

12. FINANCIAL INFORMATION (Cont'd)

Atlantic Ecocity Sdn Bhd which was disposed off in FYE 31 March 2018.

Comparison between 31 March 2017 and 31 March 2018

Total assets further increased by RM8.3 million from RM29.0 million in FYE 31 March 2017 to RM37.3 million in FYE 31 March 2018 resulting from an increase in non-current assets by RM2.4 million and current assets by RM5.9 million.

The increase in non-current assets was mainly due to increase in property, plant and equipment largely from the purchase of machinery of RM1.5 million for our LSSPV projects, backup inverters of RM0.4 million for our operations and maintenance segment and motor vehicles of RM0.8 million.

The increase in current assets of RM5.9 million was mainly due to higher contract assets arising from the timing differences between revenue recognised and certified progress claims for our EPCC projects.

Comparison between 31 March 2018 and 31 March 2019

Total assets further increased by RM50.9 million from RM37.3 million in FYE 31 March 2018 to RM88.2 million in FYE 31 March 2019 resulting from an increase in non-current assets by RM3.1 million and current assets by RM47.8 million.

The increase in non-current assets of RM3.1 million was mainly due to the increase in trade receivables of RM1.4 million resulting from higher retention sum as we undertake more LSSPV projects during the financial year. Intangible assets also increased by RM0.6 million as we capitalised our enterprise resource planning software from prepayment.

The increase in current assets of RM47.8 million was mainly due to increase in trade receivables of RM11.5 million, cash and bank balances and fixed deposits with financial institutions of RM18.9 million, contract assets of RM8.3 million and other receivables of RM7.9 million, mainly attributable to larger and higher number of LSSPV and commercial and industrial projects secured and completed in FYE 31 March 2019. Other than our business expansion, Lim Chin Siu, Tan Chyi Boon and Datuk Seri Chiau Beng Teik also advanced RM7.2 million to our Group which have been capitalised into RPS.

12. FINANCIAL INFORMATION (Cont'd)**(ii) Liabilities**

	Audited			
	31 March 2016	31 March 2017	31 March 2018	31 March 2019
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities	9,492	8,753	8,345	12,225
Current liabilities	8,831	7,927	8,385	44,251
Liabilities classified as held for sale	-	1	-	-
Total liabilities	18,323	16,681	16,730	56,476

Comparison between 31 March 2016 and 31 March 2017

Total liabilities decreased by RM1.6 million from RM18.3 million in FYE 31 March 2016 to RM16.7 million in FYE 31 March 2017 mainly due to decrease in contract liabilities by RM1.0 million arising from timing differences when our progress billing exceeds revenue recognised by stage of completion.

Comparison between 31 March 2017 and 31 March 2018

Total liabilities remained at RM16.7 million in both FYE 31 March 2017 and FYE 31 March 2018. There was an increase in our trade payables of RM1.0 million as a result of higher trade payable turnover days, increase in other payables of RM1.0 million mainly from the provision for onerous contracts and accruals of bonus and salaries and increase in finance lease liabilities of RM0.7 million for new motor vehicles. Such increases were offset by a decrease in contract liabilities by RM1.9 million during the financial year.

Comparison between 31 March 2018 and 31 March 2019

Our total liabilities increased by RM39.8 million from RM16.7 million in FYE 31 March 2018 to RM56.5 million in FYE 31 March 2019, as a result of higher current liabilities mainly due to the following:

- (a) Increase in trade payables by RM22.6 million which consists of subcontractors and suppliers, in line with more and larger EPCC projects undertaken. Some of our suppliers offered longer credit term due to larger purchases;
- (b) Increase in our contract liabilities by RM7.2 million mainly due to three projects from Asia Meranti Group whereby we billed and collected advance payment of RM5.7 million in accordance with our billing milestone in EPCC contract; and
- (c) Increase in short term borrowings by RM5.2 million as additional trade facilities were utilised to finance LSSPV projects located in Gambang and Kuala Ketil.

In addition, our non-current liabilities also increased by RM3.9 million mainly due to the recognition of RPS amounting to RM4.6 million. Such increase was offset by a decrease in bank borrowings by RM1.1 million during the financial year.

12. FINANCIAL INFORMATION (Cont'd)**12.2.4 Review of cash flows**

The following table sets out the summary of the combined statements of cash flows for FYE 31 March 2016 to 2019, which have been extracted from the Accountants' Report set out in Section 13 and should be read in conjunction thereto:

	Audited			
	FYE 31 March 2016 RM'000	FYE 31 March 2017 RM'000	FYE 31 March 2018 RM'000	FYE 31 March 2019 RM'000
Net cash (used in)/from operating activities	(6,125)	7,755	2,577	10,199
Net cash used in investing activities	(2,394)	(2,498)	(2,502)	(1,964)
Net cash from/(used in) financing activities	7,875	(1,657)	(1,532)	2,507
Net (decrease)/ increase in cash and cash equivalents	(644)	3,600	(1,457)	10,742
Cash and cash equivalents at beginning of the financial year	613	(31)	3,569	2,112
Cash and cash equivalents at end of the financial year	(31)	3,569	2,112	12,854
Cash and cash equivalents at end of the financial year comprise:				
Cash and bank balances	672	3,900	2,876	14,191
Fixed deposits with licensed bank	533	598	661	8,235
	1,205	4,498	3,537	22,426
Less: Fixed deposits pledged	(533)	(598)	(661)	(8,235)
Less: Sinking fund account	-	-	-	(1,337)
Less: Bank overdrafts	(703)	(331)	(764)	-
	(31)	3,569	2,112	12,854

Cash flows from operating activities mainly consist of cash collected from our clients and payment to our suppliers, payment for day-to-day operational expenses, finance costs and tax. Generally, net cash inflow is due to the collection from clients exceeding payment to suppliers and other expenses, and vice versa.

Cash flows from investing activities mainly consist of cash paid to purchase our property, plant and equipment and other assets. We have incurred cash outflow throughout the years as we have been purchasing new property, plant and equipment every year.

Cash flows from financing activities mainly consist of drawdown of facilities from financiers, advances from Directors and the consequent repayment of facilities and advances. Generally, net cash inflow is due to drawdown of facilities and advances from Directors exceeding repayments, and vice versa.

12. FINANCIAL INFORMATION (Cont'd)**FYE 31 March 2016****Net cash from operating activities**

In FYE 31 March 2016, our net cash used in operating activities amounted to RM6.1 million. Our payments of RM35.8 million were offset by our collection of RM29.7 million. Such payments were mainly for:

- (i) trade suppliers and subcontractors of RM31.7 million;
- (ii) staff and directors' remuneration of RM2.6 million;
- (iii) interest of RM0.5 million; and
- (iv) income tax of RM1.0 million.

Prior to FYE 31 March 2016, most of our EPCC services are for residential segment. There was an increase in revenue from commercial and industrial segment in FYE 31 March 2016. The contract value for commercial and industrial clients are generally larger with longer credit term than residential clients. This led to an increase in our trade receivables FYE 31 March 2016.

During FYE 31 March 2015, we received advance payment of approximately RM3.5 million from a client to undertake EPCC services for his solar PV plant. This led to an increase in our other payables as at 31 March 2015. The EPCC services were subsequently carried out in FYE 31 March 2016.

The reasons above have led to a net cash outflow from our operating activities.

Net cash for investing activities

In FYE 31 March 2016, the net cash outflow from investing activities amounted to RM2.4 million, mainly attributable to the purchase of a property located in Penang of RM1.6 million, renovation cost of RM0.3 million for our offices in Alor Setar, Penang and Petaling Jaya and purchase of motor vehicles of RM0.4 million. The purchase of the property, plant and equipment was to support our business operations.

Net cash for financing activities

In FYE 31 March 2016, the net cash inflow from financing activities amounted to RM7.9 million, mainly attributable to net drawdown of term loans amounting to RM7.0 million from Alliance Bank Malaysia Berhad and OCBC Bank (Malaysia) Berhad, proceeds from the increase of equity of RM0.6 million and net advances from directors of RM0.3 million. The term loans were used to:

- (i) partly finance the construction of our solar PV farm at Pokok Sena, Kedah;
- (ii) partly finance the purchase of our Penang property which is used as our Penang office; and
- (iii) finance the life insurance premium for our Directors, Lim Chin Siu and Tan Chyi Boon.

12. FINANCIAL INFORMATION (Cont'd)**FYE 31 March 2017****Net cash from operating activities**

In FYE 31 March 2017, our net cash generated from operating activities amounted to RM7.8 million. Our collection of RM39.4 million was offset by payments of RM31.6 million. Such payments were mainly for:

- (i) trade suppliers and subcontractors of RM27.0 million;
- (ii) staff and directors' remuneration of RM3.3 million;
- (iii) interest of RM0.6 million; and
- (iv) income tax of RM0.7 million.

Net cash for investing activities

In FYE 31 March 2017, the net cash outflow from investing activities amounted to RM2.5 million, mainly attributable to renovation cost of RM0.6 million for our offices in Alor Setar and Penang, purchases of furniture and fittings and motor vehicles of RM0.2 million and RM0.6 million respectively. We also purchased an investment property of RM0.9 million (via our previous subsidiary, Atlantic Ecocity Sdn Bhd) for investment purposes during the financial year.

Net cash for financing activities

In FYE 31 March 2017, the net cash outflow from financing activities amounted to RM1.7 million. This was mainly due to net repayment of term loans amounting to Alliance Bank Malaysia Berhad and OCBC Bank (Malaysia) Berhad of RM0.9 million, repayment of advances from directors of RM0.4 million, dividend payout of RM0.3 million and repayment of finance lease liability of RM0.2 million.

Net cash used in financing activities was partially offset by the net drawdown of bankers acceptance of RM0.2 million.

FYE 31 March 2018**Net cash from operating activities**

In FYE 31 March 2018, our net cash generated from operating activities amounted to RM2.6 million. Our collection of RM39.1 million was offset by payments of RM36.5 million. Such payments were mainly for:

- (i) trade suppliers and subcontractors of RM28.6 million;
- (ii) staff and directors' remuneration of RM5.2 million;
- (iii) interest paid of RM0.6 million; and
- (iv) income tax of RM2.1 million.

Our operating cash flows reduced to RM2.6 million mainly due to several projects where we have incurred costs to complete the work but such progress have yet to be certified by our clients or their engineers/architects and as such, we have yet to collect our progress billings from clients as at the financial year end. These outstanding billings include projects from

12. FINANCIAL INFORMATION (Cont'd)

Pensolar Sdn Bhd (RM1.7 million), TH Mestika Sdn Bhd (RM1.7 million) and Dialog Murni Sdn Bhd (RM2.1 million).

Net cash for investing activities

In FYE 31 March 2018, the net cash outflow from investing activities amounted to RM2.5 million which was mainly attributable to the acquisition of machinery of RM1.5 million, back-up inverters of RM0.4 million and motor vehicles of RM0.6 million which are being used for our business operations.

Net cash for financing activities

In FYE 31 March 2018, the net cash outflow from financing activities amounted to RM1.5 million. This was mainly due to the repayment of term loan amounting to Alliance Bank Malaysia Berhad and OCBC Bank (Malaysia) Berhad of RM1.0 million, repayment of finance lease of RM0.3 million and net repayment of advances from directors of RM0.5 million which was offset by drawdown of bankers acceptance of RM0.3 million.

FYE 31 March 2019**Net cash from operating activities**

In FYE 31 March 2019, our net cash generated from operating activities amounted to RM10.2 million. Our collection of RM90.3 million was offset by payments of RM80.1 million. Such payments were mainly for:

- (i) trade suppliers and subcontractors of RM67.0 million;
- (ii) staff and directors' remuneration of RM10.3 million;
- (iii) interest paid of RM1.0 million; and
- (iv) income tax of RM1.8 million.

Our operating cash flow increased to RM10.2 million mainly due to higher operating profit recognised during the financial year as well as better working capital management strategy to match the timing of payments to our trade creditors with the collections from our clients.

Net cash for investing activities

In FYE 31 March 2019, the net cash outflow from investing activities amounted to RM2.0 million was mainly attributable to the purchase of machinery of RM0.7 million, containers of RM0.3 million and motor vehicles of RM0.9 million. In addition, we made additional payment for the enterprise resource planning software amounting to RM0.4 million. These purchases of machinery and the software are being used for our business operations.

Net cash for financing activities

In FYE 31 March 2019, the net cash inflow from financing activities amounted to RM2.5 million, mainly attributable to advances from directors of RM7.2 million and net drawdown of local bill purchase from OCBC Bank (Malaysia) Berhad of RM6.6 million.

12. FINANCIAL INFORMATION (Cont'd)

Net cash from financing activities was partially offset by an increase in fixed deposits pledged to OCBC Bank (Malaysia) Berhad, United Overseas Bank (Malaysia) Bhd, Public Bank Berhad and Ambank Islamic Berhad of RM7.6 million, placement of sinking fund for banking facilities of RM1.3 million to OCBC Bank (Malaysia) Berhad, repayment of term loans to Alliance Bank Malaysia Berhad and OCBC Bank (Malaysia) Berhad amounting to RM1.0 million, repayment of bankers acceptance to Alliance Bank Malaysia Berhad of RM0.7 million and repayment of finance lease of RM0.6 million.

12.3 LIQUIDITY AND CAPITAL RESOURCES**12.3.1 Working capital**

We typically finance our operations with cash generated from operations and credit extended by our vendors, subcontractors and/or financial institutions. Our facilities from financial institutions comprise term loans, overdrafts, bank guarantees, bankers acceptance, invoice financing, local bill purchase as well as finance lease liabilities. In FYE 31 March 2019, our directors have also provided advances of RM7.2 million to our Group, which were subsequently capitalised into RPS on 13 February 2019.

Most of the advances were pledged as securities to financial institutions and used to projects. We have utilised RM6.5 million (90.3% of the advances) as follows:

Utilisation	RM'000
Pledged as fixed deposits to OCBC Bank (Malaysia) Berhad for project financing facilities for our LSSPV project	3,000
Pledged as fixed deposits to United Overseas Bank (Malaysia) Berhad for substitute bond in favour of Energy Commission for our floating LSSPV project ⁽¹⁾	2,500
Pledged as fixed deposits to Public Bank Berhad for issuance of tender bond to BGMC Bras Power Sdn Bhd for a proposed LSSPV project ⁽²⁾	500
Tender deposit to Idiwan Solar Sdn Bhd for a proposed LSSPV project ⁽³⁾	500
	<u>6,500</u>

Note:

- (1) We have successfully discharged the substitute bond on 23 April 2019
- (2) We were not successful in the tender and we have subsequently discharged the fixed deposits from Public Bank Berhad
- (3) We were not successful in the tender and Idiwan Solar Sdn Bhd has subsequently returned tender deposit to us

The balance RM0.7 million (9.7% of the advances) was set aside to tender for future LSSPV projects or to be used as performance deposit for certain commercial and industrial projects.

As shown in the table above, RM3.0 million (41.7% of the advances) were used as securities to secure project financing for our LSSPV projects while RM3.5 million (48.6% of the advances) were used for tender deposits/bond for our LSSPV projects. The opportunity to tender for the LSSPV projects arose and our directors granted the advances so that we will not miss out on the opportunities.

12. FINANCIAL INFORMATION (Cont'd)

We are actively tendering for future projects which period typically last not more than 24 months. Generally, the tender deposits are placed for up to 4 months, however we will not incur any additional costs until the commencement of project. Upon the tender award and subsequent commencement of the project, we will bill and collect our fees based on the stage of completion as set out in our EPCC contracts, which will generate sufficient cash flows for our operations. Due to the nature of our EPCC business, our billings and collections are dependent on the progress of our projects and could be lumpy at certain times. As such, our operating cash flows will fluctuate according to the progress of our projects. Any unexpected delays in the progress of our projects will negatively affect our operating cash flows. Nonetheless, we have generated positive operating cash flows for FYE 31 March 2017, 2018 and 2019. Although our operating cash flows for FYE 31 March 2016 was negative, we have obtained sufficient banking facilities which was available for drawdown for our working capital requirements, if required.

As at 31 March 2019, we have:

- (i) Cash and bank balances and fixed deposits with financial institutions of RM22.4 million; and
- (ii) RM50.6 million in total banking facilities (excluding finance lease financing), of which RM13.5 million have been utilised. There is still RM37.1 million which have not been utilised and is available for drawdown, if required.

After taking into consideration:

- (i) our existing cash and bank balances;
- (ii) unutilised banking facilities;
- (iii) cash flow generated from operations;
- (iv) proceeds from the Public Issue; and
- (v) pro forma gearing ratio of 0.2 times based on our pro forma consolidated statements of financial position as at 31 March 2019 after Public Issue and utilisation of proceeds,

our Board is confident that we have sufficient working capital for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus.

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12. FINANCIAL INFORMATION (Cont'd)**12.4 BORROWINGS**

We utilise credit facilities such as overdrafts, bankers acceptance, invoice financing, local bill purchase and term loans to partially finance our working capital. We also utilise term loans and hire purchase to finance the purchase of our property, plant and equipment. All these facilities are interest bearing and denominated in RM. In addition, Atlantic Blue had issued RPS which is non-interest bearing in nature, please refer to Section 6.3.1.

Our total outstanding bank borrowings and finance lease as at 31 March 2019 stood at RM15.2 million, details of which are set out below.

	Purpose	Security	Tenure	Interest rate	As at 31 March
				%	2019
RM'000					
Short term (due within a year)					
Trade facilities (consists of bankers acceptance, local bill purchase and invoice financing)	Working capital				
	(a)	Joint and several guarantee by Lim Chin Siu, Tan Chyi Boon, Chong Chun Siong, Chiau Haw Choon, Datuk Seri Chiau Beng Teik and AB Holdings ⁽³⁾	Ranging from 90 to 120 days	5.8 - 7.5	6,584
	(b)	Charge over certain fixed deposits of Atlantic Blue			
	(c)	Charge over designated collections account and sinking fund account			
	(d)	Fixed charge over specific invoice of trade receivables			
	(e)	Life insurance policies for Lim Chin Siu and Tan Chyi Boon ⁽³⁾			
Term loans	Purchase of properties and financing of solar PV plant in Pokok Sena	(a) Charge over certain properties of Atlantic Blue (b) Joint and several guarantee by Lim Chin Siu, Tan Chyi Boon and Tan Paw Boon ⁽³⁾ (c) Debiture over certain assets of Atlantic Blue (d) Charge over certain fixed deposits of Atlantic Blue (e) Credit guarantee by Credit Guarantee Corporation Malaysia Berhad (f) 3 rd party charge over property of Tan Chyi Boon and his parents ⁽³⁾ (g) Life insurance policies for Lim Chin Siu and Tan Chyi Boon ⁽³⁾	Ranging from 60 to 180 months from drawdown date	4.7 - 8.4	1,109

12. FINANCIAL INFORMATION (Cont'd)

Purpose	Security	Tenure	Interest rate	As at 31 March 2019
			%	RM'000
Finance lease of motor vehicles	Motor vehicles under the finance lease	Ranging from 36 to 60 months from drawdown date	2.4 – 4.0	611
Long term (due after 1 year)				
Term loans	(a) Charge over certain properties of Atlantic Blue (b) Joint and several guarantee by Lim Chin Siu, Tan Chyi Boon and Tan Paw Boon ⁽³⁾ (c) Debenture over certain assets of Atlantic Blue (d) Charge over certain fixed deposits of Atlantic Blue (e) Credit guarantee by Credit Guarantee Corporation Malaysia Berhad (f) 3 rd party charge over property of Tan Chyi Boon and his parents ⁽³⁾ (g) Life insurance policies for Lim Chin Siu and Tan Chyi Boon ⁽³⁾	Ranging from 60 to 180 months from drawdown date	4.7 - 8.4	5,798
Finance lease of motor vehicles	Motor vehicles under the finance lease	Ranging from 36 to 60 months from drawdown date	2.4 – 4.0	1,096
				6,894
				15,198

GearingAfter Acquisition but before our Public Issue ⁽¹⁾After Public Issue and utilisation of proceeds ⁽²⁾

0.6 times

0.2 times

12. FINANCIAL INFORMATION (Cont'd)

Notes:

- (1) Computed based on our pro forma total equity of RM31.7 million in the pro forma consolidated statements of financial position after Acquisition but before Public Issue and utilisation of proceeds
- (2) Computed based on our pro forma total equity of RM63.8 million in the pro forma consolidated statements of financial position after Acquisition, Public Issue and utilisation of proceeds which includes repayment of bank borrowings of RM5.0 million
- (3) To be discharged upon Listing. Please refer to Section 10.1.2 (ii) for further details

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout FYE 31 March 2016 to 2019 and up to LPD.

As at LPD, neither our Company nor any of our subsidiaries is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

Over FYE 31 March 2016 to 2019 and up to LPD, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

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12. FINANCIAL INFORMATION (Cont'd)**12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES**

Save as disclosed in Section 12.4 above, we do not have or utilise any other financial instruments or have any other treasury policies. All our financial instruments are used for the purchase of property, plant and machinery and conduct of our business in the solar PV industry. As at 31 March 2019, save for our finance lease liabilities and trade facilities which are based on fixed rates, all our other credit facilities with licensed financial institutions are based on base lending rate plus or minus a rate which varies depending on the type of facility.

12.6 MATERIAL CAPITAL COMMITMENTS

As at LPD, we do not have any material commitments.

12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there is no proceeding pending or threatened or any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at LPD.

As at LPD, save as disclosed below, our Directors confirm that there are no contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect our Group's business, financial results or position:

	RM'000
Performance guarantee to Pembinaan Yuen Seng Sdn Bhd in relation to design, supply, installation, testing, commissioning and maintenance of electrical and telephone services ⁽¹⁾	418
	418

Note:

⁽¹⁾ Being one-off project management for Pembinaan Yuen Seng Sdn Bhd with a contract value of RM8.3 million. We will appoint subcontractors to fully undertake the works

There is no other arrangement/substitute bond given which is not a norm in the industry. Further, our Directors confirm that all the above guarantees/bonds are given in the ordinary course of our business.

We will not provide any bond or guarantee on behalf of our clients which is in compliance with the Listing Requirements.

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12. FINANCIAL INFORMATION (Cont'd)**12.8 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for FYE 31 March 2016 to 2019 are as follows:

	Audited			
	FYE 31 March 2016	FYE 31 March 2017	FYE 31 March 2018	FYE 31 March 2019
Trade receivables turnover				
• based on revenue (days) ⁽¹⁾	66	75	83	71
• based on progress billing (days) ⁽²⁾	53	64	54	31
Trade payables turnover (days) ⁽³⁾	29	22	31	54
Inventory turnover (days) ⁽⁴⁾	18	20	19	7
Current ratio (times) ⁽⁵⁾	1.4	2.0	2.6	1.6
Gearing ratio (times) ⁽⁶⁾	1.9	0.8	0.5	0.6

Notes:

- (1) Computed based on average trade receivables (excluding retention sum) and adjusted to include contract assets as at year end over revenue for the year multiplied by 365 days for each financial year. Contract assets are included as part of trade receivables as we have recognised revenue associated with it
- (2) Computed based on average trade receivables (excluding retention sum) as at year end over progress billing issued during the financial year multiplied by 365 days for each financial year
- (3) Computed based on average trade payables (excluding retention sum) as at year end over cost of sales for the year multiplied by 365 days for each financial year
- (4) Computed based on average inventory as at year end over cost of sales for the year multiplied by 365 days for each financial year
- (5) Computed based on current assets over current liabilities as at each year end
- (6) Computed based on total borrowings (inclusive of RPS) over total equity attributable to owners of the Company as at each year end

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12. FINANCIAL INFORMATION (Cont'd)**12.8.1 Trade receivables turnover**

We generally recognise our EPCC services' revenue ahead of progress billings as our revenue recognition is on percentage of completion calculated based on cost incurred whereas our progress billings to clients are only issued after clients'/engineers'/architects' certification of work done. For residential and smaller scale commercial and industrial projects, we are however, able to issue progress billings ahead of work done/revenue recognition.

Based on the above, our trade receivables turnover is calculated with reference to revenue as well as progress billings:

- (i) The trade receivables turnover days calculated based on revenue measure the average time taken for us to collect payment from our clients after revenue recognition; and
- (ii) The trade receivables turnover days based on progress billings measure the average time taken for us to collect payment from our clients after progress billing as our credit period commences from the date of our progress billing.

The increase in the trade receivables turnover days calculated based on revenue from 66 days in FYE 31 March 2016 to 71 days in FYE 31 March 2019 was mainly due to larger and more LSSPV projects undertaken which required longer certification time by clients/engineers/architects prior to billing and longer loan disbursement time by the financial institutions, collectively this lengthen the period for us to collect our payment after revenue recognition.

The following analysis of our trade receivables and commentaries on trade receivable collection are analysed from trade receivables turnover days calculated based on progress billing as our credit period commences from the date of our progress billing.

The ageing analysis of our trade receivables as at 31 March 2019 is as follows:

	Trade receivables as at 31 March 2019		Amount collected from 1 April 2019 up to LPD	Balance of trade receivables which have yet to be collected as at LPD
	RM'000	Percentage of trade receivables (a)/total of (a)	RM'000	RM'000
	(a)	(a)	(b)	(c) = (a)-(b)
Within credit period	7,662	42.6	4,113	3,549
Past due but not impaired:				
• 1 to 30 days	1,940	10.8	1,574	366
• 31 to 60 days	1,631	9.1	1,339	292
• More than 60 days	2,756	15.3	568	2,188
	6,327	35.2	3,481	2,846
Retention sum	3,998	22.2	-	3,998
Total	17,987	100.0	7,594	10,393

12. FINANCIAL INFORMATION (Cont'd)

The normal credit period granted by our Group to our clients is 30 days from the date of invoice (progress billing).

