributions to our Group, as our Independent Non-Executive Chairman and Independent Non-Executive Directors are not involved in the day-to-day operations of our Group.

As such, our Board is of the view that although they are involved in other businesses as set out above, they are able to devote sufficient time and attention to the affairs of our Group to carry out their respective duties.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.4 Remuneration and material benefits-in-kind of our Directors

The remuneration, which includes our Directors' fees, salaries, bonuses, other emoluments, allowances and benefits-in-kind, must be considered and recommended by our Remuneration Committee and subsequently be approved by our Board. Our Directors' fees and/or benefits must be further approved by our shareholders at a general meeting.

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FY 2023 and proposed for FY 2024 are as follows:

FY 2023

<u>Name</u>	<u>Directors' Fees</u> RM'000	<u>Salaries</u> RM'000	<u>(1) Bonuses</u> RM'000	<u>(2) Other emolument</u> RM'000	<u>Allowances</u> RM'000	<u>Benefits in-kind</u> RM'000	<u>Total</u> RM'000
<u>Executive Directors</u>							
Edison Kong	-	249	20	52	8	-	329
Eileen Liuk	-	237	19	50	-	-	306
<u>Independent Non-Executive Chairman</u> ⁽³⁾							
Ir. Dr. Khairul Azmy Bin Kamaluddin	-	-	-	-	(4) *	-	*
<u>Independent Non-Executive Directors</u> ⁽³⁾							
YM Raja Nor Azlina Binti Raja Azhar	-	-	-	-	(4) *	-	*
Wong Poh May	-	-	-	-	(4) *	-	*
Wong Keng Fai	-	-	-	-	(5) -	-	-

(*) Amount is not more than RM500

Notes:

(1) Bonuses were paid in April 2023, and ratified and approved by the Remuneration Committee and the Board on 25 September 2023.

(2) Includes employer's contribution to employees' provident fund, social security organisation and employment insurance scheme, where applicable.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

- (3) There were no remuneration and benefits in-kinds (including any contingent or deferred remuneration) for the Independent Non-Executive Chairman and Independent Non-Executive Directors for FY 2023. The remuneration to the Independent Non-Executive Chairman and Independent Non-Executive Directors will commence upon the Listing.
- (4) Refers to the meeting allowance.
- (5) Wong Keng Fai was appointed to the Board on 6 December 2023. Hence, he did not receive any meeting allowance for FY 2023.

Proposed for FY 2024

Name	(1) Directors' Fees RM'000	Salaries RM'000	Bonuses RM'000	(3) Other emolument RM'000	Allowances RM'000	Benefits in-kind RM'000	Total RM'000
<u>Executive Directors</u>							
Edison Kong	30	312	(2)-	68	-	-	410
Eileen Liuk	30	300	(2)-	66	-	-	396
<u>Independent Non-Executive Chairman</u>							
Ir. Dr. Khairul Azmy Bin Kamaluddin	30	-	-	-	(4) *	-	30
<u>Independent Non-Executive Directors</u>							
YM Raja Nor Azlina Binti Raja Azhar	30	-	-	-	(4) *	-	30
Wong Poh May	30	-	-	-	(4) *	-	30
Wong Keng Fai	30	-	-	-	(4) *	-	30

(*) Amount is not more than RM500

Notes:

- (1) The estimated remuneration to the Independent Non-Executive Chairman and Independent Non-Executive Directors for FY 2024 is only for the remaining periods for FY 2024 after the listing and subject to shareholder's approval at a general meeting pursuant to Section 230 of the Act.
- (2) Bonuses are not included as it will be determined later depending on the performance of the individuals and our Group, subject to the recommendation of the Remuneration Committee and approval by our Board.
- (3) Includes employer's contribution to employees' provident fund, social security organisation and employment insurance scheme, where applicable.
- (4) Refers to the meeting allowance.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3 BOARD PRACTICES

5.3.1 Board

Our Board is committed to inculcating good corporate governance practices in our Group from time to time in accordance with the practices and guidance based on the Malaysian Code on Corporate Governance. Our Board believes that corporate governance is extremely important to the success of our Group's business.

Our Board has the overall responsibility for the long-term success of our Group and delivery of sustainable value to our stakeholders. Our Board must act with integrity, lead by example, keep abreast of his/her responsibilities as a Director and of the conduct, business activities and development of our Company. In discharging its fiduciary duties and responsibilities, our Board has adopted a charter which sets out, among others, the following:

- (i) together with the key senior management, promoting good corporate governance culture within the Group which enforces ethical, prudent and professional behavior;
- (ii) reviewing and adopting a strategic plan for the Group, including setting performance objectives and approving operating budgets for the Group and ensuring that the strategies promote sustainability;
- (iii) monitoring the implementation of strategic plans by management;
- (iv) on a timely basis, reviewing and approving all quarterly and annual financial statements for announcement to Bursa Securities and stakeholders, based on the recommendation by the Audit and Risk Management Committee;
- (v) overseeing the conduct of the Group's business to evaluate whether the business is being properly managed, monitoring the Group's performance and building sustainable value for all stakeholders of the Group;
- (vi) reviewing the Board and key senior management remuneration policy and procedure;
- (vii) identifying and evaluating business risks and ensuring implementation of a managed and sound risk management framework;
- (viii) reviewing the adequacy and integrity of the internal control system and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines;
- (ix) reviewing and overseeing the appointment, resignation or termination of Directors, company secretaries, auditors and key senior management;
- (x) ensuring that control measures for corruption prevention are put in place as well as the systematic review, monitoring and enforcement of the Company's anti-bribery and corruption policy;
- (xi) ensuring establishment of succession plans for the Board members and key senior management, including appointing, training, fixing the compensation of and where appropriate, replacing key senior management;
- (xii) ensuring the Board is supported by at least a suitably qualified and competent Company Secretary to whom shall advise on compliance with applicable laws and any amendment to the laws and regulations related to the Malaysian Code on Corporate Governance, Act and Listing Requirements;

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

- (xiii) formalizing ethical standards of conduct through a code of conduct and ethics for Directors and management and ensuring compliance;
- (xiv) developing and implementing an investors' relations programme and a shareholders or stakeholders communication policy; and
- (xv) ensuring there is regular monitoring and communication between the Company and subsidiaries on financial and non-financial performance to ensure overall compliance to the strategic direction and vision of the Group.

As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office are as follows:

Name	Age	Designation	Date of appointment as Director	Date of expiration of the current term in office	Approximate no. of years in office as at LPD
Ir. Dr Khairul Azmy Bin Kamaluddin	61	Independent Non-Executive Chairman	14 August 2023	Subject to retirement by rotation at our first AGM	Less than 1 year
Edison Kong	43	Managing Director	25 April 2023	Subject to retirement by rotation at our first AGM	Less than 1 year
Eileen Liuk	44	Executive Director	14 August 2023	Subject to retirement by rotation at our first AGM	Less than 1 year
YM Raja Nor Azlina Binti Raja Azhar	56	Independent Non-Executive Director	14 August 2023	Subject to retirement by rotation at our first AGM	Less than 1 year
Wong Poh May	44	Independent Non-Executive Director	14 August 2023	Subject to retirement by rotation at our first AGM	Less than 1 year
Wong Keng Fai	33	Independent Non-Executive Director	6 December 2023	Subject to retirement by rotation at our first AGM	Less than 1 year

5.3.2 Audit and Risk Management Committee

The current members of our Audit and Risk Management Committee are as follows:

Name	Position	Directorship
Wong Poh May	Chairperson	Independent Non-Executive Director
YM Raja Nor Azlina Binti Raja Azhar	Member	Independent Non-Executive Director
Wong Keng Fai	Member	Independent Non-Executive Director

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

The key duties and responsibilities of our Audit and Risk Management Committee are, among others, the following:

- (i) reviewing the Group's quarterly results and year-end financial statements before submission to the Board, focusing particularly on:
 - a) changes in or implementation of major accounting policy changes;
 - b) significant and unusual events or transactions, and how these matters are addressed;
 - c) significant adjustments arising from the management;
 - d) compliance with accounting standards and other legal requirements; and
 - e) the going concern assumption.
- (ii) reviewing with the external auditors on the following and reporting the same to the Board:
 - a) considering the nomination and appointment of external auditors, and considering the adequacy of experience and resources of the external auditors and determining the audit fee;
 - b) reviewing any letter of resignation from the external auditors and any questions of resignation or dismissal;
 - c) reviewing whether there is reason (supported by grounds) to believe that the external auditor is not suitable for reappointment;
 - d) discussing with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit;
 - e) reviewing any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors from the interim and final external audits, the audit report and the assistance given by the Group's employees to the external auditors;
 - f) reviewing with the external auditors, their evaluation of the system of internal controls, their management letter and management's responses;
 - g) discussing the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors; and
 - h) conducting an annual assessment on the suitability, objectivity and independence of the external auditors to safeguard the quality and reliability of audited financial statements.
- (iii) reviewing with the internal auditors on the following and reporting the same to the Board:
 - a) the adequacy of scope, functions and resources of the firm of internal auditors (that was engaged to undertake the internal audit function) and that it has the necessary authority to carry out its work;

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

- b) the internal audit plan, processes as well as the results of the internal audit assessments and investigations undertaken, and ensuring that appropriate actions are taken on the recommendations of the internal audit function;
 - c) the major findings of internal audit investigations and management's response, and ensuring that appropriate actions are taken on the recommendations of the internal audit function;
 - d) effectiveness of the internal audit processes as well as the adequacy of the resource requirements, competency and the budget of the internal audit function;
 - e) mandating the internal audit function to report directly to the Audit and Risk Management Committee; and
 - f) review and approve any appointment, termination or resignation of the firm of internal auditors.
- (iv) reviewing and reporting to the Board the annual statement of risk management and internal control to be published in the Annual Report;
- (v) reviewing and reporting to the Board any related party transactions and conflict of interest situations that arose, persist or may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity and the measures taken to resolve, eliminate, or mitigate such conflicts;
- (vi) assessing processes and procedures to ensure compliance with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies;
- (vii) overseeing the sustainability management of the Group;
- (viii) overseeing the anti-bribery management of the Group; and
- (ix) reviewing the following areas of risk management:
- a) reviewing the adequacy of the Group's risk management framework and assessing the resources and knowledge of the management and employees involved in the risk management process;
 - b) reviewing the effectiveness of internal control systems deployed by the management to address those risks;
 - c) reviewing and recommending corrective measures undertaken to remedy failings and/or weaknesses;
 - d) reviewing and further monitoring principal risks that may affect the Group directly or indirectly and if deemed necessary, recommend additional course of action to mitigate such risks;
 - e) monitoring and communicating the risk assessment results to the Board; and
 - f) highlighting the actual and potential impact of any failing or weakness, particularly those related to financial performance or conditions affecting the Group.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3.3 Remuneration Committee

The current members of our Remuneration Committee are as follows:

Name	Position	Directorship
Wong Keng Fai	Chairperson	Independent Non-Executive Director
YM Raja Nor Azlina Binti Raja Azhar	Member	Independent Non-Executive Director
Wong Poh May	Member	Independent Non-Executive Director

The key duties and responsibilities of our Remuneration Committee are, among others, the following:

- (i) considering the scope of service agreements and remuneration of executive Directors and key senior management of the Group and make such recommendations to the respective Boards of Directors of the Group as it thinks fit;
- (ii) reviewing and making recommendations to the respective Board of Directors of the Group on the remuneration policies and packages of executive Directors and key senior management of the Group;
- (iii) on an annual basis and after taking due consideration of the assessment by the Nomination Committee of the effectiveness and contribution of every Director, executive Directors and key senior management concerned, reviewing the remuneration packages of Directors and key senior management of the Group and recommend to the Board specific adjustments in remuneration packages, if any;
- (iv) reviewing and making recommendations to the respective Board of Directors of the Group on Director's fees and other remuneration of non-executive Directors and independent Directors linking the level of remuneration to their level of responsibilities and contribution to their respective Board of Directors;
- (v) overseeing any major changes in employee remuneration and benefit structures throughout the Group;
- (vi) reviewing the policies governing the remuneration of Directors as well as the policies governing the remuneration and promotion of key senior management of the Group annually;
- (vii) recommending to the Board the appointment of the services of such advisers or consultants, as it deems necessary to fulfill its responsibilities;
- (viii) in considering its recommendations to the respective Board of Directors of the Group, ensuring that performance-related elements of remuneration should form a significant proportion of the total remuneration package of executive Directors and key senior management of the Group and should be designed to align their interests with those of shareholders and to give such executive Directors and key senior management the incentives to perform at the highest levels;
- (ix) recommending to the respective Board of Directors of the Group, reasonable remuneration packages needed to attract, retain and motivate the Group's executive Directors and key senior management of required quality; and

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

- (x) considering and recommending to the respective Board of Directors of the Group, where to position the executive Directors and key senior management relative to other companies and to be aware what comparable companies are paying, taking account of relative performance and using such comparisons with caution.

5.3.4 Nomination Committee

The current members of our Nomination Committee are as follows:

Name	Position	Directorship
YM Raja Nor Azlina Binti Raja Azhar	Chairperson	Independent Non-Executive Director
Wong Poh May	Member	Independent Non-Executive Director
Wong Keng Fai	Member	Independent Non-Executive Director

The key duties and responsibilities of our Nomination Committee are, among others, the following:

- (i) developing, maintaining and reviewing the criteria to be used in the recruitment of Directors and key senior management;
- (ii) formulating, maintaining and reviewing the re-appointment and re-election process of Directors having due regard to their performance and ability to continue to contribute to the Board in light of the knowledge, skills and experience required;
- (iii) formulating a Fit and Proper Policy and ensuring that all Directors fulfil the fit and proper criteria and for conducting assessments of the fitness and properness of candidates to be appointed onto the Board and Directors who are seeking for re-election;
- (iv) assessing and recommending to the Board, candidates for all directorships to be filled by the shareholders or the Board. In making the recommendations, the Nomination Committee will also consider candidates proposed by the Managing and Executive Directors, and within the bounds of practicability, by any other key senior management, Director or shareholder;
- (v) recommending to the Board the nominees to fill the seats on Board's Committees;
- (vi) reviewing Board and key senior management succession plans and making recommendations to the Board on succession planning policy for key senior management;
- (vii) leading the succession planning and appointment of Board members;
- (viii) reviewing the training needs or programs for the Board and facilitating Board induction and training programs;
- (ix) reviewing annually, the term of office and performance of the Board committees and each of its members to determine whether the Board committees members have carried out their duties in accordance with the respective terms of references of the Board committees;
- (x) implementing annual assessments on the effectiveness and performance of the Board as a whole, the committees of the Board, as well as the contribution, performance, character, experience, integrity, competence and time to effectively discharge his or her role as a Director, including non-executive Directors and executive Directors;

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

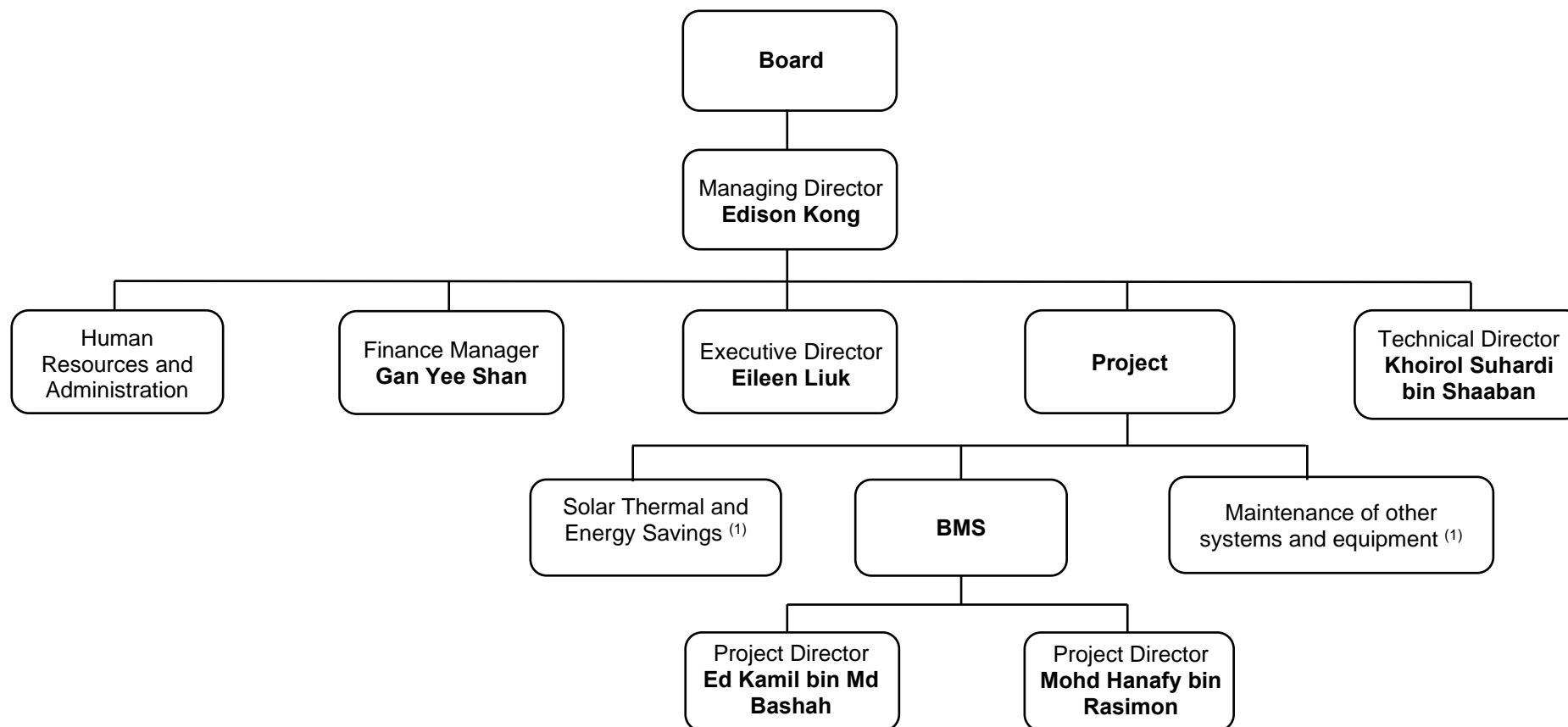
- (xi) examining the size of the Board with a view to determining the impact of the number upon its effectiveness;
- (xii) reviewing the required mix of skills and experience and other qualities, including core competencies which non-executive Directors should bring to the Board;
- (xiii) developing the criteria to assess independence and to assess on an annual basis, the independence of the independent non-executive Directors and recommend the same to the Board;
- (xiv) recommending the re-election of Directors retiring by rotation pursuant to the Company's Constitution;
- (xv) establishing time commitment expectations and protocol for the members of the Board;
- (xvi) reviewing the attendance of the Directors at Board and/or Board committees' meeting;
- (xvii) reviewing with the Managing and Executive Directors, their goals and objectives and to assess their performance against these objectives as well as their contribution to the corporate strategy; and
- (xviii) ensuring that the composition of the Board is refreshed periodically.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.4 MANAGEMENT REPORTING STRUCTURE

Our Group's management reporting structure is as follows:



Note:

Edison Kong, our Managing Director, is responsible in overseeing the solar thermal and energy savings project department and maintenance of other systems and equipment project department. He is assisted by one project manager, two project engineers and two technicians.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.5 KEY SENIOR MANAGEMENT

5.5.1 Key Senior Management's shareholdings

The details of our Key Senior Management and their respective shareholdings in our Company before our IPO (after completion of the Acquisition) and after our IPO (assuming full subscription of the Shares allocated for our Key Senior Management under the Pink Form Allocations) are as follows:

Name/ Designation	Nationality	Before our IPO and after the completion of the Acquisition				After our IPO ⁽⁵⁾			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	⁽¹⁾ %	No. of Shares	⁽¹⁾ %	No. of Shares	⁽²⁾ %	No. of Shares	⁽²⁾ %
Edison Kong/ Managing Director	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/ Executive Director	Malaysian	30,515,236	10.00	⁽⁴⁾ 274,637,224	90.00	30,515,236	7.20	⁽⁴⁾ 274,637,224	64.80
Ed Kamil Bin Md Bashah/ Project Director	Malaysian	-	-	-	-	3,700,000	0.87	-	-
Khoirol Suhardi Bin Shaaban/ Technical Director	Malaysian	-	-	-	-	3,700,000	0.87	-	-
Mohd Hanafy Bin Rasimon/ Project Director	Malaysian	-	-	-	-	3,700,000	0.87	-	-
Gan Yee Shan/ Finance Manager	Malaysian	-	-	-	-	350,000	*	-	-

Notes:

* Less than 0.1%.

(1) Based on the total number of 305,152,460 Shares after the completion of the Acquisition and before our IPO.

(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.

(5) Assuming our Key Senior Management subscribe in full for their Pink Form Allocations.

Our Key Senior Management may also subscribe for additional excess Shares under those allocated for other Eligible Persons.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.5.2 Profiles of our Key Senior Management

The profiles of our Key Senior Management are as follows:

- (i) **Edison Kong**
Promoter, Substantial Shareholder and Managing Director

Edison Kong, a Malaysian, aged 43, is our Promoter, Substantial Shareholder and Managing Director. Please refer to Section 5.2.2 (ii) of this Prospectus for details of Edison Kong's profile.

- (ii) **Eileen Liuk**
Promoter, Substantial Shareholder and Executive Director

Eileen Liuk, a Malaysian, aged 44, is our Promoter, Substantial Shareholder and Executive Director. Please refer to Section 5.2.2 (iii) of this Prospectus for details of Eileen Liuk's profile.

- (iii) **Ed Kamil Bin Md Bashah**
Project Director

Ed Kamil Bin Md Bashah, a Malaysian, aged 45, is our Project Director. He is responsible for the management of BMS projects of our Group.

He graduated with a Bachelor of Electrical Engineering from Universiti Teknologi Mara in September 2005.

He started his career as a Floor Manager for an outlet under Golden Arches Restaurant Sdn Bhd in August 2005, where he was responsible in planning, organizing, controlling various operational tasks performed in the outlet until March 2006. In April 2006, he joined Dancomair Engineering Sdn Bhd as a Service and Project Executive, where he was responsible for managing the maintenance teams in performing compressor maintenance works at clients' premises. He left Dancomair Engineering Sdn Bhd in August 2006.

Thereafter, he started his career as a project engineer in September 2006 at Metronic Engineering Sdn Bhd where he was responsible ensuring timely completion of assigned projects until August 2008. In September 2008, he joined Formis Automation Sdn Bhd as a Senior Project Engineer where he was responsible for leading a team of engineers and project management. He left Formis Automation Sdn Bhd in July 2009.

In August 2009, he joined SDC as a Project Engineer, where he was responsible for managing projects assigned to him. He was subsequently promoted to Project Manager of SDC in October 2014, where he was involved in leading project teams to monitor all projects and ensure timely completion of the same, successful implementation, testing and handover to clients. In November 2014, he was appointed as director of KED. Prior to his departure from SDC in December 2017, he, together with Khoirol Suhardi Bin Shaaban incorporated SPE, which was principally involved in consultancy in building automation systems and SPM, which was principally involved in consultancy and trading in building automation systems, in February 2016 and May 2017, respectively. During his tenure in SPE and SPM, he was a director and responsible for project management. In December 2022, he left SPE and re-joined SDC in January 2023 as a Project Director, where he assumes his current responsibilities. In June 2023, the application to strike off SPM under Section 550 of the Act was submitted to the CCM. In July 2023, Ed Kamil Bin Md Bashah resigned as a director in SPE and dispose of his shareholdings.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Further details of Ed Kamil Bin Md Bashah's principal business performed outside our Group and his principal directorships are set out in Section 5.5.3.

(iv) Khoirol Suhardi Bin Shaaban

Technical Director

Khoirol Suhardi Bin Shaaban, a Malaysian, aged 45, is our Technical Director. He is responsible for the management of the technical and servicing department of our Group which oversees the testing and commissioning of our projects and providing support services to our clients upon the handover.

He graduated with a Bachelor of Communications and Computer Engineering from Universiti Kebangsaan Malaysia in October 2002. He was admitted into the Board of Engineers Malaysia in July 2003 as a graduate engineer. He was certified by Tridium University with Niagara 4 Technical Certification in July 2017 and Niagara 4 Analytics Certification in July 2018. He was also registered with BASAM as a BASAM System Integrator since November 2018.

He began his career as a Project Engineer in Metronic Engineering Sdn Bhd in January 2002 where he was responsible for project management on building automation systems projects for Berjaya Times Square. In November 2003, he left Metronic Engineering Sdn Bhd and joined Berjaya Times Square Management Sdn Bhd as a Maintenance Executive where he was responsible for handling building automation systems of Berjaya Times Square. He was promoted as an Assistant Manager in January 2005 where he was responsible for overseeing the building operations of Berjaya Times Square until April 2006.

In April 2006, he joined Formis Automation Sdn Bhd as a Project Engineer where he was responsible for project management for building automation systems projects. In November 2008, he left Formis Automation Sdn Bhd and joined Dunham-Bush Holding Berhad as a Branch Manager for its Bangladesh operations where he was involved in project management for air conditioning system and building automation system in a shopping complex. In February 2011, he left Dunham-Bush Holding Berhad and returned to Malaysia.

In February 2011, he joined SDC as a Mechanical and Engineering Manager where he was responsible for managing the project department in respect of solar energy and building automation system projects. In November 2014, he was appointed as director of KED. Prior to his departure from SDC in December 2017, he, together with Ed Kamil Bin Md Bashah incorporated SPE, which was principally involved in consultancy in building automation systems and SPM, which was principally involved in consultancy and trading in building automation systems in February 2016 and May 2017, respectively. During his tenure in SPE and SPM, he was a director and responsible for managing the technical department and financial operations. In December 2022, he left SPE and re-joined SDC in January 2023 as a Technical Director, where he assumed his current responsibilities. In June 2023, the application to strike off SPM under Section 550 of the Act was submitted to the CCM. In July 2023, Khoirol Suhardi Bin Shaaban resigned as a director in SPE and dispose of his shareholdings.

Further details of Khoirol Suhardi Bin Shaaban's principal business performed outside our Group and his principal directorships are set out in Section 5.5.3.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

(v) Mohd Hanafy Bin Rasimon
Project Director

Mohd Hanafy Bin Rasimon, a Malaysian, aged 37, is our Project Director. He is responsible for the overall implementation and management for our Group's BMS projects.

He graduated with a Bachelor of Electrical Engineering from Universiti Teknikal Malaysia Melaka in October 2009. He also obtained an Executive Master in Operation and Project Management with Honors from Universiti Malaysia Pahang in November 2019.

In June 2009, he started his career in ERL Maintenance Support Sdn Bhd as a Project Engineer, where he was in charge of monitoring and coordinating project installation as well as mechanical and engineering services for the Express Railway Link stations from Kuala Lumpur International Airport to Kuala Lumpur Sentral until May 2010. In July 2010, he joined Metronic Engineering Sdn Bhd as an Engineer where he was responsible for project management. He was promoted as a Senior Project Engineer in June 2013 where he assumed similar responsibilities.

In November 2014, he left Metronic Engineering Sdn Bhd and joined SDC as an Assistant Project Manager in December 2014 and promoted to Project Manager in January 2018, where he was responsible for leading project teams to monitor all projects and ensure timely completion of the same, successful implementation, testing and handover to clients. In January 2023, he was promoted to Project Director, where he assumed his current responsibilities.

Further details of Mohd Hanafy Bin Rasimon's principal business performed outside our Group and his principal directorships are set out in Section 5.5.3.

(vi) Gan Yee Shan
Finance Manager

Gan Yee Shan, a Malaysian female aged 36, is our Finance Manager. She is responsible for the reporting of our Group's financial statements to our Board, as well as supervision of our Group's finance department.

She graduated with a Bachelor of Accounting with Honours from the University Tenaga Nasional, Malaysia in October 2011. She is registered as a Chartered Accountant and has been a member of the Malaysian Institute of Accountants since September 2014.

She began her career in December 2009 with Grant Thornton Malaysia as an intern, where she assisted the senior auditors in audit fieldwork. She completed her internship in May 2010 and proceeded to complete the final semester of her accounting degree. She re-joined Grant Thornton Malaysia in July 2011 as a Junior Associate Auditor, where she was involved in the audit of public listed and private companies and initial public offering exercises as reporting accountant. She left Grant Thornton Malaysia in September 2014 as a Senior Associate Auditor.

In November 2014, she joined Bioalpha Holdings Berhad as an Assistant Finance Manager, where she assisted in the preparation of financial statements and supervision of the finance department. She was promoted to Finance Manager in January 2016 where she was responsible for the preparation of financial statements and supervision of the day-to-day operations of the finance department. She left Bioalpha Holdings Berhad in October 2016 and joined CIMB Bank Berhad in November 2016 as an Assistant Sales Manager, where she was responsible for marketing and sales of retail banking products. In August 2019, she left CIMB Bank Berhad.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

In October 2019, she joined SDC as our Finance Manager, where she assumed her current responsibilities.

Further details of Gan Yee Shan's principal business performed outside our Group and her principal directorships are set out in Section 5.5.3.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.5.3 Principal directorships and principal business activities of our Key Senior Management outside our Group

Save for the involvement of Edison Kong and Eileen Liuk which are detailed in Section 5.2.3 and as disclosed below, none of our Key Senior Management have any principal directorship and principal business activity performed outside our Group in the past 5 years up to the LPD:

(i) Ed Kamil Bin Md Bashah

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present Involvement</u>						
SPM	Consultancy and trading in building automation systems <i>(Notice to strike off company was issued on 14 December 2023 but has yet to be gazetted)</i>	Director	24 May 2017	-	-	-(1)
<u>Past Involvement</u>						
Kejuruteraan Cekap Hijau	Electrical engineering	Sole Proprietor	8 February 2017	27 September 2023 ⁽²⁾	100.00	-
SPE	Consultancy in building automation systems	Director and Shareholder	25 February 2016	21 July 2023 ⁽³⁾	50.00	-
Dynamic Uco Enterprise	Inactive, it was previously principally as used cooking oil collector	Sole Proprietor	22 August 2022	21 August 2023 ⁽⁴⁾	100.00	-

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

Notes:

- (1) He held 50.00% indirect equity interest in SPM by virtue of his 50.00% direct equity interest in SPE pursuant to Section 8(4) of the Act prior to the disposal of his interest in SPE on 21 July 2023.
- (2) He held 100.00% direct equity interest in Kejuruteraan Cekap Hijau prior to the termination of the business on 27 September 2023.
- (3) He held 50.00% direct equity interest in SPE prior to the disposal of such interest on 21 July 2023.
- (4) He held 100.00% direct equity interest in Dynamic Uco Enterprise prior to the expiry of the business on 21 August 2023.

(ii) **Khoirol Suhardi Bin Shaaban**

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment</u>	<u>Date of resignation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present Involvement</u>						
SPM	Consultancy and trading in building automation systems <i>(Notice to strike off company was issued on 14 December 2023 but has yet to be gazetted)</i>	Director	24 May 2017	-	-	-(1)
<u>Past Involvement</u>						
SPE	Consultancy in and installation of BAS	Director and Shareholder	25 February 2016	21 July 2023 ⁽²⁾	50.00	-

Notes:

- (1) He held 50.00% indirect equity interest in SPM by virtue of his 50.00% direct equity interest in SPE pursuant to Section 8(4) of the Act prior to the disposal of his interest in SPE on 21 July 2023.
- (2) He held 50.00% direct equity interest in SPE prior to the disposal of such interest on 21 July 2023.

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

(iii) Mohd Hanafy Bin Rasimon

<u>Name of company</u>	<u>Principal activities</u>	<u>Designation</u>	<u>Date of appointment / commencement</u>	<u>Date of resignation / cessation</u>	<u>Equity interest (%)</u>	
					<u>Direct</u>	<u>Indirect</u>
<u>Present Involvement</u>						
-	-	-	-	-	-	-
<u>Past Involvement</u>						
Hanafy Engineering Services	Electrical wirings and air conditioner installation services	Sole Proprietor	7 September 2016	19 October 2020 ⁽¹⁾	100.00	-
IOT Technology	Closed-circuit television security system and card access, extra low voltage, information and communication technologies and electrical installation	Sole Proprietor	20 October 2019	19 October 2020 ⁽²⁾	100.00	-

Notes:

(1) He held 100.00% direct equity interest in Hanafy Engineering Services prior to the expiry of the business on 19 October 2020.

(2) He held 100.00% direct equity interest in IOT Technology prior the expiry of the business on 19 October 2020.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

(iv) Gan Yee Shan

Name of company	Principal activities	Designation	Date of appointment	Date of resignation	Equity interest (%)	
					Direct	Indirect
<u>Present Involvement</u>						
Actec Lighting House	Retail sale of lighting and electrical accessories and installation	Partner	14 April 2021	-	50.00	-
<u>Past Involvement</u>						
Acdel Lighting House	Retail sale of lighting and electrical accessories and installation	Partner	14 April 2021	14 April 2022 ⁽¹⁾	50.00	-
GY Tree Advisory	Accounting services	Sole Proprietor	21 October 2022	27 July 2023 ⁽²⁾	100.00	-

Notes:

(1) She held 100.00% direct equity interest in Acdel Lighting House prior to the expiry of the business on 14 April 2022.

(2) She held 100.00% direct equity interest in GY Tree Advisory prior to the disposal of such interest on 27 July 2023.

Our Board notes that SPM (currently owned by Ed Kamil Bin Md Bashah and Khoirol Suhardi Bin Shaaban) is in the process of being struck off. In respect of Gan Yee Shan, she is not involved in the management and day-to-day operations of Actec Lighting House, whose principal activity is not similar to our Group's business nor are they customers or suppliers to our Group. Accordingly, our Board is of the view that the involvement of our Key Senior Management in the business activities outside our Group listed above will not affect their continued contributions to the day-to-day management of our Group and does not give rise to any actual or potential conflict of interest situation with our business.

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5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

5.5.4 Remuneration and material benefits-in-kind of our Key Senior Management

Save for the remuneration and material benefits-in-kind of Edison Kong and Eileen Liuk which are detailed in Section 5.2.4, the aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Key Senior Management for services rendered in all capacities to our Group for the FY 2023 and FY 2024 are as follows:

Key Senior Management	Remuneration band (in bands of RM50,000)	
	FY 2023	⁽¹⁾ Proposed for FY 2024
Ed Kamil Bin Md Bashah	100,000 – 150,000	150,000 – 200,000
Khoirol Suhardi Bin Shaaban	100,000 – 150,000	150,000 – 200,000
Mohd Hanafy Bin Rasimon	100,000 – 150,000	150,000 – 200,000
Gan Yee Shan	100,000 – 150,000	100,000 – 150,000

Note:

- (1) Bonuses are not included as it will be determined later depending on the performance of the individuals and our Group, subject to the recommendation of the Remuneration Committee and approval by our Board.

5.6 ASSOCIATIONS OR FAMILY RELATIONSHIPS BETWEEN OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT

Save as disclosed below, there are no other family relationships and/or association between any of our Directors, Promoters, Substantial Shareholders and Key Senior Management as at the LPD:

Name	Relationship
Directors, Promoter, Substantial Shareholder and Key Senior Management	
Edison Kong	• Spouse of Eileen Liuk
Eileen Liuk	• Spouse of Edison Kong

5.7 DECLARATIONS BY OUR DIRECTORS, PROMOTERS AND KEY SENIOR MANAGEMENT

As at the LPD, none of our Directors, Promoters and Key Senior Management is or has been involved in any of the following events (whether within or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which such person was a partner or any corporation of which such person was a director or member of key senior management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

5. INFORMATION ON OUR DIRECTORS, PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND KEY SENIOR MANAGEMENT (CONT'D)

- (iv) in the last 10 years, any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on such person's part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on such person's part that relates to the capital market;
- (vi) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining such person from engaging in any type of business practice or activity;
- (vii) in the last 10 years has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (viii) any unsatisfied judgment against such person.

5.8 SERVICE CONTRACTS

As at the LPD, there are no existing or proposed service agreements entered into or to be entered into by our Directors or Key Senior Management with our Group which provide for benefits upon termination of employment.

5.9 MANAGEMENT SUCCESSION PLAN

Our Board believes that the success of the Group depends on the ability to retain our key senior management personnel as well as attract and retain skilled personnel.

Our Group has implemented a formal Succession and Contingency Planning Policy where we have put in place a process to groom new management staff to gradually assume the responsibilities of senior management. Our Group's strategy for management continuity is driven by our top management who is responsible for identifying key competencies and requirements of candidates. If the need arises, we will recruit qualified personnel with knowledge and expertise of our business to enhance our operations. Our Group's succession plan consists of, among others, the following:

- (i) Structured career planning and development – Our senior management trains the lower and middle management employees to gradually assume more responsibilities;
- (ii) Recruitment and Selection – Our Group will groom internal candidates to assume the key roles within the organisation. If we do not have a suitable candidate, the Group will recruit qualified personnel with knowledge and expertise of our business;
- (iii) Managing Director's Succession Plan – The Board will work with the Managing Director to plan for the Managing Director's succession;
- (iv) Emergency succession contingency plan – The Board will maintain an emergency succession contingency plan should an unforeseen event such as death or disability occurs that prevents the Managing Director from continuing to discharge his /her duties. The plan identifies the individuals who would act in an emergency and their responsibilities; and
- (v) The Nomination Committee will review and update the Succession and Contingency Planning Policy annually or when deemed necessary.

6. INFORMATION OF OUR GROUP

6.1 OUR GROUP

6.1.1 History and background

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 Company is principally an investment holding company. Through our subsidiaries, we are principally involved in the following business segments:

<u>Company</u>	<u>Principal activities</u>
Subsidiary of our 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.

6.1.2 Share capital

As at the date of the Prospectus, our issued share capital is RM15,257,718, comprising 305,152,460 Shares. Save as disclosed below, there has been no change in our issued share capital since the date of our incorporation:

<u>Date of allotment</u>	<u>No. of Shares allotted</u>	<u>Consideration</u>	<u>Nature of transaction</u>	<u>Cumulative share capital</u>	
				<u>No. of Shares</u>	<u>RM</u>
25 April 2023	100	Cash	Subscriber's Shares	100	100
[•]	305,152,360	Other than cash	Allotment of Shares pursuant to the Acquisition	305,152,360	15,257,618
Total issued share capital				305,152,460	15,257,718

As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Please refer to Section 6.4 of this Prospectus for further information on our subsidiaries.

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6. INFORMATION OF OUR GROUP (CONT'D)

6.2 THE FORMATION OF OUR GROUP

6.2.1 Acquisition of SDC

The Company had on 11 August 2023 entered into a conditional SSA with the Vendors to acquire the entire issued share capital of SDC for a purchase consideration of RM15,257,618. The purchase consideration was satisfied via the issuance of 305,152,360 new Shares at an issue price of RM0.05 per Share to the Vendors as follows:

Vendors	No. of shares acquired	% of share capital	Purchase consideration (RM)	No of new Shares issued
Edison Kong	900,000	90.00	13,731,856	274,637,124
Eileen Liuk	100,000	10.00	1,525,762	30,515,236
Total	1,000,000	100.00	15,257,618	305,152,360

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

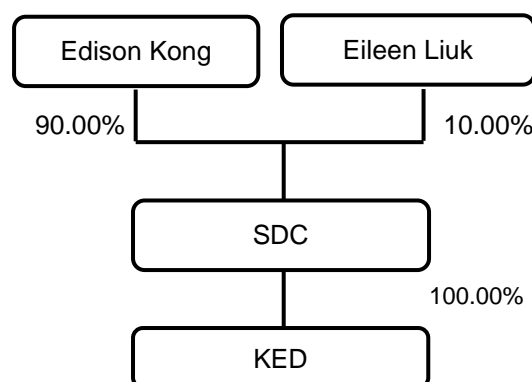
Upon the completion of the Acquisition, SDC and its subsidiary, KED will become our wholly-owned subsidiaries of SDCG.

The new Shares issued pursuant to the Acquisition rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and/or other distributions, the entitlement date of which is subsequent to the date of issuance of the new Shares.

6.3 OUR GROUP STRUCTURE

Our Group structure before and after our IPO are set out below:

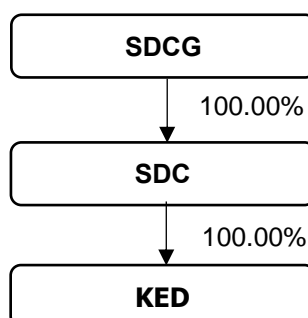
Before our IPO



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6. INFORMATION OF OUR GROUP (CONT'D)

After our IPO



6.4 OUR SUBSIDIARIES

Our subsidiaries as at the date of the Prospectus are as follows:

<u>Name and registration no.</u>	<u>Date and country of incorporation</u>	<u>Principal place of business</u>	<u>Issued share capital</u> RM	<u>Effective equity interest</u> %	<u>Principal activities</u>
<u>Subsidiary of our Company:</u>					
SDC / 200301004597 (607017-T)	22 February 2003 / Kuala Lumpur	Malaysia	1,000,000	100.00	Provision and maintenance of building management systems, solar thermal systems and other energy services.
<u>Subsidiary of SDC:</u>					
KED / 201401042378 (1118545-H)	18 November 2014 / Kuala Lumpur	Malaysia	150,000	100.00	Mechanical and electrical works, and project management services.

As at the LPD, we do not have any joint venture or associated company.

Further details of our subsidiaries as at the LPD are set out below:

6.4.1 SDC

(i) History and Business

SDC was incorporated in Malaysia under the Companies Act 1965 on 22 February 2003 as a private limited company under the name of Pustaka Integrasi Sdn Bhd and is deemed to be registered under the Act. It assumed its present name on 22 February 2008. SDC is principally involved in the provision and maintenance of building management system, solar thermal systems and other energy services.

6. INFORMATION OF OUR GROUP (CONT'D)**(ii) Share Capital**

SDC's issued share capital as at the LPD is RM1,000,000 comprising 1,000,000 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of SDC for the past 3 FYs up to the LPD:

<u>Date</u>	<u>No. of ordinary shares allotted</u>	<u>Consideration</u>	<u>Nature of transaction</u>	<u>Cumulative share capital</u>	
				<u>No. of ordinary shares</u>	<u>RM</u>
11 September 2020	100,000	RM1.00 per Share	Otherwise	1,000,000	1,000,000

As at the LPD, SDC does not have any outstanding warrants, options, convertible securities and uncalled capital.

(iii) Shareholder

SDC is a wholly-owned subsidiary of our Company.

(iv) Director

The directors of SDC are Edison Kong and Eileen Liuk.

(v) Subsidiary and associated company

SDC has a wholly-owned subsidiary, namely KED.

As at the LPD, SDC does not have any associated company.

6.4.2 KED**(i) History and Business**

KED was incorporated in Malaysia under the Companies Act 1965 on 18 November 2014 as a private limited company and is deemed to be registered under the Act. KED is principally involved in mechanical and electrical works, and project management services.

(ii) Share Capital

KED's issued share capital as at the LPD is RM150,000 comprising 150,000 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of KED for the past 3 FYEs up to the LPD:

<u>Date</u>	<u>No. of ordinary shares allotted</u>	<u>Consideration</u>	<u>Nature of transaction</u>	<u>Cumulative share capital</u>	
				<u>No. of ordinary shares</u>	<u>RM</u>
21 July 2023	50,000	RM1.00 per Share	Cash	150,000	150,000

As at the LPD, KED does not have any outstanding warrants, options, convertible securities and uncalled capital.

6. INFORMATION OF OUR GROUP (CONT'D)**(iii) Shareholder**

KED is a wholly-owned subsidiary of SDC.

(iv) Director

The directors of KED are Edison Kong, Eileen Liuk, Ed Kamil Bin Md Bashah, Khoirol Suhardi Bin Shaaban and Mohd Hanafy Bin Rasimon.

(v) Subsidiary and associated company

As at the LPD, KED does not have any subsidiary and associated company.

6.5 MATERIAL INVESTMENTS AND DIVESTITURES

Save as disclosed below, we do not have any other material investments and divestitures for the FY Under Review, FP 2023 and up to the LPD:

	FY 2020	FY 2021	FY 2022	FP 2023	1 October 2023 up to the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Investment costs</u>					
Property and equipment comprising:					
Office equipment	4	4	17	-	-
Furniture and fitting	-	-	2	-	1
Computers	3	8	32	15	1
Motor vehicles	-	318	230	-	-
Machineries	2	2	5	8	-
Capital work-in-progress (Solar PV system)	-	-	-	33	1
Concession asset	2,837	1,250	25	-	-
Acquisition of 30% equity interest in KED	-	-	30	-	-
Total	2,846	1,582	341	56	3
<u>Divestiture proceeds</u>					
Computers	-	*	-	-	-
Motor vehicles	-	30	32	-	-
Total	-	30	32	-	-

(*) Amount is less than RM500

6. INFORMATION OF OUR GROUP (CONT'D)

For FY 2020, our Group's capital expenditure was RM2.85 million and this was mainly for the additions to concession assets which were mainly equipment for the installation of the hybrid solar thermal hot water system and retrofitting of LED lighting under the energy performance services.

For FY 2021, our Group's capital expenditure was RM1.58 million. This was mainly for the additions to concession assets as well as work-in-progress which are mainly equipment for the installation of the hybrid solar thermal hot water system and retrofitting of LED lighting under the energy performance services. In addition, the capital expenditure for FY 2021 also included the purchase of 3 passenger cars.

For FY 2022, our Group's capital expenditure was RM0.31 million and this was mainly for the purchase of a passenger car.

For FP 2023, our Group's capital expenditure was RM0.06 million mainly used for the purchase of equipment mainly for the installation of solar PV systems at our Headquarters in Kajang, Selangor.

Between 1 October 2023 and up to the LPD, our capital expenditure was approximately RM3,000 mainly the purchase of 2 units of computers, accessories for the installation of solar PV systems at our Headquarters in Kajang, Selangor, as well as racking for our office.

Our Group had no capital divestitures for the FY 2020. Our capital divestitures comprised the disposals of computers and 2 units motor vehicles in FY 2021 and 1 unit of motor vehicle in FY 2022 which are fully depreciated.

6.6 PUBLIC TAKE-OVERS

Since the beginning of the FYE 2022 up to the LPD, there has been:

- (i) no public take-over offers by third parties in respect of our Shares; and
- (ii) no public take-over offers by our Company in respect of other companies' shares.

6.7 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contracts which are not in the ordinary course of our Group's business during the FY Under Review, FP 2023 and up to the date of this Prospectus:

- (i) SSA dated 11 August 2023 entered into between our Company and the Vendors for the Acquisition. The Acquisition was completed on [●].
- (ii) Underwriting Agreement dated [●] entered between our Company and Mercury Securities for the underwriting of 42,384,000 Shares for the underwriting commission at the rate as set out in Section 4.9.2 of this Prospectus, in accordance with the terms and conditions as set out in the Underwriting Agreement. Please refer to Section 4.10 for the salient terms of the Underwriting Agreement.

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6. INFORMATION OF OUR GROUP (CONT'D)

6.8 MATERIAL PROPERTIES

6.8.1 Properties owned by our Group

The details of the material properties owned by our Group as at the LPD are as follows:

No.	Registered owner/ Postal address/ Title details	Description of property/ Tenure/ Existing use	Land area/ Built-up area (sq ft)	Date of issuance of CCC or equivalent	Category of land use/ Express condition/ Restriction in interest	Encumbrances	Audited NBV as at 30 September 2023 (RM)
1.	SDC Wisma SDC, No. 25, Jalan Kajang Perdana 3/2, Taman Kajang Perdana, 43000 Kajang, Selangor / H.S.(D) 102744, PT 17930, in the Mukim of Semenyih, District of Ulu Langat, State of Selangor Darul Ehsan	Three storey shop office / Freehold / Office	4,628/ 8,320	14 November 2014	<u>Category of land use</u> Building <u>Express condition</u> Commercial building <u>Restriction in interest</u> None	Charged to CIMB Bank Berhad and CIMB Islamic Bank Berhad	2,609,862.00

The properties owned by our Group are not in breach of any land use conditions, current statutory requirements, land rules and/or building regulations/by-laws, which will have material adverse impact on our operations as at the LPD.

6.8.2 Properties tenanted by our Group



There are no properties tenanted by our Group as at the LPD.

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6. INFORMATION OF OUR GROUP (CONT'D)

6.9 INTELLECTUAL PROPERTIES

Save as disclosed below, as at the LPD, we do not have any brand names, patents, trademarks and other intellectual property rights.

No.	Trademark	Applicant	Authority	Application No.	Place of registration	Application date	Class/ Description of trademark
1.		SDC	Intellectual Property Corporation of Malaysia ("MyIPO")	TM2023010222	Malaysia	12 April 2023 (1)	Class 11 - Solar thermal collectors heating; solar thermal collectors; solar water heaters.
2.		SDC	MyIPO	TM2023010223	Malaysia	22 April 2023 (1)	Class 37 - Advisory services relating to the installation of building automation equipment; advisory services relating to the maintenance of buildings; air-conditioning system installation and repair; construction services relating to the installation of heating, ventilating and air-conditioning systems; installation and maintenance of heating systems; installation and maintenance of solar thermal installations; installation and repair of air-conditioning systems; installation and repair of heating equipment; installation and repair of heating, ventilating and air-conditioning systems; installation of building automation equipment; installation of heating systems; installation of heating, ventilation and air-conditioning [HVAC] systems; installation of HVAC systems;

6. INFORMATION OF OUR GROUP (CONT'D)

No.	Trademark	Applicant	Authority	Application No.	Place of registration	Application date	Class/ Description of trademark
							installation of heating, ventilation and air-conditioning systems; installation of solar heating systems; installation, maintenance and repair of automation systems; installation, maintenance and repair of boiler systems and solar energy systems; installation, maintenance and repair of building automation equipment; installation, maintenance and repair of electrical and electronic apparatus for use in the field of automation; installation, maintenance and repair of heating systems; installation, maintenance and repair of photovoltaic modules; installation, maintenance and repair of solar collectors; installation, maintenance and repair of solar energy systems; installation, maintenance and repair of solar installations for generating power, solar collectors and photovoltaic modules; maintenance and repair of heating installations; retrofitting of heating installations in buildings.

6. INFORMATION OF OUR GROUP (CONT'D)

No.	Trademark	Applicant	Authority	Application No.	Place of registration	Application date	Class/ Description of trademark
3.	Tri-IO Tri-IO	SDC	MyIPO	TM2023010224	Malaysia	12 April 2023 (2)	Class 9 - Building automation control systems; computer hardware and software; electric control devices for energy management; electric control devices for heating management; electrical energy utilization metering devices; energy meters for tracking and monitoring energy usage.
4.	Tri-IO Tri-IO	SDC	MyIPO	TM2023010225	Malaysia	22 April 2023 (2)	Class 37 - Advisory services relating to the installation of building automation equipment; advisory services relating to the maintenance of buildings; air-conditioning system installation and repair; construction services relating to the installation of heating, ventilating and air-conditioning systems; installation and maintenance of heating systems; installation and maintenance of solar thermal installations; installation and repair of air-conditioning systems; installation and repair of heating equipment; installation and repair of heating, ventilating and air-conditioning systems; installation of building automation equipment; installation of heating systems; installation of heating, ventilation and air-conditioning HVAC systems; installation of HVAC systems; installation of heating, ventilation and

6. INFORMATION OF OUR GROUP (CONT'D)

No.	Trademark	Applicant	Authority	Application No.	Place of registration	Application date	Class/ Description of trademark
							air-conditioning systems; installation of solar heating systems; installation, maintenance and repair of automation systems; installation, maintenance and repair of boiler systems and solar energy systems; installation, maintenance and repair of building automation equipment; installation, maintenance and repair of electrical and electronic apparatus for use in the field of automation; installation, maintenance and repair of heating systems; installation, maintenance and repair of photovoltaic modules; installation, maintenance and repair of solar collectors; installation, maintenance and repair of solar energy systems; installation, maintenance and repair of solar installations for generating power, solar collectors and photovoltaic modules; maintenance and repair of heating installations; retrofitting of heating installations in buildings.