Our trade receivables turnover days based on progress billing issued for FYE 31 March 2016 to FYE 31 March 2019 were between 31 to 64 days. Our overall turnover days were longer than the normal credit period granted as collection from clients depends on (i) the loan disbursement by their financial institution; and (ii) payment from the project owner to the EPCC contractor when we are the EPCC sub contractor for certain projects. The reason above is mainly applicable to both commercial and industrial and LSSPV projects.

Nonetheless, we opt not to extend our credit period in our contracts to reflect the actual practice as clients may take even longer time to pay if longer payment terms are granted.

While our overall trade receivables turnover days may exceed the normal credit period granted to our clients, our Group has not encountered any major disputes with our debtors.

The increase in trade receivable turnover days to 64 days in FYE 31 March 2017 was mainly due to delay in the loan release from one of our commercial and industrial clients, PSJ Transport Sdn Bhd. The amount due from PSJ Transport Sdn Bhd is RM2.5 million (43.1% of our total trade receivables as at 31 March 2017).

As we ventured into EPCC projects with larger contract value, our management has taken more active measure to monitor the collection from our clients to ensure our collections are within a reasonable time frame. As such, our trade receivable turnover days has subsequently reduced to 54 days in FYE 31 March 2018 and 31 days in FYE 31 March 2019.

The trade receivables balance as at 31 March 2019 mainly consists of balances from LSSPV projects such as ET Energy (Malaysia) Sdn Bhd (RM3.4 million), TH Mestika Sdn Bhd (RM1.6 million), CEEC Tianjin Electric Power (M) Sdn Bhd (RM1.6 million), Asia Meranti Group (RM1.2 million) and Pensolar Sdn Bhd (RM1.1 million) and balances from commercial and industrial clients such as Supreme Rice Mill Sdn Bhd (RM1.1 million), Tong Heer Fasteners Co. Sdn Bhd (RM1.5 million) and Ban Chuan Seng Rice & Oil Mills Sdn Bhd (RM1.3 million).

With respect to overdue debts, we have collected RM3.5 million (or 55.0% of the overdue outstanding amount) as at LPD. The outstanding trade receivables after the amount collected as at LPD are mainly from clients whose projects are on-going. As such, our Board was of view that the overdue trade receivables as at 31 March 2019 are recoverable. Our management closely monitors the recoverability of our overdue trade receivables on a regular basis, and, when appropriate, provides for impairment of these trade receivables.

Our total net trade receivables past due as at 31 March 2019 is RM6.3 million, representing 35.2% of our total net trade receivables. Subsequent to 31 March 2019 and up to LPD, we collected RM7.6 million, representing 42.2% of the net trade receivables as at 31 March 2019, of which RM3.5 million were relating to trade receivable past due as at 31 March 2019.

The balance trade receivables that are more than 60 days as at LPD of RM2.2 million is mainly due from TH Mestika Sdn Bhd where it required longer internal processing time to verify the final claim before making payment.

12. FINANCIAL INFORMATION (Cont'd)

Generally, we will review the impairment of overdue trade receivables that are more than 180 days. We will also assess the adequacy of impairment loss allowance on overall trade receivables balance at every reporting period based on historical collection experience. Our net impairment loss on trade receivables for the financial years under review are as follows:

	Audited			
	FYE 31	FYE 31	FYE 31	FYE 31
	March 2016	March 2017	March	March
	RM'000	RM'000	2018	2019
	RM'000	RM'000	RM'000	RM'000
Impairment loss on trade receivables	10	171	132	612

Comparison between FYE 31 March 2016 and FYE 31 March 2017

The entire impairment loss on trade receivables in FYE 31 March 2016 consists of general provision on overall trade receivables.

Impairment loss on trade receivables increased by RM0.2 million in FYE 31 March 2017 mainly arising from 1 residential client and 2 commercial and industrial clients. Subsequently, these amounts were written off.

General provision on overall trade receivables for FYE 31 March 2017 was approximately RM0.02 million.

Comparison between FYE 31 March 2017 and FYE 31 March 2018

Impairment loss on trade receivables in FYE 31 March 2018 consists of 3 residential clients and 1 commercial and industrial client.

General provision on overall trade receivables for FYE 31 March 2018 are approximately RM0.02 million.

Comparison between FYE 31 March 2018 and FYE 31 March 2019

Impairment loss on trade receivables increased by RM0.5 million in FYE 31 March 2019 mainly arising from 4 commercial and industrial clients, which have been overdue for more than 210 days.

12.8.2 Trade payables turnover

The ageing analysis of our trade payables as at 31 March 2019 is as follows:

12. FINANCIAL INFORMATION (Cont'd)

	Trade payables as at 31 March 2019		Amount paid from 1 April 2019 up to LPD	Balance of trade payables which have yet to be paid as at LPD
	RM'000	Percentage of trade payables (a)/total of (a)	RM'000	RM'000
	(a)	(a)	(b)	(c) = (a)-(b)
Within credit period	12,047	46.4	9,958	2,089
Exceeding credit period:				
• 1 to 30 days	2,539	9.8	2,288	251
• 31 to 60 days	6,010	23.1	3,906	2,104
• More than 60 days	3,175	12.2	2,334	841
	11,724	45.1	8,528	3,196
Retention sum	2,206	8.5	-	2,206
Total	25,977	100.0	18,486	7,491

Trade payables are recognised at their original invoice amounts which represent their fair value on initial recognition. The normal credit terms granted by our suppliers for commercial and industrial segments ranges from 30 to 60 days while LSSPV segments ranges from 30 to 90 days from the date of invoice.

Our trade payables turnover days were between 22 to 54 days for the financial years under review, which were within the credit period given by our suppliers. The trade payables turnover days were shorter than credit term granted to us as our major PV modules suppliers for both commercial and industrial and LSSPV segments, such as Jinko Solar Co. Ltd and Hanwha Q Cells (Qidong) Co., Ltd required upfront deposit payment of 10% before delivering of goods and to settle the outstanding amount upon delivery of goods. We were also required to make advance payments to certain of our subcontractors for LSSPV segment prior to commencement of work. This has resulted in our overall trade payable turnover days to be lower than the normal credit terms granted by our suppliers.

Our trade payables turnover days has increased to 31 days for FYE 31 March 2018 and 54 days for FYE 31 March 2019 as we ventured into more and larger LSSPV projects. Such LSSPV projects generally have larger contract value, have longer contract period and require more certification works than our residential, commercial and industrial projects. Hence, we required higher trade facilities from the financial institutions.

Our Group has yet to make payment for trade payables exceeding credit period of RM11.7 million as at 31 March 2019 mainly due to our working capital management strategy to match the timing of payments to our trade creditors with the collections from our clients. Utilisation of credit term granted by suppliers helps to reduce the utilisation of our trade facilities and finance costs. Prior to our venture into LSSPV projects, our strategy was to minimise the utilisation of trade facilities by financing through our internally generated funds. Moving forward, we will negotiate for longer and better credit term from suppliers for commercial and industrial and LSSPV segments (to reduce the quantum or requirement for deposits and advance payment) to match against our collection term. Any shortfall of working capital will be finance via trade facilities.

The outstanding trade payables that are more than 60 days after amount paid up to LPD of RM0.8 million mainly consist of amount due to Falcon Piling (Malaysia) Sdn Bhd, Promount Engineering Sdn Bhd and HNM Builders, our subcontractor for various LSSPV projects, as we require more time to check and verify the progress claims received and work done by the subcontractors before we process their payments.

12. FINANCIAL INFORMATION (Cont'd)

As at LPD, we have paid RM18.5 million, representing 71.2% of our total past due trade payables as at 31 March 2019. There are also no disputes in respect of trade payables and no legal action has been initiated by our suppliers to demand for payment.

12.8.3 Inventories

Our Group's inventories mainly consist of solar PV materials to be used for installation as well as replacement spare parts. Our inventories are kept to a minimum as high value inventories such as solar PV modules are purchased based on expected orders from our clients. Generally, our inventories account for not more than 10% of our total current assets. Our inventory turnover days were within 7 to 20 days for FYE 31 March 2016 to 2019.

The ageing analysis of our inventories as at 31 March 2019 is as follows:

	Audited
	RM'000
<u>Purchased materials</u>	
Less than 12 months	1,406
More than 12 months	624
	<u>2,030</u>

We assess whether inventories should be impaired by identifying damaged, obsolete and slow moving inventories during periodic stock count. Damaged inventories will be written off while obsolete and slow moving inventories will be written down to their net realisable value.

Purchased materials which are more than 12 months mainly consists of electrical components, inverters and mounting structure which are still usable for our existing and future projects in any segment. None of the purchased materials are for any specific project. As such, our Board was of the view that the purchased materials are still compatible for our on-going projects, have a low risk of becoming obsolete and no impairment on inventories was necessary for FYE 31 March 2019.

12.8.4 Current ratio

Our current ratio throughout the financial years under review is as follows:

	Audited			
	31 March	31 March	31 March	31 March
	2016	2017	2018	2019
	RM'000	RM'000	RM'000	RM'000
Current assets	12,149	15,484	21,385	69,155
Current liabilities	8,831	7,928	8,385	44,251
Net current assets	3,318	7,556	13,000	24,904
Current ratio (times)	<u>1.4</u>	<u>2.0</u>	<u>2.6</u>	<u>1.6</u>

Our current ratios improved throughout the financial years under review, ranging from 1.4 to 2.6 times. This indicates that our Group is capable of meeting our short-term obligations as our current assets such as inventory and trade receivables, which can be readily converted to cash, together with our cash in the bank are enough to meet immediate current liabilities.

12. FINANCIAL INFORMATION (Cont'd)

Our current ratio increased from 1.4 times as at 31 March 2016 to 2.0 times as at 31 March 2017 and further to 2.6 times as at 31 March 2018 mainly due to the increase in our current assets arising from our business growth. Our current ratio decreased from 2.6 times as at 31 March 2018 to 1.6 times as at 31 March 2019 mainly due to increase in trade payables of RM22.6 million, contract liabilities of RM7.2 million and bank borrowings of RM5.2 million as at 31 March 2019.

12.8.5 Gearing ratio

Our gearing ratio throughout the financial years under review is as follows:

	Audited			
	31 March 2016	31 March 2017	31 March 2018	31 March 2019
	RM'000	RM'000	RM'000	RM'000
Total loans and borrowings	11,326	10,380	10,805	19,753
Total equity	6,077	12,331	20,555	31,674
Gearing ratio (times)	1.9	0.8	0.5	0.6

Our gearing ratio improved from 1.9 times as at 31 March 2016 to 0.6 times as at 31 March 2019 mainly due to the increase in total equity arising from profits recorded over the financial years under review.

In addition, the improvement in gearing was also due to the gradual reduction in outstanding term loans resulting from our scheduled monthly repayment throughout the financial years under review. However, this was partially offset by the utilisation of new trade facilities of RM6.6 million as at 31 March 2019.

12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

The 11MP highlights the need to explore new renewable energy sources to diversify the generation mix in a more sustainable manner. A more significant impact of the 11MP to our Group is the introduction of NEM mechanism to replace the FIT mechanism; and LSSPV to encourage private sector to construct grid-connected large-scale solar PV plants with capacities of between 1MW to 50MW. The Malaysian Government has in 2019 announced an increase in maximum capacity to 100MW for LSSPV plants in Peninsular Malaysia.

The introduction of LSSPV has augured well for our Group resulting in our revenue from LSSPV segment to increase from RM0.1 million in FYE 31 March 2017 to RM70.6 million in FYE 31 March 2019.

Save for the above, there were no government, economic, fiscal or monetary policies or factors which had materially affected our operations during the financial years under review. Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 9.

12. FINANCIAL INFORMATION (Cont'd)**12.10 IMPACT OF INFLATION**

Majority of our projects take between 3 to 12 months to complete. Accordingly, our project costs at the time of submission of tender bids or signing of contracts may not reflect the prices that we will eventually incur during the implementation of our projects. All of our contracts are fixed-price contracts, under which we commit to complete the project within the contract value.

During the financial years under review, our financial performance was not materially affected by the impact of inflation. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward.

12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR GROUP'S OPERATIONS**12.11.1 Impact of foreign exchange rates**

A major part of our purchases of solar PV modules and inverters are quoted to us in foreign currencies such as USD. As our estimation of project cost at the time of bidding / negotiating for projects is based on the vendors' quotation, any adverse fluctuations in foreign exchange rates during the period between quotation and purchasing may cause our project cost to vary from that estimated. This may have an adverse impact on our project margin if we are unable to revise our tender / bid proposal.

However, we are not exposed to fluctuations in foreign exchange rates during the period between purchasing and payment as our transacting currency for our purchases is mainly in RM. At the moment, our Group does not enter into forward exchange contracts to hedge foreign currency risks.

For FYE 31 March 2019, approximately 92.2% of the solar PV modules were purchased from overseas while the remaining was sourced from local.

12.11.2 Impact of interest rates

	Audited			
	FYE 31 March 2016	FYE 31 March 2017	FYE 31 March 2018	FYE 31 March 2019
Interest coverage ratio (times) ⁽¹⁾	11.9	13.5	15.9	12.9

Note:

⁽¹⁾ Computed based on EBIT over finance costs

Our interest coverage ratio was between 11.9 to 15.9 times for FYE 31 March 2016 to 2019, indicating that our Group has been able to generate sufficient profits from operations to meet our interest serving obligations.

Our Group's financial results for FYE 31 March 2016 to 2019 were not materially affected by fluctuations in interest rates.

12. FINANCIAL INFORMATION (Cont'd)**12.11.3 Impact of commodity prices**

Our Group's financial results for FYE 31 March 2016 to 2019 were not directly affected by fluctuations in commodity prices.

12.12 ORDER BOOK

Details of our unbilled order book are as follows:

Project details	As at 31 March 2019	As at LPD
	RM'000	RM'000
EPCC services:		
• Residential, commercial and industrial projects	32,887	100,817
• LSSPV projects	144,237	83,103
	177,124	183,920
Other services	⁽¹⁾ 18,148	16,184
	195,272	200,104

Note:

- ⁽¹⁾ Consists of contract awarded by our related party, Metex Modular Sdn Bhd (a subsidiary of Chin Hin) with unbilled amount of RM9.8 million and Pembinaan Yuen Seng Sdn Bhd (non-related party) amounting to RM8.3 million.

The above unbilled order book relates to contract value which are on-going less revenue recognised up to 31 March 2019 or LPD, as the case may be. This unbilled order book will be recognised progressively up to FYE 31 March 2021 based on the expected progress of each project.

Save for unbilled order book of RM7.9 million from Metex Modular Sdn Bhd as at LPD, none of our order book is awarded by related party. Our unbilled order book from third parties of RM192.2 million as at LPD represents 1.7 times of our revenue of RM112.2 million for FYE 31 March 2019. Majority of our projects take between 3 to 12 months to complete. Barring any unforeseen circumstances such as extension by clients, we expect majority of our order book as at LPD to be recognised as revenue by March 2020 and the remaining to be fully recognised as revenue by March 2021.

The projects secured which have yet to commence work are as follows:

Project details	As at 31 March 2019		As at LPD	
	RM'000	No. of projects	RM'000	No. of projects
EPCC services:				
• Residential, commercial and industrial projects	20,425	13	47,789	36
• Other services	8,350	1	-	-
	28,775	14	47,789	36

12. FINANCIAL INFORMATION (Cont'd)

We expect the above projects will be mostly complete in FYE 31 March 2020 and the remaining to be completed in FYE 31 March 2021. In the event of any delays in the actual progress of the projects due to variation orders or any unforeseen circumstances such as shortage of materials or labour in the market, the recognition of the unbilled order book may extend beyond FYE 31 March 2021.

12.13 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

- (i) Our Group's revenue will remain sustainable with an upward growth trend, in line with the growth outlook of the solar power industry and higher solar PV quota offered by SEDA as well as the renewable energy market as set out in the IMR Report in Section 8;
- (ii) Our liquidity will improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our business strategies and plans as stated in Section 7.15; and
- (iii) Our capital resources will strengthen, considering the amount of RM5.0 million and RM19.2 million to be set aside from the IPO proceeds for purposes of repayment of our bank borrowings and our general working capital requirements, as well as internally generated funds. We may consider debt funding for our capital expansion should the need arises.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and profitability or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

12.14 TREND INFORMATION

Based on our track record for FYE 31 March 2016 to 2019, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

- (i) More than 94% of our revenue was derived from the provision of EPCC services. We expect this segment to continue contributing significantly to our revenue in the future;
- (ii) The main components of our cost of sales are purchases of solar PV materials and subcontractor cost. Moving forward, our cost of sales is expected to fluctuate in tandem with the growth of our business and would depend on amongst others, the availability and price fluctuation of our purchases and subcontractors; and
- (iii) We achieved a GP margin of 29.9%, 33.9%, 37.0% and 20.0% for FYE 31 March 2016, FYE 31 March 2017, FYE 31 March 2018 and FYE 31 March 2019 respectively. Moving forward, our GP margin would depend on the level of competition in the solar EPCC industry and our continued ability to manage our costs efficiently and price our products competitively.

12. FINANCIAL INFORMATION (Cont'd)

As at LPD, after all reasonable enquiries, 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 Group's financial performance, position and operations other than those discussed in Sections 12.2, 12.9, 12.10 and 12.11;
- (ii) Material commitments 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 discussed in Sections 12.2, 12.9, 12.10 and 12.11;
- (iv) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group revenue save for those that had been discussed in Sections 12.2, 12.9, 12.10 and 12.11; and
- (v) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 12.2, 12.9, 12.10 and 12.11.

Our Board is optimistic about the future prospects of our Group given the positive outlook of the solar PV industry in Malaysia as set out in the IMR Report in Section 8, our Group's competitive strengths set out in Section 7.14 and our Group's intention to implement the business strategies as set out in Section 7.15.

12.15 DIVIDEND POLICY

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, and consent from the financiers of our Group as set out in the respective facility agreements, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

Our Group presently does not have any formal dividend policy, the declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. It is our intention to pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

Actual dividends proposed and declared may vary depending on the financial performance and cash flows of our Group, and may be waived if the payment of the dividends would adversely affect the cash flows and operations of our Group.

12. FINANCIAL INFORMATION (Cont'd)**12.16 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness:

- (i) Based on the unaudited financial information as at 31 July 2019; and
(ii) After adjusting for the effects of Public Issue and utilisation of proceeds.

	Solarvest	I	II
	As at 31 July 2019	After Public Issue	After I and utilisation of proceeds
	RM'000	RM'000	RM'000
Capitalisation			
Shareholders' equity	38,309	72,899	70,441
Total capitalisation	38,309	72,899	70,441
Indebtedness⁽¹⁾			
Trade facilities	5,392	5,392	3,172
Term loans	6,545	6,545	3,765
Finance lease liabilities	1,681	1,681	1,681
RPS	4,705	4,705	4,705
Contingent liabilities ⁽²⁾	418	418	418
Total indebtedness	18,741	18,741	13,741
Total capitalisation and indebtedness	57,050	91,640	84,182
Gearing ratio⁽³⁾	0.5	0.3	0.2

Notes:

- (1) Save for RPS, all of our indebtedness are secured
(2) Contingent liabilities consist of performance guarantee to a client
(3) Calculated based on total indebtedness divided by total capitalisation

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13. ACCOUNTANTS' REPORT



ECOVIS MALAYSIA PLT (FKA ECOVIS AHL PLT)
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Chartered Accountants. Kuala Lumpur, Malaysia

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The Boards of Directors
Solarvest Holdings Berhad
D-36-06, Dataran 3 Dua
No. 2, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan
Malaysia

3 September 2019

Dear Sirs

REPORTING ACCOUNTANTS' OPINION ON THE HISTORICAL FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF SOLARVEST HOLDINGS BERHAD

Opinion

We have audited the accompanying historical financial information of **Solarvest Holdings Berhad** ("the Company") and its subsidiaries ("collectively, the Group"), which comprises the combined statements of financial position as at 31 March 2016, 2017, 2018 and 2019 of the Group, and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended ("FYE") 31 March 2016, 2017, 2018 and 2019, and a summary of significant accounting policies and other explanatory information as set out on pages 6 to 133.

The historical financial information had been prepared for inclusion in the prospectus of the Company in connection with the initial public offering and listing of and quotation for the entire enlarged issued and paid-up ordinary shares of the Company on the ACE Market of Bursa Malaysia Securities Berhad (the "Prospectus"). This report is required by the *Prospectus Guidelines - Equity* issued by the Securities Commission Malaysia and is given solely for the purpose of complying with the *Prospectus Guidelines - Equity* and for no other purpose.

In our opinion, the historical financial information gives a true and fair view of the financial position of the Group as at 31 March 2016, 2017, 2018 and 2019, and of their financial performance and their cash flows for the FYE 31 March 2016, 2017, 2018 and 2019 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for Opinion

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

ECOVIS MALAYSIA PLT (FKA ECOVIS AHL PLT) (LLP0003185-LCA) & (AF 001825) Chartered Accountants, No 9-3, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Malaysia Phone: +60(3) 7981 1799 Fax: +60(3) 7980 4796 E-Mail: kuala-lumpur@ecovis.com.my

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13. ACCOUNTANTS' REPORT (Cont'd)*Independence and Other Ethical Responsibilities*

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

Responsibilities of the Directors for the Historical Financial Information

The Directors of the Company are responsible for the preparation of historical financial information of the Group that gives 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 historical financial information of the Group that is free from material misstatement, whether due to fraud or error.

In preparing the historical 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 has no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Historical Financial Information

Our objectives are to obtain reasonable assurance about whether the historical financial information of the Group as a whole is 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 ISAs 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 basis of this historical financial information.

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (i) Identify and assess the risks of material misstatement of the historical 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.
- (ii) 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.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (iv) 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 of 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 auditors' report to the related disclosures in the historical 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 our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

13. ACCOUNTANTS' REPORT (Cont'd)



Reporting Accountants' Responsibilities for the Audit of the Historical Financial Information (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
(cont'd)

- (v) Evaluate the overall presentation, structure and content of the historical financial information of the Group, including the disclosures, and whether the historical financial information of the Group represents the underlying transactions and events in a manner that achieves fair presentation.
- (vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the historical 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 significant events subsequent to the end of the financial year ended 31 March 2019 have been disclosed in Note 43 to this historical financial information.

This report is made solely to the Directors of the Company for inclusion in the Prospectus and should not be relied upon for any other purposes without our prior written consent. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink that reads "Ecovis".

ECOVIS MALAYSIA PLT
AF 001825
Chartered Accountants

Kuala Lumpur
3 September 2019

A large, stylized handwritten signature in black ink that reads "CHUA KAH CHUN".

CHUA KAH CHUN
02696/09/2019 J
Chartered Accountant

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Abbreviations**

Unless the context otherwise requires, the following definitions shall apply throughout this report:

Atlantic Blue	Atlantic Blue Sdn. Bhd. (686139-X)
Atlantic Blue Group	Atlantic Blue Sdn. Bhd. and its subsidiaries, collectively
Atlantic Blue Vendors	Chin Hin Group Berhad (1097507-W) and Atlantic Blue Holdings Sdn. Bhd. (1240450-P), collectively
ACE Market	ACE Market of Bursa Securities
Acquisition	Acquisition by Solarvest of the entire share capital of Atlantic Blue from the Atlantic Blue Vendors for a purchase consideration of RM26,261,600, wholly satisfied by the issuance of 291,795,555 new Shares at an issue price of RM0.09 per share, which was completed on 15 July 2019
Act	Companies Act, 2016
Bursa Securities	Bursa Malaysia Securities Berhad (635998-W)
Director(s)	An executive director or a non-executive director of the Company and Atlantic Blue Group within the meaning of Section 2 of the Act
EC	Energy Commission or Suruhanjaya Tenaga
ECL	Expected credit loss
EPCC	Engineering, procurement, construction and commissioning
EPF	Employees Provident Fund
EPS	Earnings per share
EUR	Euro Dollar
FVTOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FYE	Financial year(s) ended 31 March
GST	Goods and Services Tax
IC	Interpretation Committee
IFRS	International Financial Reporting Standards
Listing	Listing of and quotation for the entire enlarged share capital of RM53,933,450 comprising 390,623,655 Shares on the ACE Market
LSSPV	Large scale solar PV
MASB	Malaysian Accounting Standards Board

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Abbreviations (cont'd)**

Unless the context otherwise requires, the following definitions shall apply throughout this report: (cont'd)

MFRS	Malaysian Financial Reporting Standards
O&M	Operations and maintenance
PERS	Private Entity Reporting Standards
Powertrack	Powertrack Sdn. Bhd. (1173857-K)
PV	Photovoltaic
RM	Ringgit Malaysia
RMB	China Renminbi
RPS	Redeemable preference shares issued by Atlantic Blue
Solarvest Energy	Solarvest Energy Sdn. Bhd. (1194560-T)
Solarvest Energy (SR)	Solarvest Energy (SR) Sdn. Bhd. (1320152-A)
SGD	Singapore Dollar
Shares or Solarvest Shares	Ordinary share(s) in Solarvest
Solarvest or Company	Solarvest Holdings Berhad (1247778-U)
Solarvest Group or Group	Solarvest Holdings Berhad and its subsidiaries
SST	Sales and Services Tax
TNB	Tenaga Nasional Berhad (200866-W)
USD	United States Dollar

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Combined Statements of Financial Position**

	Note	2019 RM	2018 RM	2017 RM	2016 RM
Non-current assets					
Property, plant and equipment	6	14,681,805	14,655,442	11,589,159	10,454,783
Investment in an associate	35	-	-	-	-
Investment properties	7	887,192	-	1,151,422	1,168,066
Intangible assets	8	631,645	830	398	-
Deferred tax assets	9	111,885	13,257	432,194	419,790
Trade receivables	10	2,442,172	1,001,865	136,716	-
Other receivables	11	239,749	228,768	218,290	208,292
		<u>18,994,448</u>	<u>15,900,162</u>	<u>13,528,179</u>	<u>12,250,931</u>
Current assets					
Inventories	12	2,029,613	1,429,797	1,542,022	1,222,888
Trade receivables	10	15,544,883	4,051,122	5,797,966	6,639,831
Other receivables, deposits and prepayments	11	10,605,103	2,739,182	1,001,771	1,393,847
Contract assets	25	16,646,166	8,325,433	1,738,278	1,687,609
Current tax assets		1,903,172	1,302,080	-	-
Fixed deposits with financial institutions	13	8,235,392	661,231	598,015	532,838
Cash and bank balances		<u>14,191,243</u>	<u>2,876,081</u>	<u>3,899,771</u>	<u>672,435</u>
		69,155,572	21,384,926	14,577,823	12,149,448
Assets classified as held for sale	14	-	-	905,787	-
		<u>69,155,572</u>	<u>21,384,926</u>	<u>15,483,610</u>	<u>12,149,448</u>
Total assets		<u>88,150,020</u>	<u>37,285,088</u>	<u>29,011,789</u>	<u>24,400,379</u>
Equity					
Invested equity	15	1,000,010	1,000,002	1,018,000	1,012,000
Retained earnings	16	30,679,896	19,555,243	11,316,280	5,067,292
		<u>31,679,906</u>	<u>20,555,245</u>	<u>12,334,280</u>	<u>6,079,292</u>
Non-controlling interest	34	(6,418)	-	(2,945)	(1,812)
Total equity		<u>31,673,488</u>	<u>20,555,245</u>	<u>12,331,335</u>	<u>6,077,480</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Combined Statements of Financial Position (Cont'd)**

	Note	2019 RM	2018 RM	2017 RM	2016 RM
Non-current liabilities					
Bank borrowings	17	5,798,425	6,921,299	7,978,086	8,894,338
Finance lease liabilities	18	1,095,697	911,706	454,250	392,053
Redeemable preference shares	19	4,555,414	-	-	-
Contract liabilities	25	272,800	377,740	302,500	205,700
Trade payables	20	503,428	133,647	18,185	-
		<u>12,225,764</u>	<u>8,344,392</u>	<u>8,753,021</u>	<u>9,492,091</u>
Current liabilities					
Trade payables	20	25,474,478	2,859,195	1,964,544	1,138,479
Other payables and accruals	21	2,644,969	1,713,062	1,212,293	1,423,190
Provisions	22	331,777	514,072	-	-
Amount owing to Directors	23	-	-	460,205	876,846
Bank borrowings	17	7,692,609	2,501,112	1,689,011	1,855,476
Finance lease liabilities	18	610,519	471,246	259,128	184,750
Contract liabilities	25	7,496,416	326,764	2,207,449	3,234,037
Current tax liabilities		-	-	134,123	118,030
		<u>44,250,768</u>	<u>8,385,451</u>	<u>7,926,753</u>	<u>8,830,808</u>
Liabilities classified as held for sale	14	-	-	680	-
		<u>44,250,768</u>	<u>8,385,451</u>	<u>7,927,433</u>	<u>8,830,808</u>
Total liabilities		<u>56,476,532</u>	<u>16,729,843</u>	<u>16,680,454</u>	<u>18,322,899</u>
Total equity and liabilities		<u>88,150,020</u>	<u>37,285,088</u>	<u>29,011,789</u>	<u>24,400,379</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Combined Statements of Comprehensive Income**

	Note	2019 RM	2018 RM	2017 RM	2016 RM
Continuing operations					
Revenue	25	112,201,282	45,069,465	39,008,591	35,286,481
Cost of sales		<u>(89,768,769)</u>	<u>(28,373,527)</u>	<u>(25,800,754)</u>	<u>(24,731,431)</u>
Gross profit		22,432,513	16,695,938	13,207,837	10,555,050
Other income	26	3,378,749	212,312	103,630	26,469
Administrative expenses		(10,493,368)	(6,180,226)	(4,605,907)	(3,861,196)
Sales and distribution expenses		(396,372)	(418,346)	(612,928)	(903,272)
Net impairment losses on financial assets		(479,991)	(80,785)	(160,592)	(10,275)
Other expenses		<u>(1,104,769)</u>	<u>(298,792)</u>	<u>(135,773)</u>	<u>(132,922)</u>
Profit from operations		13,336,762	9,930,101	7,796,267	5,673,854
Finance costs	27	(1,096,312)	(624,041)	(577,546)	(465,699)
Share of loss of associate, net of tax	35	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Profit before tax	28	12,240,450	9,306,059	7,218,721	5,208,155
Taxation	29	<u>(1,122,245)</u>	<u>(1,067,816)</u>	<u>(718,033)</u>	<u>(1,055,252)</u>
Profit from continuing operations		11,118,205	8,238,243	6,500,688	4,152,903
Discontinuing operations					
Loss from discontinuing operations, net of tax	30	<u>-</u>	<u>-</u>	<u>(2,833)</u>	<u>(4,630)</u>
Net profit and total comprehensive income for the financial year		<u>11,118,205</u>	<u>8,238,243</u>	<u>6,497,855</u>	<u>4,148,273</u>
Total comprehensive income for the financial year attributable to:					
Owners of the Company		11,124,653	8,238,963	6,498,988	4,150,125
Non-controlling interest	34	<u>(6,448)</u>	<u>(720)</u>	<u>(1,133)</u>	<u>(1,852)</u>
		<u>11,118,205</u>	<u>8,238,243</u>	<u>6,497,855</u>	<u>4,148,273</u>
Basic and diluted earnings per ordinary share	31	<u>11.12</u>	<u>8.24</u>	<u>6.38</u>	<u>4.10</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Combined Statements of Changes in Equity**

	Attributable to owners of the Company				Total equity RM
	Non- distributable	Distributable	Equity attributable to owners of the Company	Non-controlling interest	
	RM	RM	RM	RM	RM
Balance at 1 April 2018	1,000,002	19,555,243	20,555,245	-	20,555,245
Increase in equity in the Company	8	-	8	-	8
Increase in equity in Solarvest Energy (SR)	-	-	-	30	30
Total comprehensive income for the financial year	-	11,124,653	11,124,653	(6,448)	11,118,205
Balance at 31 March 2019	1,000,010	30,679,896	31,679,906	(6,418)	31,673,488

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Combined Statements of Changes in Equity (Cont'd)**

		Attributable to owners of the Company				
		Non-distributable	Distributable	Equity attributable to owners of the Company	Non-controlling interest	Total equity
	Note	Invested equity	Retained earnings	RM	RM	RM
		RM	RM	RM	RM	RM
Balance at 1 April 2017		1,018,000	11,316,280	12,334,280	(2,945)	12,331,335
Increase in equity in the Company		2	-	2	-	2
Disposal of a subsidiary	34	-	-	-	3,665	3,665
Increase in equity in Powertrack and Solarvest Energy		(18,000)	-	(18,000)	-	(18,000)
Total comprehensive income for the financial year		-	8,238,963	8,238,963	(720)	8,238,243
Balance at 31 March 2018		1,000,002	19,555,243	20,555,245	-	20,555,245
Balance at 1 April 2016		1,012,000	5,067,292	6,079,292	(1,812)	6,077,480
Dividend paid	32	-	(250,000)	(250,000)	-	(250,000)
Increase in equity in Solarvest Energy		6,000	-	6,000	-	6,000
Total comprehensive income for the financial year		-	6,498,988	6,498,988	(1,133)	6,497,855
Balance at 31 March 2017		1,018,000	11,316,280	12,334,280	(2,945)	12,331,335

10

234

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Combined Statements of Changes in Equity (Cont'd)**

	Attributable to owners of the Company				Total equity RM
	Non- distributable	Distributable	Retained earnings RM	Equity attributable to owners of the Company RM	
	Invested equity RM			Non-controlling interest RM	
Balance at 1 April 2015	400,000	917,167	1,317,167	-	1,317,167
Increase in equity in Atlantic Blue	600,000	-	600,000	-	600,000
Increase in equity in Powertrack and Atlantic Ecocity Sdn. Bhd.	12,000	-	12,000	40	12,040
Total comprehensive income for the financial year	-	4,150,125	4,150,125	(1,852)	4,148,273
Balance at 31 March 2016	1,012,000	5,067,292	6,079,292	(1,812)	6,077,480

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Combined Statements of Cash Flows**

	Note	2019 RM	2018 RM	2017 RM	2016 RM
Cash flows from operating activities					
Profit before tax					
- continuing operations		12,240,450	9,306,059	7,218,721	5,208,155
- discontinuing operations		-	-	(2,833)	(4,630)
		<u>12,240,450</u>	<u>9,306,059</u>	<u>7,215,888</u>	<u>5,203,525</u>
Adjustments for:					
Accretion of discount on trade receivables	10	-	150,024	88,082	-
Accretion of discount on other receivables	11	-	-	-	118,880
Accretion of discount on RPS	19	(2,731,601)	-	-	-
Amortisation of intangible assets		77,198	218	102	-
Bad debts written off, net		49,249	21,434	38,260	8,414
Depreciation of investment properties		19,463	16,644	16,644	16,644
Depreciation of property, plant and equipment		1,592,300	1,191,707	814,591	586,312
Finance costs		1,096,312	624,041	577,546	465,699
Finance income		(341,691)	(101,432)	(33,551)	(26,469)
Gain on disposal of a subsidiary	34	-	(5,558)	-	-
Gain on disposal of an associate	35	-	(1)	-	-
Gain on disposal of property, plant and equipment		(16,683)	(9,779)	-	-
Net impairment losses on trade receivables		479,991	80,785	160,592	10,275
Provision for defects liability	22	336,906	-	-	-
(Reversal)/provision for onerous contract	22	(514,072)	514,072	-	-
Share of loss on investment in an associate	35	-	1	-	-
Unrealised gain on foreign exchange		(13,773)	-	-	-
		<u>12,274,049</u>	<u>11,788,215</u>	<u>8,878,154</u>	<u>6,383,280</u>
Operating profit before working capital changes		12,274,049	11,788,215	8,878,154	6,383,280

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Combined Statements of Cash Flows**

Note	2019 RM	2018 RM	2017 RM	2016 RM
Cash flows from operating activities (cont'd)				
Changes in working capital:				
(Increase)/decrease in inventories	(599,816)	112,225	(319,134)	39,177
(Increase)/decrease in trade and other receivables, deposits and prepayments	(21,549,836)	(683,375)	815,708	(5,443,221)
Increase in contract assets	(8,320,733)	(6,587,155)	(50,669)	(1,687,609)
Increase/(decrease) in trade and other payables, accruals and provision	23,925,615	2,425,192	634,033	(4,947,305)
Increase/(decrease) in contract liabilities	7,064,712	(1,805,445)	(929,788)	962,601
Cash generated from/(used in) operations	12,793,991	5,249,657	9,028,304	(4,693,077)
Finance costs paid	(1,009,297)	(624,041)	(577,546)	(465,699)
Interest income received	236,237	36,488	18,135	16,930
Tax paid	(1,821,965)	(2,085,200)	(714,344)	(983,354)
Net cash from/(used in) operating activities	10,198,966	2,576,904	7,754,549	(6,125,200)
Cash flows from investing activities				
Acquisition of equity in Powertrack and Solarvest Energy from common controlling shareholders				
	-	(18,000)	-	-
Acquisition of intangible assets	(392,933)	(650)	(500)	-
Investment in an associate	-	(1)	-	-
Net cash inflow on disposal of a subsidiary	34	20	-	-
Proceeds from disposal of an associate	35	1	-	-
Proceeds from disposal of property, plant and equipment	23,500	33,509	-	-
Purchase of an investment property	-	-	(905,785)	-
Purchase of property, plant and equipment	(b)	(1,594,350)	(2,516,942)	(1,591,967)
Net cash used in investing activities	(1,963,783)	(2,502,063)	(2,498,252)	(2,393,790)

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Combined Statements of Cash Flows (Cont'd)**

	Note	2019 RM	2018 RM	2017 RM	2016 RM
Cash flows from financing activities					
Dividend paid		-	-	(250,000)	-
Increase in fixed deposits pledged		(7,574,161)	(63,216)	(65,177)	(224,632)
Placement into sinking fund for banking facilities		(1,336,968)	-	-	-
Net (repayment)/drawdown of bankers acceptance		(708,000)	308,000	167,000	233,000
Net drawdown of local bill purchase		6,583,304	-	-	-
Net (repayment)/drawdown of term loans		(1,042,326)	(985,945)	(877,796)	7,009,106
Net receipt/(repayment) of advances from Directors		7,200,000	(460,205)	(416,641)	355,482
Proceeds from issuance of equity		38	2	6,000	612,040
Repayment of finance lease liabilities, net	(c)	(614,521)	(330,426)	(220,425)	(109,215)
Net cash from/(used in) financing activities	(d)	2,507,366	(1,531,790)	(1,657,039)	7,875,781
Net increase/(decrease) in cash and cash equivalents					
		10,742,549	(1,456,949)	3,599,258	(643,209)
Cash and cash equivalents at beginning of the financial year					
		2,111,726	3,568,675	(30,583)	612,626
Cash and cash equivalents at end of the financial year					
	33	12,854,275	2,111,726	3,568,675	(30,583)

(a) Purchase of intangible asset

Cost of software acquired during the financial year is RM708,013. Prepayment has been made for the intangible asset as at 31 March 2018 for RM315,080.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Combined Statements of Cash Flows (Cont'd)****(b) Purchase of property, plant and equipment**

The Group made the following cash payments to purchase property, plant and equipment:

	2019 RM	2018 RM	2017 RM	2016 RM
Purchase of property, plant and equipment	2,532,135	3,146,942	1,948,967	2,493,790
Less: Amount settled via finance lease	(937,785)	(630,000)	(357,000)	(100,000)
Cash payment	<u>1,594,350</u>	<u>2,516,942</u>	<u>1,591,967</u>	<u>2,393,790</u>

(c) Net repayment of finance lease liabilities

An amount of RM370,000 approved to the Group as finance lease in the current financial year relates to an intangible asset. The Group received cash of RM370,000 from the leasing company.

(d) Changes in liabilities arising from financing activities

	Note	At 1 April 2018 RM	Net changes from financing cash flows RM	Other changes RM	At 31 March 2019 RM
Amount owing to Directors	23	-	7,200,000	(7,200,000)	-
Bankers acceptance	17	708,000	(708,000)	-	-
Finance lease liabilities	18	1,382,952	(614,521)	937,785	1,706,216
Local bill purchase	17	-	6,583,304	-	6,583,304
Term loans	17	7,950,056	(1,042,326)	-	6,907,730
		<u>10,041,008</u>	<u>11,418,457</u>	<u>(6,262,215)</u>	<u>15,197,250</u>

	Note	At 1 April 2017 RM	Net changes from financing cash flows RM	Other changes RM	At 31 March 2018 RM
Bankers acceptance	17	400,000	308,000	-	708,000
Finance lease liabilities	18	713,378	(330,426)	1,000,000	1,382,952
Term loans	17	8,936,001	(985,945)	-	7,950,056
		<u>10,049,379</u>	<u>(1,008,371)</u>	<u>1,000,000</u>	<u>10,041,008</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information****1. General information**

- (a) Solarvest was incorporated in Malaysia under the Act on 20 September 2017 as a public limited liability company. The Company is domiciled in Malaysia.

The registered office of the Company is located at No. 7-1, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Malaysia. The principal place of business is located at D-36-06, Dataran 3 Dua, No. 2, Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The Company was incorporated to be the holding company for the restructured group pursuant to the internal restructuring exercise as disclosed in Note 2.

The principal activity of the Company is that of investment holding.

- (b) Atlantic Blue was incorporated in Malaysia on 26 March 2005, as a private limited liability company and is principally engaged in the provision of EPCC services for solar PV systems.
- (c) The subsidiaries of Atlantic Blue are:

Name of combining entities	Principal place of business	Effective equity interest				Principal activities
		2019	2018	2017	2016	
		%	%	%	%	
Subsidiaries of Atlantic Blue:						
Atlantic Ecocity Sdn. Bhd.	Malaysia	-	-	60	60	Property investment
Powertrack	Malaysia	100	100	100	100	Provision of design, testing and commissioning and repair and maintenance of solar PV system
Solarvest Energy	Malaysia	100	100	100	100	Provision of EPCC services for solar PV systems
Subsidiary of Solarvest Energy:						
Solarvest Energy (SR)	Malaysia	70	-	-	-	Provision of EPCC services for solar PV systems

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)

1. General information (cont'd)

(c) The subsidiaries of Atlantic Blue are: (cont'd)

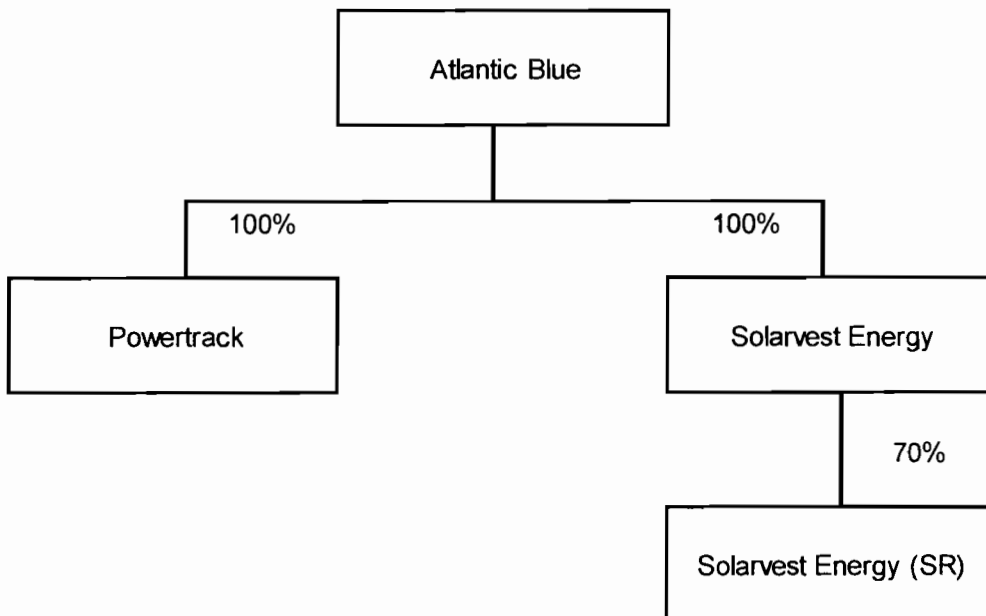
- # Atlantic Ecocity Sdn. Bhd. was disposed during FYE 31 March 2018. As at 31 March 2017, the assets and liabilities of Atlantic Ecocity Sdn. Bhd. have been reclassified as held for sale.
- # On 29 March 2019, Solarvest Energy incorporated a subsidiary by the name of Solarvest Energy (SR). The new subsidiary has a share capital of RM100 represented by 100 ordinary shares, of which Solarvest Energy owns 70% of its equity interest. The remaining 30% equity interest is held by an individual unrelated to Solarvest Group. Solarvest Energy (SR) has not commenced operations since incorporation.

2. Internal restructuring

For the purpose of the initial public offering of new ordinary shares in the Company and the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the ACE Market, the Group was formed via internal restructuring.

On 30 January 2019, the Company entered into a conditional share sale agreement with Atlantic Blue Vendors to acquire the equity investment in Atlantic Blue comprising 1,000,000 ordinary shares for a total consideration of RM26,261,600 satisfied by the issuance of 291,795,555 new Shares to Atlantic Blue Vendors at an issue price of RM0.09 per Share. The new Shares issued under the Acquisition rank equally in all respects with existing Solarvest Shares. Thereafter, Atlantic Blue becomes a wholly-owned subsidiary of the Company.

Group structure prior to the Acquisition:

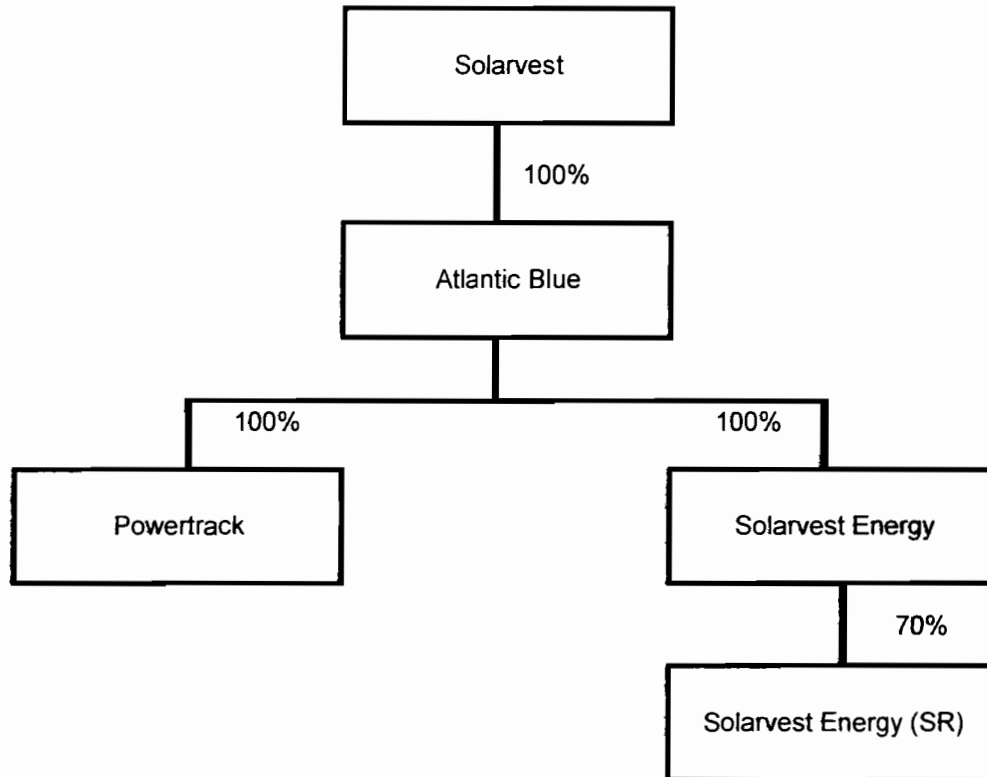


13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****2. Internal restructuring (cont'd)**

Group structure following completion of the Acquisition:

**3. Basis of preparation**

The historical financial information of the Group have been prepared in accordance with MFRS and IFRS and based on the Guidance Note on 'Combined Financial Statements' issued by the Malaysian Institute of Accountants in relation to the proposed listing of the ordinary shares of the Company on the ACE Market. The historical financial information for FYE 31 March 2016, 2017, 2018 and 2019 comprise the financial statements of the Company and Atlantic Blue Group. None of the foregoing mentioned audited financial statements used in the preparation of the Accountants' Report for the financial years under review were subject to any qualification, modification or disclaimer.

The historical financial information of the Group have been prepared under the historical cost convention except otherwise stated in Note 4 of this report. The historical financial information of the Group are presented in RM, which is the functional currency of the Company.

The preparation of historical financial information in conformity with MFRS requires management to make judgement, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the historical financial information and revenues and expenses during the reported period. Actual results could differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Note 5 of this report.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**3. Basis of preparation (cont'd)****3.1 Combined financial statements for FYE 31 March 2016, 2017, 2018 and 2019**

As Solarvest was incorporated on 20 September 2017, the financial statements for financial years ended 31 March 2016 and 2017 are the historical financial information of Atlantic Blue Group.

The combined financial statements 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 period covered by the reporting periods of this report. Such manner of presentation reflects the economic substance of the combining entities, which were under common control throughout the periods presented in this report.

The Company and Atlantic Blue are under common effective control of the same controlling parties throughout the periods presented in this report. Throughout FYE 31 March 2016, 2017, 2018 and 2019, the Company and Atlantic Blue were owned by the controlling parties directly.

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 common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases. All material intra-group transactions and balances are eliminated upon combination.