Notes:

- (1) *The trademark application had been temporarily rejected via a refusal notice dated 2 October 2023 issued by MyIPO. We have on 29 November 2023 submitted an appeal against the provisional refusal notice and the decision from MyIPO is still pending as at the LPD.*
- (2) *The trademark application had been accepted by MyIPO on 17 November 2023 and published on 23 November 2023. There is an opposition period between 23 November 2023 to 22 January 2024 whereby if there is no objection to the said trademark, a notification of the registration of the trademark would be issued.*

6. INFORMATION OF OUR GROUP (CONT'D)

6.10 MATERIAL LICENCES, PERMITS AND APPROVALS

Details of our major licences, permits and approvals for our operations as at the LPD together with the main conditions attached therein and the corresponding status of compliance as at the LPD are as follows:

No.	Licensee	Approving authority / Registration no.	Description of licence / permit / approval	Date of issue / Date of expiry	Material conditions	Status of compliance
1.	SDC	Majlis Perbandaran Kajang / MPKJ/CL/1/292/2018*	Trade, business and industries licence for management office and illuminated advertisement at Wisma SDC, No. 25, Jalan Kajang Perdana 3/2, Taman Kajang Perdana, 43000 Kajang Selangor	28 August 2023 / 27 August 2024	(a) MPKJ reserves the right to terminate the licence at any time; (b) SDC shall comply with all the conditions and restrictions imposed by MPKJ; (c) The licence must be renewed before the expiry date and can be renewed three (3) months before the expiry date.	Noted Complied Noted
2.	SDC	CIDB / 0120090224-SL122194	CIDB certificate of registration in respect of: a. Grade G7 – No limit on grade and limit of tender/ value of work b. Category - Building Construction, Civil Engineering Construction, Mechanical and Electrical Engineering This certificate allows SDC to carry out the following work scope:	6 September 2022 / 17 April 2024	<u>General Terms and Conditions:</u> (a) The certificate is non-transferrable; (b) CIDB reserves the right to review the registration grade of SDC from time to time. <u>Responsibilities and obligations of SDC:</u> (a) SDC shall comply with the provisions of the CIDB Act, the regulations made thereunder and any term, conditions or restriction imposed by CIDB from time to time; (b) SDC shall not participate in any tender or execute any construction after the	Noted Noted Complied Complied

6. INFORMATION OF OUR GROUP (CONT'D)

No.	Licensee	Approving authority / Registration no.	Description of licence / permit / approval		Date of issue / Date of expiry	Material conditions	Status of compliance
			Code No.	Details			
			B04	General building construction works		expiry of this certificate and until such time this certificate has been renewed;	
			CE21	Construction of civil engineering		(c) SDC shall not undertake any construction project which exceeds the value of the construction project specified under the registration grade and shall not execute any construction project which is outside the registered category;	Complied
			E02	Surveillance and security system		(d) SDC shall submit information in relation to any new construction work or project within fourteen (14) days from the award of construction work or project;	Complied
			E03	Building automation system		(e) SDC shall submit any information required by CIDB from time to time;	Complied
			E06	Special lighting system		(f) SDC shall display the original or the certified true copy of the certificate of registration issued by CIDB at its place of business;	Complied
			E10	Uninterrupted power supply system		(g) SDC shall display its registration number on the signboard at each construction site;	Complied
			E11	General electrical work		(h) SDC shall apply for renewal of registration within sixty (60) days prior to the expiry date as specified in this certificate;	Complied
			E14	Computer network cable		(i) SDC shall comply with all the requirements and provisions of the code of ethics for contractors;	Complied
			E16	Street lights and traffic lights			
			E17	Low voltage underground cables			
			M01	Air conditioning and ventilation system			

6. INFORMATION OF OUR GROUP (CONT'D)

<u>No.</u>	<u>Licensee</u>	<u>Approving authority / Registration no.</u>	<u>Description of licence / permit / approval</u>	<u>Date of issue / Date of expiry</u>	<u>Material conditions</u>	<u>Status of compliance</u>								
			<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; text-align: center;">M04</td> <td>Building automation system</td> </tr> <tr> <td style="text-align: center;">M15</td> <td>Installation, testing and commissioning of various mechanical system</td> </tr> <tr> <td style="text-align: center;">M18</td> <td>Hot water system</td> </tr> <tr> <td style="text-align: center;">M20</td> <td>General mechanical maintenance</td> </tr> </table>	M04	Building automation system	M15	Installation, testing and commissioning of various mechanical system	M18	Hot water system	M20	General mechanical maintenance		<p>(j) SDC shall appoint skilled construction workers and site supervisors who are accredited and certified by CIDB; and</p> <p>(k) All the workers at the construction site must have a valid CIDB Green Card.</p>	<p>Complied</p> <p>Complied</p>
M04	Building automation system													
M15	Installation, testing and commissioning of various mechanical system													
M18	Hot water system													
M20	General mechanical maintenance													
3.	SDC	SEDA-RPVI-2024/002	Certificate of registration of registered solar PV Investor which qualifies SDC to take part in the Net-Energy Metering Program administered by SEDA	5 January 2024 / 31 December 2024	The registration must be renewed at least thirty (30) days before the expiry date.	Noted								
4.	SDC	Energy Commission / ESCO 238(2020)/77/2023	Certificate of registration of Energy Service Company	8 June 2023 / 7 June 2026	<p>(a) The renewal of the certificate must be made not less than one (1) month before the date of expiry of the registration.</p> <p>(b) The Energy Commission may cancel the certificate if:</p> <p style="margin-left: 20px;">(i) SDC ceases to carry on the business in respect of which SDC is registered;</p> <p style="margin-left: 20px;">(ii) SDC has been adjudicated a bankrupt;</p>	<p style="text-align: center;">Noted</p> <p style="text-align: center;">Noted</p>								

6. INFORMATION OF OUR GROUP (CONT'D)

<u>No.</u>	<u>Licensee</u>	<u>Approving authority / Registration no.</u>	<u>Description of licence / permit / approval</u>	<u>Date of issue / Date of expiry</u>	<u>Material conditions</u>	<u>Status of compliance</u>
					(iii) SDC goes into liquidation.	Noted
					(c) The certificate cannot be transferred without prior written approval from the Energy Commission;	Noted
					(d) Any change of name, address and other details of the business or company stated in the certificate must be informed in writing to Energy Commission within fourteen (14) days of such change.	Noted
					(e) In the event of any change or replacement of an appointed registered electrical energy manager, SDC shall ensure that a new registered electrical energy manager be appointed to effect such change or replacement and shall notify in writing to Energy Commission within fourteen (14) days of such change or replacement.	Complied
					(f) All electrical works in relation to the energy services provided by SDC must be performed by competent persons in accordance with the Electricity Supply Act 1990 and the Electricity Regulations 1994.	
5.	SDC	Ministry of Finance/ Certificate No. K63434378023277624	Certificate of registration – Provision of supply and service under the following codes:	20 July 2022/ 15 August 2025	<u>General Conditions:</u> (i) This approval is given based on the information provided by SDC.	Noted
					(ii) Any changes to the said information should be updated online in the Profile	Complied

6. INFORMATION OF OUR GROUP (CONT'D)

<u>No.</u>	<u>Licensee</u>	<u>Approving authority / Registration no.</u>	<u>Description of licence / permit / approval</u>		<u>Date of issue / Date of expiry</u>	<u>Material conditions</u>	<u>Status of compliance</u>
		Registration Reference No. 357- 02151032	Code No.	Details		Update Module at www.eperolehan.gov.my within twenty- one (21) days from the date of such change and failure to do so may result in action being taken as described in paragraph (e) below.	
			010501	Publishing and broadcasting/ photography and film/ camera and accessories			
			020804	Furniture, office equipment, interior and domestic decoration/ clothing and accessories/ safety clothing, equipment and accessories		(iii) SDC must submit all such information within the stipulated time as requested by the Ministry of Finance of Malaysia ("MOF"). Failure to do so will result in action being taken as described in paragraph (e) below.	Complied
			050101 and 050102	Hospital and medical equipment, medication and pharmaceutical/ hospital equipment, medical material and equipment/ equipment/ medical equipment		(iv) SDC must ensure that the fields registered in the certificate do not overlap with the fields approved on any of the companies as follows: (i) has the same owner or board of directors, directors, management and employees; or (ii) operating on the same premises	Complied
			100101	Measuring and measurement equipment/all measuring equipment			
			120401	Defense and safety/ security and		(v) The MOF reserves the right to visit or perform audit inspection at any time without prior notice. Failure to comply with the conditions of registration, field code and/or registration may result in suspension/revocation of registration	Noted

6. INFORMATION OF OUR GROUP (CONT'D)

<u>No.</u>	<u>Licensee</u>	<u>Approving authority / Registration no.</u>	<u>Description of licence / permit / approval</u>	<u>Date of issue / Date of expiry</u>	<u>Material conditions</u>	<u>Status of compliance</u>
			enforcement equipment/ safety devices, protection and protection control		and SDC, the owner as well as the board of directors/director are subject to disciplinary action including being blacklisted without any notice if any information provided is found to be incorrect.	
		130301	Engineering equipment and production machine/ sewerage system/ sewerage system equipment and accessories		(vi) A newly registered company is not allowed to make any changes to the owner or director during the period of six (6) months from the date the company is registered.	Complied
		130201	Engineering equipment and production machines/ electric power and generator equipment/ spare parts and batteries/ power, equipment/ replacement tools/ accessories (secondary)		(vii) Failure of SDC to apply for renewal of registration after one (1) year from the expiry date of the registration may result in the registration of SDC with the MOF to be automatically cancelled and withdrawn from e-Perolehan system. SDC must then make a new application.	Noted
		140201	Electrical and electronic engineering equipment/ electric power station and generator		<u>Suspension/revocation of registration</u> (a) SDC's registration will be suspended/revoked in the event that SDC commits the following offences: (i) Company/ owner/ partnership/ director/ any of the management team commits a crime and is found	Noted

6. INFORMATION OF OUR GROUP (CONT'D)

<u>No.</u>	<u>Licensee</u>	<u>Approving authority / Registration no.</u>	<u>Description of licence / permit / approval</u>	<u>Date of issue / Date of expiry</u>	<u>Material conditions</u>	<u>Status of compliance</u>
			equipment/ spare parts and batteries/ power stations, equipment/ replacement tools /accessories (primary)		guilty by the court in Malaysia or overseas or undertaking civil liability.	
		140301	Electrical and electronic engineering equipment/ cables, electric wires and accessories/ electric cables and accessory		(ii) SDC withdraws its offer before the tender is considered or rejects once offer is made.	
		140302	Electrical and electronic engineering equipment/ cables, electric wires and accessories/ electric cables and accessory		(iii) SDC fails to fulfil its contractual obligations signed with the Government. (iv) SDC is found to amend the Certificate of Registration of Company for the purpose of fraud or other purposes.	
		220301	Service/ maintenance/ repair works of air condition equipment / air condition (window/ split/ centralised)		(v) SDC allows its Certificate of Registration of Company to be misused by another individual/company.	
		221304	Services/ arts, entertainment and		(vi) SDC if found to have entered into bargains with other companies upon entering into a Government tender or subcontract without prior consent of the Government agency involved.	

6. INFORMATION OF OUR GROUP (CONT'D)

No.	Licensee	Approving authority / Registration no.	Description of licence / permit / approval	Date of issue / Date of expiry	Material conditions	Status of compliance						
			<table border="1"> <tr> <td></td> <td>tourism/ audio visual</td> </tr> <tr> <td>221511</td> <td>Services/ rental and management of public address system and musical instrument</td> </tr> <tr> <td>222801</td> <td>Services/ green technology services/ green technology</td> </tr> </table>		tourism/ audio visual	221511	Services/ rental and management of public address system and musical instrument	222801	Services/ green technology services/ green technology		<p>Renewal</p> <p>(a) SDC must submit the renewal application three (3) months prior to the expiry date.</p> <p>(b) Applications received after the expiry date are considered renewal registration.</p>	<p>Complied</p> <p>Noted</p>
	tourism/ audio visual											
221511	Services/ rental and management of public address system and musical instrument											
222801	Services/ green technology services/ green technology											
6.	KED	Majlis Perbandaran Kajang / MPKJ/CL/1/568/2023#	Trade, business and industries licence for management office at No. 25, Jalan Kajang Perdana 3/2, Taman Kajang Perdana, 43000 Kajang Selangor	1 January 2024 / 31 December 2024	<p>(a) MPKJ reserves the right to terminate the licence at any time;</p> <p>(b) KED shall comply with all the conditions and restrictions imposed by MPKJ;</p> <p>(c) The licence must be renewed before the expiry date and can be renewed three (3) months before the expiry date</p>	<p>Complied</p>						
7.	KED	CIDB / 0120160415- WP173331	<p>CIDB certificate of registration in respect of:</p> <p>a. Grade G4 – Tender limit/ value of work not exceeding RM3,000,000.00</p> <p>b. Category – Building Construction, Civil Engineering Construction,</p>	2 August 2023 / 13 April 2025	<p>General Terms and Conditions:</p> <p>(a) The certificate is non-transferrable;</p> <p>(b) CIDB reserves the right to review the registration grade of KED from time to time.</p> <p>Responsibilities and obligations of KED:</p>	<p>Noted</p> <p>Noted</p>						

6. INFORMATION OF OUR GROUP (CONT'D)

<u>No.</u>	<u>Licensee</u>	<u>Approving authority / Registration no.</u>	<u>Description of licence / permit / approval</u>	<u>Date of issue / Date of expiry</u>	<u>Material conditions</u>	<u>Status of compliance</u>								
			Mechanical and Electrical Engineering		(a) KED shall comply with the provisions of the CIDB Act, the regulations made thereunder and any term, conditions or restriction imposed by CIDB from time to time;	Noted and complied								
			This certificate allows KED to carry out the following work scope:		(b) KED shall not participate in any tender or execute any construction after the expiry of this certificate and until such time this certificate has been renewed;	Noted and complied								
			<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Code No.</th> <th style="text-align: center;">Details</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">B04</td> <td>General building construction works</td> </tr> <tr> <td style="text-align: center;">CE21</td> <td>Construction of civil engineering</td> </tr> <tr> <td style="text-align: center;">M15</td> <td>Installation, testing and commissioning of various mechanical systems</td> </tr> </tbody> </table>	Code No.	Details	B04	General building construction works	CE21	Construction of civil engineering	M15	Installation, testing and commissioning of various mechanical systems		(c) KED shall not undertake any construction project which exceeds the value of the construction project specified under the registration grade and shall not execute any construction project which is outside the registered category;	Complied
Code No.	Details													
B04	General building construction works													
CE21	Construction of civil engineering													
M15	Installation, testing and commissioning of various mechanical systems													
					(d) KED shall submit information in relation to any new construction work or project within fourteen (14) days from the award of construction work or project;	Complied								
					(e) KED shall submit any information required by CIDB from time to time;	Noted and complied								
					(f) KED shall display the original or the certified true copy of the certificate of	Noted and complied								

6. INFORMATION OF OUR GROUP (CONT'D)

<u>No.</u>	<u>Licensee</u>	<u>Approving authority / Registration no.</u>	<u>Description of licence / permit / approval</u>	<u>Date of issue / Date of expiry</u>	<u>Material conditions</u>	<u>Status of compliance</u>
					registration issued by CIDB at its place of business;	
					(g) KED shall display its registration number on the signboard at each construction site;	Noted and complied
					(h) KED shall apply for renewal of registration within sixty (60) days prior to the expiry date as specified in this certificate;	Noted and complied
					(i) KED shall comply with all the requirements and provisions of the code of ethics for contractors;	Noted and complied
					(j) KED shall appoint skilled construction workers and site supervisors who are accredited and certified by CIDB; and	Noted and complied
					(k) All the workers at the construction site must have a valid CIDB Green Card.	Noted and complied

6. INFORMATION OF OUR GROUP (CONT'D)

6.11 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

Our business is regulated by, and in some instances required to be licensed under specific laws of Malaysia. The relevant laws and regulations governing our Group which do not purport to be an exhaustive description of all laws and regulations of which our business is subject to are summarised below.

6.11.1 Electricity Supply Act 1990 (“Electricity Supply Act”)

The Electricity Supply Act, including the Electricity Regulations 1994 regulates the electricity supply industry, the supply of electricity, the licensing of electrical installation, the control of electrical installation, plant and equipment with respect to matters relating to the safety of persons and the efficient use of electricity. It provides that, subject to exemptions prescribed, no person other than a supply authority shall use, work or operate or permit to be used, worked or operated any installation or supply to any other person energy from any installation, except under and in accordance with the terms of a licence granted by the Energy Commission and expressly authorising the supply or use. Any person who supplies electricity from an installation to or for the use of any person without a licence shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 and to a further fine not exceeding RM1,000 for every day or part of a day during which the offence continues after conviction.

The Electricity Regulations 1994 also states that any Electrical Services Engineer, Competent Electrical Engineer, Electrical Supervisor, Chargeman, Wireman or Cable Jointer referred to in the Electricity Regulations 1994 shall possess a valid Certificate of Competency appropriate to such category, with restrictions, if any, issued to him by the Energy Commission.

As at the LPD, our subsidiary, SDC is certified by the Energy Commission as an Energy Service Company. Our employee who is categorised as Registered Electrical Energy Manager fall under the requirements of the Electricity Regulations 1994 and has been certified in accordance with the Electricity Regulations 1994.

6.11.2 Renewable Energy Act 2011 (“REA”)

The REA provides for the establishment and implementation of a special tariff system to catalyse the generation of renewable energy.

In line with the introduction of the NEM programme, the Energy Commission had issued the Guidelines for Solar Photovoltaic Installation on Net Energy Metering Scheme (“**NEM Guidelines**”) under the Electricity Supply Act to implement the solar photovoltaic installation on the NEM programme. The NEM Guidelines set out, amongst others, the design criteria and requirement, the types of installation, capacity limit and application process of solar PV installations under the NEM programme.

As at the LPD, our subsidiary, SDC is certified by SEDA as a Solar Photovoltaic Investor under the NEM programme.

6.11.3 Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 (“CIDB Act”)

- (a) The CIDB Act provides that a contractor must register with the CIDB and hold a valid certificate of registration issued by the CIDB under the CIDB Act in order to carry out or complete, undertake to carry out or complete any construction works or hold himself as a contractor. There are 4 categories of registration, namely building construction, civil engineering, mechanical and electrical and facility. The scope of registration may further be classified into the following 7 grades with each grade having different tendering capacity.

As at the LPD, our subsidiary, SDC holds a valid Grade G7 certificate of registration issued under the CIDB Act, which enables SDC to tender for contracts with no limits on the value of the construction works.

6. INFORMATION OF OUR GROUP (CONT'D)

As at the LPD, our subsidiary, KED holds a valid Grade G4 certificate of registration issued under the CIDB Act, which enables KED to tender for contracts with a tender value of construction works not exceeding RM3,000,000.00.

KED previously held a valid Grade G3 licence, but had undertaken construction projects exceeding the value of the RM1.00 million limit for Grade G3 licence. The projects were awarded to KED by SDC and were initially under the value of RM1.00 million, however the total project value exceeded RM1.00 million subsequently due to several variation orders issued by SDC. The projects have been completed on 16 November 2020 and 10 June 2022. CIDB has approved the upgrade of KED's CIDB Grade G3 licence to CIDB Grade G4 licence on 1 August 2023 and there was no penalty imposed by CIDB. Our Group had on 11 September 2023 implemented policies and procedures to ensure that we are in compliance with the provisions of the CIDB Act, the rules and regulations made thereunder and any terms, conditions or restrictions imposed by CIDB from time to time undertaken as part of our Group's project department's standard operating procedures.

- (b) The CIDB Act also sets out that every contractor shall declare and submit to the CIDB, any contract which the contractor has been awarded on any construction works. For every such contract having a contract sum of above RM50,000.00, the contractor shall be liable to pay to the CIDB a levy at the rate of a quarter per centum of the contract sum.

Any contractor who, without reasonable cause, fails to comply with the directives issued by CIDB, shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM500,000 and in respect of a continuing failure to comply, an additional fine not exceeding RM10,000 for everyday or part of a day during which the offence continues after conviction.

In the past, SDC and KED only declared and submitted to CIDB awarded contracts when requested by their customers, as they were not aware that they have an obligation as subcontractors to make such declarations and submissions to CIDB. Upon becoming aware of the requirements to do so, SDC and KED had on 3 August 2023, 7 August 2023, 8 August 2023, 8 September 2023, 11 September 2023, 16 October 2023 and 29 November 2023 made the notification and submission onto the CIDB portal. SDC had also on 20 May 2022, received a compound from CIDB for the failure to declare and submit a project to CIDB. SDC had on 7 June 2022 made the necessary payment for the compound. The management of our Group has implemented the policies and procedures on 11 September 2023 for the declaration to CIDB of any construction works undertaken as part of our Group's project department's standard operating procedures.

SDC had previously inadvertently failed to undertake the necessary levy payments to CIDB due to management oversight for the recent projects where they acted as the main contractors. SDC had on 23 August 2023 and 2 October 2023 made the necessary levy payments. The management of our Group has implemented the policies and procedures on 11 September 2023 to ensure the necessary levy payments to be payable to CIDB in a timely manner as part of our Group's project department's standard operating procedures.

6.11.4 Local Government Act 1976 ("LGA")

Section 102 of the LGA provides that local authorities are empowered to make, amend and revoke the by-laws.

As our Group primarily carries out its business in Kajang, Selangor, our Group is under the jurisdiction of the Kajang Municipal Council ("MPKj") and the relevant by-laws governing the conduct of our Group's business would be the Licensing, Business Trade and Industrial By-Law (MPKj) 2007 ("By-laws").

6. INFORMATION OF OUR GROUP (CONT'D)

By virtue of the By-laws, no person shall operate any activity of trade, business and industry or use any place or premise in the local area of MPKj for any activity of trade, business and industry without a licence issued by the licensing authority of MPKj. A contravention of the By-laws would result in an offence, which upon conviction, would result in a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both and in the case of a continuing offence to a fine not exceeding RM200 for each day during which such offence is continued after conviction.

KED had previously carried out their business without a trade, business and industries licence as it was unaware that it was required to apply for said licence, since it was operating in the same premise as SDC, which had already obtained a trade, business and industries licence. KED has obtained its trade, business and industries licence with MPKj on 19 July 2023. Moving forward, the management of our Group will continue to observe our existing monitoring list and has implemented licences and permit monitoring policies and procedures on 1 September 2023 to ensure that our Group renews the relevant licences and permits on a timely basis.

As at the LPD, our Group holds and maintains valid business licences issued by the MPKj.

6.12 EMPLOYEES

As at the LPD, the Group has a total workforce of 52 employees, all of whom are Malaysians consist of 51 permanent employees and 1 contract employee. We do not have any foreign workers employed within our Group.

The breakdown of the Group's workforce for FY Under Review and as at the LPD is as follows:

Department	Employees			
	FY 2020	FY 2021	FY 2022	As at the LPD
Executive Directors	2	2	2	2
Finance and Administration	4	3	4	5
Project	12	12	12	14
• Project Directors	-	-	-	2
• Project managers	2	2	2	1
• Project engineers	7	6	5	8
• Project executives	3	2	3	2
• Project supervisors	-	2	2	2
Technical and Servicing	16	16	19	25
• Technical Director	-	-	-	1
• Technical managers	-	-	1	2
• Technical engineers	6	6	7	7
• Technical executives	10	10	11	15
Business Development	6	5	3	5
Total	40	38	40	53

As at the LPD, the number of employees holding relevant engineering qualifications are as follows:

Department	No. of employees
Executive Directors	2
Finance and Administration	1
Project	10
Technical and Servicing	9
Business Development	3
Total	25

None of our employees belong to any labour union for the FY Under Review and up to the LPD. There has been no industrial dispute between our management and our employees.

6. INFORMATION OF OUR GROUP (CONT'D)

6.13 ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

SDCG will be proactive in the face of disruptive events and sees them as opportunities to create value for stakeholders.

Our Board takes cognisance of the sustainability governance as set out in the Bursa Securities' ACE Market Listing Requirements in Relation to Sustainability Reporting Framework, Bursa Securities' Sustainability Reporting Guide (3rd Edition) and Malaysian Code on Corporate Governance 2021.

Our Group has adopted some Environment, Social and Governance practices in ensuring environmentally responsible operations, conducting business responsibly and providing conducive workplaces for employees.

Our Board oversees the governance of the Group's sustainability matters. While the senior management team is responsible for overseeing the implementation of sustainability-related initiatives within the purview of their respective departments. The senior management team is responsible for executing, monitoring and reporting sustainability-related initiatives which assist senior management in making informed decisions to achieve the Group's sustainability goals.

We are committed to setting up an overall Sustainability Framework for the Group based on the following guidelines and standards;

- (i) Bursa Securities' ACE Market Listing Requirements in Relation to Sustainability Reporting Framework;
- (ii) Bursa Securities' Sustainability Reporting Guide (3rd Edition);
- (iii) Malaysian Code on Corporate Governance 2021;
- (iv) Global Reporting Initiative ("GRI"); and
- (v) United Nations Sustainable Development Goals ("UNSDG")

In terms of implementing and managing Sustainability matters, we are and will focus on the following:

Environmental Practices:

- (i) We prioritise the use of eco-friendly materials and components in our solar hot water systems.
- (ii) The Group is implementing strategies to minimise waste generation during installation processes and also promote efficient waste management practices such as reducing, reusing, and recycling in our office premises.
- (iii) We aim to minimise our energy consumption and carbon footprint of the Group's operations and supply chain.
- (iv) While our water usage is limited, we are resolute in our endeavour to further decrease overall water consumption through proactive water conservation practices.

Social Practices:

- (i) The Group places significant emphasis on the health and safety of our employees by ensuring safe working conditions, these measures encompass the provision of Personal Protective Equipment to our employees at sites and regular cleaning and sanitisation of our workplaces and equipment.

6. INFORMATION OF OUR GROUP (CONT'D)

- (ii) We maintain a discrimination-free workplace where individuals are treated fairly and equitably, irrespective of their race, colour, gender, religion, national origin, age, disability, genetic information, marital status, or any other legally protected classification.
- (iii) Our recruitment process is guided by the principles of fairness and impartiality, emphasising skills and experience as the primary criteria.
- (iv) We foster a culture of growth by conducting transparent and objective annual performance reviews to assess employee performance and provide valuable feedback to our staff.

We offer our employees a range of learning opportunities throughout their careers to ensure they acquire the necessary skills to excel in their roles.

Governance Practices:

- (i) Diversity on our Board remains a key goal, as it brings multifaceted perspectives to decision-making processes. We have also successfully advanced gender balance by appointing accomplished female directors to our board.
- (ii) We involve shareholders, customers, and employees. We address concerns and integrate valuable feedback into our business strategies.
- (iii) We uphold a zero-tolerance policy towards fraud, bribery, corruption, money laundering and the financing of terrorism. Therefore, we have implemented an Anti-Bribery and Corruption Policy and Whistle-blowing policy to enhance the transparency of the group and provide a better governance environment.
- (iv) We have adopted a Personal Data Protection Act Policy, which complies with the Personal Data Protection Act 2010 to protect the personal data we obtain from our customers, suppliers and employees.
- (v) We prioritise the evaluation of quality and safety and have obtained the following certification:

Certificate	Award Body
Grade G7 certification for building construction, civil engineering construction, mechanical and electrical engineering	CIDB
Certificate of registration of registered solar PV Investor which qualifies SDC to take part in the Net-Energy Metering Program administered by SEDA	SEDA

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7. BUSINESS OVERVIEW

7.1 INCORPORATION AND HISTORY

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

Our Company is an investment holding company while our wholly-owned subsidiary, SDC is principally involved in the provision and maintenance of BMS, solar thermal systems, and other energy services. KED, a wholly-owned subsidiary of SDC, is principally involved in mechanical and electrical works, and project management services.

The history of our Group can be traced back to the incorporation of SDC under the name Pustaka Integrasi Sdn Bhd in 2003 which subsequently changed to its current name and commenced operations in 2008.

The shareholders of SDC in 2008 were:

- (i) Ikhasas Sdn Bhd, a property development company with 83.32% of equity interest in SDC. The shareholders of Ikhasas Sdn Bhd were 7 individual shareholders, who were unrelated to our Promoters;
- (ii) Edison Kong holding 5.56% equity interest in SDC, who in the same year joined SDC as the Head of Mechanical and Engineering Department/Director of Services;
- (iii) Chan Jian Wen holding 5.56% equity interest in SDC, who is unrelated to our Promoters; and
- (iv) Woon Teck Kee holding 5.56% equity interest in SDC, who is unrelated to our Promoters.

Between 2009 and 2010, Woon Teck Kee and Chan Jian Wen disposed of their entire equity interests to Ikhasas Sdn Bhd, thereby increasing the shareholding of Ikhasas Sdn Bhd to 94.44% equity interest in SDC.

In 2009, our Executive Director, Eileen Liuk joined SDC as a Business Manager and subsequently in 2010 acquired 10.00% equity interest in SDC from Ikhasas Sdn Bhd. In addition, in 2010, Edison Kong acquired 4.44% equity interest in SDC from Ikhasas Sdn Bhd and further acquired the remaining 80.00% of equity interest in SDC from Ikhasas Sdn Bhd in 2013.

Edison Kong was appointed as the Deputy Managing Director of SDC in 2010, and promoted to Acting Managing Director of SDC in 2011 before being confirmed as the Managing Director of SDC in the same year. Eileen Liuk was appointed as the Sales Director of SDC in 2010.

Since 2013, Edison Kong and Eileen Liuk have respectively held 90.00% and 10.00% equity interest in SDC.

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7. BUSINESS OVERVIEW (CONT'D)

The key business development milestones of our Group are summarised in the following table:

Year	History and key milestones
2008 – 2010	<ul style="list-style-type: none"> • We commenced operations in 2008 and secured our first contract for the installation and commissioning of a centralised solar thermal cooling system from our shareholder at the time, Ikhasas Sdn Bhd with a contract value of RM0.85 million. The said contract was completed in 2008. The project was for its corporate headquarters in Bandar Bukit Puchong Industrial Park, Selangor. During that time, we operated from rented premises in Bandar Bukit Puchong Industrial Park in Puchong, Selangor. • In 2008, we secured the following distributorships for the Malaysia market to support our solar thermal operations: <ul style="list-style-type: none"> - "SANYO" brand of chillers, boiler and parts from Dalian Sanyo Refrigeration Co., Ltd in China. (The brand and company names were subsequently changed to "Panasonic" brand of chillers and Panasonic Appliances Air-Conditioning and Refrigeration (Dalian) Co., Ltd. in 2014.) As at the LPD, we continue to be a distributor of Panasonic brand of chillers, boilers, parts and after sales service in Malaysia. - Solar evacuated tube collectors manufactured by Beijing Sunda Solar Energy Technology Co., Ltd in China which are then rebranded to "SDC" brand for the Malaysian market. As at the LPD, we continue to be a distributor of Sunda's solar evacuated tube collectors, installation and after sales service in Malaysia. • In 2009, SDC was registered as a Grade 7 contractor with CIDB in the building, civil engineering and mechanical engineering categories. This registration is valid until April 2024. • In 2009, we expanded our portfolio of services to incorporate systems integration of BMS when we secured our first project with a contract value of RM0.85 million from our customer, a construction company. The systems integration of BMS was for a commercial building in Jalan Perak, Kuala Lumpur and the said project was completed in 2011. In the same year in 2009, we continued to secure BMS projects from another construction company for the Istana Negara in Jalan Duta, Kuala Lumpur. The value of the contract was RM3.20 million and the project was completed in 2012. • In 2010, we secured our first project for the installation of a solar thermal hot water system which also included systems integration of BMS and automatic chilled water billing system for a 5-star hotel in Johor. The contract value was RM1.88 million and was awarded by a civil and structural engineering company. The said project was completed in 2012.
2011 – 2015	<ul style="list-style-type: none"> • In 2011, we expanded our customer base to East Malaysia when we secured a purchase order for the installation of a solar thermal cooling system from a building contractor for Sabah art gallery in Kota Kinabalu, Sabah. The value of the purchase order was RM0.41 million and the said project was completed in 2012. In addition, we also secured a contract for systems integration of BMS from a construction company for the Jabatan Kerja Raya headquarters in Jalan Sultan Salahuddin, Kuala Lumpur in 2011. The value of the contract was RM2.09 million and the said project was completed in 2015. • In 2013, we secured a purchase order to install a solar thermal cooling system from a mechanical and electrical contractor for the PKNS headquarters in Shah Alam, Selangor. The value of the purchase order was RM2.43 million and the said project was completed in 2017.

7. BUSINESS OVERVIEW (CONT'D)

Year	History and key milestones
	<ul style="list-style-type: none"> • SDC incorporated its subsidiary, KED in 2014 where SDC held 80.00% equity interest in KED while Ed Kamil Bin Md Bashah and Khoirol Suhardi Bin Shaaban, both of whom are employees of SDC, held 10.00% equity interest each in KED. KED commenced business operations in 2015 and is mainly focusing on providing mechanical and electrical works, and project management services for SDC's customers.
2016 – 2020	<ul style="list-style-type: none"> • In 2016, KED was registered as a Grade 3 contractor with CIDB in the building, civil engineering and mechanical engineering categories. KED's CIDB registration was subsequently upgraded to Grade 4 in 2023 and its current registration is valid until 2025. • In 2016, we acquired a 3-storey shop office premises in Taman Kajang Perdana in Kajang, Selangor with a built-up area of approximately 4,628 sq. ft. and moved from our previous office premises at Bandar Bukit Puchong to this property as our current Headquarters. • In 2016, we secured a contract from a concessionaire of public hospital support services to install a solar thermal cooling system for a public hospital. The contract involved installing a new solar thermal cooling system and integrating it with the existing electric chiller for the Duchess of Kent Hospital in Sandakan, Sabah. The contract was valued at RM3.20 million and the project was completed in 2017. • We obtained the rights to use MyHIJAU Mark from Malaysia Green Technology and Climate Change Corporation for the SDC brand of solar evacuated tubes and solar water heaters in 2017 which is valid until 2025. MyHIJAU Mark is the official green recognition scheme endorsed by the Government of Malaysia and is an initiative embarked on by Malaysia Green Technology and Climate Change Corporation. • As part of our BMS and solar thermal system operations, we secured the following distributorships for the Malaysia market: <ul style="list-style-type: none"> - In 2017, we secured the distributorship for the "Tridium" brand of products for the Malaysian market from Tridium Asia Pacific Pte Ltd in Singapore. This is for the provision of BMS including system software developed on the Tridium Niagara framework and other products including the network control unit and direct digital controllers. As at the LPD, we continue to be a distributor of Tridium's abovementioned range of BMS products which is rebranded to our "Tri-IO" brand for the Malaysia market. - In 2019, we became the authorised dealer of "Haier" brand of oil-free magnetic bearing chiller from Haier Electrical Appliances (M) Sdn Bhd. • In 2017, we secured 3 contracts for the supply, delivery, installation, testing and commissioning and maintenance of BMS and building security system works for Business School Residence Project, Conference and Training Facility Project and the Business School Project. The said contracts had a total value of RM10.08 million. The said projects were completed between 2019 and 2020. • In 2019, we started providing energy performance services with a contract to Customer D, a concessionaire to provide public hospital support services, for installation of hybrid solar thermal hot water system in Hospital 1. <p>Since 2019 and up to the LPD, we have in total of 7 energy performance service contracts with 3 different concessionaires of public hospital support services. As at the LPD, 6 of these energy performance service contracts are still subsisting up to 2025.</p>

7. BUSINESS OVERVIEW (CONT'D)

Year	History and key milestones
2021 – 2023	<ul style="list-style-type: none"> We secured a distributorship for the “Haitai Solar” brand of solar PV panel for the Malaysian market from Tangshan Haitai New Energy Technology Co., Ltd based in Tangshan, Hebei province in China in 2021. As at the LPD, we continue to be a distributor of Haitai Solar’s solar PV panels for the Malaysia market. We obtained the rights to use MyHIJAU mark for Haitai Solar PV panels systems in 2022 which are valid until 2025. KED became a wholly-owned subsidiary of SDC in December 2022. SDCG was incorporated in 2023.

7.2 OUR ACHIEVEMENTS AND RECOGNITIONS

Since the commencement and up to the LPD, we have received the following awards:

Year	Our Subsidiary	Awarding Party	Award
2009	SDC	ASEAN Centre for Energy	Winner in the 10th ASEAN energy efficient building best practices competition in 2009 (special submission category) for the 1st centralised solar thermal cooling system in Malaysia
2010	SDC	SME Corporation Malaysia and Ministry of International Trade and Industry (MITI)	3-star rating for SME Competitiveness Rating for Enhancement
2019	SDC	Malaysia Productivity Corporation	Bronze award for recognition as a high productivity enterprise employing local workers
2022	SDC	Tridium Asia Pacific Pte Ltd	Platinum distributorship status

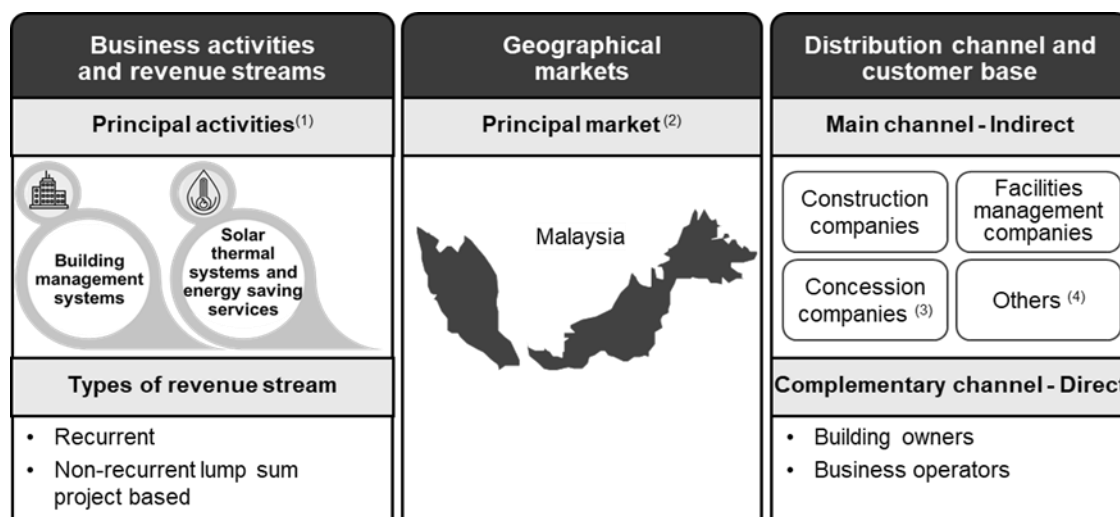
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7. BUSINESS OVERVIEW (CONT'D)

7.3 OVERVIEW OF OUR BUSINESS

7.3.1 Our 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.

7.3.2 Business activities and revenue streams

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:

7. BUSINESS OVERVIEW (CONT'D)

(a) Systems integration of BMS

We are involved in the systems integration of BMS where we design, supply, install and integrate the BMS into a new and/or existing building. During the FY Under Review, FP 2023 and up to the LPD, we have undertaken systems integration of BMS mainly for commercial buildings, institutional buildings, leisure and hospitality properties, and industrial properties. We install new BMS as part of the construction of new buildings as well as undertake upgrading and/or retrofitting BMS into existing buildings. The typical contract period for our systems integration of BMS ranges from 1 to 3 years.

(b) Maintenance of BMS

We also provide maintenance services for BMS installed by us (for some of our projects where our customers require maintenance service) as well as those installed by third-party service providers. The typical contract period for maintenance of BMS ranges from 1 to 3 years.

(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 to 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

For the FY Under Review and FP 2023, our energy performance services are based on contracts with our customers who are concessionaires of public hospital support services. In some of our contracts, the method of calculation of guaranteed savings from the installation of the hybrid hot water system and retrofitting of LED or release of yearly retention sum are subject to the approval or clearance by MOH.

The business activity comprises installing new solar thermal hot water system and integrated with the existing fossil fuel boiler system, and for some contracts, retrofitting of existing fluorescent lighting with LED lighting.

We will fund the project investments for the installation of hybrid solar thermal hot water system and for some contracts, retrofitting of LED lighting, and subsequently carry out maintenance on the items we installed, upgraded and retrofitted over the contract duration period. As at the LPD, we have 6 subsisting energy performance service contracts with 3 concessionaires of public hospitals in Peninsular and East Malaysia including Customer D (Hospital 2 in Sabah), Customer E (Hospital 3 in Kedah) and One Medicare Sdn Bhd (Miri Hospital in Sarawak, Sarikei Hospital in Sarawak, Sibu Hospital in Sarawak and Sarawak Heart Centre in Sarawak). The typical contract period for energy savings services ranges between 4 to 6 years.

7. BUSINESS OVERVIEW (CONT'D)

(b) Installation of solar thermal hot water systems

This segment of the business is for standalone projects that are not part of energy performance services. For the FY Under Review, FP 2023 and up to the LPD, these standalone projects are mainly for hospitals, individual residential properties as well as the industrial sector. The typical contract period for installation of solar thermal hot water systems is 1 to 2 years.

(c) Maintenance of solar thermal hot water and cooling systems

We provide maintenance services for solar thermal hot water and cooling systems that we install (for some of our projects) as well as those installed by third parties. The contract period for maintenance of solar thermal hot water system ranges between 4 to 6 years.

(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.

For further details on our business activities, and completed and on-going contracts, please refer to Section 7.6 of the Prospectus.

Our revenue segmentation for the FY Under Review and FP 2023 is summarised in the following table:

Business activities	FY 2020		FY 2021		FY 2022		FP 2023	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
BMS	10,876	73.94	9,056	51.47	12,659	67.88	12,215	72.68
- Systems integration of BMS ⁽¹⁾	8,992	61.13	7,372	41.90	10,478	56.19	10,457	62.22
- Maintenance of BMS ⁽²⁾	1,884	12.81	1,684	9.57	2,181	11.69	1,758	10.46
Solar thermal systems and energy saving services	2,894	19.68	7,962	45.26	5,545	29.74	4,240	25.23
- Energy performance services	2,699	18.35	4,911	27.92	5,148	27.61	4,045	24.07
- Installation of solar thermal hot water systems	53	0.36	2,893	16.44	223	1.20	74	0.44
- Maintenance of solar thermal hot water and cooling systems	142	0.97	158	0.90	174	0.93	121	0.72
Maintenance of other systems and equipment	939	6.38	576	3.27	444	2.38	351	2.09
- Gas fired chillers	939	6.38	576	3.27	444	2.38	351	2.09
TOTAL	14,709	100.00	17,594	100.00	18,648	100.00	16,806	100.00

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) May include revenue from providing maintenance services that are included as part of the contract.
 (2) Maintenance of BMS refers to provision of standalone maintenance services.

For the FY Under Review and FP 2023, our BMS segment is our largest revenue contributor which accounted for 73.94%, 51.47%, 67.88% and 72.68% of our total revenue for the FY 2020, FY 2021, FY 2022 and FP 2023 respectively. This is followed by solar thermal systems and energy saving services segment which accounted for 19.68%, 45.26%, 29.74% and 25.23% of our total revenue for the FY 2020, FY 2021, FY 2022 and FP 2023 respectively. Revenue from the maintenance of other systems and equipment accounted for 6.38%, 3.27%, 2.38% and 2.09% of our total revenue for the FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

For the FY Under Review and FP 2023, the number of customers that contributed to our revenue for the FY 2020, FY 2021, FY 2022 and FP 2023 are as follows:

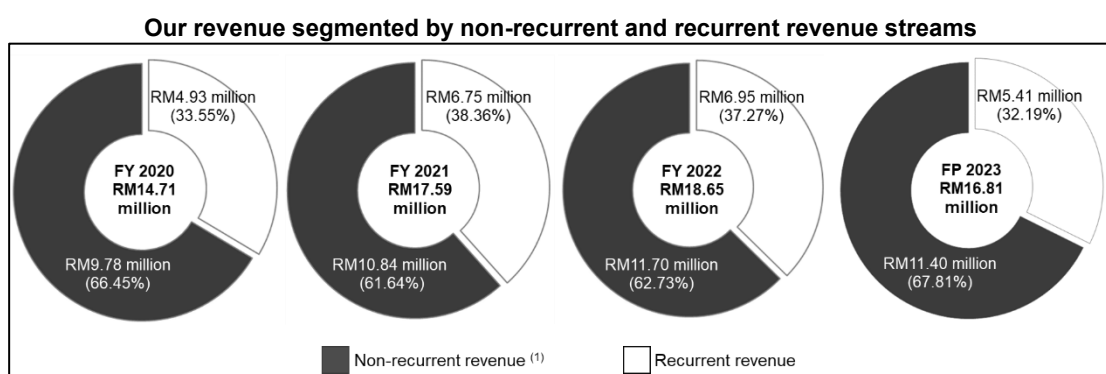
	FY 2020	FY 2021	FY 2022	FP 2023
Total revenue (RM'000)	14,709	17,594	18,648	16,806
Number of customers	62	68	78	65
- Existing customers	46	55	64	52
- New customers ⁽¹⁾	16	13	14	13

Note:

- (1) Refers to customers that the Group first dealt with, and has contributed to our revenue in any one of the FY Under Review or FP 2023.

7.3.3 Recurrent and non-recurrent revenue

Our business has both non-recurrent and recurrent revenue streams as indicated in the diagram below:



Note:

- (1) Non-recurrent revenue includes amounts charged to customers for parts replacement arising from the provision of maintenance services.

For FY Under Review and FP 2023, our non-recurrent revenue streams are lump sum project based and are mainly derived from systems integration of BMS and installation of solar thermal hot water systems, and providing ad hoc maintenance services for BMS and solar thermal hot water systems. For FY Under Review and FP 2023, our recurrent revenue streams are mainly derived from energy performance services, maintenance of BMS, maintenance of solar thermal cooling systems, as well as maintenance of other systems and equipment.

7. BUSINESS OVERVIEW (CONT'D)

7.3.4 Geographical markets

We principally operate in Malaysia which also represents our main market for the FY Under Review and FP 2023, while a small proportion of our revenue was from other countries comprising Brunei and Singapore. Our revenue contribution by geographical markets is summarised in the following table:

Geographical market	FY 2020		FY 2021		FY 2022		FP 2023	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
Malaysia	14,334	97.45	17,408	98.94	18,587	99.67	16,663	99.15
Other countries	375	2.55	186	1.06	61	0.33	143	0.85
Brunei	-	-	-	-	61	0.33	143	0.85
Singapore	375	2.55	186	1.06	-	-	-	-
TOTAL	14,709	100.00	17,594	100.00	18,648	100.00	16,806	100.00

7.3.5 Distribution channels and customer base

The revenue contribution from our indirect and direct distribution channels and types of customers for the FY Under Review and FP 2023 is summarised in the following table:

Distribution channel	FY 2020		FY 2021		FY 2022		FP 2023	
	RM '000	%	RM '000	%	RM '000	%	RM '000	%
Indirect	12,063	82.01	15,306	87.00	13,739	73.67	9,134	54.35
Concession companies ⁽¹⁾	2,789	18.96	7,703	43.78	5,684	30.48	4,262	25.36
Construction companies	7,795	53.00	5,561	31.61	4,909	26.32	2,414	14.36
Facilities management companies	892	6.06	995	5.66	2,826	15.15	2,389	14.22
Others ⁽²⁾	587	3.99	1,047	5.95	320	1.72	69	0.41
Direct	2,646	17.99	2,288	13.00	4,909	26.33	7,672	45.65
Building owners and business operators	2,646	17.99	2,288	13.00	4,909	26.33	7,672	45.65
TOTAL	14,709	100.00	17,594	100.00	18,648	100.00	16,806	100.00

Notes:

(1) Concession companies are those who have been awarded a concession to provide hospital support services for public hospitals.

(2) Others include mainly engineering companies, mechanical and engineering contractors and interior designers.

For the FY Under Review and FP 2023, we mainly utilise an indirect distribution channel where our customers are intermediaries. Concession companies and construction companies collectively accounted for 71.96%, 75.39%, 56.80% and 39.72% of our total revenue for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. Meanwhile, facilities management

7. BUSINESS OVERVIEW (CONT'D)

companies accounted for 6.06%, 5.66%, 15.15% and 14.22% of our total revenue for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. Other customers mainly include engineering companies, mechanical and engineering contractors and interior designers and these types of customers accounted for 3.99%, 5.95%, 1.72% and 0.41% of our total revenue for FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

The indirect distribution channel applies to the provision of systems integration and maintenance of BMS, installation and maintenance of solar thermal hot water system, energy saving services business operations.

We also utilise the direct distribution channel where we deal directly with the users of our services such as building owners and business operators which accounted for 17.99%, 13.00%, 26.33% and 45.65% of our total revenue for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. The direct distribution channel applies to the systems integration and maintenance of BMS, installation and maintenance of solar thermal hot water and cooling systems, and maintenance of gas fired chiller business operations.

7.4 MODE OF OPERATION

7.4.1 Overview

Our mode of operations is based on the following:

- non-recurrent lump sum project based contracts or work orders; and
- recurrent revenue contracts.

7.4.1.1 Non-recurrent lump sum project based contracts or work orders

Our non-recurrent lump sum project based contracts or work orders applies to the following:

- systems integration of BMS;
- installation of solar thermal hot water systems;
- ad hoc maintenance of BMS;
- ad hoc maintenance of solar thermal hot water systems; and
- ad hoc maintenance of other systems and equipment.

Our non-recurrent lump sum project based contracts or work orders are based on the following mode of operation:

- Fixed lump sum; or
- Fixed lump sum plus scheduled rates.

(i) Fixed lump sum

Our fixed lump sum revenue is derived from contracts or work orders that have clearly defined scope of work, deliverables (systems, products and/or services), timeline for deliverables and/or completion dates and schedule of payment, as well as fixed price for the contract or work order. Our customers will pay us the fixed price of the contract or work order subject to any variation orders or claims against liquidated and ascertained damages where relevant.

For contract works, such as systems integration of BMS and installation of solar thermal hot water systems, we commonly invoice our customers progressively based on agreed milestones or schedules of payment up to the completion and handover of the project. For work orders and purchase orders, we commonly invoice our customers on completion of the work.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Fixed lump sum plus scheduled rates and/or material used

Some of our project based contracts have a main portion that is based on fixed lump sum (as described in the section (a) above) and a minor portion based on agreed schedule rates for workers time and materials used, mainly for work and materials that cannot be accurately determined at the point of securing the contract. The scheduled rate portion is based on actual work carried out and materials used multiplied by their respective agreed rates.

Fixed lump sum plus scheduled rates mode of operations applies to some of the BMS and solar thermal systems and energy saving services segment contracts.

Where relevant, we also charge our customers for parts and materials that we replace when carrying out the ad hoc maintenance work order.

7.4.1.2 Recurrent revenue contracts

Our recurrent revenue based contracts are based on the following mode of operation:

- Fixed monthly charges; and
- Fixed monthly project investment payment plus energy savings with yearly adjustments.

(a) Fixed monthly charges

Our fixed monthly charges revenue applies to:

- maintenance of BMS, gas fired chillers and solar thermal cooling system; and
- energy performance services.

Two types of maintenance contracts with fixed monthly charges are as follows:

- comprehensive maintenance contract where the fixed monthly charges include repair and maintenance works and material and equipment costs, where necessary; or
- maintenance contract where the fixed monthly charges are only for carrying out all repair and maintenance works and the cost for any materials and equipment required to be replaced, to be separately charged back to our customers as incurred.

Our fixed monthly charges revenue also applies to 1 subsisting energy performance service contract with our customer, Customer D as at the LPD. The total project value is to be paid to us on a monthly basis over the agreed payment periods as stipulated in the contract.

(b) Fixed monthly project investment payment plus energy savings with yearly adjustments

This mode of payment is specifically for a number of our energy performance service contracts where our customers are concessionaires of public hospital support services.

The energy performance services include project investments in installing solar thermal hot water systems and integrating them with their respective existing boiler hot water systems, plus retrofitting selected fluorescent lights with LED lights. The existing boiler hot water system uses diesel or LPG as the main fuel source and is retained to supplement as well as to serve as backup for the solar thermal hot water system.

We fund the project investments, and subsequently carry out maintenance on the items that we installed, upgraded and retrofitted over the performance period which commences

7. BUSINESS OVERVIEW (CONT'D)

upon the completion and commissioning of the hybrid solar thermal hot water system and retrofitting of LED lights.

This mode of payment by our customers comprises three components as follows:

- (i) fixed monthly project investment payment (“**PIP**”) over the performance period;
- (ii) fixed monthly energy cost savings payment (“**ECSP**”) over the performance period; and
- (iii) end-of-year adjustment (“**EOYA**”) for ECSP, where relevant.

Thus, the overall mode of payment is (PIP + ECSP) - EOYA.

The **PIP** due to us is based on the total agreed project investment for the installation of the hybrid solar thermal hot water system and retrofitting of LED lights, divided by the agreed number of months of the performance period. The PIP is fixed for the duration of the contract.

- PIP example

Assuming our energy performance service contract comprises an agreed project investment of RM3.60 million for the installation of the hybrid solar thermal hot water system and retrofitting of LED lights, and the contract is for 60 months.

Then, our PIP = RM3.60 million divided by 60 months = RM60,000 per month.

The **ECSP** due to us is based on a guaranteed savings (GS) multiplied by an agreed percentage (AP) attributed to us. Thus, our ECSP = GS x AP. The AP is agreed and stipulated in the contract and is either 57% (or a minimum of RM12,000) or 70% for us.

- ECSP example

Assuming our energy performance service contract which includes the installation of the hybrid solar thermal hot water system and retrofitting of LED lights has an AP of 70% for us:

- Calculation of savings from the installation of the **hybrid solar thermal hot water system** are as follows:

- (a) Savings from reduced use of LPG

- . Assuming that the hospital normally uses 100,000 litres of LPG in a year for its boiler hot water system. This will be used as the baseline for the duration of the contract;
- . Assuming the agreed GS through the usage of the solar thermal hot water system is 95% savings on LPG which comes to 95,000 litres of LPG;
- . Assuming that the agreed rate for the LPG is RM3.20 per litre. This will be used as the LPG rate for all relevant calculations for the duration of the contract.

Thus, GS from the reduced use of LPG for the boiler hot water system = 100,000 litres x 95% x RM3.20 per litre = **RM304,000** per year.

7. BUSINESS OVERVIEW (CONT'D)

- (b) Cost incurred for operating the solar hot water system
- . Heat pumps, which run on electricity, are used in the operation of the installed solar thermal hot water system;
 - . Assuming 3 units of heat pumps are required and the electricity cost for running the heat pumps is 100,000 kWh per year;
 - . Assuming the cost of electricity is RM0.40 per kWh. This is fixed for the duration of the contract.

Thus, the cost incurred for operating 3 units of heat pumps = 100,000 kWh x RM0.40 per kWh = **RM40,000** per year.