3.2 Early adoption of MFRS effective for the financial year beginning on or after 1 April 2018

The Group has elected to early adopt MFRS 9, 'Financial Instruments', MFRS 15, 'Revenue from Contracts with Customers' and Clarifications to MFRS 15, 'Revenue from Contracts with Customers', in financial year beginning on 1 April 2017. The impacts of the adoption of these MFRS on the Group's financial statements are as follows:

(i) MFRS 9, 'Financial Instruments'

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of MFRS 9, while the hedge accounting requirements under this Standard are not relevant to the Group. In accordance with the transition requirements under paragraph 7.2.1 of MFRS 9, the Group applies MFRS 9 retrospectively to each prior reporting period presented in the financial statements. Comparatives are restated and the financial impact on the adoption of MFRS 9 is recognised in retained earnings as at 1 April 2015.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)

3. Basis of preparation (cont'd)

3.2 Early adoption of MFRS effective for the financial year beginning on or after 1 April 2018 (cont'd)

(i) MFRS 9, 'Financial Instruments' (cont'd)

(a) Changes to the accounting policies

Financial assets

The Group classifies its financial assets into the following measurement categories depending on the Group's business model for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The available-for-sale, held-to-maturity and loans and receivables financial asset categories were removed.
- A new financial asset category measured at amortised cost was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows only.
- A new financial asset category measured at FVTOCI was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

Financial liabilities

There is no impact on the classification and measurement of the Group's financial liabilities.

Impairment of financial assets

MFRS 9, 'Financial Instruments' requires impairment assessments to be based on an ECL model, replacing the incurred loss model under MFRS 139, 'Financial Instruments: Recognition and Measurement'.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)

3. Basis of preparation (cont'd)

3.2 Early adoption of MFRS effective for the financial year beginning on or after 1 April 2018 (cont'd)

(i) MFRS 9, 'Financial Instruments' (cont'd)

(a) Changes to the accounting policies (cont'd)

Impairment of financial assets (cont'd)

The key changes in relation to impairment of financial assets are as follows:

• **Financial assets other than trade receivables and contract assets**

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group, and all the cash flows that the Group expects to receive.

The Group applies a two-step approach to measure the ECL on financial assets other than trade receivables and contract assets:

(i) 12-months ECL

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

(ii) Lifetime ECL

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

At each financial year end, the Group assesses whether there is a significant increase in credit risk for financial assets other than trade receivables and contract assets since initial recognition by comparing the risk of default on these financial assets as at the financial year end with the risk of default as at the date of initial recognition. The Group considers historical experience on similar assets and other supportive information to assess deterioration in credit quality of these financial assets.

• **Trade receivables and contract assets**

The Group applies the simplified approach prescribed by MFRS 9, 'Financial Instruments', which requires a lifetime ECL to be recognised from initial recognition of the trade receivables and contract assets.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****3. Basis of preparation (cont'd)****3.2 Early adoption of MFRS effective for the financial year beginning on or after 1 April 2018 (cont'd)****(i) MFRS 9, 'Financial Instruments' (cont'd)****(b) Classification and measurement**

The following table summarises the reclassification and measurement of the Group's financial assets as at 1 April 2017:

		Measurement category	
	Note	Original (MFRS 139)	New (MFRS 9)
Financial assets:			
Trade receivables		Loans and receivables	Amortised cost
Other receivables, deposits and prepayments	(a)	Loans and receivables	Amortised cost
Amount owing by contract customers	(b)	Loans and receivables	-
Contract assets	(b)	-	Amortised cost
Fixed deposits with financial institutions		Loans and receivables	Amortised cost
Cash and bank balances		Loans and receivables	Amortised cost

		Carrying amount as at 1 April 2017	
	Note	Original (MFRS 139) RM	New (MFRS 9) RM
Financial assets:			
Trade receivables		5,929,529	5,934,682
Other receivables, deposits and prepayments	(a)	1,220,061	1,220,061
Amount owing by contract customers	(b)	1,304,296	-
Contract assets	(b)	-	1,738,278
Fixed deposits with financial institutions		598,015	598,015
Cash and bank balances		3,899,771	3,899,771

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****3. Basis of preparation (cont'd)****3.2 Early adoption of MFRS effective for the financial year beginning on or after 1 April 2018 (cont'd)****(i) MFRS 9, 'Financial Instruments' (cont'd)****(b) Classification and measurement (cont'd)**

Financial assets that have previously been classified as loans and receivables are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Classification of the Group's financial liabilities remained unchanged. Financial liabilities consisting of trade and other payables, deposits, amount owing to subsidiaries and Directors, bank borrowings and finance lease liabilities which are financial liabilities, continue to be measured at amortised cost.

The following tables are reconciliations of the carrying amount of the Group's combined statement of financial position from MFRS 139, 'Financial Instruments: Recognition and Measurement' to MFRS 9, 'Financial Instruments' as at 1 April 2017:

	Original Carrying amount as at 31 March 2017 Note (MFRS 139) RM	Re- measurement RM	New Carrying amount as at 1 April 2017 (MFRS 9) RM
Deferred tax assets:			
Opening balance	432,851	-	432,851
Deferred tax relating to impairment loss on trade receivables	-	3,497	3,497
Total deferred tax assets	(c) 432,851	3,497	436,348

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****3. Basis of preparation (cont'd)****3.2 Early adoption of MFRS effective for the financial year beginning on or after 1 April 2018 (cont'd)****(i) MFRS 9, 'Financial Instruments' (cont'd)****(b) Classification and measurement (cont'd)**

The following tables are reconciliations of the carrying amount of the Group's combined statement of financial position from MFRS 139, 'Financial Instruments: Recognition and Measurement' to MFRS 9, 'Financial Instruments' as at 1 April 2017: (cont'd)

	Original Carrying amount as at 31 March 2017 (MFRS 139) RM	Re- measurement RM	New Carrying amount as at 1 April 2017 (MFRS 9) RM
Trade receivables:			
Opening balance	5,959,529	(10,275)	5,949,254
Increase in impairment loss on trade receivables	(d) -	(14,572)	(14,572)
Total trade receivables	(c) 5,959,529	(24,847)	5,934,682
Retained earnings:			
Opening balances	11,449,821	(10,275)	11,439,546
Increase in impairment loss on trade receivables	(d) -	(14,572)	(14,572)
Deferred tax relating to impairment loss	-	3,497	3,497
Total retained earnings	(c) 11,449,821	(21,350)	11,428,471

Notes:

- (a) Certain deposits and prepayments are not financial assets but are included in the presentation to show impact of transition to MFRS 9 on affected financial statement line items.
- (b) The term 'amount owing by contract customers' in the previous financial year has been changed to 'contract assets' on adoption of MFRS 15.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****3. Basis of preparation (cont'd)****3.2 Early adoption of MFRS effective for the financial year beginning on or after 1 April 2018 (cont'd)****(i) MFRS 9, 'Financial Instruments' (cont'd)****(b) Classification and measurement (cont'd)****Notes: (cont'd)**

(c) The presentation of the combined statement of financial position, combined statement of comprehensive income and combined statement of cash flows are shown after the early adoption of MFRS 9, but before the impact of early adoption of MFRS 15 shown in Note 3.2 (ii).

(d) The Group applies the simplified approach to measure the ECL.

(c) Impairment loss

The reconciliation for loss allowances on 1 April 2017 are as follow:

	Trade receivables RM
Closing loss allowance (based on MFRS 139)	146,020
Amount restated through opening retained earnings	<u>24,847</u>
Opening loss allowance (based on MFRS 9)	<u>170,867</u>

(ii) MFRS 15, 'Revenue from Contracts with Customers'

The Group has elected to early adopt MFRS 15, 'Revenue from Contracts with Customers' which is applied retrospectively to each prior period presented in the financial statements. MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Under MFRS 15, revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group is in a business of providing EPCC services for solar PV systems, O&M of solar energy system and sale of electricity through solar energy generation. The key impact of the changes in accounting policies are detailed as follows:

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**3. Basis of preparation (cont'd)****3.2 Early adoption of MFRS effective for the financial year beginning on or after 1 April 2018 (cont'd)****(ii) MFRS 15, 'Revenue from Contracts with Customers' (cont'd)****(a) Service-type warranty as a separate performance obligation**

Within its activities of EPCC (turnkey) of solar energy system, the Group provides warranty of between 2 and 5 years to customer for workmanship defects, performance monitoring and on-site support and repair services (collectively referred to as O&M) to ensure optimal operation of solar energy system installation. The O&M is a distinct service to the customer in addition to the assurance that the product complies with agreed-upon specifications. Previously, the Group did not recognise a provision with respect to this warranty. Under MFRS 15, the Group accounts for a service-type warranty as a separate performance obligation to which the Group allocates a portion of the transaction price. The portion of the consideration allocated to the service-type warranty is initially recorded as a contract liability and recognised as revenue over the period the warranty services are provided.

The Group has applied the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach and applying the following practical expedients in accordance with the transitional provisions in MFRS 15:

- For completed contracts, the Group has not restated contracts that are completed contracts at 1 April 2016. Had the Group elected not to apply this practical expedient, revenue for FYE 31 March 2016 will be higher arising from deferment of revenue from O&M services for contracts with warranty period that ended in financial year 2016; and
- For the comparative year ended 31 March 2017, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

During the initial application of MFRS 15, the Group need only present the quantitative information required by paragraph 28(f) of MFRS 108, 'Accounting Policies, Changes in Accounting Estimates and Errors' relating amount of adjustments for the annual period immediately preceding the first annual period for which MFRS 15 is applied if the Group applies MFRS 15 retrospectively.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****3. Basis of preparation (cont'd)****3.2 Early adoption of MFRS effective for the financial year beginning on or after 1 April 2018 (cont'd)****(ii) MFRS 15, 'Revenue from Contracts with Customers' (cont'd)**

The effect of adoption of MFRS 15 on the historical financial information for affected financial statement line items are as follows:

Combined statement of financial position

	Note	At 31.03.2017 RM	Increase/ (decrease) RM	At 31.03.2017 RM
Deferred tax assets	(a)	432,851	97,416	530,267
Amount owing by contract customers	(a)	1,304,296	(1,304,296)	-
Contract assets	(b), (c)	-	1,738,278	1,738,278
Contract liabilities (non-current)	(d)	-	302,500	302,500
Contract liabilities (current)	(c), (d)	1,657,527	549,922	2,207,449
Retained earnings		11,449,821	(112,191)	11,337,630

Combined statement of comprehensive income

	Note	At 31.03.2017 RM	Increase/ (decrease) RM	At 31.03.2017 RM
Revenue	(d)	39,152,251	(143,660)	39,008,591
Gross profit		13,351,497	(143,660)	13,207,837
Profit from operations		7,954,499	(143,660)	7,810,839
Profit before tax		7,376,953	(143,660)	7,233,293
Tax expense	(a)	(752,999)	31,469	(721,530)
Profit from continuing operations		6,623,954	(112,191)	6,511,763
Net profit and total comprehensive income for the financial year		6,621,121	(112,191)	6,508,930
Total comprehensive income for the financial year attributable to owners of the Company		6,622,254	(112,191)	6,510,063

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****3. Basis of preparation (cont'd)****3.2 Early adoption of MFRS effective for the financial year beginning on or after 1 April 2018 (cont'd)****(ii) MFRS 15, 'Revenue from Contracts with Customers' (cont'd)****Combined statement of cash flows**

	Note	At 31.03.2017 RM	Increase/ (decrease) RM	At 31.03.2017 RM
Profit before tax				
- continuing operations	(a), (d)	7,376,953	(143,660)	7,233,293
Operating profit before working capital changes		9,036,386	(143,660)	8,892,726
Changes in working capital: (Increase)/decrease in amount				
owing by contract customers	(b)	(1,147,049)	1,147,049	-
Increase in contract assets	(b), (c)	-	(50,669)	(50,669)
Decrease in contract liabilities	(c), (d)	-	(929,788)	(929,788)
Cash generated from operations		9,005,836	22,932	9,028,768
Net cash from operating activities		7,731,617	22,932	7,754,549

Notes:

- (a) To recognise the impact on deferred income tax of the adjustments in (b) and (d).
- (b) To transfer the excess of cumulative revenue earned over the billings to date recognised as amount due from contract customers previously to contract assets. There is no impact to the statement of comprehensive income as a result of this reclassification.
- (c) Contract liabilities also includes an amount reclassified from amount due from contract customers. This had no impact on the statement of comprehensive income.
- (d) The amount allocated to operation and maintenance service for EPCC on solar energy system increased as a result of the allocation method required under MFRS 15. Such service are paid upfront as part of the initial sales transaction whereas revenue is recognised proportionately over 2 to 5 years period over which O&M services are provided to the customers. Based on the previous allocation method, no amounts were deferred. There has been an adjustment to revenue and the recognition of a contract liability to reflect the change in accounting policy arising from adoption of MFRS 15.

The presentation of combined statement of financial position, combined statement of comprehensive income and combined statement of cash flows are shown after the early adoption of MFRS 15, but before the impact of early adoption of MFRS 9 as shown in Note 3.2 (i) above.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**3. Basis of preparation (cont'd)****3.3 MFRS, Amendments to MFRS and IC Interpretations that have been issued, but not yet adopted**

The following are MFRS, Amendments to MFRS and IC Interpretations that have been issued by the MASB but are not yet effective and have not been adopted by the Group.

(i) Effective for financial year beginning on or after 1 April 2019

- MFRS 16, 'Leases'
- Amendments to MFRS 9, 'Financial Instruments' – Prepayment Features with Negative Compensation
- Amendments to MFRS 3, 'Business Combinations' and MFRS 11, 'Joint Arrangements' – Previously Held Interest in a Joint Operation
- Amendments to MFRS 112, 'Income Taxes' – Income Tax Consequences of Payments on Financial Instruments Classified as Equity
- Amendments to MFRS 119, 'Employee Benefits' – Plan Amendment, Curtailment or Settlement
- Amendments to MFRS 123, 'Borrowing Costs' – Borrowing Costs Eligible for Capitalisation
- Amendments to MFRS 128, 'Investments in Associates and Joint Ventures' – Long-term Interests in Associates and Joint Ventures
- IC Interpretation 23, 'Uncertainty over Income Tax Treatments'

(ii) Effective for financial year beginning on or after 1 April 2020

- Amendments to MFRS 3, 'Business Combinations' – Definition of a Business
- Amendments to MFRS 101, 'Presentation of Financial Statements' and MFRS 108, 'Accounting Policies, Changes in Accounting Estimates and Errors' – Definition of Material
- Amendments to References to the Conceptual Framework in MFRS Standards

(iii) Effective for financial year beginning on or after 1 April 2021

- MFRS 17, 'Insurance Contracts'

(iv) Deferred to a date to be determined by the MASB

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

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**3. Basis of preparation (cont'd)****3.3 MFRS, Amendments to MFRS and IC Interpretations that have been issued, but not yet adopted (cont'd)**

The initial application of the abovementioned new and amendments to MFRS and IC Interpretations, where applicable, are not expected to have any material financial impact to the historical financial information of Group, except as follows:

(i) MFRS 16, 'Leases'

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto the statement of financial position except for short-term and low-value asset leases. Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

The Group will adopt MFRS 16 when it becomes effective for financial year beginning on 1 April 2019. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective transition approach. The Group is applying MFRS 16 on a modified retrospective transition approach, electing the following practical expedients:

- to apply the exemption not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months as of 1 April 2019 and account those as short-term leases.
- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply MFRS 16 to all contracts that were previously identified as leases.
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group is also exempted from making adjustments on transition for leases for which the underlying asset is of low value on the date of initial application of MFRS 16.

For leases that were classified as finance leases applying MFRS 117, the carrying amount of the right-of-use asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability as at 31 March 2019 measured applying MFRS 117.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**3. Basis of preparation (cont'd)****3.3 MFRS, Amendments to MFRS and IC Interpretations that have been issued, but not yet adopted (cont'd)****(i) MFRS 16, 'Leases' (cont'd)**

The standard will affect primarily the accounting for the Group's non-cancellable operating leases amounting to RM3,886,048 as at 31 March 2019 as disclosed in Note 24 to this report. Assessment performed indicated that these arrangements meet the definition of a lease under MFRS 16 and hence the Group will recognise right-of-use assets and the corresponding liability in respect of these leases. The new requirements is expected to have a significant impact on the amounts recognised in the financial statements and the Group is currently quantifying the final impact to the Group's financial statements.

4. Summary of significant accounting policies**4.1 Basis of combination****Common control business combination outside the scope of MFRS 3, 'Business Combinations' ("MFRS 3")**

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, are outside the scope of MFRS 3. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the historical financial information.

The Group is regarded as a continuing entity as mentioned in Note 3 of this report since the management of all the combining entities which took part were controlled by the common Directors and under common shareholders before and immediately after the restructuring exercise in Note 2. Accordingly, the financial information have been prepared on the basis of merger accounting.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.1 Basis of combination (cont'd)**

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the historical financial information of the combining entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

A single uniform set of accounting policies is adopted by the combining entity. Therefore, the combining entity recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the historical financial information of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such historical financial information had been prepared by the controlling party, including adjustments required for conforming to the combining entity's accounting policies and applying those policies to all years presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the historical financial information of the combining entity.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the combining entity are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The historical financial information were prepared based on the audited financial statements of subsidiaries which were prepared in accordance with MFRS and IFRS for the purpose of combination. The combining entities maintain their accounting records and prepare the relevant statutory financial statements in accordance with MFRS, IFRS and the requirements of the Act Malaysia.

The Group resulting from the internal restructuring exercise as disclosed in Note 2, is one involving entities under common control. Accordingly, the historical financial information have been accounted for using the principles of merger accounting where financial statement items of the merged entities for the reporting periods in which the common control combination occurs are included in the historical financial information of the Group as if the combination had occurred from the date when the merged entities first came under the control of the same shareholders.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.2 Basis of consolidation****(i) Investment in subsidiaries**

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the historical financial information from the date that control commences until the date that control ceases.

Control is achieved when the Group is exposed to, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable are taken into account.

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 affects the investee's return. When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investments in subsidiaries are measured in the Company's separate financial statements at cost less any impairment losses, unless the investment is held for sale (accounted for in accordance with MFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations') or distribution. The cost of investment includes transaction costs.

The policy for the recognition and measurement of impairment losses is in accordance with Note 4.8 to the financial statements. On disposal, the difference between the net disposal proceeds and its carrying amount is recognised as gain or loss on disposal in profit or loss.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. Acquisition-related costs are expensed as incurred and included in administrative expenses.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.2 Basis of consolidation (cont'd)****(ii) Business combinations (cont'd)**

For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9, 'Financial Instruments' ("MFRS 9") is measured at fair value with changes in fair value recognised either in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of MFRS 9, it is measured in accordance with the appropriate MFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

(iii) Acquisitions of non-controlling interests

Changes in the Company's ownership interest in a combining entity that do not result in a loss of control are accounted for as equity transactions between the Group and its non-controlling interest holders. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received are recognised directly in equity and attributable to the equity holders of the Company.

(iv) Loss of control

Upon the loss of control of a combining entity, the Group derecognises the assets and liabilities of the former combining entity, any non-controlling interests and the other components of equity related to the former combining entity from the consolidated statements of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former combining entity, then such interest is measured at fair value at the date the control ceases. Subsequently it is accounted for as an equity-accounted investee or as an equity instrument at FVTOCI depending on the level of influence retained.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.2 Basis of consolidation (cont'd)****(v) Non-controlling interests**

Non-controlling interests at the end of the reporting period, being the equity in a combining entity not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statements of financial position and statements of changes in equity, separately from equity attributable to equity holders of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statements of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the equity holders of the Company.

Losses applicable to non-controlling interests in a combining entity are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions with non-controlling interests are accounted for using the entity concept method, whereby, transactions with non-controlling interests are accounted for as transactions with owners. On acquisition of non-controlling interests, the difference between the consideration and book value of the share of the net assets acquired is recognised directly in equity. Gain or loss on disposal to non-controlling interests is recognised directly in equity.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the historical financial information.

4.3 Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****4. Summary of significant accounting policies (cont'd)****4.3 Foreign currency transactions (cont'd)**

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

4.4 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of an asset begins when it is ready for its intended use. Freehold land has an infinite life and therefore is not depreciated. Work-in-progress is also not depreciated as asset is not available for use. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets at the following annual rates:

Backup inverters	10%
Computers	20%
Containers	10%
Electrical and installation	10%
Freehold buildings	2%
Furniture and fittings	10%
Machineries	20%
Motor vehicles	20%
Office equipment	10%
Renovation	10%
Signboard	10%
Solar farm	4%
Tools and equipment	10%

The assets' residual value, useful life and depreciation method are reviewed at each FYE, and adjusted prospectively, if appropriate.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy for recognition and measurement of impairment losses is in accordance with Note 4.8 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.4 Property, plant and equipment (cont'd)**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

4.5 Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or appreciation or for both, but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost, including expenditure directly attributable to the acquisition of investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and the capitalised borrowing costs. Investment properties are measured using cost model. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of investment properties is provided for on the straight-line basis over the estimated useful life at the annual rate of 2%.

Investment properties are derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the disposal or retirement of an investment property is recognised in profit or loss in the year of disposal or retirement.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 4.4 to the financial statements up to date of change in use.

4.6 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs comprises purchase price and directly attributable costs of bringing the inventories to their present location and conditions. Cost of inventories is determined by the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.7 Intangible assets

Intangible assets with finite useful lives are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful live of the intangible asset and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least once at the end of each financial reporting period.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.7 Intangible assets (cont'd)**

Gains or losses arising from derecognition of an intangible asset are measured as the differences between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss when the asset is derecognised.

(i) Trademarks

The estimated useful life of trademark is 3 years.

(ii) Software licences

The Group has developed the following criteria to identify computer software licence to be classified as property, plant and equipment or intangible asset:

- Software licence that is embedded in computer-controlled equipment, including operating system that cannot operate without that specific software is an integral part of the related hardware and is treated as property, plant and equipment;
- Application software that is being used on a computer that is generally easily replaced and is not an integral part of the related hardware is classified as intangible asset.

Due to the risk of technological changes, the useful lives of all software licences are generally assessed to be finite. Software licence that is classified as intangible assets are amortised on a straight-line basis over its estimated useful life of 5 years.

4.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset (except for inventories, tax recoverable and deferred tax assets) may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful lives or that are not available for use, the recoverable amount is estimated each period at the same time.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows from continuing use ("CGU"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of the combination.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.8 Impairment of non-financial assets (cont'd)**

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. Where the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount, the asset is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in profit or loss except for assets that have been previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rated basis.

An impairment loss in respect of goodwill is not reversed. In respect of assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is credited to profit or loss in the financial year in which the reversal is recognised.

4.9 Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, deposits and other short term, highly liquid investments that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value, net of bank overdrafts and exclude deposits and bank balances pledged to secure banking facilities.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.10 Financial assets**

The Group applied the classification and measurement requirements for financial assets under MFRS 9, 'Financial Instruments' retrospectively. The financial year 2017 comparative was restated, and the changes in the classification and measurement requirements from the classification and measurement requirements under the previous MFRS 139, 'Financial Instruments: Recognition and Measurement' and its impact are disclosed in Note 3.2 (i).

Financial assets are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets under MFRS 9, 'Financial Instruments' are as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at FVTOCI if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income, except impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)

4. Summary of significant accounting policies (cont'd)

4.10 Financial assets (cont'd)

(ii) Financial assets measured at fair value (cont'd)

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. The Group does not have any financial assets measured at FVTOCI or FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Financial assets are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group does not have any financial assets that are equity instruments.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value of these financial assets are recognised in other comprehensive income and are not subsequently transferred to profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the settlement date, i.e. the date that the asset is delivered to or by the Group.

Impairment of financial assets

The Group applied the impairment requirements for financial assets under MFRS 9, 'Financial Instruments' retrospectively. The financial year 2017 comparative was restated, and the changes in the impairment requirements from the impairment requirements under the previous MFRS 139, 'Financial Instruments: Recognition and Measurement' are explained in Note 3.2 (i).

The Group assesses at each FYE whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group uses historical experience on similar assets and other supportive information to assess deterioration in credit quality of a financial asset. The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.10 Financial assets (cont'd)****Impairment of financial assets (cont'd)**

The amount of impairment loss is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group measures the impairment loss on financial assets other than trade receivables and contract assets based on the two-step approach as disclosed in Note 3.2 (i). If in a subsequent period, the credit quality improves and reverses any previously assessed significant increase in credit risk since initial recognition, then the impairment loss reverts from lifetime ECL to 12-months ECL.

For trade receivables and contract assets, the Group measures impairment loss based on lifetime ECL at each reporting date until the financial assets are derecognised.

4.11 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable costs, except in the case of financial liabilities at FVTPL.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Group that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

The Group does not have any financial liabilities at FVTPL in the current and previous FYE.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.11 Financial liabilities (cont'd)****(ii) Other financial liabilities**

The Group's other financial liabilities include payables and borrowings.

Payables and borrowings are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

4.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) Provision for defects liability

A provision is recognised when customer issues initial acceptance certificate after completion of EPCC contract. Initial recognition is made based on estimation of material, machines, contractor and labour costs during the defects liability period. Provision is made by estimating costs to be incurred for each type of repair pertinent to scope of work for the LSSPV contract. Larger LSSPV contracts are expected to incur higher costs for the same type of repair due to its size. The Group has also considered their past experience with rectifying defects for clients in the commercial/industrial and residential segments for certain types of repair common to solar PV installation, adjusting them to the scale required for LSSPV projects. This initial estimate is revised annually when there is a changes in expectations and assumptions used.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)

4. Summary of significant accounting policies (cont'd)

4.12 Provisions (cont'd)

(i) Provision for defects liability (cont'd)

The provision for defects liabilities are reversed as and when expenses are incurred to perform defects rectification, and entirely at the end of defects liability period. Any under-provision will be charged to profit or loss during the financial year.

(ii) Provision for onerous contract

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

4.13 Leases

- **As lessee in finance and operating lease**

(i) Finance lease

Finance leases are leases which transfer to the Group substantially all the risk and rewards incidental to ownership of the leased item. Upon initial recognition, lease assets are capitalised at the inception of the lease at their fair value or, if lower, the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. The liability is included in the statements of financial position as finance lease liabilities.

Minimum lease payments made are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent lease payments, if any, are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Lease assets are depreciated over the estimated useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

(ii) Operating lease

Operating leases are leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Operating lease payments are recognised as an expense in profit or loss on the straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on the straight-line basis. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)

4. Summary of significant accounting policies (cont'd)

4.13 Leases (cont'd)

- **As lessor in operating lease**

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 4.15 to the financial statements.

4.14 Revenue

The Group applied the five-step model for revenue recognition under MFRS 15, 'Revenue from Contracts with Customers' effective from 1 April 2017. The adoption of MFRS 15 results in changes in the accounting policy for revenue recognition, and the financial impact of transition from MFRS 118, 'Revenue' applied previously is disclosed in Note 3.2 (ii).

The Group recognises revenue from contracts with customers based on the five-step model as set out in MFRS 15:

- (i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- (iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- (v) Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time if the Group's performance:

- (i) Does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to-date; or
- (ii) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (iii) Provides benefits that the customer simultaneously receives and consumes as the Group performs.

For performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.14 Revenue (cont'd)**

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract-based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligation in contracts with customers:

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) EPCC of solar energy solution

The Group provides turnkey EPCC services in solar energy solution to customers in three categories: residential, commercial and industrial (roof-top projects) and large scale solar energy producers. Its end-to-end solution covers the initial feasibility to in-depth system designs and installations, project commissioning to project handover that caters to all types of solar PV projects.

EPCC contracts involve multiple deliverables, such as solar system design, supply of solar energy equipment, installation of solar energy system and testing of newly installed solar energy system. As the Group provides significant integration service for the multiple performance obligations, they are accounted for as a single performance obligation.

For EPCC projects, the Group transfers control of goods and services over time and, therefore satisfies a performance obligation and recognises revenue over time. The Group is restricted contractually from directing the solar energy system under construction for another use as they are being developed and has an enforceable right to payment for performance completed to date. Therefore, revenue is recognised over time, based on the costs incurred to date as a proportion of the estimated total costs to be incurred.

Progress billings to the customer are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has billed or received advance payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.14 Revenue (cont'd)****(i) Revenue from contracts with customers (cont'd)****(a) EPCC of solar energy solution (cont'd)**

When the outcome of a contract cannot be reasonably measured but the Group expects to recover the costs incurred in satisfying the performance obligation, revenue is recognised only to the extent of contract costs incurred until such time that the Group can reasonably measure the outcome of the performance obligation. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue on a contract, the expected loss is recognised as an expenses immediately, with a corresponding provision for an onerous contract.

(b) O&M of solar energy system

Within its activities of EPCC (turnkey) of solar energy system, the Group provides warranty of between 2 and 5 years to customer for workmanship defects, performance monitoring and on-site support and repair services (collectively referred to as O&M) to ensure optimal operation of solar energy system installation. The O&M is a distinct service to the customer in addition to the assurance that the product complies with agreed-upon specifications. Previously, the Group did not recognise a provision with respect to this warranty. Under MFRS 15, the Group accounts for a service-type warranty as a separate performance obligation to which the Group allocates a portion of the transaction price. The portion of the consideration allocated to the service-type warranty is initially recorded as a contract liability and recognised as revenue over the period the warranty services are provided.

Obligation to replace equipment and parts are standard warranty provided by the suppliers of those equipment and parts.

The Group has elected to apply the practical expedient to not have to restate completed contracts at the beginning of the earliest period presented.

(c) Sale of electricity through solar energy generation

The Group sells electricity generated through its self-constructed solar plant to electric utility company, TNB under a 21-year renewable energy power purchase agreement. Revenue is recognised upon delivery of electricity by kilowatt-hour to the utility company's grid and accepted by the utility company.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.15 Other operating income****(i) Rental income**

Revenue from rental of investment properties and property, plant and equipment is recognised on accrual basis.

(ii) Interest income

Interest income from financing to trade receivables is recognised using the effective interest method. When a receivable is impaired (for the time value of money effect when outstanding balances are converted into instalment plan), the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

For fixed deposits with financial institutions, interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

(iii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

4.16 Employee benefits**(i) Short-term benefits**

Short-term employment benefits, such as wages, salaries and social security contributions, are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group.

Short-term accumulating compensated absences, such as paid annual leave, are recognised when the employees render services that increase their entitlement to future compensated absences.

Non-accumulating compensated absences, such as sick leave, are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the reporting date.

Profit-sharing and bonus plans are recognised when the Group has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when, and only when the Group has no realistic alternative but to make the payments.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.16 Employee benefits (cont'd)****(ii) Defined contribution plans**

Defined contributions plans are post-employment benefits plans under which the Group pay fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund (EPF).

4.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

4.18 Income taxes**(i) Current tax**

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes is 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.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.18 Income taxes (cont'd)****(ii) Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- (a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- (a) where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (b) in respect of deductible temporary differences associated with investment in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which that temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)

4. Summary of significant accounting policies (cont'd)

4.18 Income taxes (cont'd)

(ii) Deferred tax (cont'd)

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

4.19 Share capital and dividends

An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

(i) Ordinary shares

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(ii) Preference shares capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(iii) Share issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

4.20 Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability 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.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)

4. Summary of significant accounting policies (cont'd)

4.20 Fair value measurement (cont'd)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different level in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

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

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfer between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4.21 Related parties

A related party is a person or an entity that is related to the Group under the following conditions:

- (i) A person or a close member of that person's family:
 - (a) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
 - (b) has control or joint control over the reporting entity; or
 - (c) has significant influence over the reporting entity.
- (ii) Any one of the following condition applies:
 - (a) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
 - (c) both entities are joint ventures of a third entity.
 - (d) either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
 - (f) the entity is controlled or jointly controlled by a person identified in (i).
 - (g) a person identified in (i)(b) has significant influence over the entity or is a member of the key management personnel of the entity or of a parent of the entity.
 - (h) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.
- (iii) Directly, or indirectly through one or more intermediaries, the party:
 - (a) controls, is controlled by, or is under common control with, the Group (this includes parents, subsidiaries, fellow subsidiaries and fellow associates and joint ventures);
 - (b) has an interest in the entity that gives it significant influence over the entity; or
 - (c) has joint control over the entity.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)

4. Summary of significant accounting policies (cont'd)

4.21 Related parties (cont'd)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependants of that person or that person's spouse or domestic partner.

4.22 GST

Revenue, expenses and assets are recognised net of GST, unless the GST is not recoverable from the tax authority. The amount of GST not recoverable from the tax authority is recognised as an expense or as part of cost of acquisition of an asset. Receivables and payables relate to such revenue, expenses or acquisitions of assets are presented in the statements of financial position inclusive of GST recoverable or GST payable.

GST recoverable from or payable to tax authority may be presented on net basis should such amounts are related to GST levied by the same tax authority and the taxable entity has a legally enforceable right to set off such amounts.

4.23 Contract assets and liabilities

Contract asset is the right to consideration for goods or services transferred to the customers. In the case of EPCC contracts, contract asset is the excess of cumulative revenue earned over the billings to date. When there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or have billed the customer. In the case of EPCC, contract liability is the excess of the billings to date over the cumulative revenue earned. Contract liabilities also include outstanding operations and maintenance services to be rendered over several financial years.

4.24 Earnings per ordinary share

The Group presents basic and diluted EPS data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the years, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**4. Summary of significant accounting policies (cont'd)****4.25 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decision about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

5. Significant accounting estimates and judgement

The preparation of financial statements in conformity with MFRS requires management to exercise their judgement in the process of applying the Group's accounting policies and the use of accounting estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date and which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods. Although these judgement and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is disclosed below.

(i) Areas with most significant uses of judgement and estimates**(a) The classification of finance and operating lease**

The Group classifies a lease as a finance lease or an operating lease based on the criterion of the extent to which significant risks and rewards incidental to ownership of the underlying asset lie. As a lessee, the Group recognises a lease as a finance lease if it is exposed to significant risks and rewards incidental to ownership of the underlying asset. In applying judgement, the Group considers whether there is significant economic incentive to exercise a purchase option and any optional renewal periods. A lease is classified as a finance lease if the lease term is for at least 75% of the economic life of the underlying asset, the present value of the lease payments is at least 90% of the fair value of the underlying asset, or the identified asset in the lease is a specialised asset which can only be used substantially by the lessee. All other leases that do not result in a significant transfer of risks and rewards are classified as operating leases.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**5. Significant accounting estimates and judgement (cont'd)****(i) Areas with most significant uses of judgement and estimates (cont'd)****(b) Classification of a property as an investment property or property, plant and equipment**

Certain property comprises of a portion that is held to earn rental income or capital appreciation, or for both, whilst the remaining portion is held for use in the production or supply of goods and services or for administrative purposes. If the portion held for rental and/or capital appreciation could be sold separately (or leased out separately as a finance lease), the Group accounts for that portion as an investment property. If the portion held for rental and/or capital appreciation could not be sold or leased out separately, it is classified as an investment property only if an insignificant portion of the property is held for use in the production or supply of goods and services or for administrative purposes. Management uses its judgement to determine whether any ancillary services are of such significance that a property does not qualify as an investment property.

(c) Classification of non-current bank borrowings

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise their right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

(d) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on the straight-line basis over the asset's useful lives. Management estimates the useful lives of these assets based on expected usage level and current conditions of the assets with proper maintenance schedule, therefore future depreciation charges could be revised.

(e) Measurement of income taxes

Liability for taxation is recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice of whether additional taxes will be payable. When the final outcome of the tax payable is determined with the tax authority, the amount might be different from the initial estimate of the tax payable. Such difference may impact the income tax in the period when such determination is made. The Group will adjust for the differences as over- or under-provision of income tax in the period in which those differences arise.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****5. Significant accounting estimates and judgement (cont'd)****(i) Areas with most significant uses of judgement and estimates (cont'd)****(f) Measurement of revenue**

Revenue is recognised when or as the control of the asset is transferred to customers and, depending on the terms of the contract, control of the asset may transfer over time or at a point in time.

- **EPCC (turnkey) for solar energy system**

For EPCC contracts where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the solar energy system to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the contracts. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the EPCC contracts. The estimated total construction and other related costs to be incurred up to the completion of EPCC contracts are based on contracted amounts and past experience and knowledge of the management to make estimates of the amounts to be incurred.

- **O&M of solar energy system**

For EPCC contracts that also include warranty and maintenance services subsequent to commissioning, this is an additional performance obligation on top of EPCC work. For these contracts, the Group has to allocate transaction price to each performance obligation on a relative stand-alone selling price basis. The Group allocates the transaction price to service warranty by estimating its standalone selling price applying the expected cost plus a margin approach. Under this approach, the Group forecasts its expected costs of satisfying a performance obligation and then add an appropriate margin to the service.

(g) Provision for defects liability

A provision is recognised when customer issues initial acceptance certificate after completion of EPCC contract, based on historical experience of the level of repairs and replacements required for solar PV system installed in the past. Where an abnormal defect is discovered on a product, the management will perform investigation to identify the cause. The total defects liability that will be incurred is highly dependent on the course of action that needs to be taken by the Group in consultation with the affected customer. It may vary significantly from provision estimated at reporting date.

(h) Provision for onerous contract

The Group estimates the provision for its EPCC contracts when it is inevitable that a loss will be incurred on performance of the contract. The provision is measured according to management's best estimate of expected unavoidable future costs to be incurred to complete the contract. The estimate includes an assessment of costs to be incurred to complete the EPCC contract and is therefore subject to significant uncertainty.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****6. Property, plant and equipment**

	Backup inverters RM	Computers RM	Containers RM	Electrical and installation RM	Freehold buildings RM	Freehold land RM	Furniture and fittings RM	Machine- ries RM	Motor vehicles RM	Office equipment RM	Renovation RM	Signboard RM	Solar farm equipment RM	Tools and equipment RM	Total RM	
At 31 March 2019																
Cost																
At 1 April 2018	436,136	285,556	277,127	111,422	3,712,015	1,853,153	334,256	1,449,748	2,895,420	285,955	996,359	46,345	4,987,257	289,503	17,960,252	
Additions	-	132,109	288,100	17,930	-	-	38,180	704,193	947,246	24,569	90,334	7,400	-	282,074	2,532,135	
Disposals	-	-	-	-	-	-	-	-	(35,500)	-	-	-	-	-	(35,500)	
Transfer to investment properties	-	-	-	-	(973,154)	-	-	-	-	-	-	-	-	-	(973,154)	
At 31 March 2019	436,136	417,665	565,227	129,352	2,738,861	1,853,153	372,436	2,153,941	3,807,166	310,524	1,086,693	53,745	4,987,257	571,577	19,483,733	
Accumulated depreciation																
At 1 April 2018	43,614	113,855	23,997	20,297	265,986	-	76,610	109,730	1,504,139	61,326	217,091	11,601	797,806	58,758	3,304,810	
Charge for the financial year	43,613	65,613	52,340	11,291	64,288	-	33,771	395,159	539,473	30,557	103,941	5,066	199,491	47,697	1,592,300	
Disposals	-	-	-	-	-	-	-	-	(28,683)	-	-	-	-	-	(28,683)	
Transfer to investment properties	-	-	-	-	(66,499)	-	-	-	-	-	-	-	-	-	(66,499)	
At 31 March 2019	87,227	179,468	76,337	31,588	263,775	-	110,381	504,889	2,014,929	91,883	321,032	16,667	997,297	106,455	4,801,928	
Garrying amount																
At 31 March 2019	348,909	238,197	488,890	97,764	2,475,086	1,853,153	262,055	1,649,052	1,792,237	218,641	765,661	37,078	3,989,960	465,122	14,681,805	

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****6. Property, plant and equipment (cont'd)**

	Backup inverters		Computers		Containers		Electrical and installation		Freehold buildings		Freehold land		Furniture and fittings		Machines		Motor vehicles		Office equipment		Renovation		Signboard		Solar farm equipment		Tools and equipment		Total			
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM		
At 31 March 2018																																
Cost																																
At 1 April 2017	-	-	174,782	115,400	111,422	3,355,354	1,020,943	322,559	-	2,067,523	264,141	996,359	40,345	4,987,257	193,554	13,649,639																
Additions	436,136		110,774	186,927	-	-	11,697	1,449,748	827,897	21,814	6,000	-	-	-	95,949	3,146,942																
Disposals	-	-	-	(25,200)	-	-	-	-	-	-	-	-	-	-	-	(25,200)																
Transfer from investment properties	-	-	-	-	-	356,661	832,210	-	-	-	-	-	-	-	-	1,188,871																
At 31 March 2018	436,136	285,556	277,127	111,422	111,422	3,712,015	1,853,153	334,256	1,449,748	2,895,420	285,955	996,359	46,345	4,987,257	289,503	17,960,252																
Accumulated depreciation																																
At 1 April 2017	-	-	66,391	5,770	9,155	144,786	-	43,368	-	1,003,214	33,384	117,455	7,016	598,316	31,625	2,060,480																
Charge for the financial year	43,614	47,464	19,697	11,142	11,142	67,107	-	33,242	109,730	500,925	27,942	99,636	4,585	199,490	27,133	1,191,707																
Disposals	-	-	-	(1,470)	-	-	-	-	-	-	-	-	-	-	-	(1,470)																
Transfer from investment properties	-	-	-	-	-	54,093	-	-	-	-	-	-	-	-	-	54,093																
At 31 March 2018	43,614	113,855	23,997	20,297	20,297	265,986	-	76,610	109,730	1,504,139	61,326	217,091	11,601	797,806	58,758	3,304,810																
Carrying amount																																
At 31 March 2018	392,522	171,701	253,130	91,125	91,125	3,446,029	1,853,153	257,646	1,340,018	1,391,281	224,629	779,268	34,744	4,189,451	230,745	14,655,442																

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****6. Property, plant and equipment (cont'd)**

	Computers RM	Containers RM	Electrical and installation RM	Freehold buildings RM	Freehold land RM	Furniture and fittings RM	Motor vehicles RM	Office equipment RM	Renovation RM	Signboard RM	Solar farm RM	Tools and equipment RM	Total RM
At 31 March 2017													
Cost													
At 1 April 2016	107,787	-	29,150	3,355,354	1,020,943	95,103	1,499,662	68,173	373,907	14,245	4,985,607	150,741	11,700,672
Additions	66,995	115,400	82,272	-	-	227,456	567,861	195,968	622,452	26,100	1,650	42,813	1,948,967
At 31 March 2017	174,782	115,400	111,422	3,355,354	1,020,943	322,559	2,067,523	264,141	996,359	40,345	4,987,257	193,554	13,649,639
Accumulated depreciation													
At 1 April 2016	38,768	-	1,248	77,679	-	22,830	632,693	15,988	38,821	3,898	398,848	15,116	1,245,889
Charge for the financial year	27,623	5,770	7,907	67,107	-	20,538	370,521	17,396	78,634	3,118	199,468	16,509	814,591
At 31 March 2017	66,391	5,770	9,155	144,786	-	43,368	1,003,214	33,384	117,455	7,016	598,316	31,625	2,060,480
Carrying amount													
At 31 March 2017	108,391	109,630	102,267	3,210,568	1,020,943	279,191	1,064,309	230,757	878,904	33,329	4,388,941	161,929	11,589,159

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****6. Property, plant and equipment (cont'd)**

	Electrical and installation		Freehold buildings	Freehold land	Furniture and fittings	Motor vehicles	Office equipment	Renovation	Signboard	Solar farm	Tools and equipment	Total
	RM	RM										
At 31 March 2016												
Cost												
At 1 April 2015	67,075	-	2,221,469	534,992	72,802	1,123,801	50,992	86,718	11,715	4,985,607	51,711	9,206,882
Additions	40,712	29,150	1,133,885	485,951	22,301	375,861	17,181	287,189	2,530	-	99,030	2,493,790
At 31 March 2016	107,787	29,150	3,355,354	1,020,943	95,103	1,499,662	68,173	373,907	14,245	4,985,607	150,741	11,700,672
Accumulated depreciation												
At 1 April 2015	20,530	-	14,351	-	14,011	374,162	10,081	19,041	2,544	199,424	5,433	659,577
Charge for the financial year	18,238	1,248	63,328	-	8,819	258,531	5,907	19,780	1,354	199,424	9,683	586,312
At 31 March 2016	38,768	1,248	77,679	-	22,830	632,693	15,988	38,821	3,898	398,848	15,116	1,245,889
Carrying amount												
At 31 March 2016	69,019	27,902	3,277,675	1,020,943	72,273	866,969	52,185	335,086	10,347	4,586,759	135,625	10,454,783

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****6. Property, plant and equipment (cont'd)**

The carrying amount of property, plant and equipment of the Group acquired under finance lease arrangement as disclosed in Note 18 of this report, is as follows:

	2019	2018	2017	2016
	RM	RM	RM	RM
Machineries	135,360	-	-	-
Motor vehicles	<u>1,405,419</u>	<u>935,813</u>	<u>599,837</u>	<u>667,035</u>

The carrying amount of property, plant and equipment of the Group pledged to secure banking facilities as disclosed in Note 17 of this report, is as follows:

	2019	2018	2017	2016
	RM	RM	RM	RM
Freehold buildings	2,475,086	3,446,029	3,210,568	3,277,675
Freehold land	1,853,153	1,853,153	1,020,943	1,020,943
Solar farm	<u>3,989,960</u>	<u>4,189,451</u>	<u>4,388,941</u>	<u>4,586,759</u>
	<u>8,318,199</u>	<u>9,488,633</u>	<u>8,620,452</u>	<u>8,885,377</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****7. Investment properties**

	2019	2018	2017	2016
	RM	RM	RM	RM
Buildings				
Cost				
At 1 April	-	832,210	832,210	832,210
Transfer to property, plant and equipment	-	(832,210)	-	-
Transfer from property, plant and equipment	973,154	-	-	-
At 31 March	<u>973,154</u>	<u>-</u>	<u>832,210</u>	<u>832,210</u>
Accumulated depreciation				
At 1 April	-	37,449	20,805	4,161
Depreciation charge for the year	19,463	16,644	16,644	16,644
Transfer to property, plant and equipment	-	(54,093)	-	-
Transfer from property, plant and equipment	66,499	-	-	-
At 31 March	<u>85,962</u>	<u>-</u>	<u>37,449</u>	<u>20,805</u>
Carrying amount				
At 31 March	<u>887,192</u>	<u>-</u>	<u>794,761</u>	<u>811,405</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****7. Investment properties (cont'd)**

	2019	2018	2017	2016
	RM	RM	RM	RM
Land				
Cost/Carrying amount				
At 1 April	-	356,661	356,661	356,661
Addition during the year	-	-	905,787	-
Classified as held for sale	-	-	(905,787)	-
Transfer to property, plant and equipment	-	(356,661)	-	-
At 31 March	<u>-</u>	<u>-</u>	<u>356,661</u>	<u>356,661</u>
Total investment properties	<u>887,192</u>	<u>-</u>	<u>1,151,422</u>	<u>1,168,066</u>

As at reporting date, investment properties comprise a commercial property on lease to a third party. The third-party lease was for a non-cancellable period of 2 years, with future minimum lease payments disclosed in Note 24 of this report. No contingent rents were charged.

Except the freehold building acquired and subsequently classified as held for sale, all investment properties of the Group are pledged to secure banking facilities, as disclosed in Note 17 of this report.

The following are recognised in profit or loss in respect of investment properties:

	2019	2018	2017	2016
	RM	RM	RM	RM
Rental income from external parties	<u>35,000</u>	<u>20,700</u>	<u>20,700</u>	<u>-</u>

The amount of operating expenses arising from investment properties are immaterial.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****7. Investment properties (cont'd)**

Fair value of investment properties are as follows:

	Level 3			
	2019	2018	2017	2016
	RM	RM	RM	RM
Buildings and land	960,789	-	1,360,000	1,360,000

The fair value represents the amounts at which the properties could be exchanged on an open market basis between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at each FYE. The fair value of the investment properties as at 31 March 2019, 2018, 2017 and 2016 respectively, was estimated by the Directors of the Group.