As such, net GS from the installation of the hybrid solar thermal hot water system = (a) – (b) = RM304,000 – RM40,000 = **RM264,000** per year

- Calculation of GS from the retrofitting of **LED** lights:
 - . Assuming 10,000 units of 4-foot (42W) fluorescent tube and 3,000 units of 2-foot (24W) fluorescent tube to be retrofitted with 10,000 units of 13W LED and 3,000 units of 8W LED respectively;
 - . Savings in power (wattage) = (10,000 units x (42W – 13W)) + (3,000 tubes x (24W – 8W)) = 290,000W + 48,000W = 338,000W = 338kW
 - . Agreed that the lights will be turned on for an average of 15 hours per day for 365 days per year. Thus, savings in a year = 338kW x 15 hours x 365 days = 1,850,550 kWh per year
 - . Assuming the cost of electricity is RM0.40 per kWh. This is fixed for the duration of the contract. Annual GS for retrofitting of LED lights = 1,850,550 kWh x RM0.40 = **RM740,220** per year.
- Thus, total GS for the installation of the hybrid solar thermal hot water system and retrofitting of LED lights = RM264,000 + RM740,220 = RM1,004,220 per year for 5 years (assuming duration of the contract) equivalent to **RM5,021,100** for the duration of the contract.
- Calculation of our share of the ECSP
 - .
$$\text{ESCP} = (\text{total GS} - \text{project investment}) \times \text{AP} = (\text{RM5,021,100} - \text{RM3,600,000} = \text{RM1,421,100}) \times 0.7 = \text{RM994,770.00}$$
 or **RM16,579.50 for 60 months.**

In summary for this example, we will be paid RM16,579.50 per month for 60 months as part of our ECSP component by our customers.

For the hybrid solar thermal hot water system, if the existing boiler hot water system uses more fuel (diesel or LPG) than the guaranteed amount, we will need to pay for the excess usage of the fuel to our customers as **EOYA**. The price of the fuel is fixed for the duration of the contract.

7. BUSINESS OVERVIEW (CONT'D)

- EOYA example
 - . Assuming the above examples, instead of using only 5% (5,000 litres) of the baseline (100,000 litres) LPG, the hospital used 20% (20,000 litres) of the baseline.
 - . Thus, we have to pay our customer the equivalent of 15,000 litres (20,000 litres – 5,000 litres) at the agreed rate of RM3.20 per litre = 15,000 litres x RM3.20 per litre = **RM48,000**.

In summary, for this example, we will have to pay RM48,000 to our customer as EOYA.

As at the LPD, we have 5 energy performance service contracts under this mode of payment from our customers, 1 contract from Customer E and 4 contracts from One Medicare Sdn Bhd. Save as listed below, we have not experienced any EOYA since incorporation:

- (i) There was an EOYA with Customer E for the Hospital 3 Contract where there was a deduction of payment amounting to RM0.04 million arising from the shortfall in the actual energy savings and the guaranteed energy savings in FY 2021; and
- (ii) There was an EOYA with One Medicare Sdn Bhd for Sarikei Hospital Contract where there was a deduction of payment amounting to RM0.09 million arising from the shortfall in the actual energy savings and the guaranteed energy savings in FY 2021.

7.4.2 Performance terms and conditions of contracts

We have two types of fixed lump sum contracts as follows:

(a) Project based contracts

Our mode of operations for project based contracts for systems integration of BMS and installation of solar thermal hot water systems in terms of securing projects and main performance obligations are as follows:

Securing projects

Our BMS systems integration and installation of solar thermal hot water systems are project based with a clearly defined scope of work, deliverables, timeline for deliverables, start and completion dates, and schedule of payment. All such contracts are fixed lump sum contracts.

We secure these contracts through the submission of tender bids or private proposals. Depending on the tender, a tender bond or deposit may be required to be submitted along with the tender bid document to provide a guarantee to the customer that we will undertake the project if we are awarded.

Retention sum and performance bond

For our contracts, we are typically required to provide a retention sum of our total contract sum which our customers will retain for an agreed period after the completion of our work. Typically, a retention sum ranging from 5% to 10% of the total contract sum will be retained by the customer. Depending on the terms of the contract, the retention sum is usually released upon the issuance of the Certificate of Practical Completion (“**CPC**”) or the Certificate of Making Good Defects (“**CMGD**”) or upon the expiration of the defect liability period.

7. BUSINESS OVERVIEW (CONT'D)

Similarly, where relevant, we are entitled to retain payment of part of our subcontractors' invoices as retention sum ranging from 5% to 10% of the total contract sum as stipulated in our contracts with subcontractors.

Depending on the terms of the contract with our customers, we may or may not be required to issue a performance bond of 5% of the total contract sum in the form of a bank guarantee. In the event of any justifiable non-performance on our part, our customers may call on part or all of the performance bond. The performance bond is typically required to remain valid until 12 months upon the issuance of CPC or the expiration of the defect liability period, as the case may be.

Progressive claims

During the various stages of the project, we will submit progress claims either monthly or based on agreed project milestones. The approval of the progressive claims is subject to the work certified by professional consultants or our customers which allows us to invoice the customer.

Project contract period obligation

We are obligated to complete the project within the period stipulated in the contract. Typically, our project period ranges from 1 to 3 years depending on the scope and size of the project. In the event of any delays in the completion of a project attributable to us, we are subject to liquidated ascertained damage (LAD) claims by the customer at an agreed fixed rate of damages per day as stipulated in the contract.

Under normal operating conditions, we will seek an extension of time (EOT) from the customer if the project encounters any unforeseen circumstances that may affect the completion date, which is subject to approval by the customer.

Variation orders

In some cases, during or soon after the completion of a project, the customer may request variation orders for the project which may include additions, omissions, substitutions, alterations and/or changes to the work scope.

We are usually notified of a variation order in writing describing the details of the variation works and, where required, accompanied with revised drawings. We will submit our costing and the expected timeframe for the variation work to the customer for their approval.

Variation orders are generally addendums to existing contracts where all general conditions of the original project contracts would still be applicable for the variation orders except for the additional scope of work, price and extended completion period for the additional work.

Post completion

We are responsible for the rectification of defects during the defect liability period, which typically ranges from 12 to 24 months from the issuance of a CPC.

We are responsible for any rectification works together with the respective subcontractors where relevant. If there is a defect liability claim that is attributable to the works carried out by a subcontractor, we usually require the subcontractor to perform the rectification works and related costs will be borne by the said subcontractor. The cost of all defect liability claims not attributable to our subcontractors will be fully borne by us.

7. BUSINESS OVERVIEW (CONT'D)

We are also responsible to replace any defective equipment together with the respective equipment supplier. Generally, the equipment that we purchase is covered against manufacturing defects by their respective product warranties and as such, the manufacturers or suppliers are responsible for providing suitable replacements. However, we would bear the cost of physically replacing the equipment including transportation and labour costs.

(b) Project based work orders

Our mode of operations for project based work orders for ad hoc maintenance of BMS and solar thermal hot water systems are based on the specific scope of maintenance work which includes the performance of services as well as the replacement of parts and material where necessary.

7.5 OUR COMPETITIVE ADVANTAGES AND KEY STRENGTHS

7.5.1 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.

7.5.2 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. For the FY 2020, FY 2021, FY 2022 and FP 2023:

- (i) our BMS segment accounted for 73.94% (RM10.88 million), 51.47% (RM9.06 million), 67.88% (RM12.66 million) and 72.68% (RM12.22 million) of our total revenue respectively.
- (ii) our solar thermal systems and energy saving services segment accounted for 19.68% (RM2.89 million), 45.26% (RM7.96 million), 29.74% (RM5.55 million) and 25.23% (RM4.24 million) of our total revenue respectively.

Our BMS segment customers are mainly construction companies, facilities management companies, building owners and business operators. Meanwhile, our solar thermal systems and energy saving services segment customers are mainly concessionaires of public hospital support services. The different target customers provide our Group with diversity in customer base and the ability to address business opportunities in each of the sectors to grow our business.

7.5.3 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. A large percentage of Malaysia's electricity is derived from non-renewable and greenhouse gas emitting fossil fuels, especially coal and natural gas. Based on the latest available statistics, in 2019, approximately 96.6% of Malaysia's total primary energy supply uses natural gas, crude oil, petroleum products and others, as well as coal and coke (*Source: IMR Report*).

7. BUSINESS OVERVIEW (CONT'D)

Organisations who are heavy users of hot water including healthcare institutions such as hospitals, and hospitality businesses such as hotels and service apartments are target users of our solar thermal hot water systems. 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.

7.5.4 We have the technical expertise and certifications to meet our customers' requirements in BMS and solar thermal systems and energy savings 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 the following personnel in various departments:

- 1 engineer* within the Finance and Administration Department;
- 10 engineers* in the Project Department;
- 9 engineers* and 1 ICT personnel in the Service and Maintenance Department; and
- 3 engineers* in the Business Development Department.

Note:

() Our engineers have obtained at least a Bachelor's degree in a relevant field of engineering.*

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.

7.5.5 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. In addition, we have developed some of our application software that controls the functionality of the DDC and central controllers that interfaces with various sensors (including sensors from our suppliers) and facilitates the integration of other building control systems.

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. Solar thermal collectors are a key component of solar thermal hot water systems as they convert sunlight into heat for heating water.

We will use Tri-IO and SDC brand of products as part of the components used when providing systems integration of BMS and solar hot water system unless the customers request for other brands due to various reasons such as system compatibility or contractual requirements. Our brand of DDC, central controller and solar thermal collectors will provide us with some visibility to create brand awareness among potential customers, and at the same time provide the platform for creating and sustaining customer loyalty.

7.5.6 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.

In addition, we have an experienced key senior management team to provide support on our business operations including:

7. BUSINESS OVERVIEW (CONT'D)

- Ed Kamil Bin Md Bashah, our Project Director with approximately 22 years of project engineering and project management experience.
- Khoirol Suhardi Bin Shaaban, our Technical Director with approximately 22 years of experience in project engineering and project management experience;
- Mohd Hanafy Bin Rasimon, our Project Director with approximately 15 years of experience in project engineering and project management.
- Gan Yee Shan, our Finance Manager who brings with her approximately 12 years of experience in accounting and finance related matters;

Please refer to Section 5 of this Prospectus for the profiles of our Directors and key senior management team.

7.6 BUSINESS ACTIVITIES AND SERVICES

7.6.1 Building Management Systems

7.6.1.1 Overview

BMS are designed to provide integrated management, monitoring and control of specific building systems, and thus help building facility operators achieve service level targets in a cost-effective, reliable and safe manner. During the FY Under Review, FP 2023 and up to the LPD, we are involved in the following business activities related to BMS:

- systems integration of BMS; and
- maintenance of BMS.

7.6.1.2 Systems integration of BMS

We are involved in the systems integration of BMS where we design (where relevant), supply, install and integrate BMS. During the FY Under Review, FP 2023 and up to the LPD, our systems integration of BMS involved the following types of properties:

- commercial buildings such as offices, mixed developments, service apartments, shopping centres and data centres;
- institutional buildings such as hospitals and higher educational institutions;
- leisure and hospitality properties such as hotels;
- industrial properties such as semiconductor manufacturing facilities.

Our systems integration of BMS includes the following:

- installing new BMS systems as part of the construction of new buildings; and
- upgrading and/or retrofitting BMS in existing buildings.

Our scope of work as a systems integrator of BMS comprises the following:



- (i) **System design and specification:** For projects where we are responsible for the whole system, our scope of work will include system design and specification. Our system design and specification will require us to integrate all the BMS equipment and software as well as to interface with other existing building systems, and communications and electrical systems to provide power and communications connectivity for the BMS. We are also responsible for specifying all the required ICT software and hardware, equipment and materials. For some projects, the BMS design and specifications are provided by the customer or a third-party consultant engaged by the customer.

7. BUSINESS OVERVIEW (CONT'D)

- (ii) **Procurement and supply:** We procure and supply all the necessary ICT hardware and software, equipment and materials comprising our in-house and third-party brands. All ICT hardware and software, equipment and materials, including our in-house brand equipment, are procured from suppliers.
- (iii) **Installation:** We are responsible for the installation works which include hacking and masonry works to install power and communication cables, connecting all the BMS ICT hardware, equipment and devices, interfacing with existing equipment and systems, and providing power and communications termination points for future addition of ICT hardware, equipment and devices. We engage subcontractors to carry out all the installation works under our supervision and management.
- (iv) **Integration:** We are responsible for ensuring that our installed BMS are properly integrated with all other relevant existing ICT hardware, equipment, devices and systems to function as a complete and integrated system. Our integration process also includes programming and/or customising all the necessary software and interfaces according to the parameters, functions and objectives of the BMS design and specifications. Our integration also includes integrating our BMS into the building's on-site control room, and in some cases also connecting them to our command and control centre at our Headquarters in Kajang, Selangor. Integration works for BMS are carried out using our in-house personnel.
- (v) **Testing and commissioning:** We also carry out post-installation testing and commissioning to ensure that the BMS functions properly. Our in-house personnel will carry out the testing and commissioning, with the final commissioning carried out together with the customer or its representatives.

The BMS that we provide comprises some combination or all of the following components that are integrated to function as a complete and integrated system:

- direct digital controllers (DDC) installed at specific machinery and equipment or sub-systems to provide automated control (based on programming and interfaces) and remote control from an on-site control room and in some cases also from our command and control centre;
- performance sensors and devices installed at specific machinery and equipment to measure performance and operating conditions;
- environment sensors installed at specific locations in the building to measure physical parameters, such as temperature, light level, movement and carbon dioxide gas concentration;
- user input devices such as card readers, which allow users to provide information to the system;
- central controllers and related application software to integrate various building sub-systems, including those supplied by third parties, to an on-site control room with unified monitoring, dashboard, control and reporting structure.

The individual DDC, sensors and central controllers are connected by wireless and/or wired local area network connections.

DDC and central controllers are the key components of our BMS, and these are supplied by Tridium Asia Pacific Pte Ltd and rebranded to our "Tri-IO" brand. We also develop in-house some of our application software that controls the functionality of the DDC and central controllers, interfaces with various sensors (including sensors from suppliers) and facilitates integration with other building control systems at the building's control room, and in some cases connecting to our command and control centre. The application software is installed onto the DDC and central controllers by us.

In some cases, the scope of our BMS projects includes setting up the building's control room, which is a central facility to monitor, manage and control the building's facilities and systems.

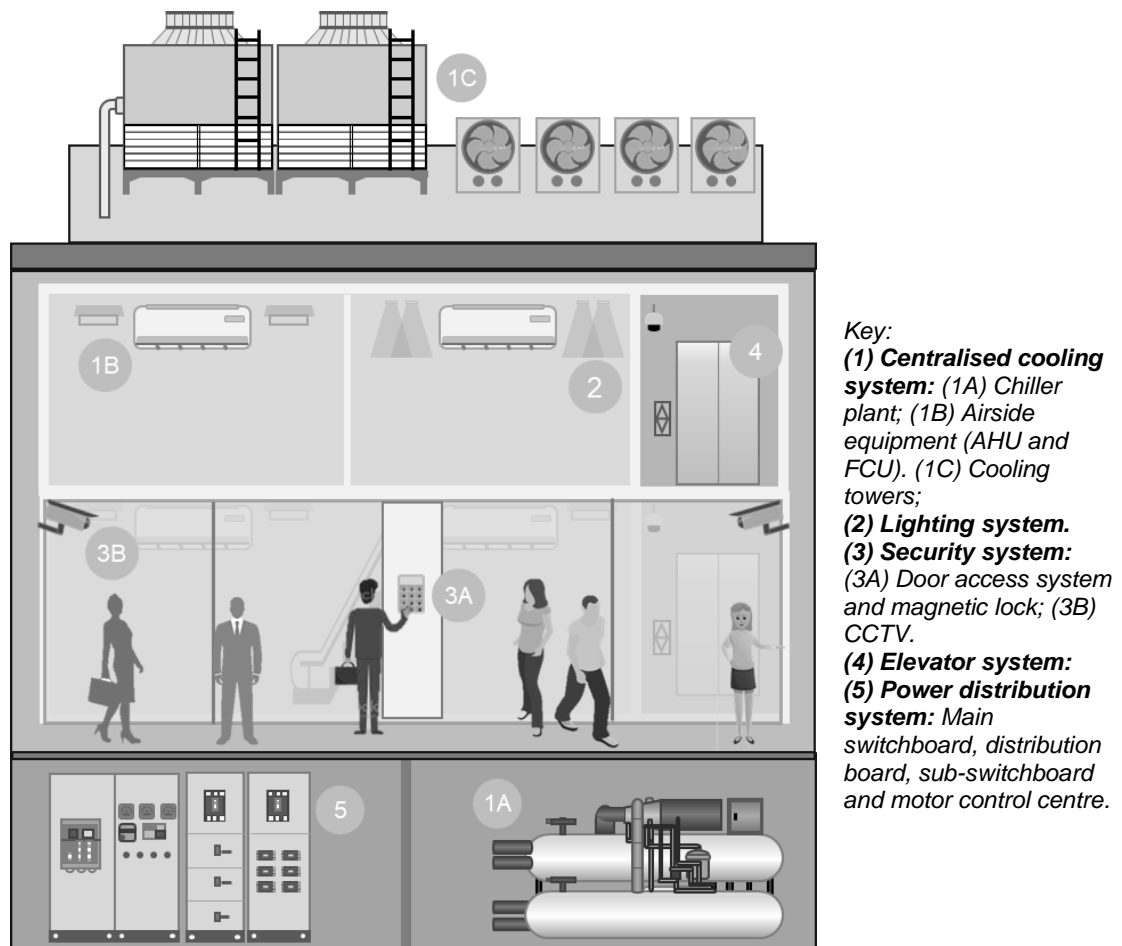
7. BUSINESS OVERVIEW (CONT'D)

We will carry out the integration so that data from the building's facilities and systems can be displayed on a unified dashboard incorporating real-time performance data in graphical format, and display alerts in text, graphics as well as sound for serious and/or urgent issues that require immediate attention. Commonly, facilities in the control room will also include storage of raw and processed data for a pre-determined period.

Depending on the customer's requirements the BMS that we implement covers a combination of the following building systems:

- lighting;
- centralised cooling systems;
- electrical and communications;
- elevators;
- security and access; and
- others such as fire protection, process utilities and carpark.

The overall system architecture of BMS showing the building systems that we cover is represented in the following diagram:



7. BUSINESS OVERVIEW (CONT'D)

7.6.1.3 Centralised cooling system

Centralised cooling systems utilise a centralised facility to generate chilled water to provide space cooling and ventilation for an entire building or several buildings. There are two types of centralised cooling systems, namely district cooling systems where a separate facility provides space cooling for several nearby connected buildings, and chiller plants installed in a single building to provide space cooling.

We install our DDC and sensors at specific centralised cooling machinery and equipment, and building locations, including the following:

- chillers;
- cooling towers;
- water pumps;
- airside equipment including air handling unit (AHU) and fan coil units (FCU); and
- chilled water distribution piping networks.

We do not install the centralised cooling system. However, our BMS will need to integrate with the centralised cooling system for monitoring, providing alerts, collecting and storing data, and linking to the building's control room. We would normally be required to liaise with the installer and/or the operations personnel of the centralised cooling system to facilitate interface and integration with our BMS.

We install DDC and sensors at the centralised cooling machinery and equipment listed above to provide the following functionality:

Types of controllers and sensors	Functionality
DDC	<ul style="list-style-type: none"> • Normally installed in chillers, water pumps, cooling towers and AHU. • Enable remote start-up, shut-down and running speed control from the chiller plant room, building control room or our command and control centre. • Also allow automatic start-up, shut-down and running speed control based on programmed setpoints and feedback from sensors. • Measure operating status and provide data to the chiller control room, building control room and our command and control centre. • Monitoring and alarm functions include operating status monitoring and trip alarm.
Cooling energy meter	<ul style="list-style-type: none"> • Installed at the chiller plant to measure the energy used for space cooling by the entire cooling energy system. • Energy usage is measured based on the quantity of chilled water generated by the chiller plant, and the difference between the chilled water supply temperature and return temperature.
Digital electricity meter	<ul style="list-style-type: none"> • Installed at the chiller plant to measure the total electricity consumption of chillers, water pumps, chiller control room and other electrical equipment. • Provides an overall measure of the facility's electricity consumption.
Variable air volume controller	<ul style="list-style-type: none"> • Monitor the volume and temperature of cool air flowing through AHU supply air duct. • Control the volume and/or temperature of conditioned air supplied by the AHU based on specified parameters such as room temperature, room occupancy and time of day.
Water temperature sensor	<ul style="list-style-type: none"> • Measures the temperature of the water passing the sensor. • Normally installed in chillers, water pumps, cooling towers, chilled water distribution networks, AHU and FCU.
Water pressure sensor	<ul style="list-style-type: none"> • Measures the pressure of the water passing the sensor. Abnormal pressure (too high or low) may indicate fault to be addressed. • Normally installed in chillers and water pumps.
Field temperature sensor	<ul style="list-style-type: none"> • Installed in rooms or internal spaces to monitor the temperature.

7. BUSINESS OVERVIEW (CONT'D)

Types of controllers and sensors	Functionality
Carbon dioxide (CO ₂) sensor	<ul style="list-style-type: none"> Monitor the concentration of CO₂ in the air as an indicator of air quality. The outside air ventilation rate is increased if CO₂ concentration exceeds the setpoint. Normally installed in AHU return air ducts.
Filter dirty switch	<ul style="list-style-type: none"> Installed at the AHU and FCU dust filters. The switch is triggered when the build-up of solid debris on the filter exceeds a specified level to alert the user that the filter needs to be cleaned or replaced.

In addition to DDC and sensors, our BMS incorporate an energy management system (EMS) that is designed to optimise the centralised cooling system’s performance and minimise operating costs. The EMS integrates with DDC, controllers, machinery and equipment sensors and field sensors and enables the centralised cooling conditioning system to be monitored and controlled from the chiller control room and/or our command and control centre (if they are connected). The EMS optimises the working parameters and timing of chiller operations to minimise electricity consumption. This can be programmed to automatically manage the maintenance based on the manufacturers’ recommended maintenance schedule to minimise breakdowns, and reduce manpower requirements as the entire system can be centrally monitored and controlled from the chiller control room, as well as remotely monitored via mobile devices including smartphones and tablets.

Space cooling usually consumes the most electricity compared to other facilities in a building.

7.6.1.4 Lighting management system

Lighting systems provide artificial illumination for indoor and outdoor spaces to enable people to see and carry out activities in enclosed rooms, during the night and in other situations. All buildings and premises are equipped with lighting systems for indoor and outdoor illumination.

We do not install the lighting system. However, our BMS will need to integrate with the electrical system that powers and manages the lighting system for monitoring, providing alerts, collecting and storing data, and linking to the building’s control room.

The lighting management system of our BMS that we design, supply and install is mainly used to reduce electricity costs while maintaining customers’ requirements for functionality, convenience and safety. They perform functions such as switching lights on and off automatically controlling lighting intensity.

We are responsible for installing the following controllers and sensors as part of our automated lighting management system as part of BMS, depending on the customers’ requirements:

Types of controllers and sensors	Function
DDC	<ul style="list-style-type: none"> The DDC is installed at the lighting distribution board of a floor or area. Controls individual light fixture functions (switch on or off, and light intensity) with integrated input from connected light switches, motion detectors and light level sensors. Provides the interface between the floor or area’s lighting system with the central controller.
Motion detectors	<ul style="list-style-type: none"> Sensors that detect movements of people within a certain area. When triggered, carries out a pre-set action such as switching on one or more light fixtures, and switching them off a specified period after no further motion is detected. Helps to reduce electricity costs by only switching on lights when people are detected (for security or convenience purposes).

7. BUSINESS OVERVIEW (CONT'D)

Types of controllers and sensors	Function
Light level sensor	<ul style="list-style-type: none"> • Determines the light level in a specific location. • Triggers a pre-set action depending on light level, such as switching one or more light fixtures off when light intensity exceeds a certain level, and switching one or more light fixtures on when light intensity falls below a certain level.

7.6.1.5 Elevator management

Elevators are used to transport people and goods between the floors of a building. Elevators are installed individually or in banks of 2 or more elevators that serve all the floors of a building, or specific zones providing access between certain floors.

We do not install elevators. However, our BMS will need to integrate with the elevator system for monitoring, providing alerts, collecting and storing data, and linking to the building's control room. We would normally be required to liaise with the installer and/or the operations personnel of the elevator system to facilitate interface and integration with our BMS.

We are responsible for installing the DDC at the lift panel that controls each elevator bank. The DDC monitors input from the lift panel indicating lift car operating status such as whether or not the car is in operation, trip alarm, or any other fault alarm.

7.6.1.6 Electrical system

Generally, a building's electrical system provides the connection between the power grid and end-user premises, and the building's electrical machinery and equipment, as well as the occupant's electrical machinery, equipment, devices and appliances.

We do not install the end-user premises or the building's electrical system. However, our BMS will need to integrate with the electrical system at end-user premises for monitoring, providing alerts, collecting and storing data, and linking to the building's control room. We would normally be required to liaise with the installer and/or the operations personnel of the electrical system to facilitate interface and integration with our BMS.

The electrical system BMS that we provide includes controllers and sensors to provide remote monitoring and control, and automated control and alarm functions under certain situations. These include the following, where relevant:

- (i) **Substation main connection:** Alarm if circuit breakers are activated in the event of short-circuit, power surge or interrupted (trip) electricity supply;
- (ii) **Transformers:** Temperature sensors to activate alarm and cooling fans if transformer temperature approaches a specified set point;
- (iii) **Main switchboard, distribution board, sub-switchboard and motor control centre:** Alarm if circuit breakers are activated in the event of short-circuit, overcurrent or incoming or interrupted electricity supply;
- (iv) **Generator set:** Automatic start-up to provide backup electricity during a power interruption. Monitors operating parameters such as fuel level and coolant temperature, and trigger alert when generator set is switched on;
- (v) **Uninterrupted power supply:** Monitor status to ensure that sufficient energy is available in the event of power interruption. For example, monitor battery charge level and trigger alarm if battery charge level is outside specified parameters (too low or too high).

7. BUSINESS OVERVIEW (CONT'D)

- (vi) **Electrical energy meters:** Comprises network controllers and individual electrical energy meters to provide electricity metering for individual tenants in some buildings.

7.6.1.7 Security system

Depending on the customers' requirements, part of our scope of work for BMS includes installing the building's security system. Generally, the security system that we provide is designed to enable building facility operators to automatically enforce their security protocols for specified areas of the premises and building. These include the following types of components:

- (i) **Security access points:** Installed at specific entry points, such as doors, to automatically grant access to persons who present the appropriate credentials, such as key-card or personal identification number ("PIN");
- (ii) **Closed-circuit television ("CCTV") system:** Comprises cameras installed to provide visual monitoring of specified areas.

Installation works for the security systems are carried out by subcontractors under our management and supervision.

Our BMS will need to be integrated with the security system for monitoring, providing alerts, collecting and storing data, and linking to the building's control room. For security systems not installed by us, we would normally be required to liaise with the installer and/or the operations personnel of the security system to facilitate interface and integration with our BMS.

7.6.1.8 Other building systems

We also provide BMS for other building systems, including the following:

- (i) **Fire protection system:** The BMS that we provide mainly involves installing sensors, switches and controllers to monitor the volume of water in fire protection water tanks, which store the water that will be used by the building's sprinkler system and fire hose reels;
- (ii) **Process utilities:** The BMS that we provide mainly involves sensors, switches and controllers to monitor water tank levels and the status of pumps for potable water supply and handling of sewage and wastewater; and
- (iii) **Carpark system:** The BMS that we provide mainly involve the integration of the carpark management system.

We do not install any of the above systems. However, our BMS will need to integrate with these systems for monitoring, providing alerts, collecting and storing data, and linking to the building's control room.

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7. BUSINESS OVERVIEW (CONT'D)

7.6.1.9 Completed and on-going systems integration of BMS contracts

The systems integration of BMS contracts with contract value of RM1.00 million and above which we have completed during the FY Under Review, FP 2023 and as at the LPD are summarised in the following table:

	Project name	Description	Project location	Customer name	Start date ⁽¹⁾ / Completion date ⁽²⁾	Contract value ⁽³⁾ (RM'000)
1	Puncak Alam Hospital Project	Supply, installation, testing and commissioning of BMS	Puncak Alam, Selangor	Axbena Sdn Bhd*	Sept 2017 / Feb 2021	2,774 ⁽⁴⁾
2	Conference and Training Facility Project	Supply, delivery, installation, testing and commissioning and maintenance of BMS and building security system works	Kuala Lumpur	Pembinaan Mitrajaya Sdn Bhd	Dec 2017 / Nov 2020	3,870
3	Business School Project	Supply, delivery, installation, testing and commissioning and maintenance of BMS and building security system works	Kuala Lumpur	Pembinaan Mitrajaya Sdn Bhd	Dec 2017 / Nov 2020	4,540
4	Healthcare University Project	Supply, delivery, installation, testing and commissioning and maintenance of chiller plant facility management system, building automation system, and fridge monitoring system	Kuala Lumpur	Pembinaan Mitrajaya Sdn Bhd	Mar 2019 / Jul 2022	1,037 ⁽⁴⁾
5	Commercial Building Project	Supply, delivery, installation, testing and commissioning of BMS	Kuala Lumpur	Kerjaya Prospek (M) Sdn Bhd	May 2019 / Dec 2023	1,232 ⁽⁴⁾
6	Healthcare University Project	Supply, delivery, installation, testing and commissioning and maintenance of ELV works	Kuala Lumpur	Pembinaan Mitrajaya Sdn Bhd	Jun 2019 / Jul 2022	1,981 ⁽⁴⁾
7	Putrajaya Hotel ICT Project	Supply, delivery, dismantling, installation, testing and commissioning and maintenance of ICT, building security system services work	Putrajaya	Pembinaan Ismail Ibrahim Sdn Bhd	Aug 2019 / Aug 2023	2,827
8	Putrajaya Hotel Project	Supply, delivery, dismantling, installation, testing and commissioning and maintenance of BMS	Putrajaya	Pembinaan Mitrajaya Sdn Bhd	Sep 2019 / Aug 2023	1,356
9	Ministry of Education 1 Project	Upgrading of BMS	Putrajaya	Panaltech Consulting Sdn Bhd ⁽⁵⁾	Oct 2019 ⁽⁶⁾ / Mar 2021	2,747
10	KETSA Project	Upgrading of BMS	Putrajaya	Usaha Delima Resources Sdn Bhd	Aug 2022 / Oct 2023	1,180 ⁽⁴⁾

7. BUSINESS OVERVIEW (CONT'D)

	Project name	Description	Project location	Customer name	Start date ⁽¹⁾ / Completion date ⁽²⁾	Contract value ⁽³⁾ (RM'000)
11	Ministry of Education 2 Project	Supply, delivery, installation, testing and commissioning of the BMS	Putrajaya	KCJ Engineering Sdn Bhd	Nov 2022 / Oct 2023	2,059 ⁽⁴⁾
12	Ministry of Health Project	Supply, delivery, installation, testing and commissioning of the BMS	Putrajaya	KCJ Engineering Sdn Bhd	Nov 2022 / Nov 2023	1,916 ⁽⁴⁾
13	Conference and Residential Complex Project	Upgrading of BMS	Kuala Lumpur	Customer C ⁽⁷⁾	Mar 2023 / Dec 2023	4,561
14	Cyberjaya Data Centre Project	Upgrading of BMS and installation of energy management system	Cyberjaya, Selangor	Customer C ⁽⁷⁾	Mar 2023 / Dec 2023	2,115
					Total	34,195

* formerly known as Axventure M&E Sdn Bhd

Notes:

- (1) The contract's start date is in reference to either the date of the letter of award, commencement date stipulated in the said contract or SDC's internal work programme, unless stated otherwise.
- (2) The contract's completion date is in reference to the date of certificate of practical completion and in the absence of a certificate of practical completion, reference would then be made to the date of issuance of the testing and commissioning or user acceptance test report or final invoice date or date of project handover.
- (3) Total contract value includes variation orders, are as reflected in the statement of final account or the latest statement of account, whichever is available.
- (4) As the statement of final accounts has not been finalised, the contract value is based on the latest progress claims as at the LPD.
- (5) Refers to Panaltech, a former related party. For further information, please refer to Section 10 of the Prospectus.
- (6) Start date is based on date of the purchase order received by SDC.
- (7) Customer C refers to a statutory body in Malaysia. Customer name was not disclosed due to confidentiality clauses in the contracts/agreements with the customer.

As at the LPD, our on-going systems integration of BMS contracts with contract value of at least RM1.00 million are summarised in the following table:

	Project name	Description	Project location	Customer name	Start date ⁽¹⁾ / Expected completion date ⁽²⁾	Approximate percentage of completion as at LPD (%)	Contract value ⁽³⁾ (RM'000)	Unbilled order book (RM'000)
1	Administration Centre Project	Integration of BMS	Kuantan, Pahang	Customer A ⁽⁴⁾	Jul 2018 / Apr 2024	72%	1,582	447

7. BUSINESS OVERVIEW (CONT'D)

	Project name	Description	Project location	Customer name	Start date ⁽¹⁾ / Expected completion date ⁽²⁾	Approximate percentage of completion as at LPD (%)	Contract value ⁽³⁾ (RM'000)	Unbilled order book (RM'000)
2	Precinct 8 Putrajaya Project	Supply, delivery, installation, testing and commissioning, service and maintenance of BMS	Putrajaya	Customer G ⁽⁴⁾	Jun 2020 / Dec 2025	4% ⁽⁵⁾	2,400	2,311
3	Financial Institution Project	Provision of building systems integration and contractor services	Kuala Lumpur	Customer B ⁽⁴⁾	Feb 2022 / Aug 2025	77%	2,110	493
4	Semiconductor Project	Supply, delivery, installation, testing and commissioning of facilities management control services	Malacca	Infineon Technologies (M) Sdn Bhd ⁽⁶⁾	Aug 2022 / Sep 2024	87%	2,991	392
5	Ampang Office Tower Project	Supply, delivery, installation, testing and commissioning of BMS and automatic control works	Kuala Lumpur	Megatara Sdn Bhd	Mar 2023 / Dec 2024	8%	4,780	4,377
6	Ministry of Finance Project	Upgrading of BMS and energy management system	Putrajaya	Evergrow Ventures Sdn Bhd	July 2023 / Feb 2024	49%	2,550 ⁽⁷⁾	1,300
						Total	16,413	9,320

Notes:

- (1) The contracts' start date is based on the date of the letter of award or commencement date as stipulated in the contract or SDC's internal work programme
- (2) The contracts' expected completion date is as specified in the contract or SDC's internal work programme or revised completion date based on the extension of time granted by our customers.
- (3) Total contract value includes variation orders.
- (4) Customer A refers to a construction company, Customer B refers to a financial institution and Customer G refers to an engineering company. Customer names were not disclosed due to confidentiality clauses in the contracts/agreements with the respective customers.
- (5) Due to delayed completion of work from the main contractor.
- (6) The contract was awarded by Shen Yong Engineering Works Sdn Bhd to SDC as a nominated sub-contractor for the Semiconductor Project for Infineon Technologies (M) Sdn Bhd.
- (7) Contract value is based on purchase order received by SDC.

7. BUSINESS OVERVIEW (CONT'D)

7.6.1.10 Maintenance of BMS

We provide maintenance services for BMS that we installed as well as those installed by third-party service providers.

Our maintenance of BMS services includes the following:

- **Preventive maintenance** involves routine maintenance carried out according to schedule. It is intended to check that BMS components and the overall system function properly, and to identify and address problems before they escalate to system breakdown and or equipment failure; and
- **Corrective maintenance** is carried out in response to the breakdown of BMS components when they occur. The procedure of corrective maintenance is to identify the cause of the breakdown, rectify the problem and restore the affected BMS components' functionality as quickly as possible.

We provide maintenance services for BMS on a contract basis (recurrent revenue over the contract period), as well as on an ad hoc basis (project based non-recurrent revenue). Maintenance works for BMS, including those that are on contract as well as on an ad hoc basis, are carried out mainly by our inhouse personnel. We also engaged subcontractors to carry out specialised works such as wiring and cabling.

7.6.2 Solar Thermal Systems and Energy Saving Services

7.6.2.1 Overview

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

- energy performance services comprising:
 - hybrid solar thermal hot water system (installation of a new solar thermal hot water system which is then integrated with an existing fossil fuel boiler hot water system; and
 - retrofit existing fluorescent lighting with LED lighting
- installation of solar thermal hot water systems (standalone); and
- maintenance of solar thermal hot water and cooling systems.

(i) Energy performance services

Our energy performance services are based on contracts with concessionaires involved with providing public hospital support services in Malaysia, and our contract is also subject to the approval by the Ministry of Health Malaysia.

Our energy performance services include the installation of a new solar thermal hot water system integrated with an existing boiler hot water system that uses either diesel or LPG as a fuel source, retrofitting fluorescent lighting to LED lighting, and provision of maintenance services for all the systems and equipment that we install and integrate, and retrofit for the duration of the contract.

(ii) Installation of solar thermal hot water system

This is for standalone projects. For the FY Under Review, FP 2023 and up to the LPD, these standalone projects are mainly for hospitals, individual residential properties as well as the industrial sector.

7. BUSINESS OVERVIEW (CONT'D)

(iii) Maintenance of solar thermal hot water and cooling system

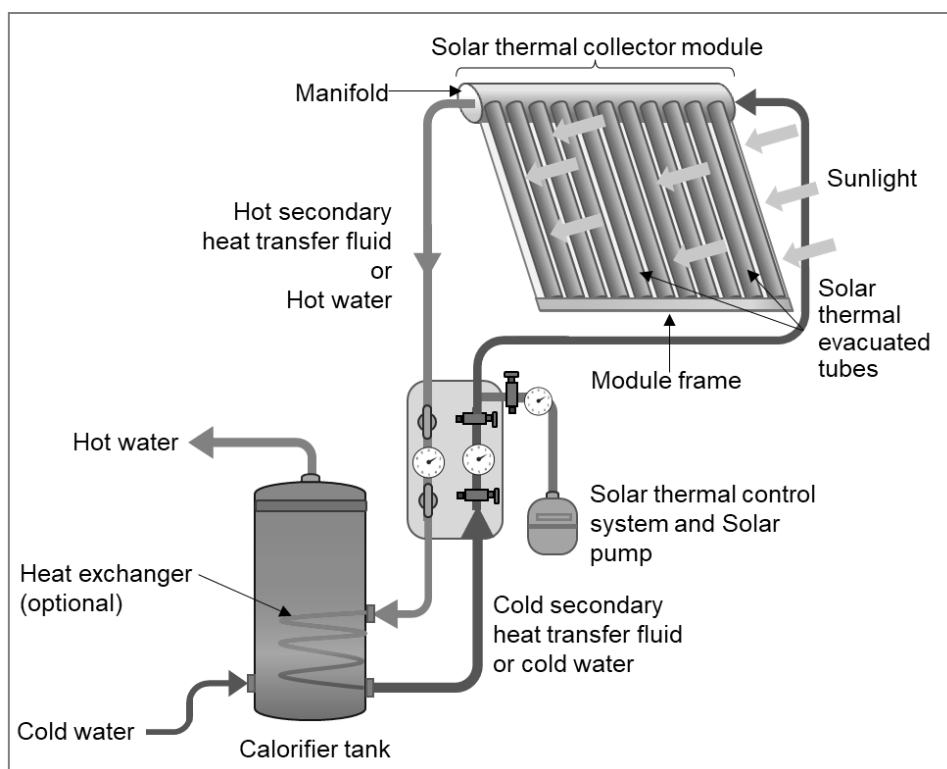
For some of our installations of solar thermal hot water systems, we are contracted to provide maintenance services based on separate maintenance contracts. These maintenance contracts exclude the energy performance service contracts that included maintenance as part of the contract. We also provide maintenance of solar thermal hot water systems on an ad hoc basis.

In addition, during the FY Under Review, FP 2023 and up to the LPD, we provided maintenance services on a contract basis for the solar thermal hot water and cooling system that we installed.

7.6.2.2 Our solar thermal hot water system

Our solar thermal hot water system can be on a standalone basis or based on a hybrid system that integrates with another new or existing hot water system that uses diesel, LPG or electricity.

A schematic of our solar thermal hot water system is provided below:



A solar thermal hot water system uses energy from sunlight to directly heat water. Using the solar thermal hot water system results in energy cost savings as the energy used to heat water is from the free renewable sunlight, whereas a facility's existing hot water system is commonly powered by diesel, LPG or electricity that has to be purchased.

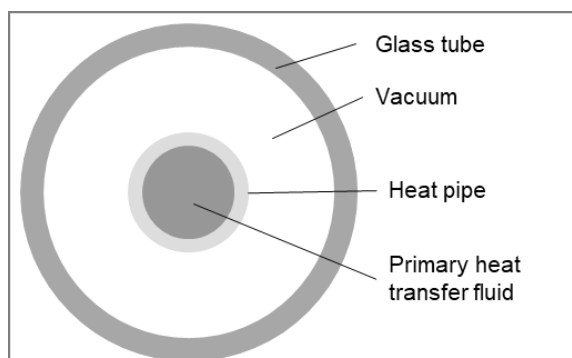
The following main components make up a solar thermal hot water system:

- one or more solar thermal collector modules;
- solar pump and secondary heat transfer fluid system;
- calorifier tank;
- hot water tanks and hot water distribution system; and
- solar thermal control system.

7. BUSINESS OVERVIEW (CONT'D)

A **solar thermal collector module** is designed to gather heat from sunlight to directly heat water. They are typically installed on the roof or another suitable outdoor location optimally positioned to receive maximum sunlight. The solar thermal collector module consists of an insulated **manifold** into which a row of solar thermal **evacuated tubes** is installed and a frame that holds the manifold and solar thermal evacuated tubes in place.

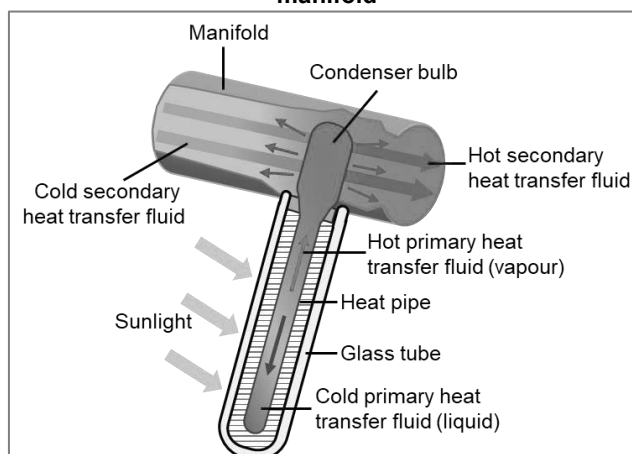
Cross section of a solar thermal evacuated tube



Each solar thermal evacuated tube consists of a sealed circular **glass tube** surrounding a **heat pipe**. Air is removed (evacuated) from the space between the glass tube and the heat pipe to create a vacuum, which insulates and minimises heat loss from the heat pipe. The glass tube is transparent to allow sunlight to pass through easily. The heat pipe is a sealed copper tube that contains the **primary heat transfer fluid**.

Sunlight passes through the transparent glass tube and heats the heat pipe. The primary heat transfer fluid is a liquid when it is cool. When it is heated up it changes into vapour and rises to the **condenser bulb** at the top of the heat pipe, which is inserted into the manifold. The hot vapour from the heat pipe will transfer its heat into the **secondary heat transfer fluid** flowing through the manifold. Subsequently, when the hot vapour from the heat pipe is cooled by the secondary fluid in the manifold, it changes back into liquid form which flows to the bottom of the heat pipe ready to be heated again.

Heat transfer from solar thermal evacuated tube to manifold



The circulation of the secondary heat transfer fluid is regulated by the **solar thermal control system (STCS)**. When hot water is required, the **solar pump** is switched on to circulate hot secondary heat transfer fluid through the manifold into the **heat exchanger** of the **calorifier tank**, or hot water to the hot water tank. The heat from the hot secondary heat transfer fluid is transferred to the water in the calorifier tank thus generating hot water. Once the heat has been transferred the resultant cold secondary heat transfer fluid is pumped back to the solar thermal collector module to collect heat. The calorifier tank is insulated to minimise heat loss and to help ensure that there is hot water available at night and during periods of low sunlight.

The hot water in the calorifier tank is typically between 45 °C and 75 °C which is too hot to be circulated through the facility's hot water distribution system. Consequently, hot water from the calorifier tank is mixed with cold water to supply water with temperatures of between 45 °C and 60 °C through one of the following methods:

- pumped into hot water tanks where it is mixed with cold water; or
- mixed with cold water in a mixing valve.

The mixed hot water is pumped through the building facility's hot water distribution system to users.

7. BUSINESS OVERVIEW (CONT'D)

In our hybrid system, the existing boiler is retained to provide backup or supplementary hot water generating capability if the temperature of the water to be supplied to users is below the specified temperature.

The STCS is designed to provide central monitoring and control of the solar thermal hot water system's operations, status and condition. Monitoring and control can be from the building's control room or remotely from our command and control centre.

Our solar thermal hot water system comprises a controller, pumps and sensors, and it is programmed to start or stop automatically according to schedule, programmed logic and pre-determined situations.

The installation works for solar thermal hot water systems, including those that are part of energy performance services as well as those that are for standalone projects, are carried out by our subcontractors under our supervision and management. Integration of the solar thermal hot water system with existing boiler and/or hot water distribution system, if required, is carried out by our in-house personnel. Our in-house personnel will carry out the testing and commissioning of the solar thermal hot water system, with the final commissioning carried out together with the customer or its representatives.

7.6.2.3 Retrofitting to LED lighting

Retrofitting of existing fluorescent lighting to LED lights is provided only as part of the energy performance service contracts. This reduces electricity costs as LED lighting consumes less electricity compared to fluorescent lighting of similar lighting intensity.

We provide comprehensive maintenance for the LED tubes, which mainly involves replacing LED tubes and light fixtures that have malfunctioned or stopped functioning. The retrofitting and maintenance works are carried out by our subcontractors under our supervision and management.

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7. BUSINESS OVERVIEW (CONT'D)

7.6.2.4 Energy performance service contracts

Generally, our energy performance services comprise installing new solar thermal hot water systems and integrating them with existing fossil fuel boiler systems, and in some cases, retrofitting existing fluorescent lighting with LED lighting. We will fund the total project investment for the installation of hybrid solar thermal hot water systems and retrofitting of LED lighting, where payment will be made according to a schedule agreed in the contract. We will also carry out maintenance on the items we installed, upgraded and retrofitted over the contract duration period commonly between 4 and 6 years. For further details on the mode of operations, please refer to Section 7.4 of this Prospectus.

The energy performance service contracts which we have completed during the FY Under Review, FP 2023 and as at the LPD are summarised in the following table:

	Description	Project Location	Customer Name	Scope of work ⁽¹⁾		Energy savings*	Start Date / End Date ⁽²⁾	Contract value ⁽³⁾ (RM'000)
				Hybrid solar	LED lightings			
Installation of hybrid solar thermal hot water systems								
1	Hospital 1	Sabah	Customer D ⁽⁴⁾	√			Feb 2019 / Jun 2019	1,594
	- Contract period							
	- Payment period							
							Jul 2019 / Nov 2023	

* Refers to payment to SDC which includes energy cost savings arising from the use of the installed hybrid solar thermal hot water system and retrofitted LED lighting in addition to the project investment payment to SDC as stated in the contracts.

Notes:

- (1) Hybrid solar thermal hot water system refers to the installation of a new solar thermal hot water system which is then integrated with an existing fossil fuel boiler hot water system; LED lighting refers to the retrofitting of existing fluorescent lighting with LED lighting.
- (2) Based on the start and end dates as specified in the contract.
- (3) Based on the value as specified in the contract which is subject to further end of year adjustment or variation orders.
- (4) Customer D is concessionaire of public hospital support services. Customer name was not disclosed due to confidentiality clauses in the contracts/agreements with the customer.

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7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we have the following subsisting energy performance service contracts:

	Description	Project Location	Customer Name	Scope of work ⁽¹⁾		Energy savings*	Start Date / End Date ⁽²⁾	Contract value ⁽³⁾ (RM'000)
				Hybrid solar	LED lightings			
Installation of hybrid solar thermal hot water systems								
1	Hospital 2	Sabah	Customer D ⁽⁴⁾	√			Apr 2019 / Mar 2025 ⁽⁵⁾	1,461
Installation of hybrid solar thermal hot water systems, retrofitting of LED lightings as well as energy savings								
2	Hospital 3 - Phase 1 ⁽⁶⁾ - Phase 2 ⁽⁷⁾	Kedah	Customer E ⁽⁴⁾	√	√	√	Oct 2019 / May 2020 ⁽⁸⁾ June 2020 ⁽⁹⁾ / Mar 2025	4,501 ⁽¹¹⁾
3	Miri Hospital - Phase 1 ⁽⁶⁾ - Phase 2 ⁽⁷⁾	Miri, Sarawak	One Medicare Sdn Bhd	√	√	√	Oct 2019 / Jun 2020 ⁽¹⁰⁾ Jul 2020 ⁽¹⁰⁾ / Mar 2025	2,548
4	Sarikei Hospital - Phase 1 ⁽⁶⁾ - Phase 2 ⁽⁷⁾	Sarikei, Sarawak	One Medicare Sdn Bhd	√	√	√	Feb 2019 / Jul 2019 Aug 2019 / Jan 2025	5,118 ⁽¹¹⁾
5	Sibu Hospital - Phase 1 ⁽⁶⁾ - Phase 2 ⁽⁷⁾	Sibu, Sarawak	One Medicare Sdn Bhd	√	√	√	Oct 2019 / Jul 2020 ⁽¹⁰⁾ Sep 2020 ⁽¹⁰⁾ / Mar 2025	5,315
6	Sarawak Heart Centre - Phase 1 ⁽⁶⁾ - Phase 2 ⁽⁷⁾	Kuching, Sarawak	One Medicare Sdn Bhd	√	√	√	Oct 2020 / Mar 2021 Apr 2021 / Mar 2025	4,959

* Refers to payment to SDC which includes energy cost savings arising from the use of the installed hybrid solar thermal hot water system and retrofitted LED lighting in addition to the project investment payment to SDC as stated in the contracts.

Notes:

- (1) Hybrid solar thermal hot water system refers to the installation of a new solar thermal hot water system which is then integrated with an existing fossil fuel boiler hot water system; LED lighting refers to the retrofitting of existing fluorescent lighting with LED lighting.
- (2) Based on the start and end dates as specified in the contract, unless stated otherwise.
- (3) Based on the value as specified in the contract, schedule of prices or payment schedule, which are subject to further end of year adjustment or variation orders, unless stated otherwise.

7. BUSINESS OVERVIEW (CONT'D)

- (4) Customer D and Customer E are concessionaires of public hospital support services. Customer names were not disclosed due to confidentiality clauses in the contracts/agreements with the respective customers.
- (5) Installation was completed in August 2019, and the payment period commenced in the subsequent months up to March 2025.
- (6) Refers to installation, retrofitting and physical works done as specified in the contract, unless stated otherwise.
- (7) Refers to performance period specified in the contract, unless stated otherwise.
- (8) End date based on the certificate of practical completion.
- (9) Start date is based on the month after the completion of Phase 1.
- (10) Based on the start and end dates as specified in the letter issued MOH subsequent to the letter of award.
- (11) Based on adjusted value after end of year adjustment.

7.6.2.5 Installation of Solar Thermal Hot Water Systems

In addition to our energy performance services, we also install solar thermal hot water systems on a standalone basis for other facilities and customers. During the FY Under Review, FP 2023 and up to the LPD, outside of the energy performance services, we have installed solar thermal systems for hospitals, individual residential properties and industrial sector.

The installation of solar thermal hot water system projects (apart from those under energy performance service contracts) with a contract value of at least RM1.00 million that we have completed during the FY Under Review, FP 2023 and as at the LPD are summarised in the following table:

Description	Project Location	Customer Name	Services ⁽¹⁾	Start Date / End Date ⁽²⁾	Contract value ⁽³⁾
Ampang Hospital	Ampang, Selangor	Radicare (M) Sdn Bhd	Hybrid solar thermal hot water system	Jan 2021 / Apr 2022	2,788

Notes:

- (1) Hybrid solar thermal hot water system refers to the installation of a new solar thermal hot water system which is then integrated with an existing fossil fuel boiler hot water system.
- (2) Based on the start and end dates as specified in the contract.
- (3) Total contract value including variation orders, if there are any as reflected in the statement of final accounts.

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7. BUSINESS OVERVIEW (CONT'D)

7.6.2.6 Maintenance of Solar Thermal Hot Water and Cooling Systems

Our maintenance of solar thermal hot water and cooling systems include providing maintenance services for systems that we installed.

We provide the following types of maintenance services for solar thermal hot water and cooling systems:

- **Preventive maintenance**, which is carried out according to schedule and is intended to avoid breakdowns. It is usually carried out periodically, based on the frequency stipulated in the contract; and
- **Corrective maintenance**, which is carried out in response to unexpected breakdowns or faults, and is carried out to restore functionality and rectify faults as quickly as possible.

Maintenance works for solar thermal hot water systems are carried out by our inhouse personnel as well as subcontractors to carry out specialised works such as leak rectification.

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7. BUSINESS OVERVIEW (CONT'D)

7.6.3 Maintenance of Other Systems and Equipment

We provide maintenance services for other systems and equipment comprising the following:

- gas fired chillers; and
- chilled water system.

7.6.3.1 Gas fired chillers

We provided services for gas fired chillers during the FY Under Review, FP 2023 and up to the LPD. We currently provide preventive, corrective and major maintenance services for gas fired chillers installed at a district cooling plant in Putrajaya, Malaysia. We also provided ad hoc corrective maintenance for gas fired chillers to a customer in Brunei. We engaged subcontractors to carry out the maintenance works for gas fired chillers under our management and supervision.

The maintenance of other systems and equipment with contract value of at least RM1.00 million which we have completed during the FY Under Review, FP 2023 and as at the LPD are summarised in the following table:

Project Name	Description	Project Location	Customer Name	Start Date ⁽¹⁾ / Completion Date ⁽²⁾	Contract Value (RM'000)
Gas District Cooling Maintenance 1 Project	Provision of comprehensive maintenance for 2 units of direct-fired chiller at a plant	Putrajaya	Gas District Cooling (Putrajaya) Sdn Bhd	Jun 2016/ Jun 2021	1,034

Notes:

(1) The contracts' start date is based on the commencement date as stipulated in the purchase order.

(2) The contracts' expected completion date is as specified in the purchase order.

As at the LPD, our on-going maintenance of other systems and equipment with contract value of at least RM1.00 million is summarised in the following table:

	Project Name	Description	Project Location	Customer Name	Start Date ⁽¹⁾ / Expected Completion Date ⁽²⁾	Approximate Percentage of Completion as at LPD (%)	Contract Value ⁽³⁾ (RM'000)	Unbilled Order Book (RM'000)
1	Gas District Cooling Maintenance 2 Project	Maintenance works for 2 units of direct-fired chiller at 2 plants	Putrajaya	Gas District Cooling (Putrajaya) Sdn Bhd	Jan 2020/ Jan 2025	81%	1,685	319

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) The contracts' start date is based on the commencement date as stipulated in the purchase order/contract.
- (2) The contracts' expected completion date is as specified in the contract.
- (3) Total contract value includes variation orders.

7.6.3.2 Chilled Water system

As at the LPD, we secured a contract to provide maintenance services for a chilled water system. Our scope of work for this project includes replacing and installing valves, strainers, flexible connectors, pressure gauges, thermometers and other accessories of existing AHU and FCU. We have commenced preliminary work but have not recognised revenue from this project during the FP 2023.

As at the LPD, our on-going maintenance of chilled water systems contract with contract value of RM1.00 million and above is summarised in the following table:

	Project Name	Description	Project Location	Customer Name	Start Date⁽¹⁾ / Expected Completion Date⁽²⁾	Approximate Percentage of Completion as at LPD (%)	Contract Value⁽³⁾ (RM'000)	Unbilled Order Book (RM'000)
1	Chilled Water System Maintenance Project	Replace and install valves, strainers, flexible connectors, pressure gauges, thermometers and other accessories of existing AHU and FCU	Kuala Lumpur	Customer F	Aug 2023/ Dec 2024	15%	2,071	1,761

Notes:

- (1) The contracts' start date is based on the date of the letter of award or commencement date as stipulated in the contract.
- (2) The contracts' expected completion date is as specified in the contract.
- (3) Total contract value includes variation orders.
- (4) Customer F refers to a facilities management company in Malaysia. Customer name was not disclosed due to confidentiality clauses in the contracts/agreements with the customer.

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7. BUSINESS OVERVIEW (CONT'D)

7.7 MARKETING STRATEGIES AND ACTIVITIES

Our marketing positioning and activities to retain existing customers, secure new customers and develop new business opportunities are as follows:

Our positioning in the market

- We position ourselves as an established player in the fields of BMS and solar thermal hot water systems backed by our established track record of approximately 17 years since the commencement of our business operations in 2008.
- We provide total solutions from design and installation to maintenance of BMS and solar thermal hot water systems. This provides convenience and confidence to our customers in relation to our knowledge of our systems.
- We have the technical capabilities to meet our customer's requirements in the provision and maintenance of BMS, solar thermal systems and energy savings services supported by 9 engineers within the Project Department, 8 engineers and 1 ICT personnel within the Service and Maintenance Department and 3 engineers within the Business Development Department as at the LPD.
- We position ourselves as being able to meet our customers' environmental responsibility through the reduction of their carbon footprint in carrying out their business operations. Our solar thermal hot water systems are designed to reduce the reliance on electricity from the power grid which is largely generated from non-renewable and CO₂ emitting fossil fuels such as coal and natural gas, or usage of non-renewable and CO₂ emitting fossil fuels such as diesel or LPG to operate the boiler hot water systems.

Our marketing and sales activities

We adopt proactive marketing and sales activities in maintaining our existing customers and addressing potential growth areas of our business. Our marketing and sales activities include the following:

- We proactively target and approach prospective customers to showcase our product and service offerings, capabilities, track record, experience and reference sites.
- We actively participate in tenders or requests for proposals for BMS and solar thermal hot water system projects including energy performance services.
- We also have a showroom at our Headquarters to showcase our products, the process flow of our systems, and the benefits of our various products and systems.
- We attend seminars and exhibitions as part of our marketing programme of broadening our network and communications with prospective customers. Since 2020 and up to the LPD, we have participated in the following forum and exhibition.

Year	Event	Type of event	Location	Nature of Participation
2020	Development of National Occupational Skills Standard for Thermal Design Malaysia Green Tech Corporation (MGTC)	Forum	Citadines Hotel, Cyberjaya	Participating as a specialist
2022	Niagara Forum South East Asia	Exhibition	Pullman Hotel, Kuala Lumpur	Exhibitor

7. BUSINESS OVERVIEW (CONT'D)

7.8 SEASONALITY

During the FY Under Review, FP 2023 and up to the LPD, we did not experience any material seasonality in our business.

7.9 MACHINERY AND EQUIPMENT

We do not have major machinery and equipment that we use for our operations as the nature of our business is service based.

7.10 PRODUCTION CAPACITY AND UTILISATION

As the nature of our operations is service based, the measures of production capacity, output and utilisation rates do not apply to our systems integration and maintenance of BMS, provision of energy performance services, installation and maintenance of solar thermal hot water and cooling systems, and maintenance of other systems and equipment.

7.11 OPERATIONAL FACILITIES

Details of our operational facilities are as follows:

	Main Functions	Approximate Built-up Area (sq. ft)	Premises Ownership	Address
SDCG, SDC and KED	Headquarters	8,320	Owned	Wisma SDC, No 25, Jalan Kajang Perdana 3/2, Taman Kajang Perdana, 43000 Kajang, Selangor Darul Ehsan

7.12 PROCESS FLOW

7.12.1 Systems Integration of BMS

Our systems integration of BMS is mainly for:

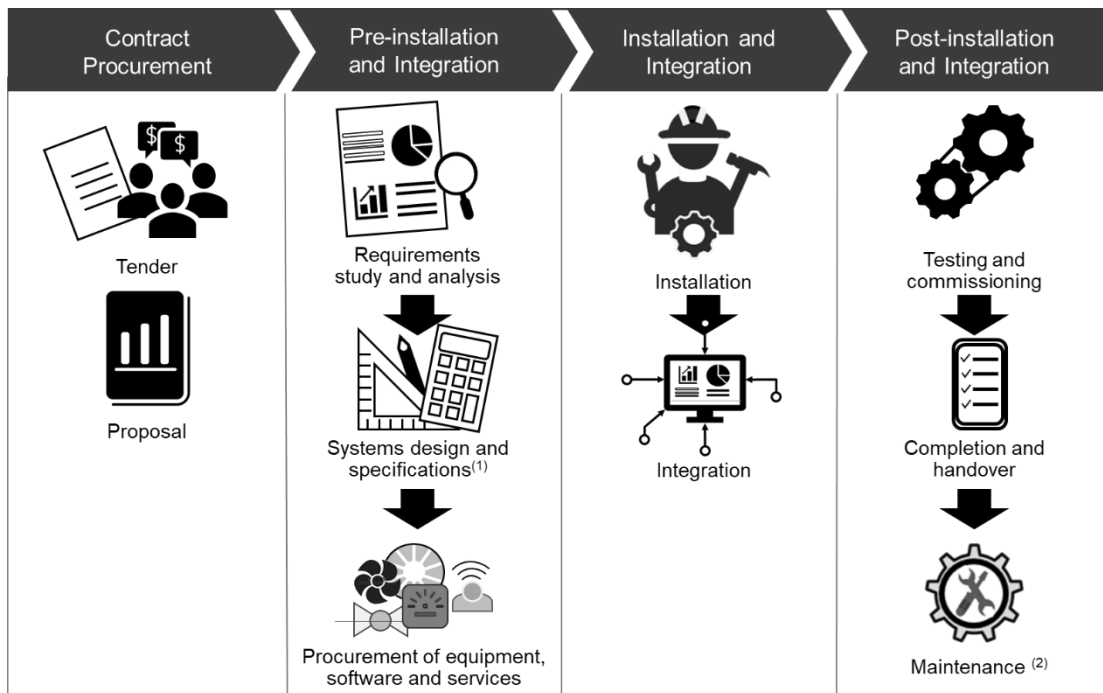
- new systems as part of a building construction project; and
- existing systems, where we carry out retrofitting and/or upgrading works.

Depending on the customer's requirements, the BMS that we implement covers a combination of the following building systems:

- lighting;
- centralised air conditioning;
- electrical and communications;
- elevator and escalator;
- security and access; and
- others such as fire protection, process utilities and car park.

7. BUSINESS OVERVIEW (CONT'D)

The process flow for the systems integration of BMS is as follows:



Notes:

- (1) Only relevant if we are engaged for the entire project, otherwise the design and specifications of the system are provided to us.
- (2) Maintenance is based on separate contracts. Only in some cases, we are engaged to carry out the maintenance after the BMS is completed and handed over to the customer.

(i) Contract procurement

Our contracts for the systems integration of BMS are secured through tendering or submission of proposals to prospective customers.

The tendering or proposal process begins when we receive an invitation to tender or request for proposal from prospective customers. We will carry out a preliminary assessment based on the project requirements and background of the customer before deciding to participate in the tender. Once we have decided to bid, we will commence the preparation of our tender documents or proposals which involve a commercial proposal focusing on pricing, payment schedules and terms, warranty and defect liability period, and a technical proposal focusing on our capabilities, track record and experience profile, scope of work, specifications of materials, equipment and software, and completion date.

We will then submit our tender or proposal together with a tender/proposal bond/deposit if required.

(ii) Pre-installation and integration

Requirements study and analysis

Upon securing a contract, we will carry out a systems requirement study and analysis to scope the work in detail. Some of the procedures undertaken to understand the operating conditions include:

- review and understand the customer's requirements and objectives;
- identify stakeholder requirements;

7. BUSINESS OVERVIEW (CONT'D)

- review the internal and external factors that may impact the organisation; and
- consider various critical issues that could potentially arise.

During this stage, we will also identify the technical requirements of the BMS. Some of the procedures to be undertaken include:

- gather information about the building's infrastructure, systems and equipment, including specifications, protocols, connectivity and compatibility requirements;
- identify the specific functionalities and features required of the BMS; and
- identify the technical aspects of the BMS such as communication protocols, scalability, user interface and accessibility, remote access capabilities as well as integration with other building systems.

Systems design and specifications

For projects where we are engaged to carry out the whole system, we commonly would carry out the design and specification of the full system to provide our customers with an integrated BMS following the customer's requirements. We will carry out the systems design and specification of the new or retrofit and/or upgrade of the BMS, as well as project planning.

We will first study the basic inputs provided by the customer and thereafter design the BMS to meet the building management needs. This will involve considerations on:

- system design and architecture including network, connectivity, interfaces and communications protocol;
- specifications of equipment, devices and information and communications technology (ICT) hardware;
- specifications of operations, applications, network and security software; and
- specifications on integration with existing or other building systems

In addition, we will prepare the relevant documentation such as the design report, equipment layout as well as general arrangement drawing of the BMS components and wiring. Our project planning mainly focuses on the project timeline, budgeting, procurement of materials and resources as well as compliance with the regulatory requirements.

For projects where we are engaged as a subcontractor, the BMS systems design and specifications are commonly provided by the customer or a third-party consultant.

Procurement

Our procurement includes, among others, the following:

- equipment and devices such as DDC, programmable controllers, field sensors, actuators, energy monitoring and measurement devices, and communication equipment and devices;
- ICT hardware such as computers, storage devices, wired and wireless networking and security devices, switches and hubs, and display monitors,
- operations, applications, network and security software; and
- appointment of subcontractors.

Upon receiving the equipment, hardware and devices, we will validate that they function according to the required specifications and standards before they are delivered to the site. We also inspect other materials such as wiring, cables and connectors, upon receipt to ensure they are as per the specified requirements. Any discrepancies or damages will be reported to the supplier for rectification or replacement.

7. BUSINESS OVERVIEW (CONT'D)

(iii) Installation and integration

Installation

We are responsible for installing the relevant equipment, hardware and devices of the BMS system throughout the building. This includes, among others DDC, programmable controllers, field sensors, actuators, network switches, high-level interface nodes and cabling works.

We also establish a central workstation within the building, where we install relevant hardware and software such as computers, printers, monitors, uninterrupted power supply units and BMS software. The BMS software is customised according to user requirements. The central workstation will facilitate monitoring and control, as well as provide real-time data on display screens. Generally, we would allocate 3 employees to manage and supervise each project/contract. However, these employees are not dedicated to one project and would be mobilised for other projects/contracts as and when required. We engage subcontractors to carry out installation works.

Integration

After the installation process, we are responsible for integrating the various components of the BMS. Some of the procedures to be undertaken are as follows:

- configure the equipment and devices such as controllers and sensors to establish communication links between devices and ensure interoperability;
- connect the BMS components through a network infrastructure to enable data exchange and communications;
- define the relationship between data points from sensors and actuators, mapping them to their corresponding control functions within the BMS; and
- design and customise the user interface, including dashboards, alarms and alerts, and reporting functions, based on user needs and preferences.

We would also be responsible to integrate our BMS with the building's centralised command centre using our in-house personnel.

(iv) Post-installation and integration

Testing and commissioning

Once the BMS is fully installed and integrated, we will conduct testing and performance monitoring, typically ranging between 1 to 3 months. This is to ensure all subsystems and the overall system are functioning properly and meet the specified requirements. Any modifications or improvements are to be completed within the agreed timeframe stipulated in the contract.

Some of the test procedures include general checks, operation tests as well as system performance tests. Equipment and devices will be checked and tested to ensure proper installation and functionality, while interaction with auxiliary systems will be verified. Any deficiencies noted will be rectified accordingly. Upon successful testing, the system will be commissioned.

Completion and handover

Upon the successful completion of testing and commissioning, the Certificate of Practical Completion (CPC) or an equivalent document is issued to us by the customer or a representative, and the BMS system is officially handed over to the customer.

7. BUSINESS OVERVIEW (CONT'D)

As part of the handover, we will provide training to end-users on the operation and use of the BMS, as well as provide all relevant documentation such as operation and maintenance manuals, system specifications, as-built drawings as well as other technical details related to the BMS.

We will provide maintenance and servicing during the defect liability period as stipulated in the contract, which is typically for a period between 12 to 24 months from the issuance of CPC.

Maintenance

In some cases, we are engaged in the subsequent maintenance of the BMS according to the stipulated period in the contract. Our maintenance of the BMS includes the following:

- **preventive maintenance**, which is carried out according to schedule and is intended to avoid breakdowns. It is usually carried out periodically, based on the frequency stipulated in the contract; and
- **corrective maintenance**, which is carried out in response to unexpected breakdowns or faults and is carried out to restore functionality and rectify faults as quickly as possible.

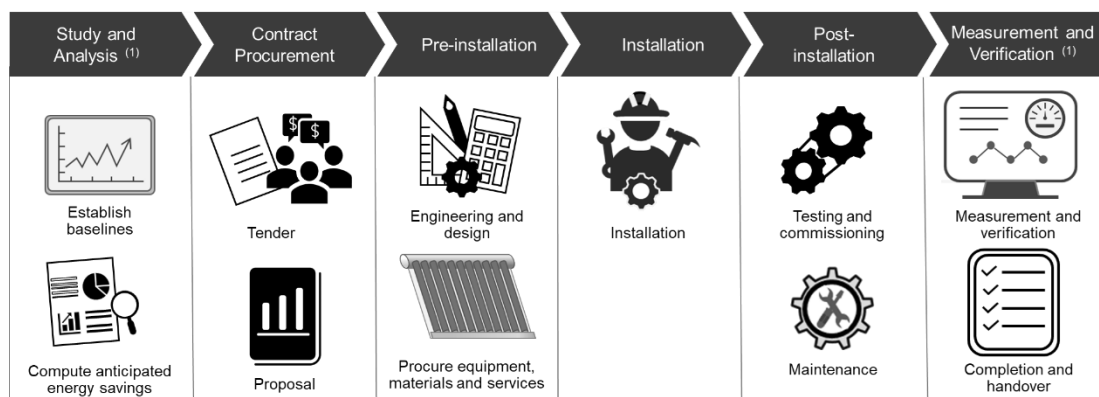
After completing the maintenance work, we will prepare a maintenance service report for the customer. The service report includes details such as the maintenance tasks performed, the status of the BMS equipment, hardware, devices and components, any repairs or replacements made as well as recommendations for improvement. Generally, we would allocate 2 employees to carry out the physical maintenance works or 1 employee to manage and supervise the maintenance works carried out by subcontractors.

7.12.2 Design, supply and installation of solar thermal hot water system

Our design, supply and installation of solar thermal hot water systems are mainly for:

- new standalone system; and
- hybrid system which includes the installation of our new solar thermal hot water system and integration with the existing hot water system.

The process flow for the design, supply and installation of the solar thermal hot water system is as follows:



Note:

(1) Only applicable for energy performance service contracts

7. BUSINESS OVERVIEW (CONT'D)

Study and analysis

We will engage a third-party service provider to conduct a study to determine the potential energy savings that can be achieved based on the proposed installation of our solar thermal hot water system. Some of the procedures to be undertaken are as follows:

- define and establish a baseline, which represents the amount of energy consumption before the installation of the solar thermal hot water system. The baseline is commonly based on the amount of LPG or diesel consumed to heat the boiler to obtain hot water;
- compute the anticipated energy savings by comparing the baseline consumption with the expected consumption after the installation of our solar thermal hot water system and adjusted for any relevant factors that may affect the calculation. This provides a basis for the energy savings guarantee for our energy performance service contracts; and
- quantify the potential savings in monetary terms by multiplying the quantity of LPG or diesel saved by its unit price. This provides an estimation of the cost savings that can be achieved and serves as a basis for determining the fee chargeable to our customers for our energy performance service contracts.

Contract procurement

Our contracts for the design, supply and installation of solar thermal hot water systems are secured through tendering and provision of proposals to the prospective customer. The proposal includes details such as the contract period comprising the installation and reporting periods (where applicable), investment cost, payment amount, structure and terms, baseline consumption, applicable tariff or charge rates as well as the anticipated energy savings.

Pre-installation

(i) Engineering and design

We carry out engineering and design of the solar thermal hot water system for both new installations and hybrid system projects. We study the customer's existing setup and design the solar thermal hot water system including the distribution network. This involves considerations in selecting the appropriate solar thermal collectors, storage tanks and other components for the system. In addition, we will prepare the relevant documentation such as the design report, equipment layout as well as general arrangement drawing of the solar thermal collectors, storage tanks, and other key components.

For hybrid system projects, we would retain the customer's existing or a new boiler system as a backup in situations where there is insufficient hot water generation from our solar thermal collectors. This ensures a reliable and continuous supply of hot water, particularly during periods of rainy, cloudy or hazy days or increased hot water demand.

(ii) Procurement

Our procurement includes equipment, labour and subcontractors. We will source all the necessary equipment, some of which are our brands provided by suppliers.

Upon receiving the equipment, we will validate that they function according to the required specifications and standards before they are delivered to the site. Any discrepancies or damages will be reported to the supplier for rectification or replacement.

7. BUSINESS OVERVIEW (CONT'D)

Installation

We are responsible for installing all the relevant machinery, equipment, hardware and devices required for the solar thermal hot water system. This includes, among others, solar thermal collector modules, calorifier tanks, pumps, piping as well as the control and monitoring system. Generally, we would allocate 3 employees to manage and supervise each project/contract. However, these employees are not dedicated to one project and will be mobilised for other projects/contracts as and when required. The installation work is carried out by subcontractors under our management and supervision.

Post-installation

(i) Commissioning

Once the system is fully installed, we will carry out initial testing to ensure the system operates safely, efficiently and effectively according to specifications. Any defects or inefficiencies discovered will be rectified before the final inspection and testing.

All final inspection and testing works will be conducted by our engineers in the presence of our customers or their appointed representatives as witnesses. We will perform a trial run of the system to monitor the operating conditions and ensure there are no deficiencies. The performance of the system will be evaluated following the mechanical and electrical specifications to ensure it is safe and meet the design requirements. Some of the test procedures include general checks, operation tests as well as system performance tests. Machinery, equipment and devices will be checked and tested to ensure proper installation and functionality, while interaction with auxiliary systems will be verified. Any deficiencies noted will be rectified accordingly. Upon successful testing, the system will be commissioned.

(ii) Maintenance

During the energy performance service contract period, we are responsible for the maintenance of the solar thermal hot water system. Our maintenance of the system includes the following:

- **preventive maintenance**, which is carried out according to schedule and is intended to avoid breakdown. It is usually carried out periodically based on the frequency stipulated in the contract; and
-
- **corrective maintenance**, which is carried out in response to unexpected breakdowns or faults and is carried out to restore functionality and rectify faults as quickly as possible.

After completing the maintenance work, we will prepare a maintenance service report for the customer. The service report includes details such as the maintenance tasks performed, the status of the solar thermal hot water system components, any repairs or replacements made as well as recommendations for improvement. Generally, we would allocate 2 employees to carry out the physical maintenance works or 1 employee to manage and supervise the maintenance works carried out by subcontractors.

Measurement and verification

Depending on the contracts, we will engage a third-party to conduct a measurement and verification of the energy consumed to generate hot water on an annual basis, where a detailed report outlining the energy savings achieved will be submitted to the customer.

7. BUSINESS OVERVIEW (CONT'D)

In the event of a shortfall between the actual energy savings and the energy savings guarantee, we will pay the customer the amount of the shortfall according to the terms as stipulated in the contracts.

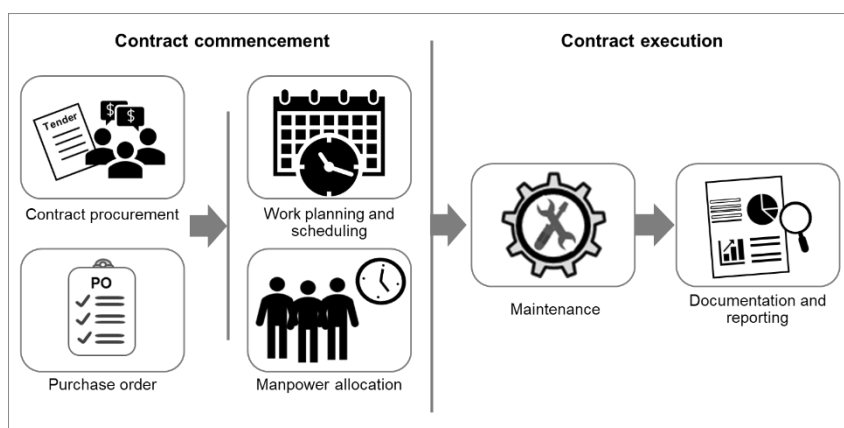
Handover

At the end of the energy performance service contract period, we will officially hand over the solar thermal hot water system to the customer. As part of the handover, we will provide training to end-users on the operation and use of the system, as well as provide all relevant documentation such as operation and maintenance manuals, system specifications, as-built drawings as well as other technical details related to the system.

During the handover, there will be a joint inspection with the customer to ensure the system and components are in a well-maintained condition. Should there be any defects, we are required to make good of the defects within an agreed period stipulated in the contract.

7.12.3 Maintenance of BMS

The following diagram depicts our process flow for the maintenance of BMS:



Contract Commencement

(i) Contract procurement

The process of our maintenance of BMS commences with the following:

- contract procurement through tendering or provision of proposals; or
- issuance of purchase orders by our customers.

The contract or purchase order includes details such as scope of work, duration, pricing and any specific terms and conditions.

Contracts are for continuous maintenance over a period of time commonly for 1 to 3 years. Purchase orders are for one-off maintenance work commonly carried out over several days.

(ii) Work planning and scheduling

After securing the contract or issuance of a purchase order by our customer, we will carry out work planning and scheduling.

For a one-off maintenance work order, we will evaluate the specific maintenance requirements to determine the tasks to be performed. Depending on the customer's

7. BUSINESS OVERVIEW (CONT'D)

requirements, this can be either preventive or corrective maintenance. For contracted maintenance services, we will develop a maintenance plan which includes the frequency of periodic maintenance tasks such as inspections, cleaning, replacement, testing and calibration.

During this stage, we consider factors such as resource availability, customer preferences and any specific requirements. Based on our work plan and schedule, we will allocate manpower resources to carry out the maintenance activities. This comprises in-house personnel and we also engage sub-contractors to carry out specialised works.

Contract execution

(i) Maintenance

Our preventive maintenance work is carried out periodically based on the frequency stipulated in the contract or at the request of our customers. It involves the inspection of various components of the BMS including the functionality, performance and the overall condition of the system. Any malfunctions or faulty components identified will be repaired or replaced accordingly.

In addition to preventive maintenance, we also provide corrective maintenance services in response to unexpected breakdowns or faults. This includes troubleshooting, diagnosing the root cause of the problem and implementing the necessary repairs or replacements to restore the system's functionality.

(ii) Documentation and reporting

After completing the maintenance work, we will prepare a service report for our customers. The service report includes details such as the maintenance tasks performed, the status of the BMS components, any repairs or replacements made as well as recommendations for improvement.

7.13 TECHNOLOGIES USED

The technologies that we used are mainly for our BMS and solar thermal hot water systems. These technologies are embedded in their respective equipment, hardware as well as software where relevant.

7.13.1 BMS

The main technologies that we use for our business activities relating to BMS are as follows:

- **ICT**

Our BMS uses technologies involved in the integration, monitoring and management of building systems. As such, we used ICT as part of our provision of products and services. The ICT that we use includes the following:

- software programming using various programming languages, compilers, operating systems and computers;
- externally sourced application and utility software;
- communications involved in local and wide area networks incorporating wired, wireless and mobile cellular communications; and
- hardware such as processors, network, security, interfaces and display monitors and panels.

7. BUSINESS OVERVIEW (CONT'D)

- **Instrumentation and control**

Our BMS uses instrumentations and control technologies including controllers and sensors such as DDC, cooling energy meters, digital electricity meters, variable air volume controllers, water temperature sensors, water pressure sensors, field temperature sensors, carbon dioxide sensors, filter dirty switches, motion detectors and light level sensors.

7.13.2 Solar thermal hot water systems

The main technologies that we used for our activities relating to solar thermal hot water systems are as follows:

- solar thermal collector modules incorporating the manifold and solar thermal evacuated tubes;
- heat exchangers; and
- solar thermal control systems.

7.14 RESEARCH AND DEVELOPMENT

We do not carry out any research and development. All our equipment, devices and software have their respective in-built technologies which are purchased by us. Any improvements or development of new or innovative technologies are carried out by the respective manufacturers of the equipment and devices, and software developers.

7.15 MATERIAL INTERRUPTIONS TO THE BUSINESS

Saved as disclosed below, we did not experience any other material interruptions to our business and operations during the FY Under Review, FP 2023 and up to the LPD.

7.15.1 COVID-19 conditions in Malaysia

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.

The first phase of the MCO was implemented from 18 March 2020 to 3 May 2020 which resulted in the closure of all businesses except for those classified as “essential services” during that period and received written approval to operate from the Ministry of International Trade and Industry Malaysia (now known as the Ministry of Investment, Trade and Industry or “MITI”).

During the first phase of the MCO, operations at our Headquarters were temporarily suspended for 83 days from 18 March 2020 to 9 June 2020. We resumed operations at our Headquarters on 10 June 2020. Subsequently, from 18 March 2020 up to June 2021, the MCO went through various phases in Malaysia including Conditional MCO (“CMCO”), Recovery MCO (“RMCO”) and Enhanced MCO (“EMCO”) where restrictions were relaxed or tightened for specific states, districts and/or locations, based on the number of daily and active COVID-19 cases in the respective areas. On 15 June 2021, the Government of Malaysia announced the National Recovery Plan (“NRP”), a phased exit strategy from the COVID-19 pandemic consisting of four phases where restrictions were gradually eased in each phase. Subsequently, on 1 April 2022, the Government of Malaysia announced that Malaysia was in the “Transition to Endemic” phase where all economic sectors are allowed to operate, and interstate and international travel are allowed, subject to adherence to the relevant SOP and guidelines.

During the various phases of the MCO including CMCO, RMCO, EMCO, and NRP, and the

7. BUSINESS OVERVIEW (CONT'D)

Transition to Endemic Phase, we continued to operate according to the specified guidelines and SOP including specified workforce capacity during the respective periods.

7.15.2 Impact on our business operations and financial performance

FY 2020

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 the COVID-19 pandemic.

FY 2021

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.

FY 2022

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.

FP 2023

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.

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7. BUSINESS OVERVIEW (CONT'D)

7.16 MAJOR CUSTOMERS

Our top 5 major customers and their revenue contribution for the FY Under Review and FP 2023 are as follows:

FY 2020						
Top 5 customers	Types of customers	Location of customer	Main services/products sold	Revenue contribution (RM'000)	Proportion of total revenue (%)	Length of relationship⁽¹⁾ (years)
Pembinaan Mitrajaya Sdn Bhd	Construction company	Malaysia	Systems integration of BMS	4,280	29.10	9
One Medicare Sdn Bhd ⁽²⁾	Concession company	Malaysia	Solar thermal systems and energy saving services	1,637	11.13	2
Pembinaan Ismail Ibrahim Sdn Bhd	Construction company	Malaysia	Systems integration of BMS	1,089	7.40	2
Gas District Cooling (Putrajaya) Sdn Bhd	Building owner	Malaysia	Maintenance of other systems and equipment	939	6.38	6
Customer D ⁽²⁾	Concession company	Malaysia	Solar thermal systems and energy saving services	654	4.45	5
Sub-total of top 5 customers				8,599	58.46	
Total revenue				14,709		

Notes:

- (1) Length of relationship as at the respective financial year.
- (2) One Medicare Sdn Bhd and Customer D are 40.00% owned by UEM Edgenta Berhad. Customer D is a concessionaire of public hospital support services for Hospital 1 and Hospital 2. Customer names were not disclosed due to confidentiality clauses in the contracts/agreements with the respective customers. Please refer to Section 7.6.2.4 of the Prospectus for further details of our energy performance service contracts with this customer.

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7. BUSINESS OVERVIEW (CONT'D)

FY 2021						
Top 5 customers	Types of customers	Location of customer	Main services/products sold	Revenue contribution (RM'000)	Proportion of total revenue (%)	Length of relationship⁽¹⁾ (years)
One Medicare Sdn Bhd ⁽²⁾	Concession company	Malaysia	Solar thermal systems and energy saving services	3,394	19.29	3
Radicare Group ⁽³⁾	Concession company	Malaysia	Systems integration of BMS and installation of solar thermal hot water systems	2,762	15.70	4
Pembinaan Mitrajaya Sdn Bhd	Construction company	Malaysia	Systems integration of BMS	2,113	12.01	10
Pembinaan Ismail Ibrahim Sdn Bhd	Construction company	Malaysia	Systems integration of BMS	1,038	5.90	3
Customer E ⁽²⁾	Concession company	Malaysia	Solar thermal systems and energy saving services	909	5.17	5
Sub-total of top 5 customers				10,216	58.07	
Total revenue				17,594		

Notes:

- (1) Length of relationship as at the respective financial year.
- (2) One Medicare Sdn Bhd is 40.00% owned by UEM Edgenta Berhad, while Customer E is 100.00% owned by UEM Edgenta Berhad. Customer E is a concessionaire of public hospital support services for Hospital 3. Customer names were not disclosed due to confidentiality clauses in the contracts/agreements with the respective customers. Please refer to Section 7.6.2.4 of the Prospectus for further details of our energy performance service contracts with this customer.
- (3) Including the collective revenue from Radicare (M) Sdn Bhd, and Radifems Sdn Bhd. Radifems Sdn Bhd is a subsidiary of Radicare (M) Sdn Bhd.

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7. BUSINESS OVERVIEW (CONT'D)

FY 2022						
Top 5 customers	Types of customers	Location of customer	Main services/products sold	Revenue contribution (RM'000)	Proportion of total revenue (%)	Length of relationship ⁽¹⁾ (years)
One Medicare Sdn Bhd ⁽²⁾	Concession company	Malaysia	Solar thermal systems and energy saving services	3,751	20.11	4
Pembinaan Mitrajaya Sdn Bhd	Construction company	Malaysia	Systems integration of BMS	1,966	10.54	11
KCJ Engineering Sdn Bhd	Facilities management company	Malaysia	Systems integration of BMS	1,624	8.71	5
Customer B ⁽³⁾	Building owner	Malaysia	Systems integration of BMS	1,617	8.67	1
Customer E ⁽²⁾	Concession company	Malaysia	Solar thermal systems and energy savings services	854	4.58	6
Sub-total of top 5 customers				9,812	52.61	
Total revenue				18,648		

Notes:

- (1) Length of relationship as at the respective financial year.
- (2) One Medicare Sdn Bhd is 40.00% owned by UEM Edgenta Berhad, while Customer E is 100.00% owned by UEM Edgenta Berhad. Customer E is a concessionaire of public hospital support services for Hospital 3. Customer names were not disclosed due to confidentiality clauses in the contracts/agreements with the respective customers. Please refer to Section 7.6.2.4 of the Prospectus for further details of our energy performance service contracts with this customer.
- (3) Customer B is a financial institution in Malaysia and is a subsidiary of a public listed company on the London Stock Exchange, Hong Kong Stock Exchange, Bermuda Stock Exchange and New York Stock Exchange. Customer names were not disclosed due to confidentiality clauses in the contracts/agreements with the respective customers. Please refer to Section 7.6.1.9 of the Prospectus for further details of our systems integration of BMS contract with this customer.

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7. BUSINESS OVERVIEW (CONT'D)

FP 2023 Top 5 customers	Types of customers	Location of customer	Main services/products sold	Revenue contribution (RM'000)	Proportion of total revenue (%)	Length of relationship ⁽¹⁾ (years)
Bank Negara Malaysia	Building owner	Malaysia	Systems integration of BMS	3,348	19.92	1
One Medicare Sdn Bhd ⁽²⁾	Concession company	Malaysia	Solar thermal systems and energy saving services	2,814	16.74	5
Infineon Technologies (M) Sdn Bhd	Building owner	Malaysia	Systems integration of BMS	2,284	13.59	2
KCJ Engineering Sdn Bhd	Facilities management company	Malaysia	Systems integration of BMS	1,366	8.13	6
Customer E ⁽²⁾	Concession company	Malaysia	Solar thermal systems and energy savings services	772	4.59	7
Sub-total of top 5 customers				10,584	62.97	
Total revenue				16,806		

Notes:

(1) Length of relationship as at the financial period.

(2) One Medicare Sdn Bhd is 40.00% owned by UEM Edgenta Berhad, while Customer E is 100.00% owned by UEM Edgenta Berhad. Customer E is a concessionaire of public hospital support services for Hospital 3. Customer names were not disclosed due to confidentiality clauses in the contracts/agreements with the respective customers. Please refer to Section 7.6.2.4 of the Prospectus for further details of our energy performance service contracts with this customer.

We are dependent on 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 as demonstrated below:

- (i) One Medicare Sdn Bhd accounted for 11.13%, 19.29%, 20.11% and 16.74% of our total revenue for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. In addition, we have 4 subsisting energy performance service contracts with One Medicare Sdn Bhd from 2019 up to 2025 for the following public hospitals in Sarawak:
- Sarawak Heart Centre which commenced from 1 October 2020 to 31 March 2025 (hybrid solar thermal hot water system only);
 - Miri Hospital which commenced from 1 October 2019 to 31 March 2025;
 - Sarikei Hospital which commenced from 1 February 2019 to 31 January 2025; and
 - Sibu Hospital which commenced from 1 October 2019 to 31 March 2025.

As at the FP 2023, we have been dealing with One Medicare Sdn Bhd for 5 years.

7. BUSINESS OVERVIEW (CONT'D)

- (ii) Pembinaan Mitrajaya Sdn Bhd accounted for 29.10%, 12.01%, 10.54% and 1.83% of our total revenue for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. We have been dealing with this customer for 12 years in FP 2023. For the FY Under Review, the revenue contribution from this customer has been declining in terms of value and as a proportion of total revenue, which reduces the level of dependency on this customer.

Radicare Group may have accounted for 15.70% of our total revenue for FY 2021, however, we are not dependent on this customer as they accounted for more than 10.00% of our total revenue in only one of the FY Under Review and FP 2023. In addition, our revenue from Radicare Group was for a project based contract which was completed in 2022.

Although Bank Negara Malaysia and Infineon Technologies (M) Sdn Bhd accounted for 19.92% and 13.59% of our total revenue for FP 2023, we are not dependent on them as they accounted for more than 10.00% of our total revenue in only one of the FY Under Review and FP 2023. In addition, our revenue from Bank Negara Malaysia and Infineon Technologies (M) Sdn Bhd are for project-based contracts.

We are also not dependent on the remaining top 5 customers for the FY Under Review and FP 2023 as each of them accounted for less than 10.00% of our total revenue in each of the FY Under Review and FP 2023.

7.17 OUR MATERIALS AND SERVICES

The main types of materials and services we purchased for the FY Under Review and FP 2023 are set out below:

Main materials and services	FY 2020		FY 2021		FY 2022		FP 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
BMS	6,694	65.18	4,841	58.62	6,373	88.55	7,084	96.30
Materials	2,777	27.04	2,071	25.07	3,976	55.25	5,749	78.15
<i>BMS components</i>	1,696	16.51	1,310	15.85	3,033	42.15	4,728	64.27
<i>Installation materials</i>	1,081	10.53	761	9.22	943	13.10	1,021	13.88
Subcontracted services	3,917	38.14	2,770	33.55	2,397	33.30	1,335	18.15
<i>Installation services</i>	3,894	37.92	2,736	33.14	2,348	32.62	1,302	17.70
<i>Maintenance services</i>	23	0.22	34	0.41	49	0.68	33	0.45
Solar thermal systems and energy saving services	3,211	31.27	3,175	38.40	504	6.99	117	1.59
Materials	1,150	11.20	945	11.39	79	1.10	27	0.37
<i>Solar thermal system components</i>	434	4.23	675	8.17	7	0.10	21	0.29
<i>Solar thermal system installation materials</i>	-	-	68	0.82	31	0.43	6	0.08
<i>Other equipment⁽¹⁾</i>	716	6.97	202	2.40	41	0.57	-	-
Subcontracted services	2,061	20.07	2,230	27.01	425	5.89	90	1.22
<i>Installation services</i>	1,833	17.85	1,857	22.49	81	1.11	35	0.47
<i>Maintenance services</i>	198	1.93	373	4.52	344	4.78	55	0.75

7. BUSINESS OVERVIEW (CONT'D)

Main materials and services	FY 2020		FY 2021		FY 2022		FP 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<i>Energy audit services</i>	30	0.29	-	-	-	-	-	-
Maintenance of other systems and equipment	365	3.55	246	2.98	321	4.46	155	2.11
Materials	137	1.33	48	0.58	89	1.24	8	0.11
<i>Gas fired chiller spare parts</i>	137	1.33	48	0.58	89	1.24	8	0.11
Subcontracted services	228	2.22	198	2.40	232	3.22	147	2.00
<i>Maintenance services</i>	228	2.22	198	2.40	232	3.22	147	2.00
Total purchases of materials and services	10,270	100.00	8,262	100.00	7,198	100.00	7,356	100.00

Note:

(1) Other equipment comprises lighting equipment, boiling pans and heat pumps.

For the FY Under Review and FP 2023, purchases of materials and services used in our BMS operations accounted for 65.18%, 58.62%, 88.55% and 96.30% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. Purchases of materials and services for our solar thermal systems and energy saving services accounted for 31.27%, 38.40%, 6.99% and 1.59% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

Within BMS, purchases of materials for our BMS services accounted for 27.04%, 25.07%, 55.25% and 78.15% of our purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. The details comprise the following:

- **BMS components** accounted for 16.51%, 15.85%, 42.15% and 64.27% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. These components are mainly used for systems integration and maintenance of BMS. The types of BMS components purchased include DDC, programmable controllers, field sensors, actuators, energy monitoring and measurement devices, and communication equipment and devices, ICT hardware such as computers, storage devices, wired and wireless networking and security devices, switches and hubs, and display monitors, and operations, applications, network and security software; and
- **BMS installation materials** accounted for 10.53%, 9.22%, 13.10% and 13.88% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. These include materials such as power and communication cables, tools and construction materials that are used for BMS installation and maintenance works.

Our purchases of subcontracted services for BMS services accounted for 38.14%, 33.55%, 33.30% and 18.15% of our purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. Purchases of subcontracted services comprise the following

- **BMS installation services** to carry out installation works of the relevant equipment, hardware and devices of the BMS system throughout the building, which accounted for 37.92%, 33.14%, 32.62% and 17.70% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively; and
- **BMS maintenance services** in relation to preventive, corrective and major maintenance services, which accounted for 0.22%, 0.41%, 0.68% and 0.45% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

7. BUSINESS OVERVIEW (CONT'D)

For the FY Under Review and FP 2023, purchases of materials for our solar thermal systems and energy saving service accounted for 11.20%, 11.39%, 1.10% and 0.37% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. These comprise the following:

- **Solar thermal system components** include calorifier tanks, solar and other pumps and controller and sensor components. Purchases of these components accounted for 4.23%, 8.17%, 0.10% and 0.29% of purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively;
- **Solar thermal system installation materials** such as power cables and electrical components, which accounted for 0.82%, 0.43% and 0.08% of purchases of materials and services for FY 2021, FY 2022 and FP 2023 respectively; and
- **Other equipment** which mainly comprised LED lighting equipment and boiling pan (which are commercial food preparation equipment) for FY 2020, heat pumps (which are used for space heating applications) and steam generator for FY 2021, and boiling pan for FY 2022. Other equipment was purchased as part of specific energy performance services contracts. Purchases of other equipment accounted for 6.97%, 2.40%, 0.57% and 0.00% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

Purchases of subcontracted services for our solar thermal systems and energy saving service accounted for 20.07%, 27.01%, 5.89% and 1.22% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. Purchases of subcontracted services comprise the following:

- **Installation services** to install solar thermal hot water systems and LED lighting equipment (where relevant) in accordance with the respective contracts, which accounted for 17.85%, 22.49%, 1.11% and 0.47% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively;
- **Maintenance services** in relation to preventive, corrective and major maintenance services for solar thermal systems which accounted for 1.93%, 4.52%, 4.78% and 0.75% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively; and
- **Energy audit services** whereby we engaged a certified service provider to conduct a study to determine the potential energy savings that can be achieved based on the proposed installation of our solar thermal hot water system, which accounted for 0.29% of our total purchases of materials and services for FY 2020 only.

Purchases of materials and subcontracted services for the maintenance of other systems and equipment accounted for 3.55%, 2.98%, 4.46% and 2.11% of our total purchases of materials and services for FY 2020, FY 2021 and FY 2022 respectively, comprising:

- **Gas fired chiller spare parts** including pumps and electrical components which accounted for 1.33%, 0.58%, 1.24% and 0.11% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively; and
- **Maintenance services** in relation to preventive, corrective and major maintenance services for gas fired chillers which accounted for 2.22%, 2.40%, 3.22% and 2.00% of our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

With respect to our purchases of materials alone, suppliers in Malaysia accounted for 89.30%, 55.72%, 37.48% and 40.19% of our purchases of materials for FY 2020, FY 2021, FY 2022 and FP 2023 respectively, while suppliers from other countries accounted for the remaining 10.70%, 44.28%, 62.52% and 59.81% respectively. All of our purchases of subcontracted services were from local suppliers in Malaysia during the FY Under Review and FP 2023 in Malaysia.

7. BUSINESS OVERVIEW (CONT'D)

7.18 MAJOR SUPPLIERS

Our Group's top major suppliers and their contribution to our total purchases of materials and services for FY 2020, FY 2021, FY 2022 and FP 2023 are as follows:

FY 2020	Location of supplier	Main services/ products purchased	Amount purchased (RM'000)	Proportion of total purchases (%)	Length of relationship⁽¹⁾ (years)
Top 5 suppliers					
Noblecom Technology Sdn Bhd	Malaysia	Supply and installation, testing and commissioning services for card access and CCTV systems	1,497	14.58	3
Vnetwork System Sdn Bhd	Malaysia	Supply of card access and CCTV equipment and accessories	906	8.82	2
KVC Industrial Supplies Sdn Bhd	Malaysia	Supply of LED lighting	657	6.40	2
Deck Loong Engineering & Trading Sdn Bhd	Malaysia	Installation of solar thermal hot water systems	630	6.13	10
Kohiya Corporation	Malaysia	Installation of solar thermal hot water systems	578	5.63	2
Sub-total of top 5 suppliers			4,268	41.56	
Total purchases of materials and services			10,270		

Note:

(1) Length of the relationship as at the respective financial year.

FY 2021	Location of supplier	Main services/ products purchased	Amount purchased (RM'000)	Proportion of total purchases (%)	Length of relationship⁽¹⁾ (years)
Top 5 suppliers					
Noblecom Technology Sdn Bhd	Malaysia	Supply and installation, testing and commissioning services for card access and CCTV systems	1,059	12.82	4
SFM Global Engineering	Malaysia	Installation of solar thermal hot water systems and maintenance of gas fired chillers	751	9.09	8
Deck Loong Engineering & Trading Sdn Bhd	Malaysia	Installation of solar thermal hot water systems	670	8.11	11
Sinar Perintis Ehsan Sdn Bhd ⁽²⁾	Malaysia	Provision of project technical support services and subcontract of installation works	442	5.35	5
Tridium Asia Pacific Pte Ltd	Singapore	Supply of software, controllers and sensors	414	5.01	5
Sub-total of top 5 suppliers			3,336	40.38	
Total purchases of materials and services			8,262		

7. BUSINESS OVERVIEW (CONT'D)

Notes:

- (1) Length of the relationship as at the respective financial year.
 (2) Refers to a former related party. For further details, please refer to Section 10 of this Prospectus.

FY 2022	Location of supplier	Main services/ products purchased	Amount purchased (RM'000)	Proportion of total purchases (%)	Length of relationship⁽¹⁾ (years)
Top 5 suppliers					
Tridium Asia Pacific Pte Ltd	Singapore	Supply of software, controllers and sensors	1,405	19.52	6
Sinar Perintis Ehsan Sdn Bhd ⁽²⁾	Malaysia	Provision of project technical support services and subcontract of installation works	1,146	15.92	6
Noblecom Technology Sdn Bhd	Malaysia	Supply and installation, testing and commissioning services for card access and CCTV systems	1,060	14.73	5
Siemens Pte Ltd ⁽³⁾	Singapore	Supply of sensors and controllers	800	11.11	12
Excelnexus Engineering Sdn Bhd	Malaysia	Supply of cables, conduits, trunking and panels	383	5.32	10
Sub-total of top 5 suppliers			4,794	66.60	
Total purchases of materials and services			7,198		

Notes:

- (1) Length of the relationship as at the respective financial year.
 (2) Refers to a former related party. For further details, please refer to Section 10 of this Prospectus.
 (3) Based on commencement of business relationship with Siemens Malaysia Sdn Bhd in 2011. Since 2019, we have been dealing with Siemens Pte Ltd, a sister company of Siemens Malaysia Sdn Bhd up to the LPD.

FP 2023	Location of supplier	Main services/ products purchased	Amount purchased (RM'000)	Proportion of total purchases (%)	Length of relationship⁽¹⁾ (years)
Top 5 suppliers					
Tridium Asia Pacific Pte Ltd	Singapore	Supply of software, controllers and sensors	2,979	40.50	7
SFM Global Engineering	Malaysia	Installation of solar thermal hot water systems and maintenance of gas fired chillers	1,091	14.83	10
Excelnexus Engineering Sdn Bhd	Malaysia	Supply of cables, conduits, trunking and panels	524	7.12	11
Nexcomp Technology Sdn Bhd	Malaysia	Supply of ICT hardware and software.	301	4.09	2
Endress+Hauser (M) Sdn Bhd	Malaysia	Supply of sensors	251	3.41	1
Sub-total of top 5 suppliers			5,146	69.95	
Total purchases of materials and services			7,356		

Note:

- (1) Length of the relationship as at the financial period.

7. BUSINESS OVERVIEW (CONT'D)

For FY Under Review and FP 2023, the suppliers that accounted for 10.00% of more of our purchases of materials and services were Noblecom Technology Sdn Bhd, Tridium Asia Pacific Pte Ltd, Sinar Perintis Ehsan Sdn Bhd (related party), Siemens Pte Ltd and SFM Global Engineering. Generally, we are not dependent on any of our top 5 suppliers for the FY Under Review and FP 2023 as similar products or services are available from other suppliers in the market.

Within our top 5 suppliers for the FY Under Review and FP 2023, we are a distributor of Tridium Asia Pacific Pte Ltd's products and these have been rebranded to our "Tri-IO" brand including controllers, sensors and software which are components used in our systems integration of BMS.

As at FP 2023, we have been a distributor of Tridium Asia Pacific Pte Ltd for 7 years and for FY 2022 and FP 2023, our purchases from Tridium Asia Pacific Pte Ltd accounted for 19.52% and 40.50% respectively of our total purchases of materials and services. This distributorship arrangement is governed by an Authorised Tridium Reseller Agreement entered between Tridium Inc and SDC on 1 May 2017 ("**Tridium Reseller Agreement**"), which is valid as at the LPD until it is terminated by either party. In the event the distributorship arrangement is terminated, we will use alternative brands of controllers, sensors and software or will purchase the products from other appointed distributors of Tridium Asia Pacific Pte Ltd. In FY 2022 and FP 2023, we also purchased sensors and controllers from Siemens Pte Ltd and Endress+Hausser (M) Sdn Bhd for our systems integration of BMS. The salient terms of the Tridium Reseller Agreement are as follows:

(i) Limited license

Subject to the terms and conditions contained in the Tridium Reseller Agreement and its exhibits, Tridium Inc grants to SDC a non-exclusive, limited license under Tridium Inc's intellectual property rights to:

- (a) purchase and use copies of the license materials and the hardware designated in the exhibit of the Tridium Reseller Agreement for demonstration to, and support of customers, and development and support of the product developed by SDC using the licensed materials ("**Reseller Products**");
- (b) order and purchase for resale to customers the hardware and copies of the licensed materials identified in the exhibit of the Tridium Reseller Agreement for distribution to customers;
- (c) use the printed or written online reference material furnished to SDC by Tridium Inc in conjunction with the licensed materials, in support of SDC's authorized use of the licensed materials; and
- (d) use the licensed materials for such other purposes, and subject to such other limitations, provisions or restrictions, if any, as are set forth in the exhibit of the Tridium Reseller Agreement.

(ii) Termination for cause

Either party may terminate the agreement upon a material or continuing breach of the Tridium Reseller Agreement by the other by the giving of thirty (30) days prior written notice of termination, stating the cause therefor, with termination becoming effective at the close of said thirty (30) day term if the breach is not then cured to the satisfaction of the party giving notice.

7. BUSINESS OVERVIEW (CONT'D)

(iii) Termination upon default

In addition to termination allowed for cause, the Tridium Reseller Agreement may be terminated immediately, by the giving of written notice as follows:

- (a) by Tridium Inc, if a governmental or regulatory body imposes restrictions or denies authority for SDC to perform the duties required of it pursuant to the Tridium Reseller Agreement;
- (b) by Tridium Inc, if SDC uses or authorizes the unlicensed use or disclosure of Tridium Inc's confidential information or makes, has made, uses, sells, reproduces, modifies, or distributes the licensed materials other than as is expressly licensed in the Tridium Reseller Agreement;
- (c) by Tridium Inc, if SDC assigns or transfers the Tridium Reseller Agreement, or any license in the Tridium Reseller Agreement, or attempts to do so without complying with the provisions for assignment under the Tridium Reseller Agreement;
- (d) by either party if the other party is indicted for the violation of any law or regulation material to the performance of its duties under the Tridium Reseller Agreement; and
- (e) by Tridium Inc, if SDC:
 - i. ceases to do business in the normal course,
 - ii. becomes or is declared insolvent or bankrupt,
 - iii. is the subject of any proceeding related to its liquidation or insolvency (whether voluntary or involuntary), other than a reorganization under Chapter 11 of the Bankruptcy Code of the United States of America, which is not dismissed within ninety (90) calendar days, or
 - iv. makes an assignment for the benefit of creditors.

(iv) Change of Control of SDC

In the event of change of control of SDC, Tridium Inc may at its sole discretion terminate the Tridium Reseller Agreement. "Change of control" for this purpose means that a controlling interest in the SDC, or any company that controls SDC, is obtained by an unaffiliated person or company. SDC may seek Tridium's prior approval if it plans to sell a controlling interest in SDC. Such approval shall not be unreasonably withheld or delayed.

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7. BUSINESS OVERVIEW (CONT'D)

7.19 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 summarised in the following diagram:



7.19.1 Expand our Headquarters

Our current Headquarters is at a 3-storey shop office unit with a built-up area of approximately 8,320 sq. ft. which we own in Kajang, Selangor. 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.

We have existing workstations to accommodate up to 26 employees, although our current workforce is 53 employees as at the LPD. Our employees from project department and technical and servicing department are primarily stationed at their respective project sites for project implementation and/or occupy the shared workstations at our Headquarters.