8. Intangible assets

	2019	2018	2017	2016
	RM	RM	RM	RM
Trademarks				
Cost				
At 1 April	1,150	500	-	-
Addition during the year	-	650	500	-
At 31 March	<u>1,150</u>	<u>1,150</u>	<u>500</u>	<u>-</u>
Accumulated amortisation				
At 1 April	320	102	-	-
Amortisation charge during the year	115	218	102	-
At 31 March	<u>435</u>	<u>320</u>	<u>102</u>	<u>-</u>
Carrying amount				
At 31 March	<u>715</u>	<u>830</u>	<u>398</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****8. Intangible assets (cont'd)**

	2019	2018	2017	2016
	RM	RM	RM	RM
Software				
Cost				
At 1 April	-	-	-	-
Addition during the year	708,013	-	-	-
At 31 March	<u>708,013</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated amortisation				
At 1 April	-	-	-	-
Amortisation charge during the year	77,083	-	-	-
At 31 March	<u>77,083</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount				
At 31 March	<u>630,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total intangible assets	<u>631,645</u>	<u>830</u>	<u>398</u>	<u>-</u>

Software is acquired under finance lease arrangement as disclosed in Note 18 of this report.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****9. Deferred tax assets and liabilities**

Deferred tax assets and liabilities relate to:

	2019	2018	2017	2016
	RM	RM	RM	RM
Deferred tax assets	434,075	252,594	533,764	460,716
Deferred tax liabilities	(322,190)	(239,337)	(101,570)	(40,926)
	<u>111,885</u>	<u>13,257</u>	<u>432,194</u>	<u>419,790</u>
Deferred tax assets:				
Contract liabilities	52,430	76,982	495,222	458,250
Other payables and accruals	156,000	26,607	-	-
Provisions	79,428	123,377	-	-
Impairment loss on trade receivables	<u>146,217</u>	<u>25,628</u>	<u>38,542</u>	<u>2,466</u>
Total deferred tax assets	<u>434,075</u>	<u>252,594</u>	<u>533,764</u>	<u>460,716</u>
Deferred tax liabilities:				
Property, plant and equipment	<u>322,190</u>	<u>239,337</u>	<u>101,570</u>	<u>40,926</u>
Total deferred tax liabilities	<u>322,190</u>	<u>239,337</u>	<u>101,570</u>	<u>40,926</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****9. Deferred tax assets and liabilities (cont'd)**

The components and movements of the Group's deferred tax assets and liabilities are as follows:

	Contract liabilities RM	Other payables and accruals RM	Provisions RM	Impairment loss on trade receivables RM	Property, plant and equipment RM	Total RM
At 1 April 2015	554,226	-	-	-	-	554,226
Credited to profit or loss:						
- effects of early adoption of new MFRS	40,286	-	-	-	-	40,286
Restated as at 1 April 2015	594,512	-	-	-	-	594,512
(Charged)/credited to profit or loss:						
- origination and reversal of temporary differences	(136,262)	-	-	2,466	(40,926)	(174,722)
At 31 March 2016	458,250	-	-	2,466	(40,926)	419,790
Credited/(charged) to profit or loss:						
- origination and reversal of temporary differences	36,972	-	-	36,076	(60,644)	12,404
At 31 March 2017	495,222	-	-	38,542	(101,570)	432,194
(Charged)/credited to profit or loss:						
- origination and reversal of temporary differences	(418,240)	26,607	123,377	(12,914)	(137,767)	(418,937)
At 31 March 2018	76,982	26,607	123,377	25,628	(239,337)	13,257

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****9. Deferred tax assets and liabilities (cont'd)**

The components and movements of the Group's deferred tax assets and liabilities are as follows: (cont'd)

	Contract liabilities RM	Other payables and accruals RM	Provisions RM	Impairment loss on trade receivables RM	Property, plant and equipment RM	Total RM
At 1 April 2018	76,982	26,607	123,377	25,628	(239,337)	13,257
(Charged)/credited to profit or loss:						
- origination and reversal of temporary differences	(24,552)	129,393	(43,949)	104,054	(82,853)	82,093
- overprovision of deferred tax in prior year	-	-	-	16,535	-	16,535
At 31 March 2019	52,430	156,000	79,428	146,217	(322,190)	111,885

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****10. Trade receivables**

	Note	2019 RM	2018 RM	2017 RM	2016 RM
Non-current:					
Receivables from contracts with customers					
- external parties	(a)	267,861	449,592	136,716	-
Retention sum receivable					
- external parties		2,002,887	552,273	-	-
- related parties		171,424	-	-	-
		<u>2,442,172</u>	<u>1,001,865</u>	<u>136,716</u>	<u>-</u>
Current:					
Receivables from contracts with customers					
- external parties	(a)	14,331,175	3,964,611	5,777,625	5,603,156
- related parties		1,950	206,461	191,208	1,046,950
		14,333,125	4,171,072	5,968,833	6,650,106
Retention sum receivable					
- external parties		1,651,957	11,682	-	-
- related parties		171,424	-	-	-
		16,156,506	4,182,754	5,968,833	6,650,106
Less: Impairment loss		(611,623)	(131,632)	(170,867)	(10,275)
		<u>15,544,883</u>	<u>4,051,122</u>	<u>5,797,966</u>	<u>6,639,831</u>
Total trade receivables					
		17,987,055	5,052,987	5,934,682	6,639,831
Retention sum receivable					
		<u>(3,997,692)</u>	<u>(563,955)</u>	<u>-</u>	<u>-</u>
Trade receivables at amortised cost					
		<u>13,989,363</u>	<u>4,489,032</u>	<u>5,934,682</u>	<u>6,639,831</u>
At amortised cost:					
Receivable within one year					
		13,721,502	4,039,440	5,797,966	6,639,831
Receivable after one year					
		267,861	449,592	136,716	-
		<u>13,989,363</u>	<u>4,489,032</u>	<u>5,934,682</u>	<u>6,639,831</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****10. Trade receivables (cont'd)**

Movement of impairment loss on trade receivables is as follows:

	2019	2018	2017	2016
	RM	RM	RM	RM
Balance at 1 April	131,632	170,867	10,275	-
Net impairment losses/ (gains) during the financial year				
- lifetime ECL allowances	1,209	(9,339)	14,572	10,275
- specific allowances	478,782	90,124	146,020	-
Bad debts written off	-	(120,020)	-	-
Balance at 31 March	<u>611,623</u>	<u>131,632</u>	<u>170,867</u>	<u>10,275</u>

All trade receivables are denominated in RM. Trade receivables are non-interest bearing (except trade receivables on deferred payment terms disclosed in Note 10(a)) and are generally on 30 days' term.

Trade receivables balance of RM3,594,796 (2018: RM420,521; 2017: RM628,242; 2016: RM377,504) is pledged to secure bank facilities as disclosed in Note 17 of this report.

Amount owing by related parties are unsecured, interest free, repayable on demand and are to be settled in cash. Also included in receivables from related parties are balances due from companies owned by shareholders of the Group.

(a) Trade receivables on deferred payment terms

The Group has arranged for past due receivables amounting to RM459,926 (2018: RM650,122; 2017: RM154,570; 2016: Nil) at reporting date to settle their balances under monthly instalment agreement with annual interest rates ranging from 0% to 5% (2018: 0% to 5%; 2017: 3.5% to 5%; 2016: Nil) and tenure ranging between 10 and 60 months (2018: 10 and 60 months; 2017: 36 and 60 months; 2016: Nil).

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****10. Trade receivables (cont'd)****(a) Trade receivables on deferred payment terms (cont'd)**

Analysis of trade receivables on deferred payment terms are as follows:

	2019	2018	2017	2016
	RM	RM	RM	RM
Nominal value				
At 1 April	813,240	236,769	-	-
Addition	-	652,780	249,743	-
Repayment	(316,661)	(76,309)	(12,974)	-
At 31 March	<u>496,579</u>	<u>813,240</u>	<u>236,769</u>	<u>-</u>
Discount				
At 1 April	163,118	82,199	-	-
Add: Accretion of discount	-	150,024	88,082	-
Less: Unwinding of discount	(94,473)	(52,087)	(4,520)	-
Less: Interest income	(31,992)	(17,018)	(1,363)	-
At 31 March	<u>36,653</u>	<u>163,118</u>	<u>82,199</u>	<u>-</u>
Carrying amount	<u>459,926</u>	<u>650,122</u>	<u>154,570</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****11. Other receivables, deposits and prepayments**

	Note	2019 RM	2018 RM	2017 RM	2016 RM
Non-current:					
Other receivable	(a)	<u>239,749</u>	<u>228,768</u>	<u>218,290</u>	<u>208,292</u>
Current:					
Other receivables					
- external parties		1,213,309	1,199,361	386,640	947,999
- related parties		-	76,015	231,544	49,188
Deposits		1,181,979	586,184	140,221	102,268
Prepayments		<u>8,209,815</u>	<u>877,622</u>	<u>243,366</u>	<u>294,392</u>
		<u>10,605,103</u>	<u>2,739,182</u>	<u>1,001,771</u>	<u>1,393,847</u>
Total other receivables, deposits and prepayments		10,844,852	2,967,950	1,220,061	1,602,139
Less: GST receivable		(326,823)	(279,102)	(120,543)	-
Less: Prepayments		<u>(8,209,815)</u>	<u>(877,622)</u>	<u>(243,366)</u>	<u>(294,392)</u>
Total other receivables and deposits carried at amortised cost		<u>2,308,214</u>	<u>1,811,226</u>	<u>856,152</u>	<u>1,307,747</u>

Amount owing by related parties are unsecured, interest free, repayable on demand and are to be settled in cash.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****11. Other receivables, deposits and prepayments (cont'd)****(a) Non-current other receivable**

This consists of premium refunds from life insurance policies of certain Directors of the Group pledged to a licensed financial institution to secure bank borrowings disclosed in Note 17 to the report. Premium for the policies have been fully paid. Premium refunds are receivable at expiry of the policies in financial year 2026.

Analysis of other receivable is as follows:

	2019	2018	2017	2016
	RM	RM	RM	RM
Nominal value				
At 1 April	317,632	317,632	317,632	-
Addition	-	-	-	317,632
At 31 March	<u>317,632</u>	<u>317,632</u>	<u>317,632</u>	<u>317,632</u>
Discount				
At 1 April	88,864	99,342	109,340	-
Add: Accretion of discount	-	-	-	118,880
Less: Unwinding of discount	(10,981)	(10,478)	(9,998)	(9,540)
At 31 March	<u>77,883</u>	<u>88,864</u>	<u>99,342</u>	<u>109,340</u>
Carrying amount	<u>239,749</u>	<u>228,768</u>	<u>218,290</u>	<u>208,292</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****12. Inventories**

	2019 RM	2018 RM	2017 RM	2016 RM
Purchased materials	<u>2,029,613</u>	<u>1,429,797</u>	<u>1,542,022</u>	<u>1,222,888</u>

Inventories recognised as cost of sales during the financial year amounted to RM30,458,806 (2018: RM13,776,783; 2017: RM17,809,620; 2016: RM18,733,508).

13. Fixed deposits with financial institutions

Fixed deposits held by the Group are pledged to financial institutions for bank facilities granted to the Group, including fixed deposits of RM500,000 (2018: RM110,000; 2017: RM60,000; 2016: RM10,000) held in the name of a Director on behalf of the Group, for bank guarantee issued to the Group as disclosed in Note 24 (i) to the report.

At 31 March 2019, the weighted average interest rate of fixed deposits is 3.11% (2018: 2.87%; 2017: 2.78%; 2016: 2.76%) and their tenure range between 1 and 3 months (2018: 1 and 3 months; 2017: 1 and 3 months; 2016: 1 and 2 months).

14. Assets and liabilities of subsidiary held for sale

Arising from an internal restructuring exercise, the management of Atlantic Blue had made the decision to dispose one of the subsidiaries, Atlantic Ecocity Sdn. Bhd. prior to FYE 31 March 2017. Disposal was completed in July 2017. The assets and liabilities of the subsidiary held for sale prior to disposal are as follows:

	2017 RM
Asset classified as held for sale	
Investment property	<u>905,787</u>
Liabilities classified as held for sale	
Other payables and accruals	<u>680</u>

The carrying value of investment property of the disposal group is the same as its carrying value before it was being reclassified to assets held for sale.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****15. Invested equity**

For the purpose of this report, the total number of shares as at all FYE represent the aggregate number of issued and fully paid-up shares of all entities within the Group.

The movement in the authorised and paid-up share capital of the Company and its combining entities are as follows:

	2019		2018		2017		2016	
	Number of shares	RM	Number of shares	RM	Number of shares	RM	Number of shares	RM
Solarvest								
Issued and fully paid-up:								
At 1 April/date of incorporation	2	2	2	2	-	-	-	-
Subdivision of existing shares	18	-	-	-	-	-	-	-
Issued during the financial year	80	8	-	-	-	-	-	-
At 31 March	100	10	2	2	2	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****15. Invested equity (cont'd)**

The movement in the authorised and paid-up share capital of the Company and its combining entities are as follows: (cont'd)

	2019		2018		2017		2016	
	Number of shares	RM	Number of shares	RM	Number of shares	RM	Number of shares	RM
Atlantic Blue								
Authorised:								
At 1 April	-	-	-	-	1,000,000	1,000,000	400,000	400,000
Created during the financial year	-	-	-	-	-	-	600,000	600,000
Effects of adoption of the Act	-	-	-	-	(1,000,000)	(1,000,000)	-	-
At 31 March	-	-	-	-	-	-	1,000,000	1,000,000
Issued and fully paid-up:								
At 1 April	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	400,000	400,000
Issued during the financial year	-	-	-	-	-	-	600,000	600,000
At 31 March	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****15. Invested equity (cont'd)**

The movement in the authorised and paid-up share capital of the Company and its combining entities are as follows: (cont'd)

	2019		2018		2017		2016	
	Number of shares	RM	Number of shares	RM	Number of shares	RM	Number of shares	RM
Powertrack								
Authorised:								
At 1 April	-	-	-	-	400,000	400,000	-	-
Created during the financial year	-	-	-	-	-	-	400,000	400,000
Effects of adoption of the Act	-	-	-	-	(400,000)	(400,000)	-	-
At 31 March	-	-	-	-	-	-	400,000	400,000
Issued and fully paid-up:								
At 1 April/date of incorporation	-	-	12,000	12,000	12,000	12,000	2	2
Issued during the financial year	-	-	-	-	-	-	19,998	19,998
Increase in equity by Atlantic Blue	-	-	(12,000)	(12,000)	-	-	(8,000)	(8,000)
At 31 March	-	-	-	-	12,000	12,000	12,000	12,000

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****15. Invested equity (cont'd)**

The movement in the authorised and paid-up share capital of the Company and its combining entities are as follows: (cont'd)

	2019		2018		2017		2016	
	Number of shares	RM	Number of shares	RM	Number of shares	RM	Number of shares	RM
Solarvest Energy								
Authorised:								
At 1 April	-	-	-	-	-	-	-	-
Created during the financial year	-	-	-	-	400,000	400,000	-	-
Effects of adoption of the Act	-	-	-	-	(400,000)	(400,000)	-	-
At 31 March	-	-	-	-	-	-	-	-
Issued and fully paid-up:								
At 1 April/date of incorporation	-	-	6,000	6,000	3	3	-	-
Issued during the financial year	990,000	990,000	-	-	9,997	9,997	-	-
Increase in equity by Atlantic Blue	(990,000)	(990,000)	(6,000)	(6,000)	(4,000)	(4,000)	-	-
At 31 March	-	-	-	-	6,000	6,000	-	-

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****15. Invested equity (cont'd)**

The movement in the authorised and paid-up share capital of the Company and its combining entities are as follows: (cont'd)

	2019		2018		2017		2016	
	Number of shares	RM	Number of shares	RM	Number of shares	RM	Number of shares	RM
Solarvest Energy (SR)								
Issued and fully paid-up:								
At date of incorporation	100	100	-	-	-	-	-	-
Subscribed by Solarvest Energy	(70)	(70)	-	-	-	-	-	-
Subscribed by non controlling interest	(30)	(30)	-	-	-	-	-	-
At 31 March	-	-	-	-	-	-	-	-
Total issued and paid-up share capital of the Group	1,000,100	1,000,010	1,000,002	1,000,002	1,018,000	1,018,000	1,012,000	1,012,000

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)

15. Invested equity (cont'd)

During FYE 31 March 2016, Atlantic Blue increased its issued and paid-up share capital from RM400,000 to RM1,000,000 by the allotment of 600,000 new ordinary shares of RM1 each at par for the purpose of working capital. The new ordinary shares were issued for cash consideration and rank pari passu in all respects with the existing shares of Atlantic Blue.

The new Act which came into operation on 31 January 2017, introduces the "no par value" regime. Accordingly, the concept of "authorised share capital" and "par value" have been abolished. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

16. Retained earnings

The retained earnings of the Group are available for distribution by way of cash dividends or dividends in specie. Under the single-tier system of taxation, dividends payable to shareholders are deemed net of income taxes. There are no potential income tax consequences to the Group that would result from the payment of dividends to shareholders. The dividends would not be taxable in the hands of the shareholders.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****17. Bank borrowings**

	2019 RM	2018 RM	2017 RM	2016 RM
Non-current:				
Term loans				
- later than one year and not later than two years	1,147,212	1,095,017	1,026,753	950,895
- later than two years and not later than five years	2,285,128	3,043,237	3,432,024	3,223,793
- later than five years	2,366,085	2,783,045	3,519,309	4,719,650
	<u>5,798,425</u>	<u>6,921,299</u>	<u>7,978,086</u>	<u>8,894,338</u>
Current:				
Bank overdraft	-	764,355	331,096	703,018
Trade facilities:				
- Bankers acceptance	-	708,000	400,000	233,000
- Local bill purchase	6,583,304	-	-	-
Term loans	1,109,305	1,028,757	957,915	919,458
	<u>7,692,609</u>	<u>2,501,112</u>	<u>1,689,011</u>	<u>1,855,476</u>
Total bank borrowings	<u>13,491,034</u>	<u>9,422,411</u>	<u>9,667,097</u>	<u>10,749,814</u>

Bank overdraft, bankers acceptance, term loan 1, 2, 3, 6 and 7 are secured by:

- (i) Freehold land and buildings as disclosed in Note 6 and 7;
- (ii) Joint and several guarantee by certain Directors of the Group; and
- (iii) Life insurance policies of certain Directors of the Group.

Local bill purchase, term loan 4 and 5 are secured by:

- (i) Fixed deposits with licensed financial institutions as disclosed in Note 13;
- (ii) Joint and several guarantee by all Directors of the Group;
- (iii) Fixed charge over receivables from sale of electricity generated by solar farm and receivables of an EPCC contract for which trade facilities were approved for, as disclosed in Note 10;
- (iv) Fixed charge over a sinking fund account as disclosed in Note 33;
- (v) Life insurance policies of certain Directors of the Group as disclosed in Note 11 (a);
- (vi) Debenture with fixed charge over solar farm as disclosed in Note 6; and
- (vii) Credit guarantee by Credit Guarantee Corporation Malaysia Berhad.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****18. Finance lease liabilities**

	2019 RM	2018 RM	2017 RM	2016 RM
Non-current:				
- later than one year and not later than five years	1,095,697	911,706	454,250	392,053
Current:				
- not later than one year	610,519	471,246	259,128	184,750
Total finance lease	<u>1,706,216</u>	<u>1,382,952</u>	<u>713,378</u>	<u>576,803</u>
Future minimum finance lease payments:				
- not later than one year	693,106	539,524	291,288	208,152
- later than one year and not later than five years	1,167,987	983,690	488,699	413,187
	<u>1,861,093</u>	<u>1,523,214</u>	<u>779,987</u>	<u>621,339</u>
Less: Finance charges	<u>(154,877)</u>	<u>(140,262)</u>	<u>(66,609)</u>	<u>(44,536)</u>
Present value of minimum lease payments	<u>1,706,216</u>	<u>1,382,952</u>	<u>713,378</u>	<u>576,803</u>

Finance lease arrangement for certain motor vehicles of the Group are disclosed in Note 6 and Note 8 of this report.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****19. Redeemable preference shares**

	2019	Number of shares		2016
		2018	2017	
Issued and fully paid-up shares classified as debt instruments:				
At 1 April	-	-	-	-
Issuance of RPS	7,200,000	-	-	-
At 31 March	<u>7,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2019	2018	2017	2016
	RM	RM	RM	RM
Nominal value				
At 1 April	-	-	-	-
Issued during the financial year	7,200,000	-	-	-
At 31 March	<u>7,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Discount				
At 1 April	-	-	-	-
Add: Accretion of discount	2,731,601	-	-	-
Less: Unwinding of discount	(87,015)	-	-	-
At 31 March	<u>2,644,586</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total RPS	<u>4,555,414</u>	<u>-</u>	<u>-</u>	<u>-</u>

On 20 January 2019, Atlantic Blue entered into subscription agreement with certain Directors of Atlantic Blue to settle an amount owing to the Directors of RM7,200,000 via issuance of 7,200,000 RPS at an issue price of RM1 each.

The salient features of the RPS are as follows:

- (i) They rank pari passu among themselves but in priority to all other shares of the Company;
- (ii) They are not be transferrable;
- (iii) They are not entitled to any form of dividend payment;
- (iv) Upon any winding up, liquidation or any return of capital of the Company, the holders of the shares shall have priority in the repayment of capital and all monies due over any payment to the holders of all other shares in the capital of the Company;
- (v) They do not carry the right to vote;
- (vi) The redemption price for each share is equivalent to its issuance price; and
- (vii) They are redeemable at the option of the Company at any time and shall be redeemed in full at the fifth anniversary of their issuance on 19 January 2024.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****20. Trade payables**

	2019 RM	2018 RM	2017 RM	2016 RM
Non-current:				
Retention sum payables	503,428	133,647	18,185	-
Current:				
Trade payables				
- external parties	23,765,219	2,854,384	1,961,983	1,130,139
- related parties	6,975	4,811	2,561	8,340
Retention sum payables	1,702,284	-	-	-
	<u>25,474,478</u>	<u>2,859,195</u>	<u>1,964,544</u>	<u>1,138,479</u>
Total trade payables	25,977,906	2,992,842	1,982,729	1,138,479
Less: Retention sum payables	<u>(2,205,712)</u>	<u>(133,647)</u>	<u>(18,185)</u>	<u>-</u>
Trade payables at amortised cost	<u>23,772,194</u>	<u>2,859,195</u>	<u>1,964,544</u>	<u>1,138,479</u>

Trade payables are non-interest bearing. The normal credit terms granted to the Group range from 30 to 90 days (2018, 2017 and 2016: 30 to 90 days).

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****21. Other payables and accruals**

	2019 RM	2018 RM	2017 RM	2016 RM
Other payables				
- external parties	680,982	480,171	784,653	1,177,812
- related party	347	2,166	-	-
	681,329	482,337	784,653	1,177,812
Accruals	1,933,140	1,229,225	420,740	245,378
Deposits received	30,500	1,500	6,900	-
	<u>2,644,969</u>	<u>1,713,062</u>	<u>1,212,293</u>	<u>1,423,190</u>
Total other payables and accruals	2,644,969	1,713,062	1,212,293	1,423,190
Less: GST payables	-	(226,200)	(156,680)	-
Less: SST payables	(480)	-	-	-
Other payables and accruals at amortised cost	<u>2,644,489</u>	<u>1,486,862</u>	<u>1,055,613</u>	<u>1,423,190</u>

Other payables are non-interest bearing and have an average term of 3 months (2018, 2017 and 2016: 3 months). Amount owing to a related party is unsecured, interest free and repayable on demand in cash.

The provision for onerous contract is in relation to a contract in which the unavoidable cost to complete the contract has exceeded the estimated contract revenue. During FYE 31 March 2019, the contract has been completed.

22. Provisions

	Note	2019 RM	2018 RM	2017 RM	2016 RM
Provision for onerous contract	(a)	-	514,072	-	-
Provision for defects liability	(b)	331,777	-	-	-
		<u>331,777</u>	<u>514,072</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****22. Provisions (cont'd)**

- (a) The provision for onerous contract is in relation to a contract which the unavoidable costs to complete the contract exceed its estimate contract revenue. The contract had been completed during the financial year.
- (b) Movement of provision for defects liability during the financial year:

	2019
	RM
At 1 April 2018	-
Provision made during the financial year	336,906
Less: Provision used	(5,129)
At 31 March 2019	<u>331,777</u>

Upon issuance of initial acceptance certificate by customer after completion of EPCC contract for LSSPV, the Group gives one or two years of defects warranty on installed structure and undertake to repair or replace parts that fail to perform satisfactorily. Initial recognition of the provision is based on estimation of material, machines, contractor and labour costs during the defects liability period. The Group estimates costs to be incurred for each type of repair pertinent to scope of work for the LSSPV contract. Larger LSSPV contracts are expected to incur higher costs for the same type of repair due to their size.

Provision is not made for solar PV panels, inverters, mounting structure and monitoring devices used in the installation as the suppliers of those equipment provide standard warranty directly to end customer.

The Group uses its past experience of costs incurred to rectify defects for certain repairs common to all solar PV installation by adjusting them to the scale required for the respective LSSPV contract. It is expected that most of these costs will be incurred within one year from the reporting period.

23. Amount owing to Directors

Amount owing to Directors are advances of non-trade in nature, unsecured, interest free and repayable on demand in cash.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****24. Performance guarantee and commitments****(i) Performance guarantees and bonds**

In the ordinary course of business, the Group may obtain bank guarantee which the Group provides to customers to secure performance under contracts. A liability would only arise in the event the Group fails to fulfill its contractual obligations. The outstanding performance guarantees and bonds are as follows:

	2019 RM	2018 RM	2017 RM	2016 RM
Secured:				
Performance guarantee to customers	3,421,730	110,000	60,000	10,000
Substitute bond in favour of EC for an EPCC contract	5,000,000	-	-	-
Tender bond to customers	<u>2,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>

All performance guarantees, substitute bond and tender bonds have expired on the date of this report.

Subsequent to reporting date, the Group provided a customer with a bank guarantee for performance bond amounting to RM417,500. The bank guarantee is secured by fixed deposit placement for RM500,000 and expires on 30 September 2020.

(ii) Leases as lessee

The future minimum lease payments under non-cancellable operating leases are as follows:

	2019 RM	2018 RM	2017 RM	2016 RM
Office equipment:				
Not later than one year	20,238	26,039	21,439	7,900
More than one year to five years	20,560	40,798	38,049	13,983
	<u>40,798</u>	<u>66,837</u>	<u>59,488</u>	<u>21,883</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****24. Performance guarantee and commitments (cont'd)****(ii) Leases as lessee (cont'd)**

The future minimum lease payments under non-cancellable operating leases are as follows:
(cont'd)

	2019	2018	2017	2016
	RM	RM	RM	RM
Land:				
Not later than one year	175,000	175,000	23,585	23,585
More than one year to five years	700,000	700,000	94,340	94,340
More than five years	2,625,000	2,800,000	400,945	424,530
	<u>3,500,000</u>	<u>3,675,000</u>	<u>518,870</u>	<u>542,455</u>
Office premises:				
Not later than one year	260,250	72,000	-	-
More than one year to five years	85,000	45,000	-	-
	<u>345,250</u>	<u>117,000</u>	<u>-</u>	<u>-</u>
Total future minimum lease payments	<u>3,886,048</u>	<u>3,858,837</u>	<u>578,358</u>	<u>564,338</u>

The Group leases a number of video conferencing system, laptops, software and laptop accessories under operating lease. The leases run for 3 years up to 29 February 2020.

For lease of land, a supplemental agreement was signed with the lessor during the financial year to revise yearly rental of land to RM175,000. Previously, rental of land was RM23,585 per year. The rental agreement is for a period of 25 years ending on 31 March 2039.

The tenure for lease of each office premises is two years.

There was no contingent rent recognised in expenses in the current financial year (2018, 2017 and 2016: Nil).