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 by constructing a new extension 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. The expansion of the Headquarters is expected to incorporate dedicated floor space for the following:

Floor	Purpose	
	Existing Headquarters as at the LPD	Headquarters after Expansion
Ground	<ul style="list-style-type: none"> • Reception • Showroom • Storage room 	<ul style="list-style-type: none"> • Reception • Showroom • Storage room • New meeting room which is able to accommodate more than 20 personnel
First	<ul style="list-style-type: none"> • 10 workstations for finance, sales, procurement, administrative and human resources departments • Discussion room 	<ul style="list-style-type: none"> • Estimated 18 workstations for finance, sales, procurement, administrative and human resources departments • Discussion room

7. BUSINESS OVERVIEW (CONT'D)

Floor	Purpose	
	Existing Headquarters as at the LPD	Headquarters after Expansion
Second	<ul style="list-style-type: none"> Command and control centre 16 share workstations for the project department and technical and servicing department 	<ul style="list-style-type: none"> Command and control centre Estimated 26 share workstations for the project department and technical and servicing department New discussion room

As at the LPD, we are in discussions with the identified professional consultants for the expansion of the Headquarters. Based on their preliminary assessment, each floor of the Headquarters will increase from approximately 2,700 sq. ft. to approximately 4,400 sq. ft which will be allocated for the abovementioned purposes of each floor after the expansion of the Headquarters. The details of the floor plan are targeted to be submitted to the Majlis Perbandaran Kajang for approval in the 4th quarter of 2024.

The breakdown of the RM[●] million allocated the expansion of our Headquarters is as follows:

	Estimated costs ⁽¹⁾ (RM'000)
Construction works (including mechanical and electrical as well as infrastructure works)	[●]
Professional fees ⁽²⁾	[●]
Renovation, interior fit-out and furnishing	[●]
Total	[●]

Notes:

(1) Based on fees estimated by our professional consultants.

(2) Comprises professional fees for architect, civil and structural engineers, mechanical and electrical engineers and quantity surveyor.

The indicative timeline for the expansion of our Headquarters is as follows:

Estimated Timeline	Milestones
4th quarter of 2024	<ul style="list-style-type: none"> Submission of building plan to Majlis Perbandaran Kajang.
2nd quarter of 2025	<ul style="list-style-type: none"> Approval of building plan obtained.
3rd quarter of 2025	<ul style="list-style-type: none"> Commencement of construction works.
2nd quarter of 2026	<ul style="list-style-type: none"> Completion of construction works, renovation, interior fit-out and furnishing. Application of Certificate of Completion and Compliance.
4th quarter of 2026	<ul style="list-style-type: none"> Certificate of Completion and Compliance obtained.

Pending the completion of the expansion of the Headquarters, we may consider temporarily renting additional office space in the vicinity of our Headquarters in Kajang, Selangor, if necessary. As at the LPD, our current space limitations remain manageable, primarily due to the deployment of our employees from the project department and technical and servicing departments who are stationed at various project sites for project implementation.

Upon completion of the expansion of the Headquarters, our Headquarters will increase from 26 workstations to 44 workstations, which will be sufficient to house our employees as our

7. BUSINESS OVERVIEW (CONT'D)

employees from the project department and technical and servicing department will still be primarily stationed at their respective project sites for project implementation and/or share workstations in our Headquarters.

In the event that our actual costs for the expansion of the Headquarters are higher than estimated, the deficit will be funded out of the portion allocated for our working capital requirements and/or internally generated funds. However, if our actual costs are lower than estimated, the excess will be utilised for our Group's working capital.

7.19.2 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 following additional tools, equipment and vehicles to enhance our productivity and service delivery of these business activities:

- **Pick-up trucks:** The purchase of additional vehicles will be used to support the timely delivery of components, tools, equipment and personnel to worksites for our BMS and solar thermal and energy saving services segments, including systems integration, installation and maintenance activities;
- **Forklift:** Forklifts are used for material handling purposes and to raise heavy items;
- **Drones with thermal sensor:** Drones with thermal sensors will be used to inspect solar thermal collector modules installed on rooftops and other locations when carrying out maintenance or checking for issues. Hot spots on solar thermal collector modules and solar thermal evacuated tubes would indicate that there is heat leakage that will require rectification or replacement. Carrying out such inspection using a drone with a thermal sensor would be quicker and safer compared to manual inspection, particularly for installations on rooftops and hard-to-reach locations; and
- **Panel cleaning equipment:** These are used to clean dust and debris from solar thermal evacuated tubes to improve efficiency.

The total estimated cost of purchasing the vehicles and equipment is RM[●] million with the breakdown as follows:

Types of tools and equipment	Number of units	Estimated cost (RM'000)
Pick-up trucks	2	[●]
Forklift	1	[●]
Drones with thermal sensor	2	[●]
Panel cleaning equipment	1	[●]
		[●]

We intend to use RM[●] million from our IPO proceeds to fund the purchase of the vehicles and equipment within 24 months of the IPO. As at the LPD, we have not placed any orders for the tools and equipment.

7. BUSINESS OVERVIEW (CONT'D)

7.19.3 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 the following ICT software and services to improve our ICT resources:

- **Internet of Things (IoT) software:** Specialised software utilities and tools to develop applications and communications software for IoT devices;
- **Solar irradiance database:** Obtain data to facilitate simulation of the performance of solar thermal hot water system designs;
- **Computer-aided design (CAD) software:** Specialised mechanical engineering software to design and create engineering drawings for BMS, solar thermal hot water systems and other systems;
- **Specialised design software:** Specialised software used to design solar PV systems as part of our business strategy to address opportunities in solar PV systems as described in Section 7.19.4 of this Prospectus;
- **Energy system simulation software:** To model the performance of different solar thermal hot water system designs; and
- **Accounting software:** To improve the management of our accounts.

The total estimated cost for the above is RM[●] million segmented as follows:

	Number of licences	Estimated cost (RM'000)
IoT software	1	[●]
Solar irradiance database and design	1	[●]
Specialised design software	1	[●]
CAD software	3	[●]
Energy system simulation software	1	[●]
Accounting software	4	[●]
Total		[●]

We intend to use RM[●] million from our IPO proceeds to fund our purchases and subscriptions for ICT software and services within 24 months of the IPO. As at the LPD, we have not subscribed to any of the above.

7.19.4 Address opportunities in solar PV systems

As part of our business strategy, we intend to address opportunities in solar PV systems, which we have installed in the past. Solar PV systems are designed to convert sunlight into electricity. The main components of a solar PV system include the following:

- **Solar PV modules:** These are electronic devices that generate electricity from sunlight. Each solar PV system has one or more solar modules installed on the rooftop or suitable outdoor location with optimum exposure to sunlight;

7. BUSINESS OVERVIEW (CONT'D)

- **Inverters:** The electricity generated by solar modules is direct current, which is not suitable for most electrical machinery, equipment and appliances. Inverters are used to convert direct current into alternating current used by most electrical machinery, equipment and appliances;
- **Energy meter:** Used to measure the electricity supplied by the solar PV system; and
- **Energy management system:** Monitors, control, records and analyses the electricity generated by the solar PV system. The system is also accessible remotely including from mobile devices.

SDC is currently registered with SEDA as a solar PV investor under the net-energy metering (NEM) programme, and its registration is valid until 31 December 2024. 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. During the duration of the contract, the customer will purchase the electricity produced by the solar PV system at a specified tariff. We will own the solar PV system during the contract period, and ownership shall be transferred to the customer upon the expiry of the PPA.

We intend to target prospective customers that wish to reduce electricity costs, as well as reduce the carbon footprint of their operations.

We plan to purchase specialised solar PV system design software that is used to design solar PV systems, as described in Section 7.19.3 of this Prospectus. In addition, some of the tools and software that we plan to purchase to support our solar thermal hot water system business can also be used to support solar PV systems, including the following:

- Pick-up trucks;
- Drones with thermal sensors to inspect solar PV modules. Hot spots on solar PV panels would indicate damages to be rectified or require replacement;
- Panel cleaning equipment which can also clean solar PV modules;
- Solar irradiance database to facilitate simulation of the performance of solar PV system designs;
- CAD software to design and create engineering drawings for solar PV systems;
- Energy system simulation software to model the performance of different solar PV system designs.

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8. IMR REPORT



16 January 2024

The Board of Directors
Solar District Cooling Group Berhad
No 25, Jalan Kajang Perdana 3/2
Taman Kajang Perdana
43000 Kajang
Selangor, Malaysia

Dear Sirs and Madams

Independent Assessment of the Building Management System and Solar Thermal Industries in Malaysia

We are an independent business consulting and market research company based in Malaysia. We commenced our business in 1993 and, among others, our services include the provision of business plans, business opportunity evaluations, commercial due diligence, feasibility studies, financial and industry assessments and market studies. We have also assisted in corporate exercises since 1996, having been involved in initial public offerings, takeovers, mergers and acquisitions, and business regularisations for public listed companies on the Bursa Malaysia Securities Berhad (Bursa Securities) where we acted as the independent business and market research consultants. Our services for corporate exercises include business overviews, independent industry assessments, management discussion and analysis, and business and industry risk assessments.

We have been engaged to provide an independent assessment of the above industry for inclusion in the prospectus of Solar District Cooling Group Berhad for the listing of its shares on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and have taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, the availability of timely information and analyses based on secondary and primary market research as at the date of this report. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions, actions or inactions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include information, assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wong Wai Ling
Director

Wong Wai Ling has a Bachelor of Arts degree from Monash University, Australia and a Graduate Diploma in Management Studies from the University of Melbourne, Australia. She has more than 20 years of experience in business consulting and market research including assisting companies in their initial public offerings and listing of their shares on Bursa Malaysia Securities Berhad.

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8. IMR REPORT (CONT'D)



Date of Report: 16 January 2024

INDEPENDENT ASSESSMENT OF THE BUILDING MANAGEMENT SYSTEM AND SOLAR THERMAL INDUSTRIES IN MALAYSIA

1. INTRODUCTION

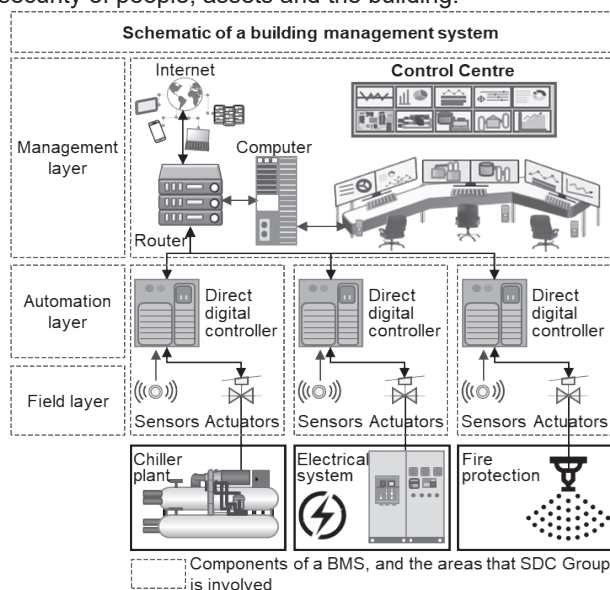
- Solar District Cooling Group Berhad together with its subsidiaries (SDCG Group) is mainly involved in the provision and maintenance of building management systems (BMS), solar thermal systems and energy saving services in Malaysia, which shall form the focus of this report. SDCG group also provides maintenance services for other systems and equipment.
- All gross domestic product (GDP) referred to in this report is nominal GDP unless mentioned otherwise. All data and information in the report refer to Malaysia unless stated otherwise.

2. BUILDING MANAGEMENT SYSTEM INDUSTRY

2.1 Overview

- A building management system (BMS), also known as building automation system, is a process control system that links all the mechanical, electrical and process utility (plumbing, sewerage and gas) (MEP) into a centralised control and management system within the building, where people can monitor, control and manage linked machinery, equipment and devices installed in the building.
- The common MEP equipment found in high-rise residential and office, commercial, institutional and large manufacturing buildings connected to the BMS include the following systems:
 - air conditioning and mechanical ventilation (AVMV);
 - electrical and lighting;
 - backup power supply;
 - renewable energy;
 - communication equipment;
 - plumbing and sewerage;
 - fire protection
 - security and access; and
 - elevators and escalators.
- The main functions of the BMS are to optimise the performance of these attached systems, enhance the comfort of occupants and visitors, improve building operations, energy and cost efficiency, and ensure the safety and security of people, assets and the building.

- A BMS system is divided into three main layers, namely:
 - **management layer** which comprises a master controller to control the entire BMS, and storage, display and input devices for human interaction with the BMS;
 - **automation layer** comprises all the direct digital controllers to control each equipment or group of equipment;
 - **field layer** comprising sensors to provide input monitoring and measurement data, and actuators that initiate an action to the connected equipment such as a chiller plant.



8. IMR REPORT (CONT'D)

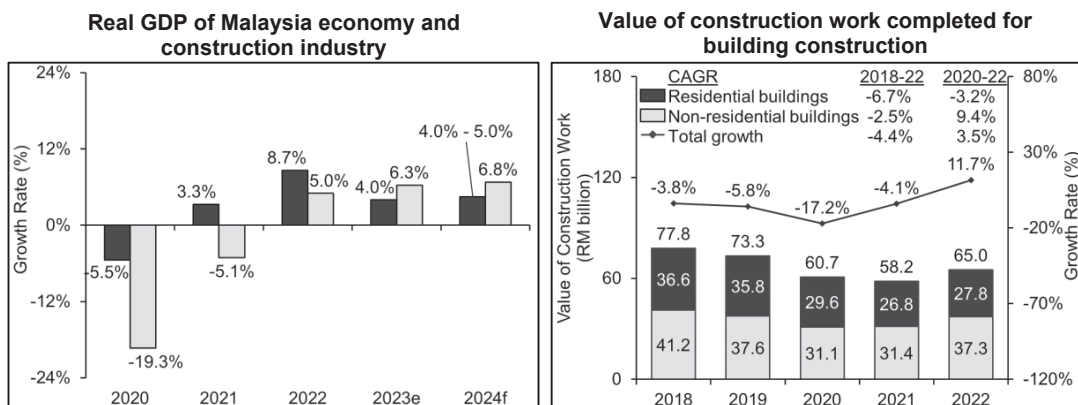


- BMS is commonly used in the following buildings including:
 - **high-rise commercial buildings** such as purpose-built offices, serviced apartments, shopping centres and hospitality properties;
 - **institutional buildings** such as healthcare and education centres; and
 - **industrial buildings**, excluding the plant, machinery and equipment involved in manufacturing or processing activities.
- SDCG Group is involved in systems integration of BMS mainly for commercial, institutional, leisure and hospitality, and industrial buildings.

2.2 Demand dependencies

2.2.1 Economy and building construction industry

- GDP measures the gross value added to the output of goods and services in a country or sector during a specified period. Real GDP is a measure of “real” changes in output over time, due to changes in the quantity of goods and services produced, rather than changes in their prices due to inflation or deflation.
- As BMS is installed in newly constructed buildings as well as retrofitted in existing buildings, continuing growth in the construction activities will continue to provide opportunities for operators within the BMS industry. As such, the overall performance of the economy of Malaysia, as well as the performance of the construction industry would impact operators such as SDCG Group.
- In 2022, the real GDP of Malaysia grew by 8.7%, driven by domestic demand and an improved labour market resulting from the increase in household spending, investment and tourism, as well as robust external demand. For the first 9 months (9M) of 2023, the real GDP of Malaysia grew by 3.9% compared to 9M 2022, mainly attributed to the expansion in domestic demand, continued improvement in labour market conditions, as well as higher tourism and construction activities. These factors were offset by the weaker external demand which affected production and exports of goods. (Source: Bank Negara Malaysia (BNM))
- In 2022, the real GDP of the construction (comprising building, civil engineering and specialised construction) industry grew by 5.0%, following a broad-based pickup in activities across all construction subsectors, particularly the non-residential buildings and specialised construction subsectors (Source: BNM). For 9M 2023, the real GDP of the construction industry in Malaysia grew by 7.0% compared to 9M 2022.



e = estimated; f = forecast; CAGR = compound annual growth rate (Source: Department of Statistics Malaysia (DOSM), Ministry of Finance)

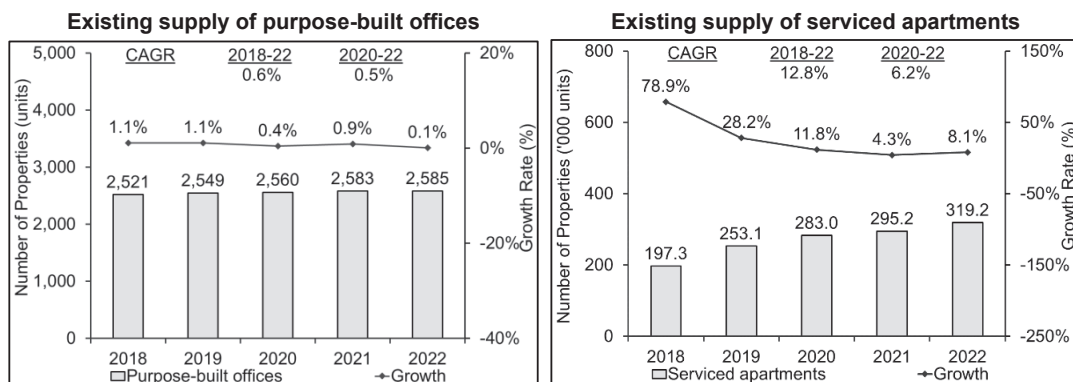
8. IMR REPORT (CONT'D)



- In 2022, the value of construction work completed for building construction recorded a growth of 11.7%, which was contributed by 18.7% and 3.4% growth from the non-residential and residential subsectors respectively. The non-residential subsector rebounded strongly on the back of faster progress of large commercial real estate and industrial projects (Source: BNM). Nevertheless, both of these subsectors have not recovered to pre-COVID-19 levels.
- For the 9M 2023, the value of construction work completed for building construction grew by 4.5% compared to the 9M 2022, which was contributed by 4.8% and 4.1% growth from the non-residential and residential subsectors respectively (Source: DOSM). The continuing growth in the construction industry particularly for building construction will help sustain and provide opportunities for operators involved in the BMS industry.

2.2.2 Supply of commercial properties

- Generally, BMS is used in high-rise commercial properties and this includes purpose-built offices and service apartments. The following section assesses the respective supply of these types of buildings in Malaysia. The existing supply of commercial properties forms the base addressable market while future supply provides growth opportunities to operators in the BMS industry.



(Source: National Property Information Centre (NAPIC))

- Between 2020 and 2022, the existing supply of purpose-built offices and serviced apartments grew at a CAGR of 0.5% and 6.2% respectively. As of the third quarter of (Q3) 2023, the existing supply of purpose-built offices and serviced apartments grew by 0.5% and 16.6% respectively, compared to Q3 2022 (Source: NAPIC).
- Between 2020 and 2022, the future supply of purpose-built offices and serviced apartments grew at a CAGR of 12.0% and 0.6% respectively. As of Q3 2023, the future supply of purpose-built offices grew by 2.6% while serviced apartments declined by 9.8% compared to Q3 2022 (Source: NAPIC).

Future supply of selected high-rise commercial properties

	Purpose-built offices (units)	Serviced apartments (units)
2018	89	277,162
2019	66	300,032
2020	63	300,846
2021	56	320,522
2022	79	304,489
CAGR (2018-22)	-2.9%	2.4%
CAGR (2020-22)	12.0%	0.6%
Q3 2022	76	307,772
Q3 2023	78	277,506
Growth (Q3'22-23)	2.6%	-9.8%

Future supply= incoming supply + planned supply
(Source: NAPIC)

8. IMR REPORT (CONT'D)



3. SOLAR THERMAL INDUSTRY

3.1 Overview

- Solar represents one of the renewable energy sources. Solar energy is available in two forms, namely solar photovoltaic (PV) energy where sunlight is converted to electricity in the form of direct current, while solar thermal energy involves harnessing the heat from the sun for heating purposes. There are several applications of solar thermal energy including:
 - heating of water to produce hot water;
 - heating of water and through the use of a heat exchanger to produce chilled water for cooling in an enclosed space;
 - heating of water to produce hot air in an enclosed space;
 - heating of water to produce super-heated steam (above 100 degrees Celsius) to drive steam turbines to generate electricity; and
 - heating of water to produce steam (at 100 degrees Celsius) for industrial use such as pasteurisation and sterilisation.
- SDCG Group is mainly involved in solar thermal energy for heating liquid to provide hot water.
- For solar thermal technology, the selection of the type of solar collectors is determined by the intended application's temperature requirements, which are summarised in the table below:

Temperature range	Common application	Common solar collectors
Low-temperature heat (below 150°C)	Heating and cooling of enclosed space, industrial process heat, drying, boiling, pasteurising, sterilising	Evacuated tube solar collectors, flat plate solar collectors
Medium-temperature heat (150°C to 400°C)	Distilling, nitrate melting, dyeing, compression	Evacuated tube solar collectors, parabolic trough collectors
High-temperature heat (above 400°C)	Power generation	Concentrated solar power towers, solar dish collectors

Solar thermal technology can operate as stand-alone systems, or integrated with other heating systems, irrespective of the primary heat source such as electricity, diesel, liquified petroleum gas (LPG) and natural gas. SDCG Group provides solar thermal hot water systems on a standalone basis, as well as based on a hybrid system that integrates with boiler systems which use either diesel, LPG or electricity. SDCG Group uses evacuated tube solar collectors in their solar thermal systems operations.

3.2 Malaysia's solar thermal-related policies and incentives

- In Malaysia, the Government has initiated several policies relating to solar thermal:
 - **The Malaysia Energy Efficiency and Solar Thermal Application Project (MAEESTA)** is a national initiative which was introduced in 2014 and supported by the Government of Malaysia. It was implemented by local experts together with the United Nations Industrial Development Organization (UNIDO) for the development of thermal energy efficiency and application of solar thermal in industries in Malaysia. This project was completed on 30 June 2022. Throughout the project, UNIDO has provided technical support and expertise to 16 companies and six facilities where they have saved 351,055 megawatt-hours of energy amounting to approximately RM26.3 million per year. (Source: Ministry of Science, Technology and Innovation)

8. IMR REPORT (CONT'D)



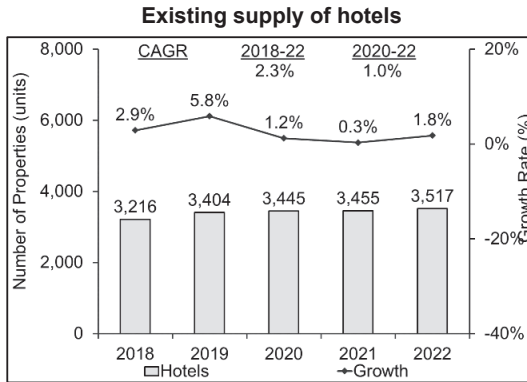
- **National Energy Policy (2022-2040) (NEP)** was launched in 2022 to enhance macroeconomic resilience and energy security, achieve social equitability and affordability, and ensure environmental sustainability. **Low Carbon Nation Aspiration 2040 (LCNA)** was introduced by NEP which seeks to transform the primary energy supply to renewable energy sources. LCNA has outlined targets such as energy efficiency savings of 11% for the industrial and commercial sectors, 10% for the residential sector by 2040, and 17% renewable energy used in total primary energy supply, as well as initiatives to enhance demand-side management and energy efficiency. (Source: *Economic Planning Unit*)
- The first part of the **National Energy Transition Roadmap** was launched on 27 July 2023, which identified six energy transition levers including energy efficiency, renewable energy, hydrogen, bioenergy, green mobility, and carbon capture, utilisation and storage, to facilitate Malaysia's transition to clean energy and outlines the Malaysia Government's proposed catalyst projects under each lever. Some catalyst projects include regulation of energy-intensive users, buildings and products under the proposed Energy Efficiency and Conservation Act, and energy audit exercise by railway operators to identify current consumption baseline and potential energy savings. (Source: *Ministry of Economy*)
- Malaysia has introduced several renewable energy and energy-efficient related incentives, which are as follows:
 - The Malaysia Investment Development Authority (MIDA) has introduced green technology tax incentives in 2014 to strengthen the development of green technology which, among others, includes renewable energy and energy efficiency.
 - **Green Investment Tax Allowance (GITA)** of 100% or 60% on capital expenditure for qualifying green technology projects for business or own consumption, or purchase of qualifying green technology assets from 1 January 2024 to 31 December 2026. GITA applies to projects relating to, among others, green hydrogen, integrated waste management and renewable energy. Some of the qualifying GITA assets include green buildings, renewable energy system, energy efficiency and qualifying assets approved by the Minister of Finance.
 - **Green Income Tax Exemption (GITE)** of 70% on statutory income for qualifying green services activities from 1 January 2024 to 31 December 2026. GITE applies to renewable energy, energy efficiency, electric vehicles, green buildings, green data centres, green certification and verification as well as green townships.
 - The **Green Technology Financing Scheme (GTFS)** was a special financing scheme introduced by the Malaysian Government in 2010 to support the development of green technology projects. Under Budget 2024, the Malaysia Government continues to support the development of green businesses with the reinstatement of the GTFS 4.0 up to RM1.0 billion for the period until 31 December 2025. (Source: *Ministry of Finance*)

3.3 Demand dependencies

3.1.1 Supply of hotels and hospitals

- Solar thermal hot water systems are largely used in hotels and hospitals as these two sectors are major users of hot water. Between 2020 and 2022, the existing supply of hotels grew at a CAGR of 1.0%, while the future supply of hotels declined at an average annual rate of 11.2%. As of Q3 2023, the existing supply of hotels grew by 0.2%, while future supply of hotels declined by 7.9% compared to Q3 2022 (Source: *NAPIC*).

8. IMR REPORT (CONT'D)

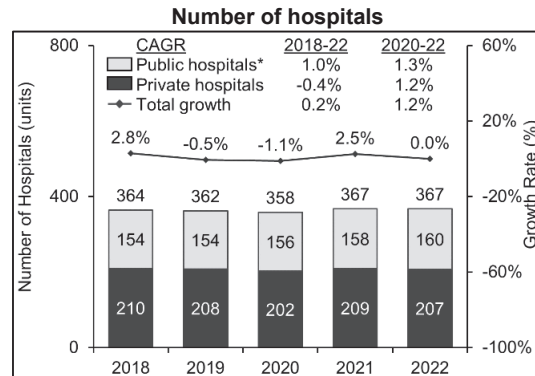


Future supply of hotels in Malaysia

	Hotels (units)
2018	158
2019	188
2020	223
2021	231
2022	176
CAGR (2018 - 2022)	2.7%
CAGR (2020 - 2022)	-11.2%
Q3 2022	177
Q3 2023	163
Growth (Q3 2022 - 2023)	-7.9%

Future supply= incoming supply + planned supply (Source: NAPIC)

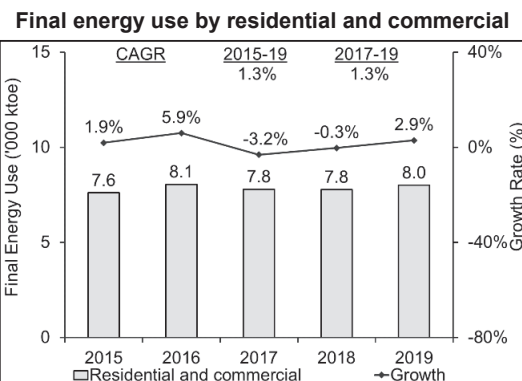
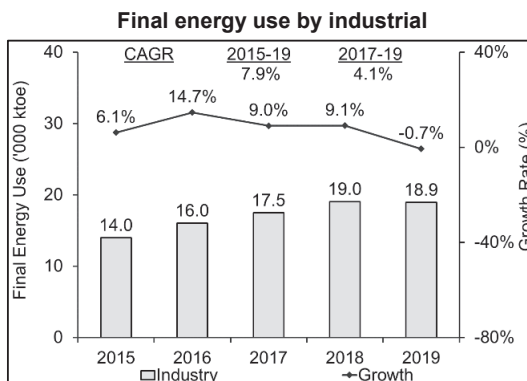
- SDCG Group is involved in providing energy performance services which involves the installation of solar thermal hot water systems that are integrated with existing boiler hot water systems in public hospitals in Malaysia. As such, the existing number of establishments provides the addressable markets for the installation of solar thermal hot water systems.
- The number of public hospitals grew by 1.3% from 158 in 2021 to 160 in 2022, while the number of private hospitals declined by 1.0% from 209 in 2021 to 207 in 2022. The number of hospitals would provide opportunities for the solar thermal industry.



Note:* Includes hospitals and special medical institutions under MOH, as well as army and university hospitals (Source: Ministry of Health (MOH))

4. ENERGY LANDSCAPE IN MALAYSIA

- Energy efficiency involves using less energy to perform the same task or produce the same result. It provides the quickest and most cost-effective to address the energy supply security issue and energy-related environmental issues. Energy efficiency is the primary driver of the emergence of BMS and solar thermal technologies, where the demand arises as a result of the energy landscape in Malaysia.

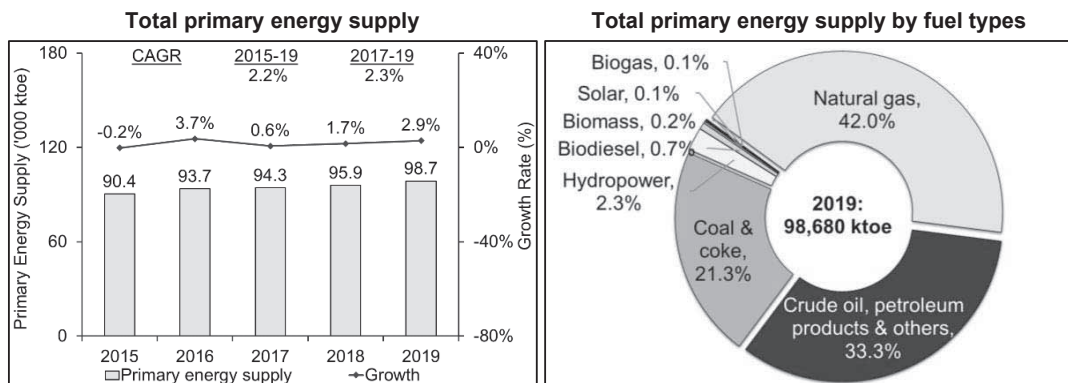


Note: Above are the latest available data, and no further segmentation available for the data above. ktoe = kilotonnes of oil equivalent; industrial = refers to energy used within industrial sector covering manufacturing, mining and construction; residential and commercial = refers to energy used within household, commercial sectors, government buildings and institutions (Source: Energy Commission of Malaysia (EC))

8. IMR REPORT (CONT'D)



- In 2019, Malaysia’s industrial sector accounted for 28.5% of the total final energy demand, while the residential and commercial sectors collectively accounted for 12.0% of the total final energy demand (*Latest available data. Source: EC*). Between 2015 and 2019, final energy use by industrial sector grew at a CAGR of 7.9% to approximately 18,900 ktoe in 2019, while final energy use by residential and commercial sectors collectively grew at a CAGR of 1.3% to approximately 8,000 ktoe in 2019.
- Between 2015 and 2019, energy intensity for final energy consumption grew at a CAGR of 1.5%, implying the heavier usage of energy to produce a unit of GDP over time (*Latest available data. Source: EC*).



Note: Above are the latest available data. ktoe = kilotonnes of oil equivalent (Source: EC)

- Between 2015 and 2019, Malaysia’s total primary energy supply grew at a CAGR of 2.2% to 98,700 ktoe, driven by strong economic and industrial growth as well as rapid urbanisation.
- Fossil fuels comprise oil, gas and coal. In 2019, fossil fuels were the dominant energy source for Malaysia, where natural gas constituted the largest portion of the primary energy supply at 42.0%, followed by crude oil, petroleum products and others, as well as coal and coke, at 33.3% and 21.3% respectively. Renewables, comprising hydropower, bioenergy and solar, constitutes 3.4% of the total primary energy supply in 2019.
- Between 2015 and 2019, the ratio of energy used to total primary energy supply increased from 57.6% to 67.4%, indicating the energy demand outpacing the available energy supply. Additionally, the high reliance on fossil fuels could lead to higher greenhouse gas emissions, further exacerbating environmental issues such as climate change. As a result, the Malaysian Government introduced the National Energy Transition Roadmap in 2023 to shift from an energy system dominated by the use of fossil fuels towards a system based on clean and renewable energy sources. The roadmap aims to improve energy efficiency, reduce carbon emissions, and accelerate innovation to commercialise hydrogen technology.

5. ENERGY PERFORMANCE SERVICES

- In 2013, the Malaysian Government initiated energy performance contracting to promote energy efficiency in government buildings. The energy performance contracting concept is based on an agreement between the government, as the building owner, and an energy services company (ESCO). Under this arrangement, the ESCO covers the initial capital cost to implement the energy efficiency improvement. Payment to ESCO is based upon the agreed sharing value between the ESCO and the building owner from the guaranteed savings achieved. After the agreement ends, the ownership of all the equipment and systems installed at the facility will be transferred to the building owner. All ESCOs are required to register with the Ministry of Finance and EC to carry out energy performance contracting projects in government buildings under the Green Technology Services Code. (Source: EC)

8. IMR REPORT (CONT'D)



- The Malaysian Government including the MOH has been actively implementing high-impact energy projects, either through conventional methods or energy performance contracting in the MOH facilities especially its hospitals, given hospital buildings are one of the high-energy users in the country. These projects involved the replacement of less efficient equipment with more energy-efficient chillers, light-emitting diode lighting, and installation of the solar thermal hot water system utilising green technologies to reduce energy consumption.
- In 2022, there were 137 public hospitals and 11 special medical institutions under MOH. As of December 2021, MOH implemented a total of 32 energy projects through energy performance contracting. In 2022, an additional 12 energy projects were implemented through energy performance contracting, bringing the cumulative number as of December 2022 to 44. (Source: MOH). SDCG Group is involved in providing energy performance services to the concession companies that are providing hospital support services for public hospitals. The concessionaires engaged SDCG Group as a subcontractor to carry out energy efficiency work related to the installation of hybrid solar thermal hot water systems, and for some contracts, retrofitting of fluorescent lighting to LED lighting.

6. COMPETITIVE LANDSCAPE

- The following are some of the selected companies which are involved in BMS or solar thermal industries in Malaysia, listed in descending order of revenue. The selection criteria of companies were based on the provision of BMS or solar thermal services in Malaysia. These companies may also be involved in other business activities. This list is used to indicate the performance of some of the operators in the industry and is not exhaustive.

Company	FYE ⁽¹⁾	Rev ⁽²⁾ (RM'000)	GP ⁽²⁾ (RM'000)	GP Margin	NP/(NL) ⁽²⁾ (RM'000)	NP/(NL) Margin
SDCG Group	Dec-22	18,648	10,678	57.3%	5,184	27.8%
Operators involved in the provision of BMS services						
Metronic Engineering S/B ⁽³⁾	Jun-22	39,589	13,688	34.6%	1,448	3.7%
Azbil Malaysia S/B ⁽⁴⁾	Dec-22	20,004	8,408	42.0%	392	2.0%
Pegasus Automation S/B	Dec-22	17,561	9,840	56.0%	3,247	18.5%
ADF Technologies S/B	Jun-22	12,993	9,050	69.7%	4,768	36.7%
SDCG Group	Dec-22	12,659 ⁽⁵⁾	6,891 ⁽⁵⁾	54.4%		
Optergy S/B	Jun-22	10,862	3,736	34.4%	1,342	12.4%
M & C Engineering ⁽⁶⁾	Jun-22	6,420	4,763	74.2%	(1,038)	(16.2%)
Neostruxure Systems S/B	Dec-22	2,321	1,037	44.7%	(177)	(7.6%)
Operators involved in the provision of solar thermal systems						
Solartech Sales and Service S/B	Sep-22	20,463	3,274	16.0%	194	0.9%
BWS Sales & Services S/B	Jun-22	14,640	4,308	29.4%	958	6.5%
SDCG Group	Dec-22	5,545 ⁽⁷⁾	3,664 ⁽⁷⁾	66.1%		
Aqua Solar Technology S/B	Dec-22	4,453	n.a.	n.a.	(157)	(3.5%)
Solar-mate S/B ⁽⁸⁾	Jun-23	3,568	817	22.9%	309	8.7%

FYE = financial year ended; Rev = revenue; GP = gross profit; NP = net profit after tax; NL = net loss after tax; S/B = Sdn Bhd; n.a. = information not available

(1) Latest available audited financial information from the Companies Commission of Malaysia and SDCG Group.

(2) At Group or company level, which may also include other business activities, products or services.

(3) A subsidiary of Metronic Global Berhad, a listed entity on Bursa Securities.

(4) A subsidiary of Azbil Corporation, a listed entity on the Tokyo Stock Exchange.

(5) Revenue and GP contributed by the BMS segment.

(6) M & C Engineering and Trading Sdn Bhd is a subsidiary of AWC Berhad, a listed entity on Bursa Securities.

8. IMR REPORT (CONT'D)



- (7) Revenue and GP contributed by solar thermal systems and energy saving services segment.
 (8) A subsidiary of Waterco Limited, a listed entity on the Australian Stock Exchange.

- Some of the operators are multinational corporations with entities in Malaysia, which are mainly focused on the supply of systems, equipment, parts and components for BMS. These include:
 - ABB Malaysia Sdn Bhd and its group of companies, which are subsidiaries of ABB Ltd, a listed entity on the SIX Swiss Exchange and the Nasdaq Stockholm;
 - Honeywell Automation & Controls Sdn Bhd and its group of companies, which are subsidiaries of Honeywell International Inc., a listed entity on The Nasdaq Stock Market LLC;
 - Johnson Controls (M) Sdn Bhd and its groups of companies, which are subsidiaries of Johnson Controls International Plc., a listed entity on the New York Stock Exchange.
 - Schneider Electric Industries (M) Sdn Bhd and its group of companies, which are subsidiaries of Schneider Electric SE, a listed entity on Euronext Paris; and
 - Siemens Malaysia Sdn Bhd and its group of companies, which are subsidiaries of Siemens AG, a listed entity on the Frankfurt Stock Exchange.

These companies have local partners who are responsible for, among others, distribution or systems integration or installation, repair and maintenance of systems, equipment and components for BMS in Malaysia.

7. BARRIERS TO ENTRY

- The barriers to entry for the BMS and solar thermal industries are mainly predicated by the need for technical and specialised skills, and track record. Regulatory requirements are mainly focused on registration with the Construction Industry Development Board of Malaysia (CIDB) in the relevant grade and scope of activities, and the EC as an ESCO to be involved in specified areas relating to energy efficiency initiatives.
- There are no onerous regulatory requirements governing the entry of new players into the industry except for the above registrations, and as service providers, the capital requirements are low. In some cases, service providers may fund the initial capital cost and recover their cost through recurrent payments over a certain agreed period. The industry is represented by a substantial number of domestic small and medium-sized companies. As of 16 January 2024, the number of operators would provide some indication of the level of barriers to entry:
 - There were 6,307 local mechanical and electrical (M&E) contractors registered with the CIDB focusing on building automation systems, of which 1,335 of them are Grade 7 contractors.
 - There were 616 local M&E contractors registered with CIDB as hot water system contractors, of which 223 of them are Grade 7 contractors; and
 - There were 328 ESCO registered with the EC.
 (Sources: CIDB and EC)

8. MARKET POSITION

- There are no publicly available statistics on the market size for the provision of BMS and solar thermal systems, therefore it is not possible to derive market share for SDCG Group. The following is used as a proxy to provide an indication of a market segment served by SDCG Group:

2022	Total Number ^(a)	SDCG Group	
		Number of EPS contracts ^{(b) (1)}	Proportion of Total Number ⁽²⁾
Number of public hospitals	160 ⁽³⁾	7	4%

EPS = energy performance service; Source: (a) MOH; (b) SDCG Group.

(1) Number of EPS contracts between SDCG Group and concessionaires of public hospitals as of 31 December 2022.

(2) ((b) divided by (a)) multiplied by 100%.

(3) Includes 137 hospitals and 11 special medical institutions (under MOH), and 12 army and university hospitals.

8. IMR REPORT (CONT'D)



9. INDUSTRY CONSIDERATION FACTORS

Building management system

- BMS are commonly provided for high-rise commercial, institutional and industrial buildings. As a result, the demand for BMS industry is dependent upon, among others, the performance of the building construction industry, as well as the existing and future supply of buildings as a platform for business sustainability and growth.
- A growing construction industry will provide opportunities for the implementation of BMS. For 9M 2023, the value of building construction work completed grew by 4.5% compared to 9M 2022. For 9M 2023, the real GDP of the construction industry in Malaysia grew by 7.0% compared to 9M 2022. Overall, in 2023, the real GDP of the construction industry in Malaysia is estimated to grow by 6.3% and is forecasted to grow by 6.8% in 2024 (*Source: Ministry of Finance*).
- The existing supply of commercial properties provides an indication of the potential market requiring retrofitting, while future supply indicates the need for the installation of BMS in the construction of new buildings. As of Q3 2023, the existing supply of purpose-built offices and serviced apartments grew by 0.5% and 16.6% respectively compared to Q3 2022. Meanwhile, the future supply of purpose-built offices grew by 2.6% while serviced apartments declined by 9.8% compared to Q3 2022.
- As the BMS industry is reliant on the building construction industry, operators in the industry would be subject to the risks inherent in the construction industry which include, among others, general economic conditions, and business and consumer sentiments which may affect the general demand for property investment and construction activities.

Solar thermal systems and energy performance services

- The Malaysian government has introduced several policies and incentives to promote renewable energy adoption and energy efficiency, driven by environmental concerns and global commitments to combat climate change. Solar power projects are being developed to harness Malaysia's natural resources.
- Energy performance contracting was one of the key initiatives to improve energy efficiency. In 2022, there were 160 public hospitals, including 137 hospitals and 11 special medical institutions under MOH, and 12 army and university hospitals. As of December 2022, MOH has implemented a total of 44 energy projects through energy performance contracting (*Source: MOH*), providing opportunities to service the remaining public hospitals and special medical institutions with solar thermal and energy performance services. In addition, private hospitals may also serve as potential targets for solar thermal and energy performance services.

Environmental sustainability

- The trend towards environmental sustainability and the drive to reduce the carbon footprint associated with commercial and industrial activities, coupled with potential cost savings, will contribute to the increasing demand for energy saving services and energy-efficient solar thermal systems within buildings. Some of the government policies relating to renewable energy under the National Energy Transition Roadmap include an increase in the target for renewable energy installed capacity from 40% in 2040 to 70% by 2050, scaling up the installation of solar systems in government buildings, and the establishment of electricity exchange systems to allow cross-border renewable energy trade (*Source: Ministry of Economy*). Between 2020 and 2022, the total number of Green Building Index (GBI) certified buildings in Malaysia grew at a CAGR of 6.5% from 563 projects in 2020 to 638 projects in 2022. As of 30 September 2023, there were 662 GBI-certified buildings and 1,168 registered GBI projects in Malaysia. (*Source: Vital Factor analysis*)

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS

9.1.1 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.

- (i) One Medicare Sdn Bhd accounted for 11.13% (RM1.64 million), 19.29% (RM3.39 million), 20.11% (RM3.75 million) and 16.74% (RM2.81 million) of our total revenue for the FY 2020, FY 2021, FY 2022 and FP 2023 respectively. As at the LPD, we have 4 subsisting energy performance service contracts with One Medicare Sdn Bhd. These contracts are for 4 government hospitals in Sarawak namely Sarawak Heart Centre, Miri Hospital, Sarikei Hospital and Sibuh Hospital and their contract validities are from 2019 up to 2025 with the exception of Sarawak Heart Centre which commenced from 2020 to 2025. We have been dealing with One Medicare Sdn Bhd for 5 years in FP 2023.
- (ii) Pembinaan Mitrajaya Sdn Bhd accounted for 29.10% (RM4.28 million), 12.01% (RM2.11 million), and 10.54% (RM1.97 million) and RM0.31 million (1.83%) of our total revenue for FY 2020, FY 2021, FY 2022 and FP 2023 respectively. We have been dealing with this customer for 12 years in FP 2023. However, for the FY Under Review and FP 2023, the revenue contribution from this customer has been declining in terms of value and as a proportion of total revenue which reduces the level of dependency from this customer.

There is a risk that our financial performance and results of operations will be adversely affected if One Medicare Sdn Bhd terminate our contracts prematurely prior to the expiry of their respective subsisting contracts and we are unable to replace the shortfall in revenue from existing customers or new customers promptly. Furthermore, upon the expiry of the contracts, there is also the risk that we may not be able to secure any new contracts from these customers which could adversely affect our financial performance. Although we have been dealing with One Medicare Sdn Bhd and Pembinaan Mitrajaya Sdn Bhd for 5 years and 12 years respectively for FP 2023, there is no assurance that we will be able to continue to retain them as our customers.

9.1.2 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.

For the FY 2020, FY 2021, FY 2022 and FP 2023 our non-recurrent revenue accounted for 66.45% (RM9.78 million), 61.64% (RM10.84 million), 62.73% (RM11.70 million) and 67.81% (RM11.40 million) of our total revenue respectively. Our non-recurrent revenue includes systems integration of BMS, installation of solar thermal systems as well as ad hoc maintenance services for BMS and solar thermal hot water systems. The typical contract period for our systems integration of BMS and installation of solar thermal hot water systems ranges from 1 to 3 years.

9. RISK FACTORS (CONT'D)

Our recurrent business is derived from the provision of energy performance services as well as maintenance of BMS, solar thermal cooling systems and other systems and equipment including gas fired chillers. For the FY 2020, FY 2021, FY 2022 and FP 2023, the abovementioned services collectively accounted for 33.55% (RM4.93 million), 38.36% (RM6.75 million), 37.27% (RM6.95 million) and 32.19% (RM5.41 million) of our total revenue respectively. As at the LPD, we have 6 subsisting energy performance service contracts with our customers who are concessionaires of public hospital support services. The periods for our energy performance service contracts typically ranges from 4 to 6 years. At the end of the concession period, all the assets and systems revert to the customers and there is no option for renewal. As at the LPD, we have 6 subsisting energy performance service contracts expiring in 2025.

As at the LPD, we have a total unbilled order book of RM24.66 million. While our order book for energy performance services is up to 2025, there is no assurance that we will be able to continually secure new projects to sustain and grow our revenue and profitability. In the event we are unable to do so, this may materially affect our business growth and future financial performance. For further details on our order book, please refer to Section 12.7 of this Prospectus.

9.1.3 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 to, 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.

For the FY Under Review, FP 2023 and up to the LPD, we experienced a suspension in one of our projects relating to the supply, delivery, installation, testing and commissioning of the building management systems for a hotel and a service apartment in Klang, Selangor which was secured in June 2015. The total contract value for the project was RM0.62 million. In 2020, we suspended our installation works as there was no notification from our customer to proceed to the next stage of the project. Prior to the suspension of the project in 2020, we have completed approximately 70% of the total project which amounted to the contract value of RM0.43 million and as at the LPD, this amount has been fully collected.

Similarly, we also face the risk that our recurrent revenue based energy performance service contracts with the concession companies may be terminated early due to, among others, national interest, material non-performance of obligations by either party, court order, insolvency, default of payment by the customer or by mutual agreement or factors that are beyond our control.

As we are funding the project investment for the installation of the hybrid solar thermal hot water system and for some contracts, the retrofitting of LED lighting, the early termination of any energy performance service agreement with the concession companies may occur before the payment is sufficient for us to recoup the initial project investment. While the contracts commonly include a stipulation that the customer may pay us a specified sum if they choose to terminate the contracts early, there is no assurance that the payment would be sufficient to recover our initial project investment at the time of the early termination. The upfront project investment that we provide for our energy performance service contracts was partially financed by term loans. In the event the concession companies do not pay the monthly payments due to us, we may not be able to meet the repayment schedule for the respective term loans which may cause us to default on the term loans and/or be in financial distress.

9. RISK FACTORS (CONT'D)

For the FY 2020, FY 2021, FY 2022 and FP 2023, revenue contribution from our energy performance service contracts accounted for 18.35% (RM2.70 million), 27.92% (RM4.91 million), 27.61% (RM5.15 million) and 24.07% (RM4.05 million) of our total revenue. For the FY Under Review, FP 2023 and up to the LPD, we did not encounter any early termination of our energy performance service contracts. Nevertheless, there is no assurance that we would not face any early termination of our energy performance service contracts which may adversely affect our results of operations and financial performance.

9.1.4 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 to 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. For the FY 2020, FY 2021, FY 2022 and FP 2023, revenue derived from our energy performance service contracts accounted for 18.35% (RM2.70 million), 27.92% (RM4.91 million), 27.61% (RM5.15 million) and 24.07% (RM4.05 million) respectively.

The contract periods for our energy performance service contracts are typically from 4 to 6 years. As part of the energy performance service contracts with the concessionaires, we are responsible for funding the project investments for the installation of hybrid solar thermal hot water systems and retrofitting of LED lighting, where applicable. 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 performance service contracts until their concession agreements are successfully renewed in 2025.

Although we have been serving these customers, there is no assurance that we may be able to continue to secure new energy performance service contracts as a subcontractor. As such, any negotiations with the existing concessionaires for energy performance service contracts, if at all, is likely to commence after the renewal of their concessions in 2025. Although there are opportunities to provide energy performance services within the private healthcare sector, there is no assurance that we would be able to secure any new energy performance contracts in the public sector.

9.1.5 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. For FY 2020, FY 2021, FY 2022 and FP 2023, purchases of materials for BMS, solar thermal systems and energy saving services, and maintenance of gas fired chillers operations accounted 39.57%, 37.04%, 57.59% and 78.63% of our total purchases of materials and services respectively. Meanwhile, subcontracted services for BMS, solar thermal systems and energy saving services, and maintenance of gas fired chillers operations accounted for 60.43%, 62.96%, 42.41% and 21.37% of our total purchases of materials and services in FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

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

9. RISK FACTORS (CONT'D)

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. During the FY Under Review and FP 2023, we experienced an overall gross loss of RM0.22 million for a BMS project which commenced in FY 2019 and was completed in FY 2022. This was mainly due to cost incurred for the additional works done as per written instructions given by the customer. However, the additional works done is still pending issuance of variation orders by the customer.

There can be no assurance that our financial performance and profitability would not be adversely affected by any future increases in the costs of materials and services pertaining to BMS, solar thermal hot water systems and energy saving services, and maintenance services.

9.1.6 We are dependent on our Directors and Key Senior Management

We are dependent on the experience, technical knowledge, and sales and marketing expertise from our Managing Director, Edison Kong and Executive Director, Eileen Liuk which are key to our Group's overall sustainability, development and growth. We are also dependent on our key senior management team for their experience, technical knowledge and expertise in their respective areas of responsibility, namely Gan Yee Shan, our Finance Manager, Khoirol Suhardi Bin Shaaban, our Technical Director, Ed Kamil Bin Md Bashah, our Project Director and Mohd Hanafy Bin Rasimon, our Project Director.

Our daily business operations and the successful implementation of our business strategies may be adversely affected if we lose the services of one or more of our Directors and key senior management and we do not promptly secure a suitable replacement. For more information on the profiles of our Directors and key senior management, please refer to Section 5 of this Prospectus.

9.1.7 We are subject to LAD if there were any delays in completing our projects according to the timeline stipulated in our contracts or penalties if the minimum guaranteed savings stipulated in the energy performance service contracts are not achieved

Depending on the contracts, our systems integration of BMS, installation of solar thermal systems and provision of energy saving services include project implementation timelines and milestones. Any delays in meeting specified project implementation timelines and milestones may lead to delays in recognising revenue and receiving payments. Furthermore, the customer may make claims for LAD against us if we fail to complete the project according to the specified timeline stipulated in the agreements. Delays in project implementation may be caused by factors including, among others, delay in handover from other contractors, unforeseen issues with the site upon handover such as engineering issues, safety and site conditions, accidents on site, delays in receiving materials, labour shortages, supply chain disruptions, delay from our subcontractors in meeting their obligations and unfavourable changes in government policies such as those relating to foreign labour.

For the FY Under Review, FP 2023 and up to the LPD, we have received written confirmation for the following LAD claims:

- (i) LAD claim of RM0.06 million from our customer which was attributed to a delay in the completion of the supply, installation, testing and commissioning of the hybrid solar hot water system for Ampang Hospital. The claim by the customer has been settled in FY 2021.
- (ii) LAD claim of RM0.09 million from our customer which was attributed to a delay in the installation of the hybrid solar hot water system and retrofitting of LED lighting for Sibul Hospital.

In addition, there is a potential LAD claim from a customer for the supply, install, testing, commissioning and maintenance of building management system for a resort development in

9. RISK FACTORS (CONT'D)

Terengganu which was expected to be completed by 1 July 2023. However, the progress of our installation works has been hindered as there was no power supply at the project site for us to proceed with the testing and commissioning. As at the LPD, we have notified the customer through written communications to inform them of our inability to proceed with our work.

Furthermore, depending on the terms and conditions stipulated in the energy performance services contracts, the payment for our energy performance services is subject to end-of-year adjustment ("EOYA") arising from the shortfall in meeting the minimum guaranteed savings. For the FY Under Review, FP 2023 and up to the LPD, we have received the following EOYA from our customers:

- (i) There was an EOYA with Customer E for the Hospital 3 Contract where there was a deduction of payment amounting to RM0.04 million arising from the shortfall in the actual energy savings and the guaranteed energy savings in FY 2021; and
- (ii) There was an EOYA with One Medicare Sdn Bhd for Sarikei Hospital Contract where there was a deduction of payment amounting to RM0.09 million arising from the shortfall in the actual energy savings and the guaranteed energy savings in FY 2021.

There can be no assurance that our projects will be completed on time in the future or that we will not be subject to any LAD claims in the event we are unable to obtain an extension of time from the customer. Similarly, we are unable to provide any assurance that we will be successful in achieving the minimum guaranteed savings stipulated in the energy performance service contracts with the respective customers during the duration of the contracts. In the event there are delays in project implementation and completion or if we are unable to achieve the minimum guaranteed savings in the energy performance service contracts, we will be subject to deductions in payment and/or LAD claims from our customers which would adversely affect our results of operations or financial performance.

9.1.8 We are subject to credit risk from either delay in collections or non-recoverability of trade receivables or retention sum

We are exposed to delays in collection of non-recoverability of trade receivables and/or retention sum from our customers. Our normal credit terms granted to our customers mainly range from 1 day to 60 days. If customers fail to pay us within the stipulated credit period or fail to pay us at all, we may be required to make an allowance for any impairment losses to our trade receivables or write off our bad debts, either of which would adversely affect our financial performance.

For the FY Under Review and FP 2023, we recorded net impairment loss on trade receivables of RM0.12 million, RM0.28 million and RM0.39 million in FY 2021, FY 2022 and FP 2023 respectively, which was recognised based on the ECL computed in accordance with MFRS 9. As at the LPD, we have subsisting legal proceedings against 4 customers for the recovery of outstanding receivables, of which only 1 legal proceeding is material. Please refer to Section 15.6 of this Prospectus for further details on the material litigation.

9.1.9 We are subject to defect liability claims which may adversely affect our financial performance

There is a risk that we may incur substantial expenses to make good our customers' defect liability claims. The contracts for our BMS and solar thermal systems and energy saving services include provisions for the customer to make claims against us in the event of poor workmanship, and manufacturing defects in the equipment installed during the defect liability period. The defect liability period for our systems integration of BMS and installation of solar thermal system contracts generally ranges from 12 months to 24 months after the date of the testing and commissioning report or the issuance of acceptance by our customers. We are responsible for making good any defects due to design, materials, equipment or workmanship

9. RISK FACTORS (CONT'D)

at no additional charges to the customer. We are also responsible for any costs related to repairing or replacing the affected equipment, such as transportation of personnel and equipment, labour cost and/or engaging subcontractors during the defect liability period.

For the FY 2020, FY 2021, FY 2022 and FP 2023, the cost incurred to make good any defects during the defect liability period was RM0.01 million, RM0.02 million, RM0.08 million and RM0.04 million respectively. Nevertheless, there can be no assurance that we will not be subject to material defect liability claims in the future which may adversely affect our financial performance.

9.1.10 We cannot assure that our business strategies and plans will be commercially successful

Our business strategies and plans are focused on leveraging from our key strengths and capitalising on our competencies in BMS, and solar thermal systems and energy savings services.

Part of our future strategies relating to business expansion comprises addressing opportunities in solar PV systems while other plans to support our existing business operations include expanding our headquarters, purchasing new tools and equipment for our BMS and solar thermal systems and energy saving services, as well as purchasing and subscribing to ICT software and services to improve our business operations. Please refer to Section 7.19 of this Prospectus for further details on our strategies and plans.

The prospects and future growth of our business are dependent, to a certain extent, on our ability to implement and execute our strategies and plans effectively and promptly. There is a risk that we may not be able to successfully implement our business strategies and plans according to the expected schedule nor can we provide assurance that our business strategies will be commercially successful or that we will be able to anticipate as well as mitigate all the business and operational risks associated with our strategies and plans. Some of the factors that may affect our timing and objectives to execute our business strategies and plans include, among others, the inability to secure sufficient funding and/or bank borrowings, limitations in human resources, insufficient expertise or experience, regulatory changes, competition and other unanticipated delays.

In the event of any delays or failures in executing our business strategies and plans effectively, our future business growth or expected financial prospects or returns may be adversely affected.

9.1.11 We are dependent on the quality of our subcontractors' work and any shortcomings may subject us to claims that may affect our financial performance or market reputation

We engage subcontractors to carry out the installation works for BMS, installation works for solar thermal hot water systems and retrofitting of LED lighting as well as maintenance of solar thermal hot water and cooling systems and gas fired chillers. All our subcontractors work under our supervision and project management. Furthermore, some of the materials used in the installation of BMS and solar thermal hot water systems are supplied by the respective subcontractors, such as electrical wiring and piping. During the FY Under Review and FP 2023, subcontracted services accounted for 60.43% (RM6.21 million), 62.96% (RM5.20 million), 42.41% (RM3.05 million) and 21.37% (RM1.57 million) of our total purchases of materials and services for the FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

We may be subject to claims by our customers if there are any shortcomings in our subcontractors' work such as the failure to carry out the required works according to specifications, completing the works on time, delivering substandard works or using defective or poor quality materials. This may result in our customers making claims against us to make good the defects during the defect liability period or other claims. We may incur additional costs to settle such claims or make good the defects, which may adversely affect our financial performance or market reputation.

9. RISK FACTORS (CONT'D)

In FY 2020, we experienced an incident where one of our subcontractors in East Malaysia whom we have appointed to work on previous projects absconded without completing the installation works for the Hospital 1 Contract. As a result, we had to engage another subcontractor to complete the installation works for the Hospital 1 Contract as well as the rectification of work done by this subcontractor for 3 other projects, namely the Miri Hospital Contract, Sibu Hospital Contract and Hospital 2 Contract.

For the FY Under Review, FP 2023 and up to the LPD, we have not received any defect liability claims from our customers caused by our subcontractors. Nevertheless, there can be no assurance that we would not receive any claims from our customers due to the work of our subcontractors in the future.

9.1.12 Our business depends on the retention and procurement of certain registrations and licences

As a provider of systems integration of BMS and solar thermal systems and energy saving services for private and public buildings, we are required to obtain and hold valid registrations and/or licences with authorities such as CIDB, Energy Commission, and the Ministry of Finance. Please refer to Section 6.10 of this Prospectus for further details of the required registrations and licences.

We must comply with any regulations, terms and conditions imposed by the relevant authorities to retain such registrations and/or licences. This includes notifying and submitting to CIDB information and documents relating to construction works secured, whether new or otherwise, including changes in the value of the construction works, as well as making levy payments. Failure to comply with the regulations, terms and conditions may result in the imposition of fines and penalties, suspension, cancellation or non-renewal of our registrations and licences. The failure to keep or renew promptly the requisite registrations and licences could result in the suspension or restrictions in our business operations including our ability to participate in tenders, inability to carry out our work or participate in energy performance services which would adversely affect our business and financial performance.

For the FY Under Review, FP 2023 and up the LPD, we have not encountered any suspension or non-renewal regarding registrations and/or licences.

9.1.13 Any breaches of health, safety and environment (“HSE”) laws and regulations may result in penalties including the suspension of our operations

We must comply with the relevant HSE laws and regulations at the worksites. These HSE laws and regulations are concerned with, amongst others, the occupational health and safety of our employees and contract workers as they perform their work, and the effect that our work may have on the environment and occupants and visitors of the buildings.

Failure to comply with the relevant HSE laws and regulations, and events such as worksite accidents that injure or harm our employees, contract workers and people within the premises may lead to the relevant authorities taking action against us, such as suspending or restricting our operations at the affected worksite and/or taking administrative or legal action against us.

During the FY Under Review, FP 2023 and up to the LPD, there were no workplace accidents and we have not made any insurance claims in relation to workplace injuries or accidents. There have been no breaches or failure to comply with the relevant HSE laws and regulations that resulted in any of the negative consequences described above. However, there can be no assurance that our business operations will not be adversely affected by workplace accidents, breaches or non-compliance with the relevant HSE laws and regulations in the future.

9. RISK FACTORS (CONT'D)

9.1.14 We are subject to any changes in Government regulations or policies relating to energy performance contracting initiative for our energy performance service contracts

Energy performance contracting is an initiative by the Malaysia Government that was approved in 2013 to promote energy efficiency in public sector buildings. These concession companies have direct energy performance contracting agreements with the Ministry of Health Malaysia. We are a subcontractor and service provider to the concession companies. As at the LPD, we have entered into 7 energy performance service contracts with our customers who are the concession companies providing hospital support services in Malaysia, of which 1 has been completed.

There is a risk that the Malaysia Government may stop, redefine or curtail energy performance contracting activities for government buildings or discontinues or reduces energy performance contracting activities for its public hospitals, all of which may materially reduce the demand for our energy performance services in the public healthcare sector. Furthermore, we may be subject to changes in Government regulations or policies which may affect our ability to secure new energy performance service contracts on terms and conditions that are financially viable to us. If such an event occurs, a material proportion of our business growth will be affected, which may adversely affect our future financial performance.

9.1.15 Our insurance coverage may not cover all losses or liabilities that may arise from our business operations and are subject to renewal

Carrying out our business operations at our operational facilities and worksites involves risks and hazards including, but not limited to, workplace accidents, fire, flood and other natural disasters. To protect against various losses and liabilities, we maintain general insurance coverage for our business operations as a whole, as well as specific insurance coverage for some of our contracts at levels that are stipulated in such contracts or at levels that we believe are customary to the nature of our business. We maintain insurance policies covering, amongst others, fire, motor vehicle insurance, erection all risks, contractor's all risks, workmen's compensation, some of which are required by contract and by law. Despite our insurance coverage, our business operations and financial performance may be adversely affected if we suffer losses or liabilities from events that are not covered by our insurance policies, or if the losses or liabilities incurred exceed our insurance claim limits.

All of our insurance policies must be renewed periodically and are subject to changes in the insurance premium, terms and/or claim limits. If there is a significant increase in the premium on any insurance policy, we may incur higher costs to maintain our insurance coverage at the same level or we will have to reduce the level of our insurance coverage. There is also a risk that we are unable to renew or replace our insurance policies when they expire.

9.1.16 We are subject to foreign exchange risks

Our business is exposed to the risk of foreign exchange fluctuations where 4.24%, 16.42%, 36.01% and 47.02% of our purchases of materials and services including subcontractors' costs for FY 2020, FY 2021, FY 2022 and FP 2023 respectively were transacted in foreign currencies including US Dollar (USD), Renmimbi (RMB), Singapore Dollar (SGD) and Euro. Any unfavourable foreign exchange fluctuations to the RM will adversely impact our financial performance.

The breakdown of our revenue and purchases transacted in RM and other currencies for the FY Under Review and FP 2023 are as follows:

	FY 2020 RM'000	FY 2021 RM'000	FY 2022 RM'000	FP 2023 RM'000
Revenue	14,709	17,594	18,648	16,806
- RM	14,334	17,408	18,587	16,663

9. RISK FACTORS (CONT'D)

	FY 2020 RM'000	FY 2021 RM'000	FY 2022 RM'000	FP 2023 RM'000
- USD	375	186	61	143
Purchases	10,270	8,262	7,198	7,356
- RM	9,835	6,905	4,606	3,897
- USD	335	845	2,326	3,294
- RMB	-	299	-	-
- SGD	98	213	266	165
- EUR	2	-	-	-

As at the LPD, we do not have any foreign currency forward hedging contracts.

9.2 RISKS RELATING TO OUR INDUSTRY**9.2.1 We are subject to risks inherent in the property and construction industry**

We are involved in the systems integration of BMS and installation of solar thermal systems and energy saving services mainly for commercial, industrial and institutional buildings. The demand for our services would come existing buildings as well as new buildings. As our services include upgrading of BMS in existing buildings, installation of hybrid solar thermal hot water system and retrofitting of LED lighting for existing public hospitals as well as maintenance services, our services are, to a certain extent, dependent on the property and construction industry.

From this perspective, the growth or decline of new properties and the renovation market would affect operators within the BMS and solar hot water thermal system industry. As we continue to operate within this industry, our business will be subject to the inherent risks in the property and construction industry, which include, among others, general economic conditions, business and consumer sentiments which may affect the general demand for property investment and construction activities.

Risks inherent in the property and construction industry would equally affect operators involved in the systems integration of BMS and installation of solar thermal systems and energy saving services as these services are also applicable for new as well as existing properties.

9.2.2 Technological developments in solar hot water systems may result in other more cost efficient renewable and environmentally friendly heating methods

Our solar thermal hot water system is based on renewable and environmentally friendly energy using sunlight. In Malaysia, hot water systems commonly use diesel or LPG which are non-renewable fossil fuels, as well as electricity which are mainly generated using coal and natural gas as the primary fuel sources.

Although solar thermal represents an environmentally sustainable means of heating water, there is a risk that technological developments in other types of renewable energy sources or methods may render solar thermal hot water systems becoming less cost effective or relevant.

Some of these may include renewable and environmentally sustainable energy sources such as wind and solar PV used to generate electricity or hydrogen fuel to heat water, especially if their resultant unit cost falls significantly compared to using solar thermal energy. This may result in the displacement of solar thermal hot water facilities as the preferred method of generating hot water, and consequently, this would adversely affect our business operations, financial performance and prospects.

9. RISK FACTORS (CONT'D)

9.2.3 We are subject to the risk of competition from providers of similar products and services

We are subject to competitive pressure from operators that provide similar products and services as well as different technologies that perform similar functions. As of 16 January 2024, there were 6,307 local mechanical and electrical (M&E) contractors registered with the CIDB focusing on building automation systems, of which 1,335 of them are Grade 7 contractors. Meanwhile, there were 616 local M&E contractors registered with CIDB as hot water system contractors, of which 223 of them are Grade 7 contractors and 328 ESCO registered with the EC. (*Source: IMR Report*)

Although we have our competitive advantages, there is no assurance that we will be able to compete effectively against our peers. In the event we are unable to remain competitive or unable to build on our competitive advantages and key strengths moving forward, our prospects and financial performance may be adversely affected.

9.2.4 We are subject to economic, social, political and regulatory risks in Malaysia as well as the occurrence of force majeure events such as global pandemic risks and geo-political conflicts

Any adverse changes in the political, social, economic and regulatory conditions in Malaysia may affect our business operations and financial performance. Changes in the political, social, economic and regulatory conditions could arise from, among others, the following:

- changes in domestic and global political leadership, geopolitical events, expropriation or nationalisation, deterioration of international bilateral relationships, trade sanctions, imposition of tariffs, acts of terrorism, riots and wars;
- changes in domestic fiscal and monetary policies affecting interest rates, methods of taxation and tax policies;
- prolonged pandemic or the emergence of new epidemics or pandemics; and
- others such as foreign worker levy, unemployment trends, and other matters that may influence consumer and business confidence and spending.

Our customers' products and services are also dependent on domestic and/or global demand for their respective products and services. Any adverse events may cause our customers to revise, defer, halt or abandon their development or expansion plans. As such, there can be no assurance that any adverse economic, social, political, and regulatory developments which are beyond our control, will not materially affect our business operations and financial performance.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 There has been no prior market for our Shares

Prior to our Listing, there has been no public market for our Shares. Hence, there is no assurance that upon our Listing, an active market for our Shares will develop, or if developed, that such market can be sustained. The IPO Price was determined after taking into consideration a number of factors, including but not limited to our financial and operating history, our competitive strengths, our future plans and strategies, as well as the industry overview as detailed in Sections 7 and 8 of this Prospectus. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the price at which holders would be able to sell our Shares.

There can be no assurance that the IPO Price will correspond to the price at which our shares will trade on Bursa Securities upon our Listing and that the market price of our Shares will not decline below the IPO Price

9. RISK FACTORS (CONT'D)

9.3.2 The trading price and volume of our Shares following our Listing may be volatile

After our Listing, the trading price and volume of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, the performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of various sectors of the economy. These factors invariably contribute to the volatility of trading volume witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.3.3 Our Promoters will be able to exert significant influence over our Company

Upon our Listing, our Promoters will hold 305,152,460 Shares, which represents 72% of our enlarged issued share capital upon Listing. As a result, our Promoters will be able to, in the foreseeable future, effectively control the business direction and management of our Group, including the election of Directors, the timing and payment of dividends as well as having majority voting control over our Company and as such, will likely influence the outcome of matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. There can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders.

9.3.4 We may not be able to declare dividends to our shareholders

Our Group's ability to pay dividends to our shareholders is dependent on, amongst others, our future financial performance, cash flow positions, capital requirements, compliance with bank covenants as well as the implementation of our business plans. Our ability to pay dividends to our shareholders may be affected should these factors deteriorate and as such, there can be no assurance that we will be able to pay dividends to our shareholders. In addition, dividends are not guaranteed and our Board, at its discretion, may decide not to pay dividends at any time and for any reasons. If we do not pay our shareholders dividends, or if the dividends paid are lower compared to levels anticipated by our investors, the market price of our Shares may be negatively affected, reducing the value of any investment in our Shares.

9.3.5 Our listing may be delayed or aborted

Our Listing may be delayed or aborted should any of the following events occur:

- (i) we are unable to meet the public shareholding spread requirements under the Listing Requirements, where at least 25% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders, with each holding not less than 100 Shares at the point of our Listing;
- (ii) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligation therein; and
- (iii) revocation of approvals from relevant authorities for our Listing.

Should any of the events occur, investors will not receive any Shares, and all monies paid in respect of the Application will be returned in full without interest within fourteen (14) days, failing which the provisions of Section 243(2) of the CMSA will apply.

9. RISK FACTORS (CONT'D)

If our Listing is aborted and our Shares have been allotted to the investors, the return of monies to investors could only be achieved by way of cancellation of share capital as provided under Section 116 or Section 117 of the Act and its related rules. Such cancellation requires, among others, the sanction of our shareholders by special resolution in a general meeting and consent of our creditors (if required). There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

10.1.1 Transaction that are material to our Group

Save as disclosed below, there is no other material related party transaction entered or to be entered into by our Group which involves the interest, direct or indirect, of our Directors, Substantial Shareholders and/or persons connected with them for the FY Under Review, FP 2023 and up to the LPD:

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				1 October 2023 and up to the LPD
			FY 2020	FY 2021	FY 2022	FP 2023	
			RM'000	RM'000	RM'000	RM'000	RM'000
SDC and Panaltech Consulting Sdn Bhd ("Panaltech")	Edison Kong and Eileen Liuk, who are our Directors, Promoters, Key Senior Management and Substantial Shareholders, were also directors and shareholders of Panaltech ⁽⁴⁾	Provision of energy audit services from Panaltech to SDC ⁽¹⁾	30 (*% of our Group's COS)	-	-	-	-
		Installation of LED lights from Panaltech to SDC ⁽²⁾	104 (1.33% of our Group's PPE)	-	-	-	-
		Provision of supply, delivery, installation, testing and commissioning of BMS from SDC to Panaltech ⁽³⁾	296 (2.01% of our Group's Revenue)	588 (3.34% of our Group's Revenue)	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				1 October 2023 and up to the LPD
			FY 2020	FY 2021	FY 2022	FP 2023	
			RM'000	RM'000	RM'000	RM'000	
SDC and SPE	Ed Kamil Bin Md Bashah and Khoirol Suhardi Bin Shaaban, who are our key senior management and directors and former shareholders of KED ⁽⁷⁾ , were also directors and shareholders of SPE ⁽⁸⁾	Provision of project technical support services from SPE to SDC ⁽⁵⁾	143 (1.65% of our Group's COS)	442 (5.18% of our Group's COS)	210 (2.63% of our Group's COS)	-	-
		Provision of general technical support services from SPE to SDC ⁽⁵⁾	100 (3.22% of our Group's Administrative Expenses)	200 (7.10% of our Group's Administrative Expenses)	150 (4.14% of our Group's Administrative Expenses)	-	-
KED and SPE	Ed Kamil Bin Md Bashah and Khoirol Suhardi Bin Shaaban, who are our key senior management and directors and former shareholders of KED ⁽⁷⁾ , were also directors and shareholders of SPE ⁽⁸⁾	Subcontract of installation works from SPE to KED ⁽⁶⁾	-	-	936 (11.74% of our Group's COS)	170 (2.21% of our Group's COS)	-
		Provision of general administrative support services from SPE to KED ⁽⁶⁾	-	-	145 (4.00% of our Group's Administrative Expenses)	29 (0.77% of our Group's Administrative Expenses)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Notes:

* Negligible

Panaltech:

- (1) SDC engaged energy audit services from Panaltech. The energy audit services charged by Panaltech was not transacted on arms' length basis and was based on negotiated commercial terms, which was below the prevailing market price, which is not unfavourable to SDC.
- (2) SDC obtained the installation of LED lights from Panaltech. The supply and installation of LED lights was not transacted on arms' length basis and was based on negotiated commercial terms and was a one-off transaction.
- (3) On 4 October 2019, we received a purchase order from Panaltech for provision of supply, delivery, installation, testing and commissioning of BMS for a total contract value of RM2,735,000.00. The services by SDC was transacted on arms' length basis and was based on normal commercial terms, as the cost of services was charged based on the normal range of cost of services charged to other customers.
- (4) Edison Kong and Eileen Liuk resigned as directors and ceased to be shareholders of Panaltech on 30 December 2022.

SPE:

- (5) SDC obtained project technical support services and general technical support services from SPE. The services were not transacted on arms' length basis. The services are charged based on prevailing market prices which is not unfavourable to SDC.
- (6) KED obtained installation works and general administrative support services from SPE. The services were not transacted on arms' length basis. The services are charged based on prevailing market prices which is not unfavourable to SDC.
- (7) Ed Kamil Bin Md Bashah and Khoirol Suhardi Bin Shaaban had ceased to be shareholders of KED on 30 December 2022. Ed Kamil Bin Md Bashah and Khoirol Suhardi Bin Shaaban remain as the directors of KED as at the LPD.
- (8) Ed Kamil Bin Md Bashah and Khoirol Suhardi Bin Shaaban resigned as directors and ceased to be shareholders of SPE on 21 July 2023.

The Directors confirm that save for notes 1, 2, 5, and 6, the above material related party transactions were transacted on arms' length basis. All the prices for the material related party transactions were not unfavourable to our Company but comparable to those generally available to third parties.

There are no subsisting agreements with the related parties after our Listing.

Upon Listing, our Audit and Risk Management Committee will review the terms of any related party transactions and ensure that any related party transactions are carried out on an arm's length basis and on terms not more favourable to the related party than those generally available to the third parties and are not detrimental to our minority shareholders.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2 OTHER TRANSACTIONS

10.2.1 Related party transactions entered into that are unusual in nature or conditions

Our Group has not entered into any transactions that is unusual in their nature or conditions, involving goods, services, tangible or intangible assets, with a related party for the FY Under Review, FP 2023 and up to the LPD.

10.2.2 Loans and/or financial assistance made to or for the benefit of related parties

Our Board has confirmed that there are no outstanding loans and/or financial assistance (including guarantees of any kind) made by us to or for the benefit of any related party for the FY Under Review, FP 2023 and up to the LPD.

10.2.3 Provision of guarantees by our Directors and Promoters for the banking facilities granted to our Group

Our Directors and Promoters, namely Edison Kong and Eileen Liuk, have jointly and severally provided personal guarantees for the banking facilities extended by CIMB Bank Berhad, CIMB Islamic Bank Berhad, Affin Bank Berhad, RHB Bank Berhad, Public Bank Berhad and Ambank (M) Berhad (“**Financiers**”) to SDC. The breakdown of the facilities secured by our Group as at the LPD is set out below:

<u>Financiers</u>	<u>Guarantors</u>	<u>Amount utilised RM'000</u>	<u>Unutilised balance RM'000</u>	<u>Total amount of guarantee provided RM'000</u>
CIMB Bank Berhad	<ul style="list-style-type: none"> Edison Kong Eileen Liuk 	507	1,703	2,210
CIMB Islamic Bank Berhad	<ul style="list-style-type: none"> Edison Kong Eileen Liuk 	100	2,836	(1)2,936
Affin Bank Berhad	<ul style="list-style-type: none"> Edison Kong Eileen Liuk 	1,000	-	(1)1,000
RHB Bank Berhad ⁽²⁾	<ul style="list-style-type: none"> Edison Kong Eileen Liuk 	81	1,419	1,500
Public Bank Berhad	<ul style="list-style-type: none"> Edison Kong 	312	-	(1)312
	Total	2,000	5,958	7,958

Notes:

- (1) *The joint and several guarantees provided are open all monies guarantees for all monies which are owing and payable by our Group to the Financiers under the respective facilities.*
- (2) *RHB Bank Berhad had via its letter dated 19 December 2023 agreed to discharge Eileen Liuk as the guarantor of the banking facilities. We have on 22 January 2024 submitted an appeal to RHB Bank Berhad for the discharge of Edison Kong along with Eileen Liuk as guarantors.*

In conjunction with our Listing, we have applied to the Financiers to obtain a release and/or discharge of the guarantees provided by Edison Kong and/or Eileen Liuk by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers.

10. RELATED PARTY TRANSACTIONS (CONT'D)

Until such release and/or discharge are obtained from the respective Financiers, the Directors and Promoters will continue to guarantee such banking facilities extended to our Group.

As at the date of this Prospectus, we have received conditional approvals from CIMB Bank Berhad, CIMB Islamic Bank Berhad, Affin Bank Berhad and Public Bank Berhad to discharge the relevant personal guarantees by substituting the same with corporate guarantees from our Company.

10.3 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

Upon our Listing, our Audit and Risk Management Committee will review the terms of all related party transactions (including recurrent related party transactions) to ensure that they are negotiated and agreed upon in the best interest of our Company on an arm's length basis, are in the ordinary course of business, not more favourable to the related party than those generally available to the public, and are not to the detriment to the interest of our Company's minority shareholders. Any such review will be reported to our Board for its further deliberation. In the event that there are any proposed related party transactions that involve the direct or indirect interest of our Directors, our interested Directors shall disclose to our Board the nature and extent of their interest including all matters in relation to the proposed related party transactions that they are aware or should reasonably be aware of, which is not in our best interest. Our interested Directors shall also abstain from any of our Board's deliberation and voting on the relevant resolutions in respect of such proposed related party transactions.

Further, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions are deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions, subject to annual renewal and that our Directors will disclose in our Company's annual report the aggregate value of material recurrent related party transactions conducted pursuant to the mandate during the financial year, if any. The interested person shall abstain from voting on the relevant resolutions in respect of such proposed related party transactions at our general meetings. Pursuant to the Listing Requirements, related party transactions may be aggregated to determine their materiality if the related party transactions occurred within a 12-month period, are entered with the same party or with parties connected to one another or if the transactions involve the acquisition or disposal of securities or interests in one particular corporation/asset or of various parcels of land contiguous to each other.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN ENTITIES CARRYING ON A SIMILAR TRADE AS OUR GROUP OR WHICH ARE OUR CUSTOMERS AND/OR SUPPLIERS

As at the LPD, none of our Directors and Substantial Shareholders has any interest, direct or indirect, in other businesses or corporations which:

- (i) carry on a similar trade as that of our Group; or
- (ii) are customers or suppliers of our Group.

In order to mitigate any possible conflict of interest situation, the Directors will declare to the Audit and Risk Management Committee and the Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside the Group.

The Audit and Risk Management Committee will first evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with the Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, the Audit and Risk Management Committee will then:

- (a) immediately inform the Board of the conflict of interest situation;
- (b) make recommendations to the Board to direct the conflicted Director to:
 - (i) withdraw from all his executive involvement in the Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an executive director); and
 - (ii) abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of the Nomination Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairperson of the Board, be present at the Board meeting for the purpose of answering any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with the Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to the Group, the Audit and Risk Management Committee may determine that a resignation of the conflicted Director from the Board is appropriate and necessary.

11.2 DECLARATIONS OF CONFLICT OF INTERESTS BY OUR ADVISERS

(i) Declaration by Mercury Securities

Mercury Securities has confirmed that there is no existing or potential conflict of interest in its capacity as our Principal Adviser, Sponsor, Underwriter and Placement Agent in relation to our IPO.

(ii) Declaration by Wong Beh & Toh

Wong Beh & Toh has confirmed that there is no existing or potential conflict of interest in its capacity as Due Diligence Solicitors to our Company in relation to our IPO.

11. CONFLICT OF INTEREST (CONT'D)

(iii) Declaration by Crowe Malaysia PLT

Crowe Malaysia PLT has confirmed that there is no existing or potential conflict of interest in its capacity as the Auditors and the Reporting Accountants to our Company in relation to our IPO.

(iv) Declaration by Vital Factor

Vital Factor has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Business and Market Research Consultants to our Company in relation to our IPO.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

The audited combined financial statements for the FY Under Review and FP Under Review were prepared in accordance with the approved accounting standards in Malaysia - Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”). The audited financial statements of the companies within our Group for the FY Under Review and FP 2023 were not subject to any audit qualification, modification and disclaimer. The selected financial information included in this Prospectus is not intended to predict our Group’s financial position, results or cash flows.

12.1.1 Historical Combined Statements of Profit or Loss

The table below sets out SDCG Group’s historical combined statements of profit or loss and other comprehensive income for the FY Under Review and FP Under Review.

	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
Cost of sales	(8,678)	(8,535)	(7,970)	(5,265)	(7,694)
GP	6,031	9,059	10,678	5,483	9,112
Other income	23	360	41	7	22
Administrative expenses	(3,105)	(2,817)	(3,624)	(2,702)	(3,788)
Other expenses	(119)	(161)	(306)	(230)	(273)
Finance costs	(81)	(33)	(48)	(34)	(51)
Net impairment gain/(losses) on financial asset	12	(117)	(282)	(133)	(393)
PBT	2,761	6,291	6,459	2,391	4,629
Income tax expense	(777)	(2,066)	(1,275)	(486)	(1,221)
PAT	1,984	4,225	5,184	1,905	3,408
PAT attributable to:					
Owners of the Company	1,999	4,217	5,195	2,113	3,408
Non-controlling interests ⁽¹⁾	(15)	8	(11)	(208)	-
	1,984	4,225	5,184	1,905	3,408
GP margin (%) ⁽²⁾	41.00	51.49	57.26	51.01	54.22
PBT margin (%) ⁽³⁾	18.77	35.76	34.64	22.25	27.54
PAT margin (%) ⁽⁴⁾	13.49	24.01	27.80	17.72	20.28
EBIT ⁽⁵⁾	2,819	6,315	6,498	2,425	4,680
EBITDA ⁽⁵⁾	3,645	7,764	8,171	3,689	5,887
EPS					
• Basic and diluted ⁽⁶⁾ (sen)	0.47	0.99	1.23	0.66 ⁽⁷⁾	1.07 ⁽⁷⁾

12. FINANCIAL INFORMATION (CONT'D)

Notes:

- (1) For FY 2020 and FY 2021, the equity interest of 30% in KED were held by Ed Kamil Bin Md Bashah, Khoirol Suhardi Bin Shaaban and Mohd Hanafy Bin Rasimon, each of whom held 10% equity interest. They ceased to be the shareholders of KED on 30 December 2022 and KED became the wholly-owned subsidiary of SDC.
- (2) GP margin is computed based on GP over revenue.
- (3) PBT margin is computed based on PBT over revenue.
- (4) PAT margin is computed based on PAT over revenue.
- (5) EBIT and EBITDA are computed as follows:

	Audited			Unaudited	Audited
	FY 2020	FY 2021	FY 2022	FP 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit for the financial year	1,984	4,225	5,184	1,905	3,408
Less:					
Interest income	(23)	(9)	(9)	-	-
Add:					
Finance costs	81	33	48	34	51
Tax expense	777	2,066	1,275	486	1,221
EBIT	2,819	6,315	6,498	2,425	4,680
Add:					
Depreciation	826	1,449	1,673	1,264	1,207
EBITDA	3,645	7,764	8,171	3,689	5,887

- (6) Calculated based on PAT attributable to the owners of the Company divided by the enlarged issued share capital of 423,822,460 after the IPO.
- (7) Calculated based on annualised PAT attributable to the owners of the Company for the FP 2022 and FP 2023.

12.1.2 Historical Combined Statements of Financial Position

The table below sets out SDCG Group's historical combined statements of financial position for the FY Under Review and FP Under Review.

	Audited			
	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Assets				
Non-currents assets				
Property, plant and equipment	7,846	7,979	6,616	5,465
Current assets				
Inventories	1,277	1,243	2,011	3,015
Trade receivables	5,498	7,239	7,489	9,671
Other receivables, deposits, and prepayments	190	831	319	1,539
Current tax assets	822	141	30	180
Fixed deposits with licensed banks	515	524	533	537
Cash and bank balances	697	1,621	1,451	1,229
Total current assets	8,999	11,599	11,833	16,171
Total assets	16,845	19,578	18,449	21,636

12. FINANCIAL INFORMATION (CONT'D)

	Audited			
	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Equity				
Share capital	1,000	1,000	1,000	1,000
Retained profits	13,096	15,312	14,258	17,665
Equity attributable to owners of the Company	14,096	16,312	15,258	18,665
Non-controlling interests	83	91	-	-
Total equity	14,179	16,403	15,258	18,665
Liabilities				
Non-current liabilities				
Hire purchase payables	-	241	185	139
Term loans	907	818	619	482
Deferred tax liabilities	183	330	-	-
Total non-current liabilities	1,090	1,389	804	621
Current liabilities				
Trade payables	914	1,190	1,451	1,480
Other payables and accruals	470	368	386	583
Hire purchase payables	-	54	59	61
Term loans	192	174	198	207
Bank overdrafts	*	*	1	*
Current tax liabilities	-	-	292	19
Total current liabilities	1,576	1,786	2,387	2,350
Total liabilities	2,666	3,175	3,191	2,971
Total equity and liabilities	16,845	19,578	18,449	21,636
Net assets	14,179	16,403	15,258	18,665

(*) Amount is less than RM500

12.1.3 Historical Combined Statements of Cash Flows

The table below sets out SDCG Group's historical combined statements of cash flows for the FY Under Review and FP Under Review.

	Audited			
	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
PBT	2,761	6,291	6,459	4,629
Adjustments for:				
Bad debt written off	5	-	-	72
Depreciation of property, plant and equipment	826	1,449	1,673	1,207
Impairment losses on trade receivables	297	117	282	393

12. FINANCIAL INFORMATION (CONT'D)

	Audited			
	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Interest expenses	81	33	48	51
Reversal of impairment losses on trade receivables	(309)	-	-	-
Gain on disposal of property, plant and equipment	-	(30)	(32)	-
Unrealised loss/(gain) on foreign exchange	6	(1)	*	*
Interest income	(23)	(9)	(9)	-
Operating profit before working capital changes	3,644	7,850	8,421	6,352
Changes in working capital:				
Decrease/(Increase) in inventories	411	34	(768)	(1,004)
Decrease/(Increase) in trade and other receivables	2,514	(2,499)	(20)	(3,860)
(Decrease)/Increase in trade and other payables	(228)	174	249	219
Cash from operations	6,341	5,559	7,882	1,707
Tax paid	(1,467)	(1,368)	(1,202)	(1,671)
Tax refunded	-	130	-	26
Net cash from operating activities	4,874	4,321	6,680	62
Cash flows for investing activities				
Interest received	8	-	-	-
Additions of fixed deposit with tenure more than 3 months	-	-	-	(4)
Advances to a related party	-	-	-	(7)
Proceeds from disposal of property, plant and equipment	-	30	32	-
Withdrawal of fixed deposits with licensed banks	593	-	-	-
Purchase of property, plant and equipment	(2,846)	(1,270)	(310)	(56)
Net cash used for investing activities	(2,245)	(1,240)	(278)	(67)
Cash flows for financing activities				
Advances from a related party	-	-	-	7
Proceeds from issuance of ordinary shares:-				
- the Company	-	-	-	*
Drawdown of term loans	2,299	-	-	-
Dividend paid	-	(2,000)	(6,300)	-
Net repayment of banker's acceptance	(590)	-	-	-

12. FINANCIAL INFORMATION (CONT'D)

	Audited			
	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Repayment of term loans	(3,276)	(107)	(174)	(129)
Repayment of hire purchase payables	-	(17)	(51)	(44)
Interest paid	(81)	(33)	(48)	(51)
Net cash used for financing activities	(1,648)	(2,157)	(6,573)	(217)
Net increase/ (decrease) in cash and cash equivalents	981	924	(171)	(222)
Effects of foreign exchange rate changes	-	-	*	*
Cash and cash equivalents at beginning of financial years	(284)	697	1,621	1,451
Cash and cash equivalents at end of the financial years	697	1,621	1,451	1,229

(*) Amount is less than RM500

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the Accountants' Report and related notes as set out in Section 14 of this Prospectus.

12.2.1 Overview of our business operations

We are principally involved in the provision and maintenance of BMS and solar thermal systems and energy saving services. Our BMS are focused on systems integration of building facilities to provide automation, energy savings services as well as centralising the management of the building facilities such as centralised air conditioning, lighting, elevator and escalator, electrical and communications, process utilities and security and access. Our solar thermal systems are focused 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 electricity consumption.

Please refer to Section 7 of this Prospectus for further information on our business operations.

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12. FINANCIAL INFORMATION (CONT'D)

12.2.2 Overview of our financial results

For the FY Under Review and FP Under Review, our revenue was mainly derived from the two segments as follows:

(i) BMS

<u>Type of services</u>	<u>Revenue recognition</u>
System integration	Revenue from systems integration of BMS is recognised over time in the period in which the services are rendered using output method by reference to the construction progress based on the physical proportion of the supply and installation work certified by professional consultants or our customers.
Maintenance of BMS	Revenue from maintenance of BMS is recognised over time in the period in which the services rendered.

(ii) Solar thermal systems and energy saving services

<u>Type of services</u>	<u>Revenue recognition</u>
Energy performance services	Revenue from energy performance services is recognised over time as the customer simultaneously receives and consumes the benefits provided by the facilities installed by the Group as stipulated in the contracts.
Installation of solar thermal hot water systems	Revenue from installation of solar thermal hot water systems is recognised over time in the period in which the services are rendered using output method by reference to the construction progress based on the physical proportion of the supply and installation work approved by our customers.
Maintenance of solar thermal hot water and cooling systems	Revenue from maintenance of solar thermal hot water and cooling systems is recognised over time in the period in which the services rendered.

Between FY 2020 and FY 2022, our revenue increased at a CAGR of 12.60% from RM14.71 million in FY 2020 to RM18.65 million in FY 2022. In FP 2023, revenue from BMS segment increased by RM5.86 million or 92.18% from RM6.36 million in FP 2022 to RM12.22 million in FP 2023. For FY 2022 and FP 2023, revenue from the BMS segment accounted for 67.88% (RM12.66 million) and 72.68% (RM12.22 million) of our total revenue respectively, and this was mainly from systems integration of BMS. Meanwhile, revenue from solar thermal systems and energy saving services segment represented RM5.55 million or 29.74% of our total revenue for FY 2022 and RM4.24 million or 25.23% of our total revenue for FP 2023, which was mainly contributed by energy performance services.

Our maintenance of other systems and equipment mainly gas fired chillers accounted for RM0.44 million or 2.38% of our total revenue for FY 2022 and RM0.35 million or 2.09% of our total revenue for FP 2023.

12. FINANCIAL INFORMATION (CONT'D)

12.2.3 Segmental analysis by revenue

(i) Revenue by business activities and products

	FY 2020		FY 2021		FY 2022		FP 2022		FP 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
BMS	10,876	73.94	9,056	51.47	12,659	67.88	6,356	59.14	12,215	72.68
- Systems integration of BMS	8,992	61.13	7,372	41.90	10,478	56.19	4,766	44.35	10,457	62.22
- Maintenance of BMS	1,884	12.81	1,684	9.57	2,181	11.69	1,590	14.79	1,758	10.46
Solar thermal systems and energy saving services	2,894	19.68	7,962	45.26	5,545	29.74	4,074	37.90	4,240	25.23
- Energy performance services	2,699	18.35	4,911	27.92	5,148	27.61	3,907	36.35	4,045	24.07
- Installation of solar thermal hot water systems	53	0.36	2,893	16.44	223	1.20	54	0.50	74	0.44
- Maintenance of solar thermal hot water and cooling systems	142	0.97	158	0.90	174	0.93	113	1.05	121	0.72
Maintenance of other systems and equipment	939	6.38	576	3.27	444	2.38	318	2.96	351	2.09
- Gas fired chillers	939	6.38	576	3.27	444	2.38	318	2.96	351	2.09
Total	14,709	100.00	17,594	100.00	18,648	100.00	10,748	100.00	16,806	100.00

12. FINANCIAL INFORMATION (CONT'D)

(ii) Revenue by geographical markets

	FY 2020		FY 2021		FY 2022		FP 2022		FP 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	14,334	97.45	17,408	98.94	18,587	99.67	10,748	100.00	16,663	99.15
Other countries	375	2.55	186	1.06	61	0.33	-	-	143	0.85
- Singapore	375	2.55	186	1.06	-	-	-	-	-	-
- Brunei	-	-	-	-	61	0.33	-	-	143	0.85
Total	14,709	100.00	17,594	100.00	18,648	100.00	10,748	100.00	16,806	100.00

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12. FINANCIAL INFORMATION (CONT'D)

(iii) Commentaries on revenue

Comparison between FY 2020 and FY 2021

For FY 2021, our revenue increased by RM2.89 million or 19.61% to RM17.59 million (FY 2020: RM14.71 million) and this was contributed by the solar thermal systems and energy saving services segment.

BMS

Revenue from BMS segment decreased by RM1.82 million or 16.73% to RM9.06 million in FY 2021 (FY 2020: RM10.88 million). This was mainly due to the following:

- decrease in revenue contribution from systems integration of BMS by RM1.62 million or 18.02% to RM7.37 million in FY 2021 (FY 2020: RM8.99 million). This was mainly attributed to the completion of the Business School Project in FY 2020 where the revenue contribution from this project decreased by RM1.66 million from RM1.78 million in FY 2020 to RM0.12 million in FY 2021.

The decrease in revenue was moderated by the commencement of 7 BMS projects (each with a contract value less than RM1 million) in FY 2021 and the revenue contribution from these projects collectively accounted for RM1.37 million in FY 2021.

The decrease in revenue from the BMS segment was also partly due to the decrease of RM0.20 million in maintenance of BMS services to RM1.68 million in FY 2021 (FY 2020: RM1.88 million). This was mainly due to the lower maintenance services rendered in FY 2021.

Solar thermal systems and energy saving services

Revenue from solar thermal systems and energy saving services segment increased by RM5.07 million or 175.12% to RM7.96 million in FY 2021 (FY 2020: RM2.89 million). This was mainly due to the following:

- increase in revenue contribution from the installation of solar thermal hot water systems by RM2.84 million to RM2.89 million in FY 2021. The increase was mainly contributed by the revenue recognition of RM2.73 million from the Ampang Hospital Project which commenced in FY 2021 and was completed in the same year.
- increase in revenue contribution of RM2.21 million or 81.96% to RM4.91 million in FY 2021 from energy performance services attributed to the following:
 - . increase in revenue from energy performance service contracts to the concessionaires for Sibu Hospital, Hospital 3 and Miri Hospital which collectively increased by RM1.33 million in FY 2021. The revenue recognition from these 3 projects commenced in FY 2020 following the completion of installations of hybrid solar thermal hot water systems and retrofitting of LED lighting in the respective hospitals between May 2020 and July 2020.
 - . commencement of the revenue recognition from the energy performance service contract to the concessionaire for the Sarawak

12. FINANCIAL INFORMATION (CONT'D)

Heart Centre following the completion of the installation of hybrid solar thermal hot water systems and retrofitting of LED lighting in March 2021 and the revenue recognised was RM0.93 million in FY 2021.

Maintenance of gas fired chillers

Revenue contribution from maintenance of gas fired chillers decreased by RM0.36 million or 38.66% to RM0.58 million in FY 2021 (FY 2020: RM0.94 million). This was mainly due to the decrease in revenue from the maintenance of gas fired chillers at a district cooling plant in Putrajaya. The decline in revenue was due to the lower maintenance rates charged which declined by 58.76% from year 1 to year 2 as stipulated in the 5-year maintenance contract.

Comparison between FY 2021 and FY 2022

For FY 2022, our revenue increased by RM1.05 million or 5.99% to RM18.65 million (FY 2021: RM17.59 million) and this was contributed by the BMS segment.

BMS

Revenue from BMS segment increased by RM3.60 million or 39.79% to RM12.66 million in FY 2022 (FY 2021: RM9.06 million). This was mainly due to the following:

- increase in revenue contribution of RM3.11 million or 42.13% to RM10.48 million in FY 2022 (FY 2021: RM7.37 million) from systems integration of BMS. The increase was mainly attributed to the commencement of the Financial Institution Project in November 2022 as well as the Ministry of Education 2 Project and Ministry of Health Project which commenced in November 2022. The revenue contribution of these three projects collectively accounted for RM3.24 million in FY 2022.
- increase in revenue contribution of RM0.50 million or 29.51% to RM2.18 million in FY 2022 (FY 2021: RM1.68 million) from the maintenance of BMS mainly for increases in services rendered to our existing customers.

Solar thermal systems and energy saving services

Revenue contribution from solar thermal systems and energy saving services segment decreased by RM2.42 million or 30.36% to RM5.55 million in FY 2022 (FY 2021: RM7.96 million). This was mainly due to the decrease in revenue contribution from the installation of solar thermal hot water systems by RM2.67 million or 92.29% to RM0.22 million in FY 2022 (FY 2021: RM2.89 million). The decrease was mainly attributed to the completion of the Ampang Hospital Project which contributed RM2.73 million to our revenue in FY 2021.

The decrease in revenue was partially offset by an increase in recognised from the provision of energy performance services by RM0.24 million or 4.83% to RM5.15 million in FY 2022 (FY 2021: RM4.91 million). This was mainly attributed to the increase of RM0.31 million in revenue from energy performance service contract to the concessionaire for Sarawak Heart Centre as the revenue recognition commenced in FY 2021 following the completion of installation of hybrid solar thermal hot water systems and retrofitting of LED lighting in March 2021.

12. FINANCIAL INFORMATION (CONT'D)

Maintenance of gas fired chillers

Revenue contribution from the maintenance of gas fired chillers decreased by RM0.13 million or 22.92% to RM0.44 million in FY 2022 (FY 2021: RM0.58 million). This was mainly due to the completion of the maintenance contract for one of the district cooling plants in Putrajaya.

Comparison between FP 2022 and FP 2023

For FP 2023, our revenue increased by RM6.06 million or 56.36% to RM16.81 million (FP 2022: RM10.75 million) and this was mainly contributed by the BMS segment.

BMS

Revenue from BMS segment increased by RM5.86 million or 92.18% to RM12.22 million in FP 2023 (FP 2022: RM6.36 million), mainly due to the increase in revenue contribution of RM5.69 million from systems integration of BMS. This was mainly attributed to the commencement of the following projects between August 2022 and March 2023:

- the Semiconductor Project which commenced in August 2022, as well as the Ministry of Education 2 Project and the Ministry of Health Project which commenced in November 2022, and the revenue from these projects collectively accounted for RM3.65 million in FP 2023.
- the Conference and Residential Complex Project and Cyberjaya Data Centre Project, both of which commenced in March 2023 and collectively contributed revenue of RM3.35 million in FP 2023.

The increase was partially moderated by the decrease in revenue contribution by RM0.79 million in FP 2023 from the Healthcare University Project following the completion of the project in July 2022 as well as decrease in revenue of RM0.26 million from the Putrajaya Hotel ICT Project which was completed in August 2023. In addition, the decrease was partially attributed to the absence of revenue from the Business School Project which recorded a revenue of RM0.61 million in FP 2022 following the finalisation of the statement of final accounts.

Solar thermal systems and energy saving services

Revenue contribution from solar thermal systems and energy saving services segment increased by RM0.17 million or 4.08% to RM4.24 million in FP 2023 (FP 2022: RM4.07 million). This was mainly due to the increase in the revenue from the provision of energy performance services by RM0.14 million or 3.53% to RM4.05 million in FP 2023 (FP 2022: RM3.91 million) arising from the increase in revenue from energy performance service contracts to the concessionaires for Hospital 1 and Hospital 3. The increase in revenue from the Hospital 1 Contract in FP 2023 was due to the higher monthly payment amount for the last 5 months as stipulated in the contract. Meanwhile, the increase in revenue for Hospital 3 Contract in FP 2023 was mainly due to the end-of-year adjustment incurred for the previous FY 2021 arising from the shortfall in the actual energy savings and the guaranteed energy savings which resulted in a lower revenue for FP 2022.

12. FINANCIAL INFORMATION (CONT'D)

Maintenance of other systems and equipment

Revenue contribution from the maintenance of other systems and equipment increased by RM0.03 million or 10.38% to RM0.35 million in FP 2023 (FP 2022: RM0.32 million). This was mainly due to the commencement of a maintenance of gas fired chiller project in Brunei which commenced in October 2022 and this project contributed revenue of RM0.14 million in FP 2023. The increase in revenue from maintenance of gas fired chillers was partially offset by the decrease in revenue of RM0.11 million from the maintenance of gas fired chillers in Putrajaya following the completion of the maintenance contract for one of the district cooling plants.

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12. FINANCIAL INFORMATION (CONT'D)

12.2.4 Cost of Sales

(i) Cost of sales by business activities

	FY 2020		FY 2021		FY 2022		FP 2022		FP 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
BMS	7,123	82.08	4,979	58.34	5,768	72.37	3,592	68.22	6,366	82.74
- System integration of BMS	7,006	80.73	4,862	56.97	5,628	70.61	3,479	66.08	6,238	81.08
- Maintenance of BMS	117	1.35	117	1.37	140	1.76	113	2.14	128	1.66
Solar thermal systems and energy saving services	1,186	13.67	3,311	38.79	1,881	23.60	1,382	26.25	1,165	15.14
- Energy performance services	990	11.41	1,726	20.22	1,723	21.62	1,290	24.50	1,080	14.04
- Installation of solar thermal hot water systems	136	1.57	1,569	18.38	104	1.30	64	1.22	44	0.57
- Maintenance of solar thermal hot water and cooling systems	60	0.69	16	0.19	54	0.68	28	0.53	41	0.53
Maintenance of other systems and equipment	369	4.25	245	2.87	321	4.03	291	5.53	163	2.12
- Gas fired chillers	369	4.25	245	2.87	321	4.03	291	5.53	153	1.99
- Chilled water system	-	-	-	-	-	-	-	-	10	0.13
Total	8,678	100.00	8,535	100.00	7,970	100.00	5,265	100.00	7,694	100.00

12. FINANCIAL INFORMATION (CONT'D)

(ii) Cost of sales by cost component

	FY 2020		FY 2021		FY 2022		FP 2022		FP 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Material and equipment costs	3,369	38.82	2,893	33.90	3,352	42.06	2,149	40.82	4,779	62.11
Subcontractor costs	4,397	50.67	4,056	47.52	2,948	36.98	1,980	37.61	1,559	20.26
Depreciation costs ⁽¹⁾	719	8.29	1,302	15.25	1,393	17.48	1,042	19.79	1,043	13.56
Others ⁽²⁾	193	2.22	284	3.33	277	3.48	94	1.78	313	4.07
Total	8,678	100.00	8,535	100.00	7,970	100.00	5,265	100.00	7,694	100.00

Notes:

- (1) Depreciation costs consist of depreciation of our hybrid solar thermal hot water systems and retrofitted LED lighting. Based on our operating model for this business segment, we capitalised all the costs incurred for the hybrid solar thermal hot water systems energy savings facilities. Depreciation is recognised based on facilities installed and use over the estimated useful life of assets during the contract period.
- (2) Including freight charges, customs fees as well as consultation fees.

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12. FINANCIAL INFORMATION (CONT'D)

(iii) Commentaries for cost of sales

Our cost of sales mainly consists of the following:

- **Material and equipment costs**

Material and equipment costs mainly consists of ICT hardware and software, equipment and materials for BMS, as well as equipment for the solar thermal hot water system including solar thermal collector modules, solar pumps and other pumps, and solar thermal control systems.

For the FY 2021, our materials and equipment costs declined by RM0.48 million or 14.15% to RM2.89 million (FY 2020: RM3.37 million). This was mainly due to the decrease in purchases of materials and equipment for the installation of BMS which was reflected in the decrease in revenue from systems integration of BMS of 18.02% in FY 2021. The decrease in material and equipment costs for BMS was partially offset by the increase in purchases of materials and equipment for the installation of solar thermal hot water systems mainly for the Ampang Hospital Project.

For the FY 2022, our material and equipment costs increased by RM0.46 million or 15.87% to RM3.35 million (FY 2021: RM2.89 million). This was mainly due to the increase in the purchases of materials and equipment for the installation of BMS which was reflected in the increase in revenue from systems integration of BMS by 42.13% in FY 2022. The increase was partially moderated by the decrease in material and equipment costs incurred for the installation of solar thermal hot water systems following the completion of the installation of solar thermal hot water systems for the Ampang Hospital Project. This was reflected in the decrease in revenue from the installation of solar thermal hot water systems of 92.29% in FY 2022.

For the FP 2023, our material and equipment costs increased by RM2.63 million or 122.59% to RM4.78 million (FP 2022: RM2.15 million). This was mainly due to the increase in the purchases of materials and equipment for the installation of BMS as reflected in the increase in revenue from systems integration of BMS of 119.41% in FP 2023.

- **Subcontractor costs**

Our subcontractor costs mainly comprised third-party subcontractors we engaged to carry out the installation works for the integration of BMS systems including hacking and wet works to install power and communication cables, connecting all the BMS ICT hardware, equipment and devices, interfacing with existing equipment and systems, and providing power and communications termination points for future addition of ICT hardware and equipment. We also engaged third-party subcontractors to carry out installation works for solar thermal hot water systems including hacking and wet works to install solar thermal collector modules and other equipment, as well as supplying piping materials, power and IT cables and wires, all of which are carried out under our management and supervision.