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****24. Performance guarantee and commitments (cont'd)****(iii) Leases as lessor**

The Group leases out a portion of its building held under property, plant and equipment and investment properties. The future minimum lease receivable under leases are as follows:

	2019	2018	2017	2016
	RM	RM	RM	RM
Not later than one year	69,000	9,000	27,600	-
More than one year to five years	61,000	36,000	34,500	-
More than five years	126,000	135,000	-	-
	<u>256,000</u>	<u>180,000</u>	<u>62,100</u>	<u>-</u>

(iv) Capital expenditure commitment

	2019	2018	2017	2016
	RM	RM	RM	RM
Plant and equipment: Contracted but not provided for	<u>-</u>	<u>389,717</u>	<u>192,217</u>	<u>-</u>

25. Revenue

	2019	2018	2017	2016
	RM	RM	RM	RM
Revenue from contracts with customers	<u>112,201,282</u>	<u>45,069,465</u>	<u>39,008,591</u>	<u>35,286,481</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****25. Revenue (cont'd)****25.1 Disaggregation of revenue from contracts with customers**

The Group derives revenue from the transfer of goods and services over time in the following major product lines:

	EPCC of solar energy solution RM	O&M of solar energy system (note (a)) RM	Sale of electricity through solar energy generation RM	Others (note (b)) RM	Total RM
FYE 31 March 2019					
Segment revenue	117,312,420	362,449	1,574,620	2,632,691	121,882,180
Less: Intercompany revenue	(9,680,898)	-	-	-	(9,680,898)
Revenue from external customers	<u>107,631,522</u>	<u>362,449</u>	<u>1,574,620</u>	<u>2,632,691</u>	<u>112,201,282</u>
Timing of revenue recognition:					
- Over time	<u>107,631,522</u>	<u>362,449</u>	<u>1,574,620</u>	<u>2,632,691</u>	<u>112,201,282</u>

(a) Revenue from O&M of solar energy system included an amount of RM190,629 for O&M services provided to new customers and existing customers outside of the scope of promised maintenance services in their EPCC contracts.

(b) Others comprise of revenue recognised over time based on costs incurred to date as a proportion of the estimated total costs to be incurred on an electrical and fire protection installation works for a related party.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****25. Revenue (cont'd)****25.1 Disaggregation of revenue from contracts with customers (cont'd)**

The Group derives revenue from the transfer of goods and services over time in the following major product lines: (cont'd)

	EPCC of solar energy solution RM	O&M of solar energy system RM	Sale of electricity through solar energy generation RM	Total RM
FYE 31 March 2018				
Segment revenue	55,796,938	115,940	1,521,736	57,434,614
Less: Intercompany revenue	(12,365,149)	-	-	(12,365,149)
Revenue from external customers	43,431,789	115,940	1,521,736	45,069,465
Timing of revenue recognition: - Over time	43,431,789	115,940	1,521,736	45,069,465
FYE 31 March 2017				
Segment revenue	41,428,351	69,080	1,977,545	43,474,976
Less: Intercompany revenue	(4,466,385)	-	-	(4,466,385)
Revenue from external customers	36,961,966	69,080	1,977,545	39,008,591
Timing of revenue recognition: - Over time	36,961,966	69,080	1,977,545	39,008,591

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****25. Revenue (cont'd)****25.1 Disaggregation of revenue from contracts with customers (cont'd)**

The Group derives revenue from the transfer of goods and services over time in the following major product lines: (cont'd)

	EPC of solar energy solution RM	O&M of solar energy system RM	Sale of electricity through solar energy generation RM	Total RM
FYE 31 March 2016				
Segment revenue	33,315,099	37,180	1,934,202	35,286,481
Timing of revenue recognition: - Over time	33,315,099	37,180	1,934,202	35,286,481

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****25. Revenue (cont'd)****25.2 Contract assets and contract liabilities**

	Note	2019 RM	2018 RM	2017 RM	2016 RM
Contract assets	(a)	16,646,166	8,325,433	1,738,278	1,687,609
Contract liabilities	(a)	7,769,216	704,504	2,509,949	3,439,737

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date for EPCC contracts of solar energy system. Contract assets are transferred to receivables when the rights become unconditional at the point of invoicing to customers.

Contract liabilities primarily relate to advance billings or payments received before work is performed and the Group's obligation to transfer services to customers for which the Group has allocated transaction price for service-type warranty to be provided to customers over several financial years. Contract liabilities are recognised as revenue as the Group performs under the contract.

(a) Movement in contract assets and contract liabilities

	2019 RM	2018 RM	2017 RM	2016 RM
Contract assets				
At 1 April	8,325,433	1,738,278	1,687,609	-
Net revenue recognised	84,983,145	41,220,797	30,899,199	28,160,294
Net progress billing	(76,662,412)	(34,633,642)	(30,848,530)	(26,472,685)
At 31 March	16,646,166	8,325,433	1,738,278	1,687,609
Contract liabilities				
At 1 April	704,504	2,509,949	3,439,737	2,477,136
Net revenue recognised	(25,452,888)	(2,326,932)	(6,131,847)	(5,191,985)
Net progress billing	32,517,600	521,487	5,202,059	6,154,586
At 31 March	7,769,216	704,504	2,509,949	3,439,737

Revenue recognised in FYE 31 March 2019 which was included in the contract liability balance at the beginning of the financial year is RM300,004 (2018: RM2,207,449; 2017: RM3,234,037; 2016: RM2,346,456).

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****25. Revenue (cont'd)****25.2 Contract assets and contract liabilities (cont'd)****(b) Amount due from/(to) companies in which certain Directors have financial interest**

	2019 RM	2018 RM	2017 RM	2016 RM
Contract assets	-	-	824,198	-
Contract liabilities	795,796	-	-	-

(c) Transaction price allocated to remaining performance obligation

The Group expects to recognise revenue from contract liabilities for service-type warranty as follows:

	Financial year ending						
	2019 RM	2020 RM	2021 RM	2022 RM	2023 RM	2024 RM	Total RM
FYE 2019							
Revenue from contract liabilities	-	182,472	141,020	85,580	40,700	5,500	455,272
FYE 2018							
Revenue from contract liabilities	166,540	159,500	117,700	66,220	33,660	660	544,280

The Group applying the practical expedient has not disclosed an explanation of when advance billings and payments received from customers before work is performed are expected to be recognised as revenue as they are part of EPCC contracts that have original expected duration from start to end of one year or less.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****26. Other income**

	2019 RM	2018 RM	2017 RM	2016 RM
Accretion of discount on RPS	2,731,601	-	-	-
Finance income:				
- unwinding of discount on trade receivables	94,473	52,087	4,520	-
- unwinding of discount on other receivables	10,981	10,478	9,998	9,540
- interest income on trade receivables	31,992	17,018	1,363	-
- interest income on fixed deposits	204,245	21,849	17,670	16,929
Insurance compensation	-	-	49,379	-
Gain on disposal of an associate	-	1	-	-
Gain on disposal of property, plant and equipment	16,683	9,779	-	-
Gain on disposal of a subsidiary	-	5,558	-	-
Rental income:				
- investment properties	35,000	29,700	20,700	-
- motor vehicles	152,160	65,094	-	-
- machineries	61,900	-	-	-
- others	9,000	-	-	-
Unrealised gain on foreign exchange	13,773	-	-	-
Others	16,941	748	-	-
	<u>3,378,749</u>	<u>212,312</u>	<u>103,630</u>	<u>26,469</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****27. Finance costs**

	2019	2018	2017	2016
	RM	RM	RM	RM
Bank overdraft interest	114,746	52,360	32,396	30,863
Finance lease interest	102,999	50,518	36,557	26,676
Letter of credit commission	13,520	-	-	-
Term loan interest	404,610	452,254	487,870	405,938
RPS interest (unwinding)	87,015	-	-	-
Trade facilities interest:				
- Bankers acceptance	-	68,909	20,723	2,222
- Local bill purchase	373,422	-	-	-
	<u>1,096,312</u>	<u>624,041</u>	<u>577,546</u>	<u>465,699</u>

28. Profit before tax

	2019	2018	2017	2016
	RM	RM	RM	RM
Profit before tax is arrived at after charging/ (crediting):				
Accretion of discount on:				
- trade receivables	-	150,024	88,082	-
- other receivables	-	-	-	118,880
Amortisation of intangible assets	77,198	218	102	-
Bad debts written off, net	49,249	21,434	38,260	8,414
Depreciation of property, plant and equipment	1,592,300	1,191,707	814,591	586,312
Depreciation of investment properties:				
- building	19,463	16,644	16,644	16,644

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****28. Profit before tax (cont'd)**

	2019 RM	2018 RM	2017 RM	2016 RM
Profit before tax is arrived at after charging/ (crediting): (cont'd)				
Incorporation cost	4,960	4,500	-	-
Listing expenses	942,401	-	-	-
Loss on foreign exchange:				
- realised	168,659	19,530	6,221	3,021
Net impairment losses/ (gains) on trade receivables:				
- lifetime ECL allowances	1,209	(9,339)	14,572	10,275
- specific allowances	478,782	90,124	146,020	-
Provision for defects liability	336,906	-	-	-
Rental of:				
- computer	11,899	10,974	1,917	-
- office	162,750	24,000	26,000	54,102
- hostel	221,730	42,017	33,280	26,200
- equipment	33,196	19,717	14,525	13,940
- land	175,000	175,000	23,585	23,585
- warehouse	-	-	33,600	50,800
- others	4,210	47,485	10,214	9,984
(Reversal of)/provision for onerous contract	(514,072)	514,072	-	-
Share of loss on investment in an associate	-	1	-	-
Staff costs:				
- salaries, wages, bonuses and allowance	7,763,656	3,977,160	2,270,494	1,621,355
- defined contribution plan	903,214	406,323	221,063	158,655
- social security contribution	96,897	45,547	26,044	17,669
- other employee benefits	667,707	164,141	152,360	192,933

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****28. Profit before tax (cont'd)**

	2019 RM	2018 RM	2017 RM	2016 RM
Expenses recognised in cost of sales:				
Depreciation of property, plant and equipment	612,991	394,823	219,331	209,107
(Reversal of)/provision for onerous contract	(514,072)	514,072	-	-
Provision for defects liability	336,906	-	-	-
Realised loss on foreign exchange	127,611	-	-	-
Rental of:				
- hostel	177,880	-	-	-
- equipment	7,160	-	-	-
- land	175,000	175,000	23,585	23,585
Salaries, wages and allowance	3,559,379	2,109,484	1,151,823	665,890
Defined contribution plan	418,078	239,558	143,579	85,900
Social security contribution	49,965	21,633	6,389	-
Other employee benefits	267,052	52,759	8,829	-

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****29. Taxation**

	2019 RM	2018 RM	2017 RM	2016 RM
Income tax:				
Current year provision	823,549	401,697	730,437	880,530
Underprovision in prior year	397,324	247,182	-	-
	<u>1,220,873</u>	<u>648,879</u>	<u>730,437</u>	<u>880,530</u>
Deferred tax:				
Origination and reversal of temporary differences	(82,093)	418,937	(12,404)	174,722
Overprovision in prior year	(16,535)	-	-	-
	<u>(98,628)</u>	<u>418,937</u>	<u>(12,404)</u>	<u>174,722</u>
	<u>1,122,245</u>	<u>1,067,816</u>	<u>718,033</u>	<u>1,055,252</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****29. Taxation (cont'd)**

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

	2019 RM	2018 RM	2017 RM	2016 RM
Profit before tax	12,240,450	9,306,059	7,218,721	5,208,155
Malaysian statutory tax rate of 24%	2,937,708	2,233,454	1,732,493	1,249,957
Tax effect in respect of:				
Income exempted from taxation	(1,993,987)	(1,591,195)	(975,477)	(389,828)
Non-taxable income	(804,119)	(61,930)	(24,871)	(6,353)
Non-deductible expenses	637,673	270,305	28,410	226,476
Expenses eligible for double deduction	-	-	(2,078)	-
Difference in tax rate for small and medium companies in Malaysia	(35,819)	(30,000)	(40,444)	(25,000)
Underprovision of income tax in prior year	397,324	247,182	-	-
Overprovision of deferred tax in prior year	(16,535)	-	-	-
Tax expense for the year	1,122,245	1,067,816	718,033	1,055,252

Atlantic Blue has been granted pioneer status by Malaysian Investment Development Authority ("MIDA") for electricity generation by way of solar energy effective from 1 January 2015. Under the pioneer status, the profit derived from that activity is exempted from tax for a total of 5 years from 1 January 2015 to 31 December 2019, subject to further renewal of another 5 years.

Atlantic Blue's subsidiaries, Powertrack and Solarvest Energy were granted full tax exemption on statutory income derived from services rendered in connection with renewable energy by MIDA beginning from year of assessment 2016 to 2020 and 2017 to 2020 respectively.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****30. Discontinuing operations**

In July 2017, the Company has disposed one of the subsidiaries, Atlantic Ecocity Sdn. Bhd.. The assets and liabilities of the subsidiary was classified as held for sale as at 31 March 2017. The comparative statement of comprehensive income for FYE 31 March 2016 has been represented to show the discontinuing operations of the subsidiary separately from continuing operations of the Group.

	2017	2016
	RM	RM
Results of discontinuing operations		
Administrative expenses	(2,833)	(4,630)
Loss from discontinuing operation, net of tax	<u>(2,833)</u>	<u>(4,630)</u>
Cash flow used in discontinuing operations		
Net cash generated from operating activities	901,157	(60)
Net cash used in investing activities	(905,787)	-
Net cash generated from financing activities	<u>-</u>	<u>100</u>
Effect on cash flows	<u>(4,630)</u>	<u>40</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****31. Earnings per share**

Basic and diluted EPS are calculated by dividing the profit for the financial years attributable to owners of the Company by the weighted average number of ordinary shares in issue for the financial years.

For the purpose of this report, the number of ordinary shares for FYE 31 March 2016, 2017, 2018 and 2019 represent the weighted average aggregate ordinary shares issued of the Company and Atlantic Blue Group.

	2019	2018	2017	2016
Profit for the financial year attributable to owners of the Company (RM)	11,124,653	8,238,963	6,498,988	4,150,125
Weighted average number of ordinary shares at 31 March (unit)	1,000,100	1,000,002	1,018,000	1,012,000
Basic and diluted EPS (RM)	<u>11.12</u>	<u>8.24</u>	<u>6.38</u>	<u>4.10</u>

There were no dilutive potential equity instruments in issue as at each FYE that have dilutive effect to the EPS.

32. Dividend paid

	2019	2018	2017	2016
	RM	RM	RM	RM
Ordinary dividend paid:				
- Final dividend (FYE 31 March 2017: 25 sen)	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****33. Cash and cash equivalents**

	Note	2019 RM	2018 RM	2017 RM	2016 RM
Cash in hand		17,821	39,823	15,122	28,634
Cash at bank	(a)	14,173,422	2,836,258	3,884,649	643,801
Fixed deposits with financial institutions		8,235,392	661,231	598,015	532,838
		<u>22,426,635</u>	<u>3,537,312</u>	<u>4,497,786</u>	<u>1,205,273</u>
Less: Fixed deposits pledged		(8,235,392)	(661,231)	(598,015)	(532,838)
Less: Sinking fund account		(1,336,968)	-	-	-
Bank overdraft		-	(764,355)	(331,096)	(703,018)
		<u>12,854,275</u>	<u>2,111,726</u>	<u>3,568,675</u>	<u>(30,583)</u>

(a) Sinking fund account

Cash at bank as at year end includes an amount of RM1,336,968 (2018, 2017 and 2016: Nil) consisting of a percentage of proceeds from a specific EPCC contract as security for local bill purchase facilities disclosed in Note 17 of this report.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****34. Combining entities**

Details of the combining entities are as follows:

Name of combining entities	Principal place of business	Effective equity interest				Principal activities
		At 31 March				
		2019	2018	2017	2016	
		%	%	%	%	
Atlantic Blue	Malaysia	100	100	100	100	Provision of EPCC services for solar PV systems
Subsidiaries of Atlantic Blue:						
Atlantic Ecocity Sdn. Bhd. #	Malaysia	-	-	60	60	Property investment
Powertrack	Malaysia	100	100	100	100	Provision of design, testing and commissioning and repair and maintenance of solar PV system
Solarvest Energy	Malaysia	100	100	100	100	Provision of EPCC services for solar PV systems
Subsidiary of Solarvest Energy:						
Solarvest Energy (SR)	Malaysia	70	-	-	-	Provision of EPCC services for solar PV systems

Subsidiary was disposed during the previous financial year. The assets and liabilities of the subsidiary have been reclassified as held for sale at 31 March 2017.

On 29 March 2019, Solarvest Energy incorporated a subsidiary by the name of Solarvest Energy (SR). The new subsidiary has a share capital of RM100 represented by 100 ordinary shares, of which Solarvest Energy owns 70% of its equity interest. The remaining 30% equity interest is held by an individual unrelated to Solarvest Group. Solarvest Energy (SR) has not commenced operations since incorporation.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****34. Combining entities (cont'd)****Disposal of a subsidiary**

On 6 July 2017, Atlantic Blue disposed of its entire equity interest in a former subsidiary, Atlantic Ecocity Sdn. Bhd. for a consideration of RM60. The disposal had the following financial effects to the Group as at the date of disposal:

	2018 RM
Sales consideration in cash	<u>60</u>
Carrying amount of shares disposed of	-
Assets and liabilities derecognised:	
Investment property	905,787
Cash and cash equivalents	40
Payables and accruals	<u>(914,990)</u>
	(9,163)
Non-controlling interest derecognised (40%)	<u>3,665</u>
Company's share of net liabilities derecognised	<u>(5,498)</u>
Gain on disposal in profit or loss	<u>5,558</u>
Net cash flows, net of cash disposal, presented as investing activities in the statement of cash flows	<u>20</u>

35. Investment in an associate

	2018 RM
Unquoted shares, at cost	1
Share of loss on investment in an associate (50%)	<u>(1)</u>
	<u>-</u>

On 14 August 2017, Atlantic Blue acquired 50% equity interest (representing 1 ordinary share) in an associate, Sena Sports Sdn. Bhd. at a price of RM1. The principal activities of the associate entail operating facilities for sporting activities and to buy and sell goods generally used in sporting activities.

On 31 March 2018, Atlantic Blue disposed its entire equity interest of the associate for a consideration of RM1. The disposal resulted in a gain of RM1 during the financial year.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****36. Related party disclosures****36.1 Control relationship**

The Company has controlling related party relationship with its combining entities. Related parties of the Group include companies in which Directors of the Group, close family members of Directors and key management personnel have substantial financial interest.

36.2 Related party transactions

In addition to the transactions and balances detailed elsewhere in this report, the Group entered into following related party transactions during the financial year:

	2019	2018	2017	2016
	RM	RM	RM	RM
Companies in which certain Directors and key management personnel of the Group have financial interest:				
<u>Trade transactions</u>				
Sales	2,639,245	113,220	5,717,673	10,014,417
Purchases	<u>(7,264)</u>	<u>(117,548)</u>	<u>(243,273)</u>	<u>(34,700)</u>
<u>Non-trade transactions</u>				
Payment on behalf	3,792	26,246	27,281	1,314,357
Payment on behalf of the Group	<u>-</u>	<u>(2,043)</u>	<u>-</u>	<u>(2,000)</u>
Companies in which close family members of certain Directors of the Group have financial interest:				
<u>Trade transactions</u>				
Sales	<u>-</u>	<u>788,000</u>	<u>332,958</u>	<u>-</u>
<u>Non-trade transactions</u>				
Payment on behalf	42,205	28,262	1,357,378	474,091
Rental income	<u>9,000</u>	<u>9,000</u>	<u>-</u>	<u>-</u>
	106			
	330			

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****36. Related party disclosures (cont'd)****36.2 Related party transactions (cont'd)**

In addition to the transactions and balances detailed elsewhere in this report, the Group entered into following related party transactions during the financial year: (cont'd)

	2019	2018	2017	2016
	RM	RM	RM	RM
Transaction with				
Directors, shareholders				
and their close family				
members:				
<u>Non-trade transactions</u>				
Payment on behalf	-	31,412	-	-
Transaction with				
former associate:				
<u>Non-trade transactions</u>				
Payment on behalf	15,239	477,906	-	-

The balances related to the above transactions are as disclosed on the combined statements of financial position and notes to this report.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****36. Related party disclosures (cont'd)****36.3 Key management personnel compensation**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

The total compensation of the Group's Directors and other key management personnel are as follows:

	2019	2018	2017	2016
	RM	RM	RM	RM
Directors' compensation:				
Directors' fees	-	-	-	50,000
Salaries and bonus received	814,000	585,000	602,500	534,000
Defined contribution plan	97,680	64,800	61,140	51,840
Social security contribution	2,770	2,902	3,106	1,808
Benefit-in-kind	22,500	2,775	11,100	11,100
	<u>936,950</u>	<u>655,477</u>	<u>677,846</u>	<u>648,748</u>
Other key management personnel's compensation:				
Salaries and bonus received	657,635	489,775	378,000	323,600
Defined contribution plan	71,577	47,016	33,150	30,248
Social security contribution	4,925	4,123	3,106	2,376
Benefit-in-kind	7,400	8,900	9,800	6,500
	<u>741,537</u>	<u>549,814</u>	<u>424,056</u>	<u>362,724</u>
Total key management personnel compensation	<u>1,678,487</u>	<u>1,205,291</u>	<u>1,101,902</u>	<u>1,011,472</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****37. Financial instruments****37.1 Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost based on their respective classification. The significant accounting policies in Note 4 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The table below provides an analysis of financial instruments of the Group in the statements of financial position by the classes and categories of financial instruments to which they are assigned and therefore by the measurement basis, as follows:

	2019 RM	2018 RM	2017 RM	2016 RM
Financial assets				
<u>Financial assets at</u>				
<u>amortised cost</u>				
Trade receivables	13,989,363	4,489,032	5,934,682	6,639,831
Other receivables and deposits	2,308,214	1,811,226	856,152	1,307,747
Contract assets	16,646,166	8,325,433	1,738,278	1,687,609
Fixed deposits with financial institutions	8,235,392	661,231	598,015	532,838
Cash and bank balances	14,191,243	2,876,081	3,899,771	672,435
	<u>55,370,378</u>	<u>18,163,003</u>	<u>13,026,898</u>	<u>10,840,460</u>
Financial liabilities				
<u>Financial liabilities at</u>				
<u>amortised cost</u>				
Trade payables	23,772,194	2,859,195	1,964,544	1,138,479
Other payables, accrual and deposits	2,644,489	1,486,862	1,055,613	1,423,190
Amount owing to Directors	-	-	460,205	876,846
Bank borrowings	13,491,034	9,422,411	9,667,097	10,749,814
Finance lease liabilities	1,706,216	1,382,952	713,378	576,803
Redeemable preference shares	4,555,414	-	-	-
	<u>46,169,347</u>	<u>15,151,420</u>	<u>13,860,837</u>	<u>14,765,132</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****38. Financial risk management objectives and policies**

The Group is exposed to financial risk arising from its operations and the use of financial instruments. The key financial risks include currency risk, interest rate risk, credit risk and liquidity risk.

The Board of Directors review and agree policies and procedure for the management of these risks, which are executed by the Group's Chief Executive Officer and Managing Director. The Group's financial risk management policies are to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its currency risk, interest rate risk, credit risk and liquidity risk. The Group operates within clearly defined guidelines that are approved by the Board of Directors.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of those risks.

(i) Currency risk

The Group is exposed to currency risks as a result of its normal trading activities with foreign companies, denominated mainly in EUR, RMB, SGD and USD.

The Group's exposure to foreign currency at reporting date is as follows:

	EUR RM	RMB RM	SGD RM	USD RM
At 31 March 2019				
Other receivables	-	-	-	1,777
Trade payables	(274,524)	-	(53,719)	(4,433,914)
Net exposure	(274,524)	-	(53,719)	(4,432,137)
At 31 March 2018				
Other receivables	-	-	-	36,899
Trade payables	-	-	(53,719)	(38,870)
Net exposure	-	-	(53,719)	(1,971)
At 31 March 2017				
Other receivables	-	20,561	-	1,777
Trade payables	-	-	(21,097)	(5,334)
Net exposure	-	20,561	(21,097)	(3,557)
At 31 March 2016				
Other receivables	-	-	-	1,777
Net exposure	-	-	-	1,777

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****38. Financial risk management objectives and policies (cont'd)****(i) Currency risk (cont'd)**Currency risk sensitivity analysis

The following table details the sensitivity analysis for a reasonably possible change in foreign currencies as at the end of each reporting period, with all other variables held constant. The analysis assumes all the variables in particular, interest rates remained constant and ignores impact of forecasted sales and purchases.

	2019	2018	2017	2016
	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)
	RM	RM	RM	RM
Effects on profit after tax				
EUR				
- strengthen by 10%	(20,864)	-	-	-
- weaken by 10%	20,864	-	-	-
RMB				
- strengthen by 10%	-	-	1,563	-
- weaken by 10%	-	-	(1,563)	-
SGD				
- strengthen by 10%	(4,083)	(4,083)	(1,603)	-
- weaken by 10%	4,083	4,083	1,603	-
USD				
- strengthen by 10%	(336,842)	(150)	(270)	135
- weaken by 10%	336,842	150	270	(135)

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****38. Financial risk management objectives and policies (cont'd)****(ii) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from its floating rate bank borrowings. Long-term trade receivables are charged a fixed rate and are not exposed to interest rate risk. Short-term receivables, deposits and payables are not significantly exposed to interest rate risk.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Interest rate risk sensitivity analysis

The following table details the sensitivity analysis for a reasonably possible change in the interest rates as the end of the reporting period, with all other variables held constant on bank borrowings of the Group:

	2019	2018	2017	2016
	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)	Increase/ (decrease)
	RM	RM	RM	RM
Effects on profit after tax				
- increase by 100 basis point	(58,848)	(42,994)	(51,915)	(46,644)
- decrease by 100 basis point	58,848	42,994	51,915	46,644
	<u>58,848</u>	<u>42,994</u>	<u>51,915</u>	<u>46,644</u>

(iii) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty defaults on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables, contract customers, fixed deposits with financial institutions for facilities granted to the Group and bank balances. The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

(a) Trade receivables

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms be subject to credit verification procedures.