For the FY 2021, our subcontractor costs decreased by RM0.34 million or 7.76% to RM4.06 million (FY 2020: RM4.40 million). This was mainly due to the decrease in subcontractor costs incurred for the installation works for the integration of BMS systems following the completion of the Business School

12. FINANCIAL INFORMATION (CONT'D)

Project. This was reflected in the decrease in revenue contribution from this segment in FY 2021. The decrease in subcontractor costs incurred for the installation works for system integration of BMS systems was partially offset by the increase in subcontractor costs incurred for the installation of solar thermal hot water systems mainly for the Ampang Hospital Project.

For the FY 2022, our subcontractor costs decreased by RM1.11 million or 27.32% to RM2.95 million (FY 2021: RM4.06 million). This was mainly due to the decrease in subcontractor costs incurred for the installation of solar thermal hot water systems in FY 2022 following the completion of the installation of solar thermal hot water systems for the Ampang Hospital Project.

For the FP 2023, our subcontractor costs decreased by RM0.42 million or 21.22% to RM1.56 million (FP 2022: RM1.98 million). This was mainly due to the lower subcontractor costs incurred for the maintenance of our energy performance service contracts.

- **Depreciation costs**

Depreciation costs mainly consist of depreciation of the concession assets for the hybrid solar thermal hot water systems and retrofitting of LED lighting for the energy performance services.

For the FY 2021, the depreciation costs increased by RM0.58 million or 81.08% to RM1.30 million (FY 2020: RM0.72 million). This was mainly due to the completion of installations of hybrid solar thermal hot water systems and retrofitting of LED lighting for Sibu Hospital, Hospital 3 and Miri Hospital between May 2020 and July 2020.

For the FY 2022, the depreciation costs increased by RM0.09 million or 6.99% to RM1.39 million (FY 2021: RM1.30 million). This was mainly attributed to the completion of installations of the hybrid solar thermal hot water system for the Sarawak Heart Centre in March 2021.

For the FP 2023, the depreciation costs remained at approximately RM1.04 million.

- **Other cost of sales**

Our other cost of sales mainly comprised freight charges, customs fees as well as consultation fees for our BMS projects.

For the FY 2021, other cost of sales increased by RM0.09 million or 47.92% to RM0.28 million (FY2020; RM0.19 million) which was mainly due to the higher freight charges and customs fees incurred.

For the FY 2022, other cost of sales decreased by approximately RM7,000 which was mainly due to the lower freight charges incurred.

For the FP 2023, other cost of sales increased by RM0.22 million or 222.68% to RM0.31 million (FP2022: RM0.09 million) and this was mainly due to higher custom fees incurred for the purchases of materials and equipment for the installation of BMS.

12. FINANCIAL INFORMATION (CONT'D)

12.2.5 Segmental Analysis by GP

(i) GP and GP margin by business activities

	FY 2020			FY 2021			FY 2022		
	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)
BMS	3,753	62.23	34.51	4,077	45.01	45.02	6,891	64.54	54.44
- System integration of BMS	1,986	32.93	22.09	2,510	27.71	34.05	4,850	45.42	46.29
- Maintenance of BMS	1,767	29.30	93.79	1,567	17.30	93.05	2,041	19.12	93.58
Solar thermal systems and energy saving services	1,708	28.32	59.02	4,651	51.34	58.41	3,664	34.31	66.08
- Energy performance services	1,709	28.34	63.32	3,185	35.16	64.85	3,425	32.08	66.53
- Installation of solar thermal hot water systems	(83)	(1.38)	(156.60)	1,324	14.61	45.77	119	1.11	53.36
- Maintenance of solar thermal hot water and cooling systems	82	1.36	57.75	142	1.57	89.87	120	1.12	68.97
Maintenance of gas fired chillers	570	9.45	60.70	331	3.65	57.47	123	1.15	27.70
Total	6,031	100.00	41.00	9,059	100.00	51.49	10,678	100.00	57.26

12. FINANCIAL INFORMATION (CONT'D)

	FP 2022			FP 2023		
	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)
BMS	2,764	50.41	43.49	5,849	64.19	47.88
- System integration of BMS	1,287	23.47	27.00	4,219	46.30	40.35
- Maintenance of BMS	1,477	26.94	92.89	1,630	17.89	92.72
Solar thermal systems and energy saving services	2,692	49.10	66.08	3,075	33.75	72.52
- Energy performance services	2,617	47.73	66.98	2,965	32.54	73.30
- Installation of solar thermal hot water systems	(10)	(0.18)	(18.52)	30	0.33	40.54
- Maintenance of solar thermal hot water and cooling systems	85	1.55	75.22	80	0.88	66.12
Maintenance of other systems and equipment	27	0.49	8.49	188	2.06	53.56
- Gas fired chillers	27	0.49	8.49	198	2.17	56.41
- Chilled water system	-	-	-	(10) ⁽¹⁾	(0.11)	- ⁽¹⁾
Total	5,483	100.00	51.01	9,112	100.00	54.22

Note:

(1) Refers to the expenses incurred for a contract to provide maintenance services for a chilled water system. No revenue has been recorded for this said project in FP 2023.

12. FINANCIAL INFORMATION (CONT'D)

(ii) GP and GP margin by geographical markets

	FY 2020			FY 2021			FY 2022		
	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)
Malaysia	6,090	100.98	42.49	9,003	99.38	51.72	10,617	99.43	57.12
Other countries	(59)	(0.98)	(15.73)	56	0.62	30.11	61	0.57	100.00
- Singapore	(59)	(0.98)	(15.73)	56	0.62	30.11	-	-	-
- Brunei	-	-	-	-	-	-	61	0.57	100.00
Total	6,031	100.00	41.00	9,059	100.00	51.49	10,678	100.00	57.26
	FP 2022			FP 2023					
	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)			
Malaysia	5,483	100.00	51.01	9,005	98.83	54.04			
Other countries	-	-	-	107	1.17	74.83			
- Singapore	-	-	-	-	-	-			
- Brunei	-	-	-	107	1.17	74.83			
Total	5,483	100.00	51.01	9,112	100.00	54.22			

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12. FINANCIAL INFORMATION (CONT'D)

(iii) Commentaries for GP and GP margin

Comparison between FY 2020 and FY 2021

For FY 2021, our GP increased by RM3.03 million or 50.21% to RM9.06 million (FY 2020: RM6.03 million) and this was mainly contributed by both BMS and solar thermal systems and energy saving services segments. Meanwhile, our GP margin improved from 41.00% in FY 2020 to 51.49% in FY 2021.

BMS

GP from BMS segment increased by RM0.32 million or 8.63% to RM4.08 million in FY 2021 (FY 2020: RM3.75 million), mainly attributed to the increase in GP from systems integration of BMS by RM0.52 million or 26.38%. This was mainly due to the increase in GP from various projects which recorded gross losses in the previous year in FY 2020 including the Putrajaya Hotel ICT Project and the Ministry of Education 1 Project. These two projects collectively contributed to the increase in GP by RM1.57 million to RM1.07 million in FY 2021 (FY 2020: gross loss of RM0.49 million). The increase in GP from these two projects were mainly due to the lower cost incurred in FY 2021 which were mainly related to post installation testing and commissioning works as compared to FY 2020. The higher cost incurred in FY 2020 was mainly relating to materials as well as supply and installation costs which constituted the bulk of the costs. Although these projects recorded gross losses in FYE 2020, the overall projects still remain profitable.

The Increase in GP from BMS segment was partially offset by the decrease in GP contribution from Putrajaya Hotel Project and the Business School Project by a collective RM0.91 million in FY 2021. This was also reflected in the decrease of 90.02% in revenue from these two projects in FY 2021.

The GP margin from our BMS segment improved from 34.51% in FY 2020 to 45.02% in FY 2021. This was mainly attributed to the improvement in GP margin coupled with higher GP contributions from various projects which previously recorded a gross loss as the bulk of supply and installation costs were incurred in the previous financial year including the two projects mentioned above.

Solar thermal systems and energy saving services

GP from solar thermal systems and energy saving services segment increased by RM2.94 million or 172.31% to RM4.65 million in FY 2021 (FY 2020: RM1.71 million) which was also reflected in the increase of 175.12% in our revenue from this segment. The increase in GP was mainly attributed to the following:

- increase in GP of RM1.48 million in FY 2021 from our energy performance service contracts to concessionaires which was also reflected in the increase in revenue from this segment by RM2.21 million in FY 2021. This was following the commencement of the use of the hybrid solar thermal hot water system and retrofitted lightings for Sarawak Heart Centre upon completion of installation in March 2021. In addition, the concessionaires for Sibu Hospital, Hospital 3 and Miri Hospital also commenced the use of the said facilities upon completion of installation between May 2020 and July 2020.
- increase in GP of RM1.41 million in FY 2021 from the installation of solar thermal hot water systems which was mainly contributed by the GP from Ampang Hospital Project which commenced and was completed in FY 2021.

12. FINANCIAL INFORMATION (CONT'D)

The GP margin from solar thermal systems and energy saving services segment declined from 59.02% in FY 2020 to 58.41% in FY 2021. This was mainly attributed to the following:

- increase in GP contribution from the installation of solar thermal hot water system projects which was associated with a lower GP margin of 45.77% compared 64.83% for the energy performance services in FY 2021. For FY 2021, the GP contribution from the installation of solar thermal hot water system projects was higher at 14.61% or RM1.32 million of our total GP in FY 2021 as compared to a gross loss of RM0.08 million in FY 2020.
- The decline in GP margin from solar thermal systems and energy saving services segment was moderated by the improvement in GP margin from our energy performance services which improved from 63.32% in FY 2020 to 64.85% in FY 2021. This was mainly due to lower cost incurred for the maintenance of the solar thermal hybrid hot water systems and LED lighting installed and retrofitted under the energy performance service contracts mainly for the Sibul Hospital, Hospital 3 and Miri Hospital that commenced the use upon completion of installation between May 2020 and July 2020. The improvement in GP margin from the energy performance services was also partly contributed by the Sarawak Heart Centre which commenced the use upon completion of installation in March 2021.

Maintenance of other systems and equipment

GP from maintenance of gas fired chillers decreased by RM0.24 million or 41.93% to RM0.33 million in FY 2021 (FY 2020: RM0.57 million), which was also reflected in the decrease of 38.66% in revenue from this segment. The GP margin for maintenance of gas fired chillers declined from 60.70% in FY 2020 to 57.47% in FY 2021 mainly due to subcontractor costs incurred for the maintenance of gas fired chillers in FY 2021. This was reflected in the higher proportion of cost incurred against the revenue generated from maintenance of gas fired chillers of 42.53% in FY 2021 as compared to 39.30% in FY 2020.

Comparison between FY 2021 and FY 2022

For FY 2022, our GP increased by RM1.62 million or 17.87% to RM10.68 million (FY 2021: RM9.06 million) and this was mainly contributed by the BMS segment. Meanwhile, our GP margin improved from 51.49% in FY 2021 to 57.26% in FY 2022.

BMS

GP from BMS segment increased by RM2.81 million or 69.02% to RM6.89 million in FY 2022 (FY 2021: RM4.08 million). This was mainly attributed to the following:

- increase in GP by RM2.34 million or 93.23% from systems integration of BMS which was mainly contributed by the Financial Institution Project, Ministry of Education 2 Project and Ministry of Health Project which commenced installations in FY 2022. These three projects collectively contributed GP of RM2.49 million in FY 2022.
- increase in GP by RM0.47 million or 30.25% from the maintenance of BMS which was also reflected in the increase in revenue by 29.51% in FY 2022 mainly attributed to the increase in maintenance services rendered to existing customers.

12. FINANCIAL INFORMATION (CONT'D)

The GP margin from BMS segment improved from 45.02% for FY 2021 to 54.44% in FY 2022, mainly attributed to the improvement in GP margin as well as increased GP contribution from systems integration of BMS of three on-going projects in FY 2022 associated with higher GP margin including the Financial Institution Project, Ministry of Education 2 Project and Ministry of Health Project which commenced in FY 2022. These projects command higher GP margins as our scope of work for these said projects are wider as it involves the integration of various systems including security and car park systems.

Solar thermal systems and energy saving services

GP from solar thermal systems and energy saving services segment decreased by RM0.99 million or 21.22% to RM3.66 million in FY 2022 (FY 2021: RM4.65 million). This was mainly due to the decrease in GP of RM1.21 million from the installation of solar thermal hot water systems following the completion of the Ampang Hospital Project in FY 2021.

The decrease in GP was partially offset by the increase in GP of RM0.24 million or 7.54% in FY 2021 from energy performance services, which was also reflected in the increase in revenue of 4.83% from this segment in FY 2022. This was mainly attributed to the increase in GP from the energy performance services for Sarawak Heart Centre which commenced the use of the hybrid solar thermal hot water system and/or retrofitted lightings upon completion of installation in March 2021.

The GP margin from solar thermal systems and energy saving services segment improved from 58.41% in FY 2021 to 66.08% in FY 2022. This was mainly attributed to the following:

- increase in GP margin from the installation of solar thermal hot water systems which increased from 45.77% in FY 2021 to 53.36% in FY 2022 following the completion of the Ampang Hospital Project which was associated with a lower GP margin in FY 2021.
- improvement in GP margin from the energy performance services which improved from 64.85% in FY 2021 to 66.53% in FY 2022, mainly attributed to the improvement in GP margin from the Sarawak Heart Centre which commenced the use of the hybrid solar thermal hot water system and retrofitting LED lightings upon completion of installation in March 2021.

Maintenance of other systems and equipment

GP from maintenance of gas fired chillers decreased by RM0.21 or 62.84% to RM0.12 million in FY 2022 (FY 2021: RM0.33 million), which was also reflected in the decrease of 22.92% in revenue from this segment. The GP margin declined from 57.47% in FY 2021 to 27.70% in FY 2022 and this was mainly due to the higher cost incurred for maintenance of gas fired chillers.

Comparison between FP 2022 and FP 2023

For FP 2023, our GP increased by RM3.63 million or 66.19% to RM9.11 million in FP 2023 (FP 2022: RM5.48 million) and this was mainly contributed by the BMS segment. Meanwhile, our GP margin improved from 51.01% in FP 2022 to 54.22% in FP 2023.

12. FINANCIAL INFORMATION (CONT'D)

BMS

GP from BMS segment increased by RM3.09 million or 111.61% to RM5.85 million in FP 2023 (FP 2022: RM2.76 million), which was also reflected in the increase of 92.18% in our revenue from this segment. This was mainly due to the GP contribution from various systems integration projects which commenced between August 2022 and March 2023 as follows:

- the Conference and Residential Complex Project and Cyberjaya Data Centre Project which commenced in March 2023 and the GP contribution from these two projects collectively accounted for RM1.69 million in FP 2023.
- GP contribution from two projects namely the Semiconductor Project which commenced in August 2022, as well as the Ministry of Education 2 Project and Ministry of Health Project which commenced in November 2022. The GP from these two projects collectively contributed RM0.86 million to our GP in FP 2023.

The GP margin from BMS segment improved from 43.49% for FP 2022 to 47.88% in FP 2023. This was mainly attributed to the GP contributions from systems integration of BMS projects which was associated with higher GP margins and this includes the Conference and Residential Complex Project and Cyberjaya Data Centre Project, both of which commenced in March 2023. These projects command higher GP margins as our scope of work for these said projects are wider as it involves the integration of various systems including security and car park systems.

Solar thermal systems and energy saving services

GP from solar thermal systems and energy saving services segment increased by RM0.38 million or 14.23% to RM3.08 million in FP 2023 (FP 2022: RM2.69 million). This was mainly attributed to the increase in GP by RM0.35 million or 13.30% from the provision of energy performance services. This was mainly contributed by the improvement in GP from the energy performance service contracts to the concessionaires for Hospital 1 and Hospital 3, which was reflected in the increase in revenue from these two contracts.

The GP margin from solar thermal systems and energy saving services segment improved from 66.08% in FP 2022 to 72.52% in FP 2023. This was mainly due to lower cost incurred for the maintenance of the solar thermal hybrid hot water systems and LED lighting installed and retrofitted under the energy performance service contracts.

Maintenance of other systems and equipment

GP from maintenance of other systems and equipment increased by RM0.16 million to RM0.19 million in FP 2023 (FP 2022: RM0.03 million). This was mainly due to the increase in GP that was contributed by the maintenance of gas fired chillers project in Brunei which commenced in October 2022. The GP margin from maintenance of other systems improved from 8.49% in FP 2022 to 53.56% in FP 2023 which was mainly attributed to the maintenance of gas fired chillers project in Brunei as mentioned above.

12. FINANCIAL INFORMATION (CONT'D)

12.2.6 Other income

	FY 2020		FY 2021		FY 2022		FP 2022		FP 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	23	100.00	9	2.50	9	21.95	7	100.00	11	50.00
Unrealised gain on foreign exchange	-	-	1	0.28	*	*	*	*	*	*
Gain on disposal of fixed asset	-	-	30	8.33	32	78.05	-	-	-	-
Others ⁽¹⁾	-	-	320	88.89	*	*	*	*	11	50.00
Total	23	100.00	360	100.00	41	100.00	7	100.00	22	100.00

* Less than RM1,000 or 0.01%.

Note:

(1) The grant received from the United Nations Industrial Development Organisation for the completion of installation of hybrid solar thermal hot water system for Sarawak Heart Centre which amounted to RM0.32 million in FY 2021 and the insurance claim of approximately RM11,000 in FP 2023.

Comparison between FY 2020 and FY 2021

Our other income increased by RM0.34 million to RM0.36 million in FY 2021 (FY 2020: RM0.02 million). This was mainly due to the grant received from the United Nations Industrial Development Organisation for the completion of installation of hybrid solar thermal hot water system for Sarawak Heart Centre amounting to RM0.32 million in FY 2021.

Comparison between FY 2021 and FY 2022

Our other income decreased by RM0.32 million to RM0.04 million in FY 2022 (FY 2021: RM0.36 million). This was mainly due to the absence of the grant received in FY 2021 as mentioned above.

Comparison between FP 2022 and FP 2023

Our other income increased by approximately RM15,000 to RM22,000 in FP 2023 (FP 2022: RM7,000). This was mainly pertaining to insurance claim from the main contractor relating to a theft incident for our Semiconductor Project which amounted to approximately RM11,000 in FP 2023. The increase was also partially contributed by the increase in interest income of approximately RM4,000 in FP 2023.

12. FINANCIAL INFORMATION (CONT'D)

12.2.7 Administrative and other expenses, and net impairment gain/loss on financial asset

	FY 2020		FY 2021		FY 2022		FP 2022		FP 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Administrative expenses	3,105	96.31	2,817	94.59	3,624	92.21	2,702	92.16	3,788	93.27
Staff costs	1,620	50.25	1,542	51.78	1,998	50.84	1,523	51.95	2,291	56.41
Directors' remuneration	551	17.09	516	17.33	619	15.75	479	16.34	484	11.92
Travelling expenses	182	5.65	183	6.14	235	5.98	169	5.76	288	7.09
Professional fees	280	8.68	257	8.63	228	5.80	171	5.83	214	5.27
Other administrative expenses ⁽¹⁾	472	14.64	319	10.71	544	13.84	360	12.28	511	12.58
Other expenses	119	3.69	161	5.41	306	7.79	230	7.84	273	6.73
Depreciation ⁽²⁾	107	3.32	147	4.94	279	7.10	222	7.57	164	4.04
Realised loss on foreign exchange	1	0.03	14	0.47	27	0.69	8	0.27	37	0.92
Unrealised loss on foreign exchange	6	0.19	-	-	-	-	-	-	-	-
Bad debts written off	5	0.15	-	-	-	-	-	-	72	1.77
Total expenses	3,224	100.00	2,978	100.00	3,930	100.00	2,932	100.00	4,061	100.00
Net impairment gain/(loss) on financial asset	12		(117)		(282)		(133)		(393)	

Notes:

- (1) Including office expenses, medical expenses, upkeep of motor vehicles and equipment, membership and registration fee, utilities, insurance and bank charges for the FY Under Review and FP Under Review, sales and marketing expenses and write-off of IPO listing expenses for FY 2020, as well as general administrative support services in FY 2022.
- (2) Refers to the depreciation of our motor vehicles, office building, renovation, computers, furniture and fittings, office equipment and machineries.

12. FINANCIAL INFORMATION (CONT'D)

Comparison between FY 2020 and FY 2021

Our administrative and other expenses decreased by RM0.25 million or 7.63% to RM2.98 million in FY 2021 (FY 2020: RM3.22 million). This was mainly due to the decrease in other administrative expenses of RM0.15 million, mainly due to the decrease in sales and marketing expenses. The decrease was also partly due to the decrease in staff costs by RM0.08 million mainly decrease in allowances.

Comparison between FY 2021 and FY 2022

Our administrative and other expenses increased by RM0.95 million or 31.97% to RM3.93 million in FY 2022 (FY 2021: RM2.98 million). This was mainly contributed by the following:

- increase in staff costs by RM0.46 million due to increases in salaries and bonus payments in FY 2022, as well as increase in the number of employees from 38 employees in FY 2021 to 40 employees in FY 2022.
- increase in other administrative expenses by RM0.23 million, mainly due to RM0.15 million paid to SPE for the provision of general administrative support services.
- increase in depreciation costs by RM0.13 million due to accumulated depreciation cost of our office building for FY 2017 to FY 2022.
- increase in directors' remuneration by RM0.10 million due to the increase in salary as well as bonus payments in FY 2022.

There was a net impairment loss on financial assets of RM0.12 million and RM0.28 million in FY 2021 and FY 2022 respectively, namely trade receivables which were recognised based on the expected credit losses ("ECL") computed in accordance with MFRS 9. The amount of ECL was assessed at each reporting period to reflect changes in credit risk since the initial recognition of trade receivables.

Comparison between FP 2022 and FP 2023

Our administrative and other expenses increased by RM1.13 million or 38.51% to RM4.06 million in FP 2023 (FP 2022: RM2.93 million). This was mainly contributed by the following:

- increase in staff costs by RM0.77 million due to the increase in salaries in FP 2023, as well as increase in the number of employees from 41 employees in FP 2022 to 51 employees in FP 2023.
- increase in travelling expenses by RM0.12 million mainly petrol claims.
- increase in other administrative expenses by RM0.15 million mainly due to increase in office expenses and upkeep of motor vehicles and equipment.
- bad debt written off of RM0.07 million pertaining to initial payment made to a subcontractor for the purchase of equipment for two energy performance service contracts.

There was a net impairment loss on trade receivables of RM0.39 million in FP 2023 comprising RM0.25 million of provision for doubtful debt pertaining to trade receivables from a customer whom we have an on-going litigation as at the LPD, as well as RM0.14 million which were recognised based on the ECL computed in accordance with MFRS 9. For further details on the material litigation with the customer, please refer to Section 15.6 of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

12.2.8 Finance costs

	FY 2020		FY 2021		FY 2022		FP 2022		FP 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:										
- Term loans	3	3.70	29	87.88	35	72.92	24	70.59	43	84.31
- Bank overdrafts	58	71.61	*	*	*	*	*	*	*	*
- Bankers' acceptance	11	13.58	-	-	-	-	-	-	-	-
- Invoice financing	9	11.11	-	-	-	-	-	-	-	-
- Hire purchase	-	-	4	12.12	13	27.08	10	29.41	8	15.69
Total	81	100.00	33	100.00	48	100.00	34	100.00	51	100.00

* Less than RM1,000 or 0.01%.

Comparison between FY 2020 and FY 2021

Our finance costs decreased by RM0.05 million or 59.26% to RM0.03 million in FY 2021 (FY 2020: RM0.08 million). This was mainly due to the decrease in interest expense on bank overdrafts by RM0.06 million due to lower utilisation in FY 2021.

Comparison between FY 2021 and FY 2022

Our finance costs increased by RM0.02 million or 45.45% to RM0.05 million in FY 2022 (FY 2021: RM0.03 million). This was mainly due to the increase in interest expense on hire purchase and term loans for working capital purposes.

Comparison between FP 2022 and FP 2023

Our finance costs increased by RM0.02 million or 50.00% to RM0.05 million in FP 2023 (FP 2022: RM0.03 million). This was mainly due to the increase in interest expense on term loans for working capital purposes.

12. FINANCIAL INFORMATION (CONT'D)

12.2.9 PBT, taxation and PAT

	FY 2020	FY 2021	FY 2022	FP 2022	FP 2023
PBT (RM'000)	2,761	6,291	6,459	2,391	4,629
PBT margin (%)	18.77	35.76	34.64	22.25	27.54
Taxation (RM'000)	777	2,066	1,275	486	1,221
Effective tax rate (%)	28.14	32.84	19.74	20.33	26.38
Statutory tax rate (%)	24.00	24.00	24.00	24.00	24.00
PAT (RM'000)	1,984	4,225	5,184	1,905	3,408
PAT margin (%)	13.49	24.01	27.80	17.72	20.28

Comparison between FY 2020 and FY 2021

Our PBT increased by RM3.53 million or 127.85% to RM6.29 million in FY 2021 (FY 2020: RM2.76 million), mainly due to the increase of RM3.03 million in our GP in FY 2021. Our PBT margin improved from 18.77% in FY 2020 to 35.76% in FY 2021, mainly attributed to the improvement in our GP margin from 41.00% in FY 2020 to 51.49% in FY 2021 coupled with the increase in other income as well as decrease in administrative expenses.

In FY 2021, our effective tax rate was 32.84% which was higher than the statutory tax rate of 24.00%, mainly due to the under provision of current and deferred taxation in the previous year.

Our PAT increased by RM2.24 million or 112.95% to RM4.23 million in FY 2021 (FY 2020: RM1.98 million) following from the improvement in our PBT. Similarly, our PAT margin improved from 13.49% in FY 2020 to 24.01% in FY 2021.

Comparison between FY 2021 and FY 2022

Our PBT increased by RM0.17 million or 2.67% to RM6.46 million in FY 2022 (FY 2021: RM6.29 million), mainly attributed to the increase in our GP by 17.87%. Our PBT margin declined slightly from 35.76% in FY 2021 to 34.64% in FY 2022, mainly due to the decline in other income coupled with the increase in administrative and other expenses.

In FY 2022, our effective tax rate was 19.74% which was lower than the statutory tax rate of 24.00% and this was mainly due to the over provision of deferred taxation in the previous year.

Our PAT increased by RM0.96 million or 22.70% to RM5.18 million in FY 2022 (FY 2021: RM4.23 million) while PAT margin improved from 24.01% in FY 2021 to 27.80% in FY 2022. This was mainly due to the decrease in taxation arising from the over provision of deferred taxation as mentioned above.

Comparison between FP 2022 and FP 2023

Our PBT increased by RM2.24 million or 93.60% to RM4.63 million in FP 2023 (FP 2022: RM2.39 million), mainly due to the increase of RM3.63 million in our GP in FP 2023. Our PBT margin improved from 22.25% in FP 2022 to 27.54% in FP 2023, mainly attributed to the improvement in GP margin from 51.01% in FP 2022 to 54.22% in FP 2023. However, this was partially offset by the increase in our administrative and other expenses.

12. FINANCIAL INFORMATION (CONT'D)

In FP 2023, our effective tax rate was 26.38% which was higher than the statutory tax rate of 24.00% and this was mainly due to RM0.12 million of deferred tax assets which were not recognised during the financial year.

Our PAT increased by RM1.50 million or 78.90% to RM3.41 million in FP 2023 (FP 2022: RM1.91 million) following the improvement in our PBT. Similarly, PAT margin improved from 17.72% in FP 2022 to 20.28% in FP 2023.

12.3 SIGNIFICANT FACTORS AFFECTING OUR GROUP'S OPERATIONS AND FINANCIAL PERFORMANCE

Our business operations and financial performance have been and are expected to continue to be affected by factors including, but not limited to, the following:

(i) **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.

Our recurrent business is derived from the provision of energy performance services as well as maintenance of BMS, solar thermal cooling systems and other systems and equipment including gas fired chillers. The periods for our energy performance service contracts typically range between 4 to 6 years. At the end of the concession period, all the assets and systems revert to the customers and there is no option for renewal. While our order book for energy performance services is up to 2025, there is no assurance that we will be able to continually secure new projects to sustain and grow our revenue and profitability. In the event we are unable to do so, this may materially affect our business growth and future financial performance. Please refer to Section 9.1.2 of this Prospectus for further details.

(ii) **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 other systems and equipment including 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.

As we are funding the project investment for the installation of the hybrid solar thermal hot water system and for some contracts, the retrofitting of LED lighting, the early termination of any energy performance service agreement with the concession companies may occur before the payment is sufficient for us to recoup the initial project investment. While the contracts commonly include a stipulation that the customer may

12. FINANCIAL INFORMATION (CONT'D)

pay us a specified sum if they choose to terminate the contracts early, there is no assurance that the payment would be sufficient to recover our initial project investment at the time of the early termination. Please refer to Section 9.1.3 of this Prospectus for further details.

(iii) Our business and financial performance may be affected by increases in the costs of implementing our systems integration of BMS or solar thermal hot water systems or timing of recognising the initial project cost incurred may impact the reporting of financial performance

An increase in the cost of implementing our 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, subcontractor's 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. Please refer to Section 9.1.5 of this Prospectus for further details.

For our supply and installation projects, the initial project costs incurred are typically higher arising from purchase of equipment and mobilisation costs before we bill our customers on the works done or services rendered. In this respect, the timing of recognising the cost incurred will have an impact on the reporting of financial performance such as lower reported profits due to higher initial implementation costs incurred during the initial stage of the project while the revenue is only recognised based on services rendered or work done at the later stage. For example, in FY 2020, the low GP margin from our BMS segment was mainly due to the gross losses from various projects including the Putrajaya Hotel ICT Project and the Ministry of Education 1 Project as we incurred higher cost mainly relating to materials as well as supply and installation costs which constituted the bulk of the costs. Please refer to Section 12.2.5(iii) of this Prospectus for further details.

(iv) We may be subject to LAD claims if there were any delays in completing our projects according to the timeline stipulated in the contracts or subject to penalties if the minimum guaranteed savings stipulated in the energy performance service contracts are not achieved

Depending on the contracts, our systems integration of BMS, installation of solar thermal hot water systems and provision of energy savings services include project implementation timelines and milestones. Any delays in meeting specified project implementation timelines and milestones may lead to delays in recognising revenue and receiving payments as well as adversely affecting our reputation. Furthermore, the customer may make claims for LAD against us if we fail to complete the project according to the specified timeline stipulated in the agreements which may adversely affect our financial performance. Please refer to Section 9.1.7 of this Prospectus for further details.

(v) We are subject to credit risk from either delay in collections or non-recoverability of trade receivables or retention sum

We are exposed to delays in collection of non-recoverability of trade receivables and/or retention sum from our customers. Our normal credit terms granted to our customers mainly range from 1 day to 60 days. If customers fail to pay us within the stipulated credit

12. FINANCIAL INFORMATION (CONT'D)

period or fail to pay us at all, we may be required to make an allowance for any impairment losses to our trade receivables or write off our bad debts, either of which would adversely affect our financial performance.

For the FY Under Review and FP 2023, we recorded net impairment loss on trade receivables of RM0.12 million, RM0.28 million and RM0.39 million in FY 2021, FY 2022 and FP 2023 respectively, which was recognised based on the ECL computed in accordance with MFRS 9. As at the LPD, we have subsisting legal proceedings against 4 customers for the recovery of outstanding receivables, of which only 1 legal proceeding is material. Please refer to Section 15.6 of this Prospectus for further details on the material litigation.

(vi) We are subject to defect liability claims which may adversely affect our financial performance

There is a risk that we may incur substantial expenses to make good our customers' defect liability claims. The contracts for our BMS and solar thermal hot water systems and energy saving services include provisions for the customer to make claims against us in the event of poor workmanship, and manufacturing defects in the equipment installed during the defect liability period. The defect liability period for our systems integration of BMS and installation of solar thermal hot water system contracts generally ranges from 12 months to 24 months after the date of the testing and commissioning report or the issuance of acceptance by our customers. We are responsible for making good any defects due to the design, materials, equipment or workmanship at no additional charges to the customer. Please refer to Section 9.1.8 of this Prospectus for further details.

(vii) Impact of foreign exchange

Our business is exposed to the risk of foreign exchange fluctuations where 4.24%, 16.42%, 36.01% and 47.02% of our purchases of materials and services including subcontractors' costs for FY 2020, FY 2021, FY 2022 and FP 2023 respectively were transacted in foreign currencies mainly USD.

The breakdown of our revenue and purchases transacted in RM and other currencies for the FY Under Review and FP 2023 are as follows:

	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Revenue	14,709	17,594	18,648	16,806
RM	14,334	17,408	18,587	16,663
USD	375	186	61	143
Purchases	10,270	8,262	7,198	7,356
RM	9,835	6,905	4,606	3,897
USD	335	845	2,326	3,294
RMB	-	299	-	-
SGD	98	213	266	165
EUR	2	-	-	-

12. FINANCIAL INFORMATION (CONT'D)

The following table demonstrates the sensitivity analysis of our net profit to a reasonably possible change in the foreign currency within our Group, with all other variables held constant:

Effects on PAT	FY 2020 RM	FY 2021 RM	FY 2022 RM	FP 2023 RM
USD/RM				
Strengthen by 5%	5,892	4,473	(18,302)	(28,995)
Weakened by 5%	(5,892)	(4,473)	18,302	28,995
SGD/RM				
Strengthen by 5%	(688)	(4,349)	(902)	(274)
Weakened by 5%	688	4,349	902	274
RMB/RM				
Strengthen by 5%	3,827	-	-	-
Weakened by 5%	(3,827)	-	-	-

Details of our foreign currency exchange gains and losses during the FY Under Review and FP 2023 are as follows:

	FY 2020 RM'000	FY 2021 RM'000	FY 2022 RM'000	FP 2023 RM'000
Realised loss on foreign exchange	(1)	(14)	(27)	(37)
Unrealised gain/(loss) on foreign exchange	(6)	1	*	*
Net gain/(loss)	(7)	(13)	(27)	(37)

* Less than RM1,000.

Our business is subject to risks related to any favourable foreign currency exchange rate fluctuations which could materially affect our financial performance. As at the LPD, we do not have any foreign currency forward hedging contracts.

(viii) Impact of interest rates fluctuations

All our borrowings are interest-bearing obligations. Any hikes in interest rates would affect our financial performance. Our finance cost mainly comprises interest expenses on term loans, bank overdrafts, bankers' acceptance, invoice financing and hire purchase that are granted by financial institutions. As at 30 September 2023, our bank borrowings are all interest bearing including RM0.69 million based on floating interest rates and RM0.20 million based on fixed interest rates. We incurred finance cost of RM0.08 million, RM0.03 million, RM0.05 million and RM0.05 million for FY 2020, FY 2021, FY 2022 and FP 2023 respectively.

In this respect, any increase in draw down of borrowings and/or interest rates may impact our financial performance. If we fail or encounter difficulties in meeting our financial obligations when they fall due, this will result in a financial distress condition which will

12. FINANCIAL INFORMATION (CONT'D)

affect our operations and financial performance. For the FY Under Review and FP 2023 and up to the LPD, we have not defaulted on any payments of either the principal or interests in relation to our borrowings.

(ix) Impact of inflation

Our business, financial condition or results of our operations for the FY Under Review and FP 2023 were not materially affected by the impact of inflation. However, there can be no assurance that future inflation would not have an impact on our business operations and financial performance.

(x) Impact of government / economic / fiscal / monetary policies

Our business is subject to risks relating to government, political, economic, fiscal or monetary policies and regulatory risks, geopolitical events, as well as occurrence of force majeure events in Malaysia. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect our operations in Malaysia. Please refer to Section 9.2.4 of this Prospectus for further details on this risk.

12.4 LIQUIDITY AND CAPITAL RESOURCES

(i) Working capital

Our business is financed by a combination of internal and external sources of funds. Internal sources of funds comprised cash generated from our business operations while our external sources of funds mainly consist of banking facilities from financial institutions. These funds are mainly used to finance our business operations and growth.

As at 30 September 2023, our cash and bank balances amounted to RM1.23 million and our total borrowings were RM0.89 million. As at 30 September 2023, our gearing ratio is 0.05 times and current ratio is 6.88 times. As at the LPD, we have banking facilities namely trade facilities of RM6.04 million, of which RM5.96 million has yet to be utilised.

Based on the above, expected cash flow to be generated from our operations, the amount that is available under our existing banking facilities, as well as proceeds to be raised from the Public Issue, our Board believes that we have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

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12. FINANCIAL INFORMATION (CONT'D)**(ii) Cash flow**

The following is the summary of our combined statements of cash flow for the FY Under Review and FP 2023. This should be read in conjunction with the Accountants' Report as set out in Section 14 of this Prospectus.

	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	4,874	4,321	6,680	62
Net cash used for investing activities	(2,245)	(1,240)	(278)	(67)
Net cash used for financing activities	(1,648)	(2,157)	(6,573)	(217)
Net increase/(decrease) in cash and cash equivalents	981	924	(171)	(222)
Effects of foreign exchange translation	-	-	*	*
Cash and cash equivalents at the beginning	(284)	697	1,621	1,451
Cash and cash equivalents at the end	697	1,621	1,451	1,229
Details of the cash and cash equivalents:-				
Fixed deposits with licensed banks	515	524	533	537
Cash and bank balances	697	1,621	1,451	1,229
Bank overdrafts	*	*	*	*
	1,212	2,145	1,984	1,766
Less: Fixed deposits pledged to licensed banks	(515)	(524)	(533)	(533)
Less: Fixed deposits with tenure of more than 3 months	-	-	-	(4)
	697	1,621	1,451	1,229

* Less than RM1,000.

(a) Net cash from operating activities**FY 2020**

For the FY 2020, our net cash from operating activities was RM4.87 million after taking into account the following:

- decrease in trade and other receivables by RM2.51 million, mainly due to lower revenue and billings in FY 2020;
- decrease in inventories by RM0.41 million, mainly due to the lower purchases of materials and equipment in FY 2020 which was also reflected in the lower revenue in FY 2020 as mentioned above;

12. FINANCIAL INFORMATION (CONT'D)

- decrease in trade and other payables by RM0.23 million, mainly due to lower purchases of materials and equipment in FY 2020 as mentioned above.

FY 2021

For the FY 2021, our net cash from operating activities was RM4.32 million after taking into account the following:

- increase in trade and other receivables by RM2.50 million, mainly due to the higher outstanding receivables balances of RM7.24 million as at FY 2021 as compared to RM5.50 million as at FY 2020. This was mainly due to higher revenue and billings in the last quarter of FY 2021;
- increase in trade and other payables by RM0.17 million, mainly due to the higher outstanding payables balances of RM1.19 million as at FY 2021 compared to RM0.91 million as at FY 2020. This was mainly due to higher purchases of materials and equipment in the last quarter of FY 2021.

FY 2022

For the FY 2022, our net cash from operating activities was RM6.68 million after taking into account the following:

- increase in inventories by RM0.77 million mainly due to the higher purchases of materials and equipment in the last quarter of FY 2022 to meet the scheduled installations in the following months;
- increase in trade and other payables by RM0.25 million, mainly due to the higher outstanding payables balances of RM1.45 million as at FY 2022 compared to RM1.19 million as at FY 2021. This was mainly due to higher purchases of materials and equipment in the last quarter of FY 2022 as mentioned above.

FP 2023

For the FP 2023, our net cash from operating activities was RM0.06 million after taking into account the following:

- increase in trade and other receivables by RM3.86 million, mainly due to the higher outstanding receivables balances of RM10.89 million as at FP 2023 as compared to RM8.31 million as at FY 2022. This was mainly due to higher revenue and billings between July and September 2023 mainly for the Conference and Residential Complex Project and Cyberjaya Data Centre Project. In addition, the increase was contributed by the increase in other receivables arising from the RM1.18 million of prepayments mainly for IPO listing expenses;
- increase in inventories by RM1.00 million, mainly due to the higher purchases of materials and equipment in FP 2023. The inventory mainly comprises materials for our ongoing BMS projects including Conference and Residential Complex Project and Ampang Office Tower Project, which have an aggregate inventory of RM1.69 million as at 30 September 2023;
- increase in trade and other payables by RM0.22 million, mainly due to increase in other payables arising from the RM0.10 million of deposits from a customer and increase in accruals of RM0.07 million mainly pertaining to staff costs.

12. FINANCIAL INFORMATION (CONT'D)

For FP 2023, we recorded a relatively low net cash from operating activities of RM62,000. This was mainly due to higher trade receivables balances due to higher revenue and billings between July and September 2023, mainly for the Conference and Residential Complex Project and Cyberjaya Data Centre Project. Of the total net trade receivables of RM6.64 million as at 30 September 2023, 70.14% of the net trade receivables still fall within the credit terms as at 30 September 2023.

Our low cash flow was also due to higher other receivables pertaining mainly to the prepayments for IPO listing expenses. In addition, there were increase in inventories arising from higher purchases of materials and equipment in FP 2023 which was reflected in the increase in purchases of materials and equipment by 61.74% to RM7.36 million in FP 2023 (FP 2022: RM4.55 million).

(b) Net cash used for investing activities

FY 2020

For FY 2020, our net cash used for investing activities was RM2.25 million which was mainly attributed to RM2.85 million for the purchase of equipment, mainly for the installation of the hybrid solar thermal hot water system and retrofitting of LED lightings under the energy performance services. The net cash used was partially offset by the RM0.59 million received from the withdrawal of fixed deposits with licensed banks.

FY 2021

For FY 2021, our net cash used for investing activities was RM1.24 million mainly attributed to RM1.27 million used for the purchase of equipment mainly for the installation of the hybrid solar thermal hot water system and retrofitting of LED lighting under the energy performance services.

FY 2022

For FY 2022, our net cash used for investing activities was RM0.28 million mainly attributed to the purchase of a passenger car of RM0.23 million.

FP 2023

For FP 2023, our net cash used for investing activities was RM0.07 million, mainly attributed to RM0.06 million used for the purchase of equipment mainly for the installation of solar PV systems at our Headquarters in Kajang, Selangor.

(c) Net cash used for financing activities

FY 2020

For FY 2020, our net cash used for financing activities was RM1.65 million, mainly attributed to the net repayment of term loans of RM0.98 million as well as net repayment of banker's acceptance of RM0.59 million. These banking facilities were used for working capital purposes.

FY 2021

For FY 2021, our net cash used for financing activities was RM2.16 million, mainly attributed to the interim dividend payment of RM2.00 million declared in FY 2021.

12. FINANCIAL INFORMATION (CONT'D)**FY 2022**

For FY 2022, our net cash used for financing activities was RM6.57 million, mainly attributed to the dividend payment of RM6.30 million including RM2.00 million of final dividend declared in FY 2021 and RM4.30 million of dividend declared in FY 2022.

FP 2023

For FP 2023, our net cash used for financing activities was RM0.22 million, mainly attributed to the repayment of term loans of RM0.13 million, interest paid of RM0.05 million as well as repayment of hire purchase payables of RM0.04 million.

(iii) Borrowings

As at 30 September 2023, our bank borrowings are all interest bearing including RM0.69 million based on floating interest rates and RM0.20 million based on fixed interest rates. All our bank borrowings are denominated in RM. The breakdown of our bank borrowings is set out below:

Type of borrowings	Purpose	Effective interest rates (%)	As at 30 September 2023		
			Payable within 12 months	Payable after 12 months	Total
			RM'000	RM'000	RM'000
Term loans	Used for working capital purposes	3.50% - 4.55%	207	482	689
Bank overdrafts	Used for working capital purposes	7.10% - 7.40%	*	-	*
Hire purchase	Finance purchase of motor vehicles	4.18%	61	139	200
Total			268	621	889
Gearing ratio⁽¹⁾					0.05

* Less than RM1,000.

Note:

(1) Calculated based on total borrowings divided by total equity.

The maturity profile of our bank borrowings as at 30 September 2023 are set out below:

Type of borrowings	As at 30 September 2023			Total
	Less than 1 year	1 to 5 years	More than 5 years	
	RM'000	RM'000	RM'000	
Term loan	207	406	76	689
Bank overdrafts	*	-	-	*
Hire purchase	61	139	-	200
Total	268	545	76	889

* Less than RM1,000.

12. FINANCIAL INFORMATION (CONT'D)

Our Group has not defaulted on payments of either interest and/or principal sum in respect of any borrowings during the FY Under Review, FP 2023 and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities. As at the LPD, we are not in breach of any terms and conditions and covenants associated with credit arrangements or bank loans, which can materially affect our financial results, financial position or business operations, or the investments by holders of our Shares.

As at the LPD, we have banking facilities namely trade facilities of RM6.04 million, of which RM5.96 million has yet to be utilised. Save as disclosed above, our Group did not use any other credit facilities as at the LPD.

(iv) Treasury policies and objectives

Our Group has been funding our operations through cash generated from our business operations, and external sources of funds. The external sources of funds consist primarily of banking facilities from financial institutions. The normal credit terms granted by our suppliers range from 30 days to 60 days. As at the LPD, our Group's borrowings from financial institution mainly consist of term loan and bank overdrafts used for working capital purposes, as well as hire purchase used to finance the purchase of motor vehicles. The interest rates of our bank borrowings are based on the prevailing market rates as at the dates of the respective transactions. As at the LPD, our Group has banking facilities amounting to approximately RM6.04 million, of which RM5.96 million has yet to be fully utilised.

The main objective of our capital management is to maintain a strong credit rating and healthy capital ratio in order to support our business and maximise shareholders' value. We review and maintain our capital structure to maintain the debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

(v) Financial instruments for hedging purposes

For FY Under Review, FP 2023 and up to the LPD, our Group does not have any financial instrument for hedging purposes.

(vi) Financial guarantee contracts

As at the LPD, our financial guarantee contracts which comprised bank guarantees for performance bond of various projects for BMS as well as solar thermal systems and energy saving services and the details are as set out below:

	As at LPD RM'000
Bank guarantee for performance bond:	
- Maintenance of BMS and solar thermal hot water systems	81
Total	81

(vii) Contingent liabilities

As at the LPD, there is no indirect and/or material contingent liabilities incurred by our Group, which may have a substantial impact on the financial position of our Group.

12. FINANCIAL INFORMATION (CONT'D)**(viii) Material litigation, claims or arbitration**

Save as disclosed in Section 15.6 of this Prospectus, we are not involved in any legal action, proceeding, prosecution or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business or our financial position, and our Directors are not aware of any legal proceeding, pending or threatened, or of any fact to give rise to any legal proceeding which may have a material adverse effect on our business or financial position. Please refer to Section 15.6 of this Prospectus for further details on the material litigation.

(ix) Material capital commitment

Our capital commitment as at the LPD is as follow:

	Capital commitment RM'000	Source of funds	
		Internally generated funds/ borrowings RM'000	IPO proceeds RM'000
Approved but not contracted for:			
• Construction of new shop office in Kajang, Selangor	1,900	-	1,900
• Purchase new tools and equipment for our BMS and solar thermal systems and energy saving services	556	-	556
• Purchase ICT software and services to improve our business operations	222	-	222
Total	2,678	-	2,678

(x) Key financial ratios

Our key financial ratios for the FY Under Review and FP 2023 are as follows:

	FY 2020	FY 2021	FY 2022	FP 2023
Average trade receivable turnover period (days) ⁽¹⁾	125	96	103	96
Average trade payable turnover period (days) ⁽²⁾	34	28	43	42
Average inventory turnover period (days) ⁽³⁾	62	54	75	89
Current ratio (times) ⁽⁴⁾	5.71	6.49	4.96	6.88
Gearing ratio (times) ⁽⁵⁾	0.08	0.08	0.07	0.05

Notes:

- (1) Computed based on average of the opening and closing net trade receivable over total revenue for the financial year/period and multiplied by 365 days/273 days for each financial year/period.
- (2) Computed based on average of the opening and closing net trade payables over total cost of sales for the financial year/period and multiplied by 365 days/273 days for each financial year/period.

12. FINANCIAL INFORMATION (CONT'D)

- (3) Computed based on average of the opening and closing inventory over total cost of sales for the financial year/period and multiplied by 365 days/273 days for each financial year/period.
- (4) Computed based on the current assets over the current liabilities.
- (5) Computed based on the borrowings over the total equity.

(a) Trade receivables turnover ratio

A summary of our trade receivables for the FY Under Review and FP 2023 are set out as follows:

	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Trade receivables	5,921	7,779	8,311	10,886
Less: Allowance for impairment loss	(423)	(540)	(822)	(1,215)
Less: Retention sum	(1,580)	(1,919)	(2,274)	(3,034)
Net trade receivables	3,918	5,320	5,215	6,637
Revenue (RM'000)	14,709	17,594	18,648	16,806
Average trade receivable turnover period (days) ⁽¹⁾	125	96	103	96

Note:

- (1) Computed based on average of the opening and closing net trade receivable over total revenue for the financial year/period and multiplied by 365 days/273 days for each financial year/period. The average net trade receivables are calculated by adding the closing balance of trade receivables less allowance for impairment loss and retention sum of the financial year/period with that of the previous financial year, and dividing the total by 2, as follows:

	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Opening net trade receivables	6,145	3,918	5,320	5,215
Closing net trade receivables	3,918	5,320	5,215	6,637
Average net trade receivables	5,032	4,619	5,268	5,927

We deal with our customers on credit terms and the credit terms granted to our customers are assessed and approved on case-to-case basis. The normal credit terms we grant to our customers range from 1 day to 60 days.

Our average trade receivables turnover period decreased from 125 days as at 31 December 2020 to 96 days as at 31 December 2021. This was mainly due to the lower proportion of outstanding balances from our customers for the solar thermal systems and energy saving services segment on the back of higher revenue from this segment which increased by 175.12% in FY 2021.

Our average trade receivables turnover period increased from 96 days as at 31 December 2021 to 103 days as at 31 December 2022, mainly due to higher proportion of outstanding balances from our customers for the solar thermal hot water systems and

12. FINANCIAL INFORMATION (CONT'D)

energy saving services segment on the back of lower revenue from this segment which decreased by 30.36% in FY 2022. This was mainly due to the slow payments from our customers for the solar thermal hot water systems.

Our average trade receivables turnover period improved from 103 days as at 31 December 2022 to 96 days as at 30 September 2023, mainly due to improvement in collections from our customers for the solar thermal hot water systems and energy saving services segment.

For the FY Under Review and FP 2023, our average trade receivable turnover period range between 96 days and 125 days which exceeded the normal credit terms granted to customers range between 1 to 60 days. This was mainly due to slow payments from some of our customers. For the FY Under Review and FP 2023, the past due outstanding receivables accounted for 52.49%, 73.31%, 47.77% and 29.86% of our net trade receivables as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 respectively. As at the LPD, RM6.22 million or 93.70% of our net trade receivables as at 30 September 2023 has been subsequently collected.

The ageing analysis of our trade receivables as at 30 September 2023 and the subsequent collections up to the LPD are set out below:

	Exceeded Credit Period					Total
	Within Credit Period	1-30 days	31-60 days	61-90 days	More than 90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	7,712	1,057	460	61	1,596	10,886
<i>Less: Allowance for impairment loss</i>	<i>(23)</i>	<i>(10)</i>	<i>(7)</i>	<i>(3)</i>	<i>(1,172)</i>	<i>(1,215)</i>
<i>Less: Retention sum</i>	<i>(3,034)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(3,034)</i>
Net trade receivables	4,655	1,047	453	58	424	6,637
<i>% of total net trade receivables</i>	<i>70.14</i>	<i>15.77</i>	<i>6.83</i>	<i>0.87</i>	<i>6.39</i>	<i>100.00</i>
Subsequent collections as at the LPD	(4,503)	(1,028)	(440)	(47)	(201)	(6,219)
Net trade receivables net of subsequent collections	152	19	13	11	223	418
<i>% of total net trade receivables net of subsequent collections</i>	<i>36.36</i>	<i>4.55</i>	<i>3.11</i>	<i>2.63</i>	<i>53.35</i>	<i>100.00</i>

As at the LPD, RM6.22 million or 93.70% of our net trade receivables as at 30 September 2023 has been subsequently collected.

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12. FINANCIAL INFORMATION (CONT'D)**(b) Trade payables turnover ratio**

A summary of our trade payables for the FY Under Review and FP 2023 are set out as follows:

	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Trade payables	914	1,190	1,451	1,480
<i>Less: Retention sum</i>	<i>(349)</i>	<i>(446)</i>	<i>(331)</i>	<i>(236)</i>
Net trade payables	565	744	1,120	1,244
Cost of sales	8,678	8,535	7,970	7,694
Average trade payable turnover period (days) ⁽¹⁾	34	28	43	42

Note:

(1) Computed based on average of the opening and closing net trade payables over total cost of sales for the financial year/period and multiplied by 365 days/273 days for each financial year/period. The average net trade payables are calculated by adding the closing balance of trade payables less retention sum of the financial year/period with that of the previous financial year, and dividing the total by 2, as follows:

	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Opening net trade payables	1,045	565	744	1,120
Closing net trade payables	565	744	1,120	1,244
Average net trade payables	805	655	932	1,182

We deal with our suppliers including subcontractors on credit terms and the normal credit terms granted to us range from 30 days to 60 days.

Our average trade payable turnover period improved from 34 days as at 31 December 2020 to 28 days as at 31 December 2021. This was mainly due to improvement in payments to our suppliers.

Our average trade payable turnover period increased from 28 days as at 31 December 2021 to 43 days as at 31 December 2022. This was mainly due to past due outstanding amount to our major suppliers. As at the LPD, the said outstanding amount has been settled.

Our average trade payable turnover period decreased from 43 days as at 31 December 2022 to 42 days as at 30 September 2023. This was mainly due to improvement in payments to our major suppliers.

12. FINANCIAL INFORMATION (CONT'D)

The ageing analysis of our trade payables as at 30 September 2023 and the subsequent payments up to the LPD are set out below:

	Exceeded Credit Period					Total
	Within				More	
	Credit	1-30	31-60	61-90	than 90	
Period	days	days	days	days	RM'000	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	626	806	37	11	-	1,480
<i>Less: Retention sum</i>	<i>(236)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(236)</i>
Net trade payables	390	806	37	11	-	1,244
<i>% of total net trade payables</i>	<i>31.35</i>	<i>64.79</i>	<i>2.97</i>	<i>0.88</i>	<i>-</i>	<i>100.00</i>
Subsequent payments as at the LPD	(390)	(806)	(37)	(11)	-	(1,244)
Trade payables net of subsequent payments	-	-	-	-	-	-
<i>% of total trade payables net of subsequent payments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

As at the LPD, we have settled all net trade payables for 30 September 2023.

(c) Inventory turnover ratio

The breakdown of our inventories for the FY Under Review and FP 2023 are as follows:-

	FY 2020	FY 2021	FY 2022	FP 2023
Inventory (RM000)	1,277	1,243	2,011	3,015
Cost of sales (RM'000)	8,678	8,535	7,970	7,694
Average inventory turnover period (days) ⁽¹⁾	62	54	75	89

Note:

(1) Computed based on average of the opening and closing inventory over total cost of sales for the financial year/period and multiplied by 365 days/273 days for each financial year/period, as follows:

	FY 2020	FY 2021	FY 2022	FP 2023
	RM'000	RM'000	RM'000	RM'000
Opening inventories	1,688	1,277	1,243	2,011
Closing inventories	1,277	1,243	2,011	3,015
Average inventories	1,483	1,260	1,627	2,513

12. FINANCIAL INFORMATION (CONT'D)

Our inventory comprises the materials and equipment for our business operations including ICT hardware and software, equipment and materials for the BMS, as well as equipment for the solar thermal hot water systems including solar thermal collector modules, solar pump and other pumps, and the solar thermal control systems.

Our average inventory turnover period decreased from 62 days as at 31 December 2020 to 54 days as at 31 December 2021, mainly due to the lower purchases of materials and equipment in FY 2021.

Our average inventory turnover period increased from 54 days as at 31 December 2021 to 75 days as at 31 December 2022. This was mainly due to the increase in purchases of materials and equipment in the last quarter of FY 2022 to meet the scheduled installations in the following months.

Our average inventory turnover period increased from 75 days as at 31 December 2022 to 89 days as at 30 September 2023. This was mainly due to the increase in purchases of materials and equipment in FP 2023 which was reflected in the increase in purchases of materials and equipment by 61.74% to RM7.36 million in FP 2023 (FP 2022: RM4.55 million). The inventory mainly comprises materials for our ongoing BMS projects including the Conference and Residential Complex Project and Ampang Office Tower Project.

(d) Current ratio

The summary of our current ratio for the FY Under Review and FP 2023 are as follows:-

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FP 2023</u>
Current assets (RM'000)	8,999	11,599	11,833	16,171
Current liabilities (RM'000)	1,576	1,786	2,387	2,350
Current ratio (times) ⁽¹⁾	5.71	6.49	4.96	6.88

Note:

(1) *Computed based on the current assets over the current liabilities.*

As at 31 December 2021, our current ratio was 6.49 times which was higher compared to 5.71 times as at 31 December 2020. This was mainly due to the increase in our current assets by RM2.60 million mainly attributed to the increase in trade receivables, as well as higher cash and bank balances as at 31 December 2021.

As at 31 December 2022, our current ratio was 4.96 times which was lower compared to 6.49 times as at 31 December 2021. This was mainly due to the current tax liabilities of RM0.29 million as well as higher trade payables as at 31 December 2021.

As at 30 September 2023, our current ratio was 6.88 times which was higher compared to 4.96 times as at 31 December 2022. This was mainly due to the increase in our current assets by RM4.34 million, mainly attributed to the increase in trade and other receivables as well as inventories.

12. FINANCIAL INFORMATION (CONT'D)**(e) Gearing ratio**

The summary of our gearing ratio for the FY Under Review and FP 2023 are as follows:-

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FP 2023</u>
Borrowings (RM'000)	1,099	1,287	1,062	889
Total equity (RM'000)	14,719	16,403	15,258	18,665
Gearing ratio (times) ⁽¹⁾	0.08	0.08	0.07	0.05

Note:

(1) *Computed based on the borrowings over the total equity.*

Our gearing ratio remained at 0.08 times as at 31 December 2021. This was mainly due to the increase of RM2.22 million in retained profits which increased from RM13.10 million as at 31 December 2020 to RM15.31 million as at 31 December 2021.

Our gearing ratio improved to 0.07 times as at 31 December 2022 and this was mainly due to the decrease in outstanding bank borrowings to RM1.06 million as at 31 December 2022 compared to RM1.29 million as at 31 December 2021.

Our gearing ratio decreased to 0.05 times as at 30 September 2023 and this was mainly due to the increase of RM3.41 million in retained profits which increased from RM14.26 million as at 31 December 2022 to RM17.67 million as at 30 September 2023. This was also partly due to the decrease in outstanding bank borrowings to RM0.89 million as at 30 September 2023 compared to RM1.06 million as at 31 December 2022.

12.5 ACCOUNTING POLICIES AND AUDIT QUALIFICATION

There was no accounting policy adopted which is peculiar to our Group because of the nature of our business or the industry we operate in during the FY Under Review and FP 2023. The Accountants' Report did not contain any audit qualification for the FY Under Review and FP 2023.

12.6 TREND ANALYSIS

As at the LPD, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources, save as disclosed in this section and Sections 7 and 9 of this Prospectus;
- (ii) material commitment for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and Sections 7 and 9 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save as disclosed in this section and Sections 7 of this Prospectus; and

12. FINANCIAL INFORMATION (CONT'D)

- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not indicative of the future financial performance and position, save as disclosed in this Section and Sections 7 and 9 of this Prospectus.

12.7 ORDER BOOK

As at the LPD, we have a total unbilled order book of RM24.66 million, the details of which are set out below:

By business segment	Unbilled order book as at the LPD RM'000	Expected timeline to be recognised		
		FY 2024 RM'000	FY 2025 RM'000	FY 2026 RM'000
BMS	15,557	15,058	473	26
- System integration of BMS	14,290	14,081	209	-
- Maintenance of BMS	1,267	977	264	26
Solar thermal systems and energy saving services	7,021	5,166	1,786	69
- Energy performance services	6,693	5,029	1,664	-
- Installation of solar thermal hot water systems	-	-	-	-
- Maintenance of solar thermal hot water and cooling systems	328	137	122	69
Maintenance of other systems and equipment	2,080	2,058	22	-
Total	24,658	22,282	2,281	95

12.8 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. Our Directors will take into consideration, among others, the following factors when recommending or declaring any dividends:

- (i) the availability of adequate reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments;

12. FINANCIAL INFORMATION (CONT'D)

- (iii) our anticipated future operating conditions and expansion taking into consideration projected capital expenditure and investment plans;
- (iv) our working capital requirements;
- (v) any contractual restrictions and/or commitments; and
- (vi) prior written consent from financial institutions, where required.

As at the LPD, save for any applicable financial covenants (in particular, the financial institutions' consent for declaration of dividends from our subsidiaries in Malaysia to us) and the Act, and subject to the availability of distributable profits and reserves, there are no dividend restrictions imposed on us or our Subsidiaries. The existing financial covenants would not affect the future dividend payments of our Company.

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:

	FY 2020 RM'000	FY 2021 RM'000	FY 2022 RM'000	FP 2023 RM'000
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.

The dividends declared and paid for the FY 2021 and FY 2022 were funded via internally generated funds.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modification (including non-declaration) thereof at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that further dividends declared by our Board, if any, will not differ materially from historical dividend levels.

SDC has declared a dividend up to RM2.00 million for the FY 2023. The said dividend was paid in December 2023 and was funded via our internally generated funds.

Save as disclosed above, there are no other Pre-IPO Dividends to be declared and to be paid up to the date of the Listing.

12. FINANCIAL INFORMATION (CONT'D)

12.9 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness:

- (i) our unaudited statements of financial position as at 30 November 2023; and
- (ii) after adjusted for our IPO and utilisation of proceeds arising from the IPO.

	Audited as at 30 September 2023 RM'000	Unaudited as at 30 November 2023 RM'000	After our IPO and use of proceeds RM'000
Indebtedness ⁽¹⁾			
<u>Current</u>			
Term loans	207	208	[•]
Bank overdraft	*	*	[•]
Hire purchases	61	62	[•]
Total Current	268	270	[•]
<u>Non-current</u>			
Term loans	482	447	[•]
Hire purchases	139	128	[•]
Total Non-current	621	575	[•]
Total indebtedness	889	845	[•]
Capitalisation			
Shareholders' equity	18,665	21,037	[•]
Total capitalisation	18,665	21,037	[•]
Total capitalisation and indebtedness	19,554	21,882	[•]
Gearing ratio ⁽²⁾	0.05	0.04	[•]

(*) Amount is less than RM500

Notes:

(1) All of our indebtedness is either secured and/or guaranteed.

(2) Computer based on based on the borrowings over the total equity.

Our shareholders' equity increased by RM[•] million as a result of the issue of new IPO Shares.

Total indebtedness will remain the same after the IPO as there is no portion of the IPO proceeds intended to be utilised for repayment of bank borrowings.

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13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION



Crowe Malaysia PLT
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 Malaysia
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 www.crowe.my

Date: **29 JAN 2024**

The Board of Directors
Solar District Cooling Group Berhad
 Wisma SDC, No. 25, Jalan Kajang Perdana 3/2,
 Taman Kajang Perdana,
 43000 Kajang,
 Selangor Darul Ehsan.

Dear Sirs/Madam,

**SOLAR DISTRICT COOLING GROUP BERHAD (“SDCG” OR “THE COMPANY”)
 REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL
 POSITION AS AT 30 SEPTEMBER 2023 INCLUDED IN A PROSPECTUS**

We have completed our assurance engagement to report on the compilation of Pro Forma Combined Statements of Financial Position of SDCG and its subsidiaries (collectively known as “the Group”) as at 30 September 2023 and the related notes (as set out in Appendix A which we have stamped for the purpose of identification) prepared by the Board of Directors of the Company for inclusion in the prospectus in connection with the listing of and quotation for the entire issued share capital of SDCG on the ACE Market of Bursa Malaysia Securities Berhad (“Listing”).

The applicable criteria on the basis of which the Board of Directors of the Company has compiled the Pro Forma Combined Statements of Financial Position are described in Note 3 of Appendix A. The Pro Forma Combined Statements of Financial Position are prepared in accordance with the requirements Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia (“the Prospectus Guidelines”) and the Guidance Note for issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants (“Guidance Note”).

The Pro Forma Combined Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions as set out in Note 5 of Appendix A as if the events have occurred or the transactions have been undertaken on 30 September 2023. As part of this process, information about the Group’s financial position as at 30 September 2023 has been extracted by the Board of Directors of Company from the audited financial statements of the Company and its combining entities as at 30 September 2023.

THE BOARD OF DIRECTORS’ RESPONSIBILITIES

The Board of Directors of the Company is responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis as set out in Note 3 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

Page 1

13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)



REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

We are independent of the Company 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.

Our firm applies International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines issued by the Securities Commission Malaysia, about whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis as set out in Note 3 of Appendix A and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis set out in Note 3 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Combined Statements of Financial Position.

The purpose of Pro Forma Combined Statements of Financial Position included in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)



REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis set out in Note 3 of Appendix A and in accordance with the requirements of the Prospectus Guidelines, involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Combined Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Combined Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Combined Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, Pro Forma Combined Statements of Financial Position of the Group have been compiled, in all material respects, on the basis set out in Note 3 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

OTHER MATTER

This letter has been prepared solely for the purpose of inclusion in the prospectus of SDCG, in connection with the Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

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

Kuala Lumpur

Ung Voon Huay
03233/09/2024 J
Chartered Accountant

13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

	Note	SDCG Audited As at 30 September 2023 RM'000	SDC* Audited As at 30 September 2023 RM'000	Proposed Acquisition of SDC RM'000	Pro Forma 1 After Proposed Acquisition of SDC RM'000	Public Issue RM'000	Pro Forma 2 After Pro Forma 1 and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma 3 After Pro Forma 2 and Utilisation of Proceeds RM'000
ASSETS									
NON-CURRENT ASSETS									
Property, plant and equipment		-	5,465	-	5,465	-	5,465	-	5,465
CURRENT ASSETS									
Inventories		-	3,015	-	3,015	-	3,015	-	3,015
Trade receivables		-	9,671	-	9,671	-	9,671	-	9,671
Other receivables, deposits and prepayments		-	1,539	-	1,539	-	1,539	-	1,539
Current tax assets		-	180	-	180	-	180	-	180
Fixed deposits with licensed banks		-	537	-	537	-	537	-	537
Cash and bank balances	6.1	#	1,229	-	1,229	[•]	[•]	[•]	[•]
		-	16,171	-	16,171	[•]	[•]	[•]	[•]
TOTAL ASSETS		-	21,636	-	21,636	[•]	[•]	[•]	[•]

Notes:-

(*) - Extracted from the SDC's Combined Financial Statements for the financial period ended 30 September 2023.

(#) - Amount represents RM100.

13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

	Notes	SDCG Audited As at 30 September 2023 RM'000	SDC* Audited As at 30 September 2023 RM'000	Proposed Acquisition of SDC RM'000	Pro Forma 1 After Proposed Acquisition of SDC RM'000	Public Issue RM'000	Pro Forma 2 After Pro Forma 1 and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma 3 After Pro Forma 2 and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES									
EQUITY									
Share capital	6.2	#	1,000	14,258	15,258	[•]	[•]	[•]	[•]
Merger deficit	6.3	-	-	(14,258)	(14,258)	-	(14,258)	-	(14,258)
Retained profits	6.4	(10)	17,675	-	17,665	-	17,665	[•]	[•]
TOTAL EQUITY		(10)	18,675	-	18,665	[•]	[•]	[•]	[•]
LIABILITIES									
NON-CURRENT LIABILITIES									
Hire purchase payables		-	139	-	139	-	139	-	139
Term loans		-	482	-	482	-	482	-	482
		-	621	-	621	-	621	-	621

Notes:-

(*) - Extracted from the SDC's Combined Financial Statements for the financial period ended 30 September 2023.

(#) - Amount represents RM100.

13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

	SDCG Audited As at 30 September 2023 RM'000	SDC* Audited As at 30 September 2023 RM'000	Proposed Acquisition of SDC RM'000	Pro Forma 1 After Proposed Acquisition of SDC RM'000	Public Issue RM'000	Pro Forma 2 After Pro Forma 1 and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma 3 After Pro Forma 2 and Utilisation of Proceeds RM'000
CURRENT LIABILITIES								
Trade payables	-	1,480	-	1,480	-	1,480	-	1,480
Other payables and accruals	10	573	-	583	-	583	-	583
Hire purchase payables	-	61	-	61	-	61	-	61
Term loans	-	207	-	207	-	207	-	207
Bank overdraft	-	-	-	-	-	-	-	-
Current tax liabilities	-	19	-	19	-	19	-	19
	<u>10</u>	<u>2,340</u>	-	<u>2,350</u>	-	<u>2,350</u>	-	<u>2,350</u>
TOTAL LIABILITIES	<u>10</u>	<u>2,961</u>	-	<u>2,971</u>	-	<u>2,971</u>	-	<u>2,971</u>
TOTAL EQUITY AND LIABILITIES	<u>-</u>	<u>21,636</u>	-	<u>21,636</u>	[*]	<u>[*]</u>	[*]	<u>[*]</u>

Note:-

(*) - Extracted from the SDC's Combined Financial Statements for the financial period ended 30 September 2023.

13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

	SDCG Audited As at 30 September 2023	SDC* Audited As at 30 September 2023	Proposed Acquisition of SDC	Pro Forma 1 After Proposed Acquisition of SDC	Public Issue	Pro Forma 2 After Pro Forma 1 and Public Issue	Utilisation of Proceeds	Pro Forma 3 After Pro Forma 2 and Utilisation of Proceeds
Share capital (RM'000)	#	1,000	14,258	15,258	[-]	[-]	[-]	[-]
Merger deficit (RM'000)	-	-	(14,258)	(14,258)	-	(14,258)	-	(14,258)
Retained profits (RM'000)	(10)	17,675	-	17,665	-	17,665	[-]	[-]
Net Assets (NA)/Total equity attributable to owners of the Company (RM'000)	(10)	18,675	-	18,665	[-]	[-]	[-]	[-]
Number of shares ('000)	^	1,000	305,152	305,152	118,670	423,822	-	423,822
NA per Share (RM)	-	19	-	0.06	[-]	[-]	-	[-]
Total borrowings (RM'000)	-	889	-	889	-	889	-	889
Gearing (times)	-	0.05	-	0.05	-	[-]	-	[-]

Notes:-

(*) - Extracted from the SDC's Combined Financial Statements for the financial period ended 30 September 2023.

(#) - Amount represents RM100.

(^) - At 25 April 2023 (date of incorporation), SDCG issued 100 Shares at RM1 each.

13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

1. ABBREVIATIONS

Unless the context otherwise requires, the following abbreviations shall apply throughout this report:

Abbreviations

SDCG or the Company	: Solar District Cooling Group Berhad Registration No.: 202301015665 (1509587-U)
SDCG Group or The Group	: Solar District Cooling Group Berhad and its subsidiaries Kejuruteraan Efektif Dinamik Sdn. Bhd. Registration No.: 201401042378 (1118545-H) Solar District Cooling Sdn. Bhd. Registration No.: 200301004597 (607017-T)
SDC	: Solar District Cooling Sdn. Bhd.
KED	: Kejuruteraan Efektif Dinamik Sdn. Bhd.
Proposed Acquisition of SDC	: Proposed acquisition by the Company of the entire issued share capital of SDC from the shareholders of SDC, namely Edison Kong and Eileen Liuk, for a total purchase consideration of RM15,257,618, which will be entirely satisfied by the issuance of 305,152,360 new Shares at an issue price of RM0.05 per Share
IPO	: Initial public offering of the Shares in conjunction with the Listing, comprising the Public Issue
Listing	: Admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of SDCG on the ACE Market of Bursa Securities
SDCG Shares or Shares	: Ordinary shares in SDCG
SSA	: Share Sale Agreement
FYE	: Financial year ended
Public Issue	: The public issue of 118,670,000 new Shares at the IPO Price
RM and Sen	: Ringgit Malaysia and sen, respectively
Vendors	: Collectively, Edison Kong and Eileen Liuk
LPD	: 3 January 2024, being the latest practicable date

13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A**SOLAR DISTRICT COOLING GROUP BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)****2. INTRODUCTION**

The Pro Forma Combined Statements of Financial Position as at 30 September 2023 together with the notes thereon, for which the Board of Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus in connection with the Listing and should not be relied upon for any other purposes.

3. BASIS OF PREPARATION

The Pro Forma Combined Statements of Financial Position as at 30 September 2023 is prepared based on the audited combined statements of financial position of the Group as at 30 September 2023 which, was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the financial statements and accounting policies of the Group.

The financial statements used in the preparation of these pro forma statements of financial position were not subject to any audit qualification, modification, disclaimer of opinion or emphasis of matter.

The Pro Forma Combined Statements of Financial Position together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 5 to the Pro Forma Combined Statements of Financial Position had the events occurred or transactions been undertaken on 30 September 2023. The Pro Forma Combined Statements of Financial Position are not necessarily indicative of the financial positions that would have been attained had the Listing actually occurred at the respective dates.

13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

4. LISTING SCHEME

4.1 Proposed Acquisition of SDC

In conjunction with the Listing, the Company had on 11 August 2023 entered into a conditional SSA with the Vendors to acquire the entire issued share capital of SDC for a purchase consideration of RM15,257,618. The purchase consideration was satisfied via the issuance of 305,152,360 new Shares at an issue price of RM0.05 per Share to the Vendors as follows:

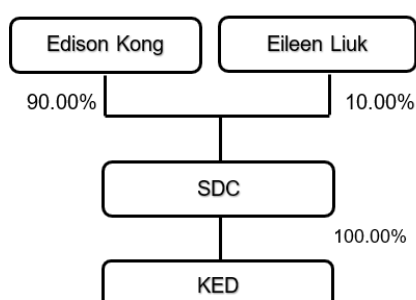
Vendors	No. of shares acquired	% of share capital	Purchase consideration (RM)	No of new Shares issued
Edison Kong	900,000	90.00	13,731,856	274,637,124
Eileen Liuk	100,000	10.00	1,525,762	30,515,236
Total	1,000,000	100.00	15,257,618	305,152,360

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

Upon the completion of the Proposed Acquisition of SDC, SDC and its subsidiary, KED will become our wholly-owned subsidiaries of SDCG. As at the date of LPD, the Proposed Acquisition of SDC is pending fulfilment of the conditions precedent in the SSA for the Proposed Acquisition of SDC.

The Group structure before and after the Listing are illustrated as follows:

(i) Before the Proposed Acquisition of SDC and Listing



13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

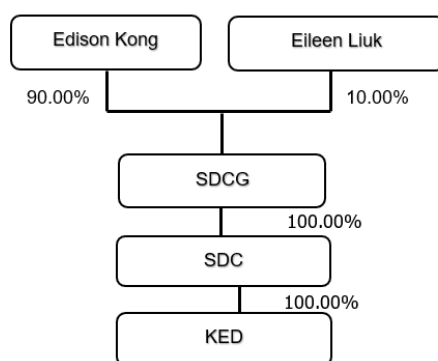
SOLAR DISTRICT COOLING GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

4. LISTING SCHEME (CONT'D)

4.1 Proposed Acquisition of SDC (Cont'd)

(ii) After the Proposed Acquisition of SDC and before the Listing



The Proposed Acquisition of SDC is pending completion as it is conditional upon the fulfilment of conditions precedent which includes amongst others, the approval from Bursa Securities for the Listing. Upon completion, SDC and its subsidiary, KED will become our wholly-owned subsidiaries. As at the LPD, the Group does not have any other subsidiary company, joint-venture or associated company.

The following proposals will be undertaken in conjunction with, and as an integral part of the Listing:

4.2 Public Issue

The Public Issue of 118,670,000 Issue Shares, representing approximately 28.00% of the enlarged total number of Shares of SDCG at the IPO Price 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 who have 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.

4.3 Listing

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

13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

5.1 Pro Forma 1

Pro Forma 1 incorporates the effects of the Proposed Acquisition of SDC as set out in Note 4.1 to the pro forma statements of financial position.

5.2 Pro Forma 2

Pro Forma 2 incorporates the effects of Pro Forma 1 and Public Issue as set out in Note 4.2 to the pro forma statements of financial position.

5.3 Pro Forma 3

Pro Forma 3 incorporates the effects of Pro Forma 2 and the utilisation of proceeds from Public Issue. The proceeds from the Public Issue will be utilised as follows:-

Details of use of proceeds	Amount of proceeds		Estimated timeframe for the use of proceeds from the date of Listing
	RM'000	%	
Expansion of our Headquarters #	[•]	[•]	Within 24 Months
Tender bonds and/or performance bonds for future projects #	[•]	[•]	Within 24 Months
Purchase of materials for solar thermal systems and energy saving services #	[•]	[•]	Within 24 Months
General working capital #	[•]	[•]	Within 24 Months
Capital expenditure #	[•]	[•]	Within 24 Months
Estimated listing expenses ^{*A}	[•]	[•]	Within 3 months
	[•]	[•]	

Notes:-

- As at the LPD, these utilisations of proceeds are not adjusted in the Pro Forma 3 to the statements of financial position as they are not supported by any purchase order or any other contractual binding agreement, and hence, they remained in the cash and bank balances.

* - If the actual listing expenses are higher than estimated, the deficit will be funded by internally generated funds or working capital. Conversely, if the actual listing expenses are lower than amount budgeted, the excess will be utilised for the general working capital requirements.

^A - The estimated listing expenses of [•] directly attributable to the Public Issue will be set off against share capital and the remaining estimated listing expenses of [•] that is attributable to the Listing will be expensed off to statements of profit or loss and other comprehensive income.

13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

6. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

6.1 Cash and bank balances

	RM'000
As at 30 September 2023/Pro Forma 1	1,229
Pursuant to Public Issue	[•]
As per Pro Forma 2	[•]
Pursuant to Utilisation of Proceeds - Estimated listing expenses [^]	[•]
As per Pro Forma 3	[•]

6.2 Share capital

	Number of ordinary shares '000	Amount of share capital RM'000
As at 30 September 2023*	-	-
Add: Ordinary shares issued pursuant to the Proposed Acquisition of SDC	305,152	15,258
As per Pro Forma 1	305,152	15,258
Pursuant to Public Issue	118,670	[•]
As per Pro Forma 2	423,822	[•]
Pursuant to Utilisation of Proceeds - Estimated listing expenses [^]	-	[•]
As per Pro Forma 3	423,822	[•]

6.3 Merger deficit

	RM'000
As at 30 September 2023	-
Pursuant to Proposed Acquisition of SDC	(14,258)
As per Pro Forma 1, 2 and 3	(14,258)

13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

6. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

6.4 Retained profits

	RM'000
As at 30 September 2023/Pro Forma 1 and 2	17,665
Pursuant to Utilisation of Proceeds	
- Estimated listing expenses [^]	[•]
As per Pro Forma 3	[•]

Notes:-

[^] - The estimated listing expenses of [•] directly attributable to the Public Issue will be set off against share capital and the remaining estimated listing expenses of [•] that is attributable to the Listing will be expensed off to the statements of profit or loss and other comprehensive income.

^{*} - At 25 April 2023 (date of incorporation), SDCG issued 100 Shares at RM1 each.

**13. REPORTS ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS
OF FINANCIAL POSITION (CONT'D)**

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Solar District Cooling Group Berhad in accordance with a resolution dated **04 DEC 2023**

On behalf of the Board of Directors,



Kong Kam Onn



Liuk Ing Hong

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
ASSETS					
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
TOTAL ASSETS		16,844,556	19,577,874	18,448,579	21,636,343

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
EQUITY AND LIABILITIES					
EQUITY					
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	-	-
TOTAL EQUITY		14,179,027	16,403,606	15,257,618	18,665,359
NON-CURRENT LIABILITIES					
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
CURRENT LIABILITIES					
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
TOTAL LIABILITIES		2,665,529	3,174,268	3,190,961	2,970,984
TOTAL EQUITY AND LIABILITIES		16,844,556	19,577,874	18,448,579	21,636,343

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
Audited					
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
CASH FLOWS FROM OPERATING ACTIVITIES					
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
CASH FROM OPERATIONS	6,340,678	5,556,743	7,883,296	3,891,601	1,707,411
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)
NET CASH FROM OPERATING ACTIVITIES	4,873,941	4,319,150	6,681,344	2,732,769	62,671

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					
CASH FLOWS FOR INVESTING ACTIVITIES						
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	-	-	-	-
NET CASH FOR INVESTING ACTIVITIES		<u>(2,244,932)</u>	<u>(1,239,137)</u>	<u>(278,256)</u>	<u>(54,486)</u>	<u>(67,971)</u>
CASH FLOWS FOR FINANCING ACTIVITIES						
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)
NET CASH FOR FINANCING ACTIVITIES		<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	<u>(284,000)</u>	<u>697,243</u>	<u>1,620,544</u>	<u>1,620,544</u>	<u>1,450,604</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	24(c) <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)

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.

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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:

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

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.

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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.

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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.

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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)

	Effective Date
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.

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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.

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14. ACCOUNTANTS' REPORT (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

Audited	At 1.1.2020 RM	Additions RM	Transfers RM	Depreciation Charges RM	At 31.12.2020 RM
31.12.2020					
<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)

Audited	At 1.1.2021 RM	Additions RM	Transfers RM	Depreciation Charges RM	At 31.12.2021 RM
31.12.2021					
<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)**

Audited	At 1.1.2022 RM	Additions RM	Transfers RM	Depreciation Charges RM	At 31.12.2022 RM
31.12.2022					
<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)

Audited	At 1.1.2023 RM	Additions RM	Disposal RM	Depreciation Charges RM	At 30.9.2023 RM
30.9.2023					
<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)**

Audited	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
31.12.2020			
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
31.12.2021			
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
31.12.2022			
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**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 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

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 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.

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14. ACCOUNTANTS' REPORT (CONT'D)

10. SHARE CAPITAL

	Audited 31.12.2020	Audited 31.12.2021	Audited 31.12.2022	Audited 30.9.2023
	<-----Number of Shares----->			
Issued and Fully Paid-Up				
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
Companies:-				
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
At end of the financial year/period	1,000,000	1,000,000	1,000,000	1,000,100
	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Issued and Fully Paid-Up				
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
At end of the financial year/period	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**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 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").

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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
Audited			
31.12.2020			
<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
Audited			
31.12.2021			
<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
Audited			
31.12.2022			
<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.

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

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 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
Revenue from Contracts with Customers					
<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**

	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
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:-

	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	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:-

	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
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

	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
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
Ordinary Shares					
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:-

	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
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)	-	-	-
	2,846,200	1,269,584	310,256	54,486	56,427

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

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

Audited	Term Loans RM	Hire Purchase Payables RM	Banker's Acceptance RM	Total RM
31.12.2020				
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
31.12.2021				
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)

Audited	Term Loans RM	Hire Purchase Payables RM	Banker's Acceptance RM	Total RM
31.12.2022				
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

Unaudited	Term Loans RM	Hire Purchase Payables RM	Banker's Acceptance RM	Total RM
30.9.2022				
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)

Audited	Term Loans RM	Hire Purchase Payables RM	Banker's Acceptance RM	Total RM
30.9.2023				
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

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

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

	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
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:-

	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
(a) Directors					
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) Other Key Management Personnel					
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:-

	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
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.

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

Audited	SOLAR	<-----BMS----->		M	Total
	Malaysia RM	Malaysia RM	Singapore RM	Malaysia RM	RM
31.12.2020					
Revenue					
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
Results					
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
Capital expenditure					
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
31.12.2021					
Revenue					
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
Results					
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
Capital expenditure					
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
31.12.2022					
Revenue					
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
Results					
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
Capital expenditure					
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
30.9.2022					
Revenue					
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
Results					
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
Capital expenditure					
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
30.9.2023					
Revenue					
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
Results					
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
Capital expenditure					
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)**

	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
Assets					
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>
Liabilities					
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.

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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
Audited					
31.12.2020					
<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
Audited					
31.12.2021					
<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
Audited					
31.12.2022					
<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
	<u>2,419</u>	<u>-</u>	<u>-</u>	<u>9,544,408</u>	<u>9,546,827</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	-	-	-	(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
Audited					
30.9.2023					
<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
Effects on Profit After Taxation				
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:-

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Effects on Profit After Taxation				
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*

Audited	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
31.12.2020				
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)	-	-
Trade receivables	5,919,836	(340,982)	(81,647)	5,497,207
31.12.2021				
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)	-	-
Trade receivables	7,778,528	(347,992)	(191,862)	7,238,674

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)*

Audited	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
31.12.2022				
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)	-	-
Trade receivables	8,310,931	(696,768)	(125,508)	7,488,655
30.9.2023				
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)	-	-
Trade receivables	10,886,583	(598,826)	(616,578)	9,671,179

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.

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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):-

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
31.12.2020						
<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
31.12.2021						
<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)

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
31.12.2022						
<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	-	-
		2,898,635	3,018,016	2,134,309	776,590	107,117

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
30.9.2023						
<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:-

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 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
Financial Assets				
<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>
Financial Liabilities				
<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
Financial Assets				
<u>Amortised Cost</u>				
Net gains recognised in profit or loss	23,423	8,605	8,751	-
Financial Liabilities				
<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		
Audited								
31.12.2020								
<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/>								
Audited								
31.12.2021								
<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)

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

	Audited 31.12.2020	Audited 31.12.2021	Audited 31.12.2022	Audited 30.9.2023
	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.

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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

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- (i) As at the date of this Prospectus, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (ii) No securities will be allotted or issued on the basis of this Prospectus later than 6 months after the date of this Prospectus.
- (iii) None of the share capital of our Group is under option, or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.
- (iv) Save as disclosed in Section 6.1.2 of this Prospectus, our Group has not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within 3 years immediately preceding the date of this Prospectus.
- (v) As at the date of this Prospectus, save for the IPO Shares reserved for the Eligible Persons as disclosed in Section 4.3.1(ii) of this Prospectus, there is currently no other scheme involving our Directors or employees in the capital of our Group.
- (vi) As at the date of this Prospectus, our Group does not have any outstanding convertible securities, options, warrants or uncalled capital.
- (vii) Save as disclosed in Section 15.2.6 of this Prospectus and save as provided under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares.

15.2 EXTRACT OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the remainder of our Constitution and by applicable law. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined or the context otherwise requires:

15.2.1 Transfer of shares

The provision in our Company's Constitution in respect of the transfer of shares and restrictions on their free transferability are as follows:

Clause 42 – Transfer of securities

“The transfer of any Listed Security or class of Listed Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Listed Security.”

Clause 43 – Transferor's right

“The instrument of transfer of any share shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof.”

Clause 44 – Person under disability

“No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.”

15. ADDITIONAL INFORMATION (CONT'D)

15.2.2 Transmission of shares

The provision in our Company's Constitution in respect of the transmission of shares and restrictions on their free transferability are as follows:

Clause 45 – Transmission of Shares

"Where:-

- (a) the securities of the Company are listed on another Exchange; and*
- (b) the Company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Depository in respect of such securities,*

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Share Registrar of the company in the jurisdiction of the other Exchange, to the register of holders maintained by the Share Registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities."

Clause 46 – Death of holder of shares

"In the event of the death or bankruptcy of a Member, any person becoming entitled as a result thereof may transfer or be registered as the owner of the shares held by that Member before his death or bankruptcy or otherwise deal with the said shares in the manner allowed by law and in accordance with the Rules. The person so entitled shall notify the Depository accordingly in writing of his election whether to have the shares of the deceased or bankrupt Member to be registered under his name or otherwise to be transferred to another person and shall comply with the Rules affecting the registration and transfer of the said shares, as the case may be."

15.2.3 Remuneration of our Directors

The provisions in our Company's Constitution in respect of the remuneration of our Directors are as follows:

Clause 103 – Remuneration

"The fees and any benefits payable to the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office PROVIDED ALWAYS that:-

- 103.1 fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;*
- 103.2 salaries payable to executive Directors may not include a commission on or percentage of turnover;*
- 103.3 fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and*

15. ADDITIONAL INFORMATION (CONT'D)

103.4 *any fee paid to an Alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter."*

Clause 104 – Reimbursement and special remuneration

"104.1 *The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in connection with or about the business of the Company in the course of the performance of their duties as Directors.*

104.2 *If by arrangement with the Directors, any Director shall perform or render any special duties or service's outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged subject to any other provisions of this Constitution."*

Clause 136 – Remuneration of Chief Executive Officer / Managing Director / Executive Director

"*The remuneration of the CEO / MD / ED may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover."*

15.2.4 Powers and duties of Directors

The provisions in our Company's Constitution in respect of the powers and duties of Directors are as follows:

Clause 106 – General power of Directors to manage Company's business

"*The business of the Company shall be managed by the Directors who may exercise all such powers of the Company as are not by the Act or by these Constitution required to be exercised by the Company in general meeting, subject nevertheless to any of this Constitution and the provisions of the Act, and to such regulations not being inconsistent with these Constitution or the provisions of the Act as may be prescribed by the Company in general meeting, but no regulations so made by the Company shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. The general powers given by this Clause shall not be limited or restricted by any special authority or power given to the Directors by any other Constitution. Any sale or disposal by the Directors of a substantial portion of the Company's main undertaking or property shall be subject to the prior approval of shareholders in general meeting."*

Clause 107 – Approval of the Company required

"*The Directors shall not without the prior approval of the Company in general meeting:-*

107.1 *carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's undertaking or property;*

107.2 *exercise any power of the Company to issue shares unless otherwise permitted under the Act; or*

15. ADDITIONAL INFORMATION (CONT'D)

107.3 *subject to Section 228 of the Act, enter into any arrangement or transaction with a Director or a director of the holding company or a subsidiary of the Company, or with a person connected with such a Director to acquire from or dispose to such a Director or person any non-cash assets of the requisite value.*"

Clause 108 – Directors' borrowing powers

"108.1 *The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party PROVIDED ALWAYS that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.*

108.2 *The Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.*

108.3 *If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability."*

Clause 109 – Pensions

"The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to any Director or ex-Director who may hold or have held any executive office or any office of profit under the Company or any subsidiary company, and for the purpose of providing any such pensions or other benefits, to contribute to any scheme or fund or to pay premiums."

Clause 110 – Directors' power to appoint attorney of the Company

"The Directors may from time to time, and at any time, by power of attorney under the Seal, appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Directors to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (including the power to sub-delegate but not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as the Directors may from time to time think fit, and any such power of attorney may contain such provisions for the protection or convenience of persons dealing with any such attorney as the Directors think fit."

Clause 111 – Cheques, bills etc.

"All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipt for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors may from time to time determine by resolution."

Clause 112 – Right to hold other office under the Company

"A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director

15. ADDITIONAL INFORMATION (CONT'D)

shall be disqualified by his office from contracting with the Company with regard to his tenure of any such office or place of profit in any other respect nor shall any such contact, or any contract or arrangement entered into by or on behalf of any company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established PROVIDED ALWAYS that Sections 221 and 228 and all other relevant provisions of the Act and this Constitution are complied with."

Clause 113 – Right to payment for professional services

"Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company."

Clause 114 – As to the duty and liability of the Director

"A Director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain, directly or indirectly, an improper advantage for himself or for any other person or cause detriment to the Company."

Clause 115 – General duty to make disclosure

"Every Director shall give notice to the Company of such events and matters relating to himself as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act."

15.2.5 Proceedings of Directors

The provisions in our Company's Constitution in respect of the proceedings of Directors are as follows:

Clause 116 – Meetings of Directors

"The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Subject to these Constitution, questions arising at any meeting shall be determined by a majority of votes."

Clause 117 – Calling of meetings

"A Director may at any time summon a meeting of the Directors, and the Secretary, upon the request of the Chairman or any one (1) Director, shall convene a meeting of the Directors. Unless otherwise determined by the Directors, a seven (7) days' notice of all Directors' meetings shall be given to all Directors and their Alternate Directors, except in the case of an emergency, where reasonable notice of the meeting shall be sufficient."

Clause 118 – Irregularity in Notice

"An irregularity in the notice of a meeting is waived if all directors entitled to receive notice of the meeting attend the meeting without objection to the irregularity."

Clause 119 – Quorum

"The quorum necessary for the transaction of the business of the Directors shall be two (2) Directors for the time being of the Company. A meeting of the Directors at which a quorum is

15. ADDITIONAL INFORMATION (CONT'D)

present shall be competent to exercise all powers and discretion for the time being exercisable by the Directors.”

Clause 120 – Participation of Directors’ meeting by way of telephone and video conferencing

“Any Director may participate at a meeting of Directors by way of telephone and video conferencing or by means of other communication equipment whereby all persons participating in the meeting are able to hear each other and be heard for the entire duration of the meeting in which event such Director shall be deemed to be physically present at the meeting. A Director participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the Directors attending the meeting PROVIDED that at least one (1) of the Directors present at the meeting was at such place for the duration of that meeting. All information and documents must be made equally available to all participants prior to or at/during the meeting.”

Clause 121 – Election of Chairman

“The Directors may from time to time elect a Chairman and may elect one (1) or more Deputy Chairman from their number and the Directors may determine the period for which such officers shall respectively hold office. The Chairman or in the absence of the Chairman, the Deputy Chairman (if any) or in the event that there are more than one (1) Deputy Chairman, the senior in appointment amongst them, shall preside at the meeting of Directors. If such officers have not been appointed, or if no such officers are present within fifteen (15) minutes after the time appointed for holding of the meeting of the Directors, the Directors present shall choose one (1) of their number to be Chairman of the meeting.”

Clause 122 – Chairman has casting vote

“In case of equality of votes the Chairman shall have a second/casting vote except where only two (2) Directors are competent to vote on the question at issue, or two (2) directors form a quorum and only such a quorum is present at the meeting.”

Clause 123 – Declaration of Interest and restriction of voting

“A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company, shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he should do so, his vote should not be counted, but this prohibition shall not apply to:-

- (a) *any arrangement for giving any Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or*
- (b) *any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security.”*

Clause 124 – Directors retained from voting in interested transactions

“Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company.”

15. ADDITIONAL INFORMATION (CONT'D)Clause 125 – Directors appointed at a meeting to hold other office to be counted in the quorum

“A Director notwithstanding his interest may be counted in the quorum present at any meeting whereat, he or any other Director is to be appointed to hold any office or place of profit in the Company or whereat the Directors resolve to exercise any of the rights of the Company, (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit in any other company or whereat the terms of any such appointment or arrangements as hereinbefore mentioned are considered, as he may vote on any such matter other than in respect of the appointment of or arrangements with himself or the fixing of the terms thereof.”

Clause 126 – General notice of interest in corporation by Company

“A general notice given to the Board of Directors that a Director, alternate Director or CEO / MD / ED is a member of or interested in any specified firm or corporation with whom any contract is proposed to be entered into in relation to the affairs of the Company and is to be regarded as interested in all transactions with such firm or corporation shall be sufficient disclosure under this clause as regards such Director and the said transaction and after such general notice it shall not be necessary for such Director to give any special notice relating to any particular transaction with such firm or corporation.”

Clause 127 – Director’s interest in corporation promoted by Company

“A Director of the Company may be or become a Director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of or from his interest in such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the Directors or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in the manner aforesaid.”

15.2.6 Share capital and variation of rights

The provisions in our Constitution in respect of the share capital and variation of rights are as follows:

Clause 7 – Authority of Directors to allot shares

“Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of this Constitution and the Act and the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as the Directors may think fit but the Directors in making any issue of shares shall comply with the following conditions:-

- 7.1 *no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members in general meeting;*

15. ADDITIONAL INFORMATION (CONT'D)

- 7.2 *in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution or in the resolution creating the same;*
- 7.3 *every issue of shares or options to employees and/or Directors shall be approved by the Members in general meeting and:-*
- a) *Such approval shall specifically detail the amount of shares or options to be issued to such employees and/or Directors; and*
 - b) *A Director not holding office in an executive capacity may so participate in an issue of shares pursuant to a share option scheme;*
- 7.4 *in the case of shares offered to the public for subscription, the amount payable on application on each share shall not be less than five per centum (5%) of the issue price;*
- 7.5 *the Company must ensure that all new issue of shares for which listing is sought shall be made by way of crediting the Securities Accounts of the allottees or entitled persons in the Depository with such securities save and except where the Company is specifically exempted from doing so. The Company shall notify the Depository of the names of the allottees or the entitled persons together with all such particulars as may be required by the Depository to enable it to make the appropriate entries in the Securities Accounts of such allottees or entitled persons.*
- 7.6 *the Company must allot and issue Securities, dispatch notices of allotment to the allottees and make an application for the quotation of such securities within such periods as may be prescribed by the Exchange.”*

Clause 18 – Alteration of class rights

“Whenever the capital of the Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of this Constitution (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-quarters (3/4) of the issued shares capital of the class or group, or with the sanction of any Special Resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of this Constitution relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one (1) vote in respect of every share of the class or group held by them respectively. To every such special resolution, the provisions of Section 292 of the Act, shall, with such adaptations as are necessary, apply.”

Clause 51 – Increase of share capital

“The Company may from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution passed at the general meeting increase its share capital, such new capital to be of such amount and to be divided into shares of such rights to or be subject to such conditions or restriction in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs, and if no direction to be given, as the Directors shall determine and in particular, but without prejudice to the rights attached to any preference shares that may have been issued, such new shares may

15. ADDITIONAL INFORMATION (CONT'D)

be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a special or restricted or without any right of voting.”

Clause 52 – Issue of new shares to existing Members

“In accordance with paragraph 7.08 of the Listing Requirements, subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the directors may dispose of those shares or securities in such manner as they think most beneficial to the company. The directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the directors, be conveniently offered under this Constitution. For the avoidance of doubt, where the approval of Members is obtained in a general meeting for any issuance of shares or convertible securities, including approvals obtained under Sections 75 and 76 of the Act, such approval shall be deemed to be a direction to the contrary given in general meeting which will render the pre-emptive rights above inapplicable. In any case and in respect of any issuance of shares or convertible securities, the pre-emptive rights of Members are strictly as contained in the Constitution and accordingly, the provisions of Section 85 of the Act in respect of pre-emptive rights to new shares, shall not apply.”

Clause 53 – New Capital to be considered as part of the current share capital of the Company

“Except so far as otherwise provided by the conditions of issues, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transaction, forfeiture and otherwise as the original share capital and shall also be subject to the Rules.”

15.2.7 Alteration of capital

The provisions in our Constitution in respect of the alteration of capital are as follows:

Clause 54 – Alteration of capital

“Subject to the provisions of the Act and the Listing Requirements, the Company may by Ordinary Resolution:-

- (a) consolidate and divide all or any of its share capital, such that the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;*
- (b) convert all or any of its issued shares into stock and reconvert that stock into fully-paid shares;*
- (c) subdivide its shares or any of its shares, such that whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived. Any resolution whereby any share is subdivided may determine that, as between the Holders of shares resulting from such subdivision, one (1) or more of such shares may have such preferred or other special rights over, or may be given any*

15. ADDITIONAL INFORMATION (CONT'D)

preference or advantage as regards distributions, including dividends, return of capital voting or otherwise over the other or others of such shares;

- (d) *increase its share capital by such sum to be divided into shares of such amount as the resolution may prescribe; or*
- (e) *subject to the provisions of this Constitution and the Act, convert and/or reclassify any class of shares into another class of shares."*

15.2.8 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

The provisions in our Constitution in respect of rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights are as follows:

Clause 19 – Ranking of class rights

"The rights conferred upon the holders of the shares of any class with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari- passu therewith."

Clause 81.1 – Members' vote

"Subject to Clause 60 above and any rights or restrictions for the time being attached to any class or classes of shares, at meetings of Members or classes of Members, each Member shall be entitled to be present and to vote at any general meeting of the Company either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid."

Clause 81.2 – Number of votes

"Subject to any special rights or restrictions as to voting attached to any class or classes of shares by or in accordance with these Constitution, on a show of hands a holder of ordinary shares or preference shares who presents as a Member or a Member's representative or proxy or attorney and entitled to vote shall be entitled to one (1) vote on any question at any general meeting and in the case of a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for every share held by him. A person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses on a poll in the same way."

Clause 81.3 – Shares of different denominations

"Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right's exercisable."

Clause 82 – Votes of corporation

"Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative either at a particular meeting of the Company, or at all meetings of the Company or of any class of Members and the person so authorised shall, in accordance with his authority and until his authority is revoked by the corporation, be entitled to exercise the same powers subject to

15. ADDITIONAL INFORMATION (CONT'D)

Section 333 of the Act on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company.”

Clause 83.1 – Vote of Members of unsound mind

“Any Member being of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder “may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other legal guardian or such other person who has been properly appointed to manage his estate. Any one of such committee or other person may vote either by proxy or by attorney provided such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty-eight (48) hours before the time appointed for holding the meeting.”

Clause 83.2 – Vote of legal personal representatives of Members

“The legal personal representative of a deceased Member or the person entitled under Clause 46 to any share in consequence of the death or bankruptcy of any Member may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that forty-eight (48) hours at least before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Directors of his right to any share in consequence of the death or bankruptcy of any Member unless the Directors shall have previously admitted his right to vote in respect thereof.”

15.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date is fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

15.4 LIMITATION ON THE RIGHT TO OWN SECURITIES

Subject to Section 15.3 above, there is no limitation on the right to own our Shares, including any limitations on the right of non-resident or non-Malaysian shareholders to hold or exercise voting rights on our Shares, which is imposed by Malaysian law or by our Constitution.

15.5 EXCHANGE CONTROLS

Our Group has not established any other place of business outside Malaysia and is not subject to governmental laws, decrees, regulations and/or other requirements which may affect repatriation of capital and remittance of profit by or to our Group.

15. ADDITIONAL INFORMATION (CONT'D)

15.6 MATERIAL LITIGATION

Save as disclosed below, as at the LPD, our Group is not involved in any material litigation or arbitration, whether as plaintiff, defendant or third party, including those relating to bankruptcy, receivership or similar proceedings which may have a material adverse effect on the business or financial position of our Group, and our Directors confirm that there are no legal proceedings, pending or threatened against our Group, or of any fact likely to give rise to any legal proceeding which may materially and adversely affect our business or financial position:

15.6.1 SDC v Sedafiat Sdn Bhd (“Sedafiat”)

SDC had on 8 November 2022 initiated a legal action against Sedafiat seeking for the recovery of the outstanding sum of RM542,591.60, being the unpaid work done by SDC in respect of the Keningau Hospital Contract, along with the sum of RM24,082.15 being the late payment interests.

Incidental to the above, Sedafiat’s defence for the non-payment of the outstanding sum to SDC is premised on the basis that the purported arrears had been fully paid off up to date along with right to set-off based on the letter of award, to which SDC contests and denies the same.

Sedafiat had also initiated a counterclaim against SDC (“**Counterclaim**”) for the sum of RM72,895.69 along with the withdrawal of the registration of Sedafiat’s involvement as a defendant from CTOS Data Systems Sdn Bhd. In respect of the Counterclaim, Sedafiat submitted that, as a result of SDC’s alleged non-compliance towards the energy savings guarantee as provided in SDC’s earlier proposal, Sedafiat was made liable to pay MOH for the additional sum of RM72,895.69, being the increment utility cost for the electricity usage due to the alleged non-compliance by SDC, as such Sedafiat is alleging that it is entitled to claim the additional sum of RM72,895.69 from SDC.

The pre-trial case management was recently completed on 22 June 2023, and the Court had issued pre-trial directions to the proceedings, namely for the filing of the relevant cause papers prior to the scheduled trial dates. The tentative trial dates for this matter have been fixed on 26 to 28 March 2024. As at the LPD, based on the pleadings of the case, the counsel for SDC is of the professional opinion that SDC has a reasonable prospect of success.

15.7 CONSENTS

Our Principal Adviser, Sponsor, Underwriter, Placement Agent, Company Secretary, Due Diligence Solicitors, Internal Control Review Consultants, Share Registrar and Issuing House have given and have not subsequently withdrawn their written consents before the issuance of this Prospectus for the inclusion of their names and all references thereto in the form, manner and context in which they are included in this Prospectus.

Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consent before the issuance of this Prospectus for the inclusion of their name and all references thereto, the Accountants’ Report and the Reporting Accountants’ Report on the compilation of Pro Forma Combined Statement of Financial Position as at 30 September 2023, in the form, manner and context in which they are included in this Prospectus; and

Our IMR has given and has not subsequently withdrawn its written consent before the issuance of this Prospectus with the inclusion of its name and all references thereto and the IMR Report in the form, manner and context in which they are included in this Prospectus.

15. ADDITIONAL INFORMATION (CONT'D)

15.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Federal Territory of Kuala Lumpur, during office hours for a period of six months from the date of this Prospectus:

- (i) our Constitution;
- (ii) Reporting Accountants' Report referred to in Section 14 of this Prospectus;
- (iii) Reporting Accountants' Report on the Pro Forma Combined Statements of Financial Position as included in Section 13 of this Prospectus;
- (iv) the letters of consent referred to in Section 15.7 of this Prospectus;
- (v) material contracts referred to in Section 6.7 of this Prospectus;
- (vi) audited financial statements of our subsidiaries for the FY Under Review and FP 2023;
- (vii) IMR Report as included in Section 8 of this Prospectus; and
- (viii) the cause papers for the material litigation referred to in Section 15.6 of this Prospectus.

15.9 RESPONSIBILITY STATEMENTS

Our Directors and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Mercury Securities, being our Principal Adviser, Sponsor, Underwriter and Placement Agent in relation to our IPO, acknowledges that, based on all available information, and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., [●]

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., [●]

In the event of any changes to the date or time for closing, we will advertise the notice of the change in a widely circulated daily Bahasa Malaysia and English newspapers in Malaysia, and make an announcement on Bursa Securities' website.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATION**16.2.1 Retail Offering**

Applications must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and Category of Investors	Application Method
Applications by the Eligible Persons of our Group	Pink Application Form only
Applications by the Malaysian Public	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-individuals	White Application Form only

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.2.2 Institutional Offering

<u>Types of Application</u>	<u>Application Method</u>
Applications by:	
(a) Malaysian institutional and selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

Malaysian institutional and selected investors may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. **Invalid, nominee or third party CDS accounts will not be accepted** for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfil all of the following:

- (i) you must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or
 - (b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (ii) you must not be a director or employee of the Issuing House, or an immediate family member of a director or employee of the Issuing House; and
- (iii) you must submit Applications by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

16.3.3 Application by Eligible Persons

The Eligible Persons (including any entities, wherever established) will be provided with Pink Application Forms and letters from us detailing their respective allocation. The Eligible Persons must follow the notes and instructions in the said document and where relevant, in this Prospectus.

16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM[●] for each IPO Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. [●]**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
 Unit 32-01, Level 32, Tower A
 Vertical Business Suite
 Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur
 Wilayah Persekutuan

- (ii) **DELIVER BY HAND AND DEPOSIT** in the Issuing House’s drop-in boxes provided at the following address:

Tricor Customer Service Centre
 Unit G-3, Ground Floor
 Vertical Podium
 Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur
 Wilayah Persekutuan

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

so as to arrive not later than 5.00 p.m. on [●] or by such other time and date specified in any change to the date or time for closing.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

16.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/ partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House, at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER/ UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the issuing house to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the issuing house's website at <https://tiih.online> within one Market day after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 4.3.1 of the Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL/ PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/ partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

16.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/ distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/ registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House, as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House, by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/ offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. +603 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of our IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, within 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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