Exposure to credit risk, credit quality and collateral

Trade receivable balances are monitored on an ongoing basis. As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of trade receivables as at the end of the reporting period.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****38. Financial risk management objectives and policies (cont'd)****(iii) Credit risk (cont'd)****(a) Trade receivables (cont'd)**Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring its trade receivables individually on an ongoing basis. At the end of the reporting period, approximately 39.98% (2018: 47.75%; 2017: 45.07%; 2016: 65.66%) of the Group's trade receivables were due from 5 major corporate customers.

Ageing analysis of trade receivables and impairment losses

The ageing analysis of the Group's trade receivables as at the end of reporting period is as follows:

	Gross amount RM	Impairment losses RM	Carrying amount RM
At 31 March 2019			
Not past due	7,661,564	-	7,661,564
Past due			
- less than 30 days	1,939,970	-	1,939,970
- 31 to 60 days	1,631,513	-	1,631,513
- over 60 days	3,367,939	(611,623)	2,756,316
	6,939,422	(611,623)	6,327,799
	14,600,986	(611,623)	13,989,363
Retention sum receivable			3,997,692
			17,987,055

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****38. Financial risk management objectives and policies (cont'd)****(iii) Credit risk (cont'd)****(a) Trade receivables (cont'd)**Ageing analysis of trade receivables and impairment losses (cont'd)

	Gross amount RM	Impairment losses RM	Carrying amount RM
At 31 March 2018			
Not past due	2,882,002	-	2,882,002
Past due			
- less than 30 days	842,530	-	842,530
- 31 to 60 days	130,806	-	130,806
- over 60 days	765,326	(131,632)	633,694
	<u>1,738,662</u>	<u>(131,632)</u>	<u>1,607,030</u>
	<u>4,620,664</u>	<u>(131,632)</u>	<u>4,489,032</u>
Retention sum receivable			<u>563,955</u>
			<u>5,052,987</u>
At 31 March 2017			
Not past due	1,726,582	-	1,726,582
Past due			
- less than 30 days	490,792	-	490,792
- 31 to 60 days	228,327	-	228,327
- over 60 days	3,659,848	(170,867)	3,488,981
	<u>4,378,967</u>	<u>(170,867)</u>	<u>4,208,100</u>
	<u>6,105,549</u>	<u>(170,867)</u>	<u>5,934,682</u>
At 31 March 2016			
Not past due	5,163,999	-	5,163,999
Past due			
- less than 30 days	6,097	-	6,097
- 31 to 60 days	281,637	-	281,637
- over 60 days	1,198,373	(10,275)	1,188,098
	<u>1,486,107</u>	<u>(10,275)</u>	<u>1,475,832</u>
	<u>6,650,106</u>	<u>(10,275)</u>	<u>6,639,831</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and trade receivables on deferred payment terms that are making payment according to agreed schedule.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****38. Financial risk management objectives and policies (cont'd)****(iii) Credit risk (cont'd)****(a) Trade receivables (cont'd)**Receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these trade receivables which are past due but not impaired as they are substantially entities with good collection track record and no recent history of default.

The Group categorises a loan or receivable as impaired when a debtor fails to make contractual payments after more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about ageing analysis and amounts arising from expected credit losses for trade receivables.

The Group provides for lifetime expected credit losses for all trade receivables. The expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product is expected to deteriorate over the next year, leading to increase in the number of defaults. The loss allowance provision as at the end of each reporting period is determined as follows:

	Current	30 days past due	90 days past due	180 days past due	210 days past due	More than 210 days past due	Total RM
At 31 March 2019							
Expected loss rate	0.11%	0.04%	0.32%	1.48%	-	0.71%	
Gross carrying amount (RM)	7,661,564	1,939,970	1,331,237	23,185	271,001	395,060	
Loss allowance provision (RM)	8,683	704	4,196	343	-	2,791	16,717
Impaired receivables (RM)							594,906
Total impairment							<u>611,623</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****38. Financial risk management objectives and policies (cont'd)****(iii) Credit risk (cont'd)****(a) Trade receivables (cont'd)**

	Current	30 days past due	90 days past due	180 days past due	210 days past due	More than 210 days past due	Total RM
At 31 March 2018							
Expected loss rate	-	0.85%	18.02%	1.48%	-	0.65%	
Gross carrying amount (RM)	2,882,002	842,530	4,146	356,705	-	351,065	
Loss allowance provision (RM)	-	7,168	747	5,294	-	2,299	15,508
Impaired receivables (RM)							116,124
Total impairment							<u>131,632</u>
At 31 March 2017							
Expected loss rate	-	0.98%	0.81%	1.25%	-	0.43%	
Gross carrying amount (RM)	1,726,582	490,792	147,616	1,306,450	40,020	573,170	
Loss allowance provision (RM)	-	4,816	1,192	16,357	-	2,482	24,847
Impaired receivables (RM)							146,020
Total impairment							<u>170,867</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****38. Financial risk management objectives and policies (cont'd)****(iii) Credit risk (cont'd)****(a) Trade receivables (cont'd)**

	Current	30 days past due	90 days past due	180 days past due	210 days past due	More than 210 days past due	Total RM
At 31 March 2016							
Expected loss rate	-	-	0.84%	1.59%	-	-	
Gross carrying amount (RM)	5,163,999	6,097	42,061	623,829	15,688	315,525	
Loss allowance provision (RM)	-	-	353	9,922	-	-	10,275
Impaired receivables (RM)							-
Total impairment							<u>10,275</u>

The above disclosures are relating to receivables band that the Directors of the Group have assessed with expected credit loss.

During the financial year, the Group made a write-off of trade receivables for RM49,249 (2018: RM21,434; 2017: RM38,260; 2016: RM8,414).

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)**38. Financial risk management objectives and policies (cont'd)****(iii) Credit risk (cont'd)****(b) Other receivables**

The Group's non-current other receivable arises from premium refundable in financial year 2026 on expiry of life insurance coverage for certain Directors of the Group where the Group is the beneficiary.

Exposure to credit risk, credit quality and collateral

Other receivable balances are monitored on an ongoing basis.

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of other receivables as at the end of the reporting period.

Ageing analysis of other receivables and impairment losses

The Group does not maintain ageing analysis for other receivables. Based on past experience, the Directors determine that no impairment is necessary in respect of other receivables.

There had been no allowance for impairment losses on other receivables during the FYE 31 March 2016, 2017, 2018 and 2019.

Receivables that are neither past due nor impaired

Other receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and other receivables on deferred payment terms that are making payment according to agreed schedule.

Receivables that are past due but not impaired

The Group believes that no impairment allowance is necessary in respect of these other receivables which are past due but not impaired as they are substantially entities with good collection track record and no recent history of default.

(c) Contract assets

The Group measures the loss allowance on contract assets at an amount equal to lifetime ECL, taking into account the zero historical default experience, customers' financial information and past trends of payments of each customer individually. All of these customers have low risk of default as they have a strong capacity to meet their debts. None of the amounts due from customers at the end of the reporting period is more than 180 days past due, hence no loss allowance is made.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for contract assets.

(d) Investments and other financial instruments

For other financial assets (including fixed deposits with financial institutions and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

Exposure to credit risk, credit quality and collateral

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. Fixed deposits with financial institutions and bank balances are protected to an extent by Perbadanan Insurans Deposit Malaysia.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****38. Financial risk management objectives and policies (cont'd)****(iii) Credit risk (cont'd)****(d) Investments and other financial instruments (cont'd)**Impairment losses

As at the end of the reporting period, there was no indication that investments and other financial instruments are impaired.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility of cash flow through the use of stand-by credit facilities.

The Group maintains a level of cash and cash equivalents and bank overdraft facilities deemed adequate by management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on undiscounted contractual payments:

	Interest rate per annum %	On demand or within one year RM	One to five years RM	More than five years RM
At 31 March 2019				
Trade payables	-	23,772,194	-	-
Other payables, accruals and deposits	-	2,644,489	-	-
Local bill purchase	7.51	6,583,304	-	-
Term loans	4.67 - 8.42	1,498,543	4,243,390	2,755,878
Finance lease liabilities	2.38 - 4.01	693,106	1,167,987	-
Redeemable preference shares	10.01	-	7,200,000	-
Total contractual undiscounted cash flow		<u>35,191,636</u>	<u>12,611,377</u>	<u>2,755,878</u>
Total carrying amount		<u>36,926,003</u>	<u>9,083,451</u>	<u>2,366,085</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****38. Financial risk management objectives and policies (cont'd)****(iv) Liquidity risk (cont'd)**

	Interest rate per annum %	On demand or within one year RM	One to five years RM	More than five years RM
At 31 March 2018				
Trade payables	-	2,859,195	-	-
Other payables and accruals and deposits	-	1,486,862	-	-
Bank overdraft	8.42	764,355	-	-
Bankers acceptance	5.79	708,000	-	-
Term loans	4.62 - 8.42	1,501,560	5,284,139	3,268,803
Finance lease liabilities	2.27 - 4.01	539,524	983,690	-
Total contractual undiscounted cash flow		<u>7,859,496</u>	<u>6,267,829</u>	<u>3,268,803</u>
Total carrying amount		<u>7,323,702</u>	<u>5,107,202</u>	<u>2,720,516</u>
At 31 March 2017				
Trade payables	-	1,964,544	-	-
Other payables, accruals and deposits	-	1,055,613	-	-
Amount owing to Directors	-	460,205	-	-
Bank overdraft	8.17	331,096	-	-
Bankers acceptance	5.79 - 6.06	400,000	-	-
Term loans	4.37 - 8.17	1,498,415	5,895,369	4,421,763
Finance lease liabilities	2.27 - 4.01	291,288	488,699	-
Total contractual undiscounted cash flow		<u>6,001,161</u>	<u>6,384,068</u>	<u>4,421,763</u>
Total carrying amount		<u>5,428,501</u>	<u>4,913,027</u>	<u>3,519,309</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****38. Financial risk management objectives and policies (cont'd)****(iv) Liquidity risk (cont'd)**

	Interest rate per annum %	On demand or within one year RM	One to five years RM	More than five years RM
At 31 March 2016				
Trade payables	-	1,138,479	-	-
Other payables, accruals and deposits	-	1,423,190	-	-
Amount owing to Directors	-	876,846	-	-
Bank overdraft	8.17	703,018	-	-
Bankers acceptance	6.0	233,000	-	-
Term loans	4.42 - 8.17	1,497,350	5,909,223	5,864,661
Finance lease liabilities	2.27 - 3.20	208,152	413,187	-
Total contractual undiscounted cash flow		6,080,035	6,322,410	5,864,661
Total carrying amount		5,478,741	4,566,741	4,719,650

39. Fair value of financial instruments

The following classes of financial instruments are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables (except prepayments and retention sum receivable)	10 and 11
Contract assets	25
Cash and cash equivalents	13 and 33
Trade and other payables (except GST and SST payable and retention sum payable)	20 and 21
Amount owing to Directors	23
Bank borrowings (current liabilities)	17
Finance lease liabilities (current liabilities)	18

The carrying amounts of the above financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

As at end of each reporting period, non-current trade receivables on deferred payment terms and other receivables are carried at fair value.

Fair value, which is determined for disclosure purposes is calculated based on the present value of future principal and interest cash flows, discounted at the average market rate of interest at the end of the reporting period.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****39. Fair value of financial instruments (cont'd)**

As at end of each reporting period, the carrying amounts and fair values of term loans and finance lease liabilities of the Group are:

	2019	2018	2017	2016
	RM	RM	RM	RM
Finance lease liabilities				
- carrying amount	1,706,216	1,382,952	713,378	576,803
- fair value	<u>1,775,306</u>	<u>1,445,467</u>	<u>742,907</u>	<u>596,758</u>
Term loans				
- carrying amount	6,907,730	7,950,056	8,936,001	9,813,796
- fair value	<u>6,942,131</u>	<u>7,996,461</u>	<u>9,000,093</u>	<u>9,907,311</u>

40. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group monitors its gearing ratio and manages its capital structure by making adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the period.

The gearing ratio at reporting date is as follows:

	2019	2018	2017	2016
	RM	RM	RM	RM
Total loans and borrowings (Note 17, 18 and 19)	19,752,664	10,805,363	10,380,475	11,326,617
Total equity	31,673,488	20,555,245	12,331,335	6,077,480
Gearing ratio (times)	<u>0.6</u>	<u>0.5</u>	<u>0.8</u>	<u>1.9</u>

The Group has complied with terms and conditions associated with the above loans and borrowings.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****41. Segment reporting**

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

The Group is organised into 3 main reportable segments as follows:

(a) EPCC of solar energy solution

Turnkey EPCC services in solar energy solution to customers in three categories: residential, commercial and industrial (roof-top projects) and large scale solar energy producers.

(b) O&M of solar energy system

Warranty of between 2 and 5 years to customers for workmanship defects, performance monitoring and on-site support and repair to ensure optimal operation of solar energy system installation.

(c) Sale of electricity through solar energy generation

Sale of electricity generated through its self-constructed solar plant to electric utility company, Tenaga Nasional Berhad under a 21-year renewable energy power purchase agreement.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Unallocated items comprise mainly administrative expenses, finance costs, other receivables, tax recoverable/liabilities, fixed deposits with financial institutions, cash and bank balances, other payables and bank borrowings.

41.1 Business segments

	EPCC of solar energy solution RM	O&M of solar energy system RM	Sale of electricity through solar energy generation RM	Others RM	Total RM
FYE 31 March 2019					
Revenue					
External revenue	107,631,522	362,449	1,574,620	2,632,691	112,201,282
Inter-segment revenue	9,680,898	-	-	-	9,680,898
	<u>117,312,420</u>	<u>362,449</u>	<u>1,574,620</u>	<u>2,632,691</u>	<u>121,882,180</u>
Combined adjustments					(9,680,898)
Combined revenue					<u>112,201,282</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****41. Segment reporting (cont'd)****41.1 Business segments (cont'd)**

	EPCC of solar energy solution RM	O&M of solar energy system RM	Sale of electricity through solar energy generation RM	Others RM	Total RM
FYE 31 March 2019					
Results					
Segment profit before interest and tax	20,675,032	32,950	1,140,864	132,084	21,980,930
Other income					3,072,143
Finance costs					(1,096,312)
Unallocated corporate expenses					(11,716,311)
Combined profit before tax					12,240,450
Income tax expense					(1,122,245)
Combined net profit					11,118,205
Segment profit before interest and tax includes the following:					
Depreciation of property, plant and equipment	413,501	-*	199,490	-	612,991
Finance income	(137,446)	-	-	-	(137,446)
Realised and unrealised losses/(gains) on foreign exchange, net	154,886	-	-	-	154,886
Rental expenses	185,040	-	175,000	-	360,040
Rental income	(169,160)	-	-	-	(169,160)
Impairment loss on trade receivables	479,991	-*	-	-	479,991
Reversal of provision for onerous contract	(514,072)	-	-	-	(514,072)

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****41. Segment reporting (cont'd)****41.1. Business segments (cont'd)**

	EPCC of solar energy solution RM	O&M of solar energy system RM	Sale of electricity through solar energy generation RM	Others RM	Total RM
FYE 31 March 2019					
Assets					
Segment assets:					
Property, plant and equipment	412,934	-*	3,989,960	-	4,402,894
Trade receivables	17,834,039	-*	153,016	-	17,987,055
Contract assets	16,646,166	-*	-	-	16,646,166
	<u>34,893,139</u>	<u>-</u>	<u>4,142,976</u>	<u>-</u>	<u>39,036,115</u>
Unallocated corporate assets					49,113,905
Total segment assets					<u>88,150,020</u>
Liabilities					
Segment liabilities:					
Trade payables	25,977,906	-*	-	-	25,977,906
Contract liabilities	7,313,944	455,272	-	-	7,769,216
	<u>33,291,850</u>	<u>455,272</u>	<u>-</u>	<u>-</u>	<u>33,747,122</u>
Unallocated corporate liabilities					22,729,410
Total segment liabilities					<u>56,476,532</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****41. Segment reporting (cont'd)****41.1. Business segments (cont'd)**

	EPCC of solar energy solution RM	O&M of solar energy system RM	Sale of electricity through solar energy generation RM	Total RM
FYE 31 March 2018				
Revenue				
External revenue	43,431,789	115,940	1,521,736	45,069,465
Inter-segment revenue	12,365,149	-	-	12,365,149
	<u>55,796,938</u>	<u>115,940</u>	<u>1,521,736</u>	<u>57,434,614</u>
Combined adjustments				(12,365,149)
Combined revenue				<u>45,069,465</u>
Results				
Segment profit before interest and tax	15,447,056	10,540	1,147,246	16,604,842
Other income				67,635
Finance costs				(624,041)
Unallocated corporate expenses				(6,742,377)
Combined profit before tax				9,306,059
Income tax expense				(1,067,816)
Combined net profit				<u>8,238,243</u>
Segment profit before interest and tax includes the following:				
Depreciation of property, plant and equipment	195,333	-*	199,490	394,823
Provision for onerous contract	514,072	-	-	514,072
Reversal of impairment loss on trade receivables	26,000	-*	-	26,000
Realised loss on foreign exchange	19,530	-	-	19,530
Accretion of discount on trade receivables	150,024	-*	-	150,024
Impairment loss on trade receivables	80,785	-*	-	80,785
Finance income	(79,583)	-	-	(79,583)
Rental income	(65,094)	-	-	(65,094)

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****41. Segment reporting (cont'd)****41.1 Business segments (cont'd)**

	EPCC of solar energy solution RM	O&M of solar energy system RM	Sale of electricity through solar energy generation RM	Total RM
FYE 31 March 2018				
Assets				
Segment assets:				
Property, plant and equipment	2,216,415	-*	4,189,451	6,405,866
Trade receivables	4,632,466	-*	420,521	5,052,987
Contract assets	8,325,433	-*	-	8,325,433
	<u>15,174,314</u>	<u>-</u>	<u>4,609,972</u>	<u>19,784,286</u>
Unallocated corporate assets				<u>17,500,802</u>
Total segment assets				<u><u>37,285,088</u></u>
Liabilities				
Segment liabilities:				
Trade payables	2,992,842	-*	-	2,992,842
Contract liabilities	160,224	544,280	-	704,504
	<u>3,153,066</u>	<u>544,280</u>	<u>-</u>	<u>3,697,346</u>
Unallocated corporate liabilities				<u>13,032,497</u>
Total segment liabilities				<u><u>16,729,843</u></u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****41. Segment reporting (cont'd)****41.1 Business segments (cont'd)**

	EPCC of solar energy solution RM	O&M of solar energy system RM	Sale of electricity through solar energy generation RM	Total RM
FYE 31 March 2017				
Revenue				
External revenue	36,961,966	69,080	1,977,545	39,008,591
Inter-segment revenue	4,466,385	-	-	4,466,385
	<u>41,428,351</u>	<u>69,080</u>	<u>1,977,545</u>	<u>43,474,976</u>
Combined adjustments				(4,466,385)
Combined revenue				<u>39,008,591</u>
Results				
Segment profit before interest and tax	11,169,791	6,280	1,754,492	12,930,563
Other income				87,749
Finance costs				(577,546)
Unallocated corporate expenses				(5,222,045)
Combined profit before tax				<u>7,218,721</u>
Income tax expense				(718,033)
Combined net profit				<u>6,500,688</u>
Segment profit before interest and tax includes the following:				
Depreciation of property, plant and equipment	19,863	-*	199,468	219,331
Realised loss on foreign exchange	6,221	-	-	6,221
Accretion of discount on trade receivables	88,082	-*	-	88,082
Impairment loss on trade receivables	160,592	-*	-	160,592
Finance income	(15,881)	-	-	(15,881)

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****41. Segment reporting (cont'd)****41.1 Business segments (cont'd)**

	EPCC of solar energy solution RM	O&M of solar energy system RM	Sale of electricity through solar energy generation RM	Total RM
FYE 31 March 2017				
Assets				
Segment assets:				
Property, plant and equipment	271,559	-*	4,388,941	4,660,500
Trade receivables	5,306,440	-*	628,242	5,934,682
Contract assets	1,738,278	-*	-	1,738,278
	<u>7,316,277</u>	<u>-</u>	<u>5,017,183</u>	<u>12,333,460</u>
Unallocated corporate assets				<u>16,678,329</u>
Total segment assets				<u>29,011,789</u>
Liabilities				
Trade payables	1,982,729	-*	-	1,982,729
Contract liabilities	2,091,509	418,440	-	2,509,949
	<u>4,074,238</u>	<u>418,440</u>	<u>-</u>	<u>4,492,678</u>
Unallocated corporate liabilities				<u>12,187,776</u>
Total segment liabilities				<u>16,680,454</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****41. Segment reporting (cont'd)****41.1 Business segments (cont'd)**

	EPCC of solar energy solution RM	O&M of solar energy system RM	Sale of electricity through solar energy generation RM	Total RM
FYE 31 March 2016				
Revenue				
External revenue	33,315,099	37,180	1,934,202	35,286,481
Inter-segment revenue	-	-	-	-
	<u>33,315,099</u>	<u>37,180</u>	<u>1,934,202</u>	<u>35,286,481</u>
Combined adjustments				-
Combined revenue				<u>35,286,481</u>
Results				
Segment profit before interest and tax	8,709,427	3,380	1,711,193	10,424,000
Other income				16,929
Finance costs				(465,699)
Unallocated corporate expenses				<u>(4,767,075)</u>
Combined profit before tax				5,208,155
Income tax expense				<u>(1,055,252)</u>
Combined net profit				<u>4,152,903</u>
Segment profit before interest and tax includes the following:				
Depreciation of property, plant and equipment	9,683	*	199,424	209,107
Realised loss on foreign exchange	3,021	-	-	3,021
Accretion of discount on trade receivables	118,880	*	-	118,880
Impairment loss on trade receivables	10,275	*	-	10,275
Finance income	<u>(9,540)</u>	-	-	<u>(9,540)</u>

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****41. Segment reporting (cont'd)****41.1 Business segments (cont'd)**

	EPCC of solar energy solution RM	O&M of solar energy system RM	Sale of electricity through solar energy generation RM	Total RM
FYE 31 March 2016				
Assets				
Segment assets:				
Property, plant and equipment	135,625	-*	4,586,759	4,722,384
Trade receivables	1,016,343	-*	377,504	1,393,847
Contract assets	1,687,609	-*	-	1,687,609
	<u>2,839,577</u>	<u>-</u>	<u>4,964,263</u>	<u>7,803,840</u>
Unallocated corporate assets				16,596,539
Total segment assets				<u>24,400,379</u>
Liabilities				
Trade payables	1,138,479	-*	-	1,138,479
Contract liabilities	3,164,957	274,780	-	3,439,737
	<u>4,303,436</u>	<u>274,780</u>	<u>-</u>	<u>4,578,216</u>
Unallocated corporate liabilities				13,744,683
Total segment liabilities				<u>18,322,899</u>

* O&M services are part and parcel of EPCC contracts and are performed using the same assets of the Group to the same EPCC customers. As it is relatively a small segment compared to EPCC services, further separation from EPCC services for several category of disclosures where their disclosures are not material have not been made.

13. ACCOUNTANTS' REPORT (Cont'd)**Solarvest Holdings Berhad**

Company No. 1247778-U

Accountants' Report**Notes to the Historical Financial Information (Cont'd)****41. Segment reporting (cont'd)****41.2 Major customers**

Revenue from external customers which individually contributed 10% or more to the total revenue is as follows:

	2019 RM	2018 RM	2017 RM	2016 RM
Asia Meranti Group	19,182,456	-	-	-
ET Energy (Malaysia) Sdn. Bhd.	31,588,407	-	-	-
CEEC Tianjin Electric Power (M) Sdn. Bhd.	13,902,592	-	-	-
Pensolar Sdn. Bhd.	-	11,893,137	-	-
Chin Hin Group Berhad and its subsidiaries	-	-	5,708,534	10,010,477
EVN Vision Sdn. Bhd.	-	-	4,526,937	-
EH Solar Farm Sdn. Bhd.	-	-	-	4,811,904
	<u>64,673,455</u>	<u>11,893,137</u>	<u>10,235,471</u>	<u>14,822,381</u>

The revenue is attributable to EPCC segment.

41.3 Geographical segments

The Group derives all its revenue in Malaysia, hence geographical segments information are not disclosed.

42. Significant events during the financial year

- (a) On 20 January 2019, Atlantic Blue entered into subscription agreement with certain Directors of Atlantic Blue to settle an amount owing to the Directors of RM7,200,000 via issuance of 7,200,000 RPS at an issue price of RM1 each.
- (b) On 30 January 2019, Solarvest entered into a conditional share sale agreement with Atlantic Blue Vendors to acquire the entire equity interest in Atlantic Blue comprising 1,000,000 ordinary shares for a total purchase consideration of RM26,261,600. The Acquisition is conditional upon the approval of the relevant authorities being obtained for the Listing of Solarvest within 12 months from agreement date.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Notes to the Historical Financial Information (Cont'd)

43. Significant events after the financial year

- (a) On 27 May 2019, the Company obtained approval from Bursa Securities for the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the ACE market of Bursa Securities.
- (b) On 15 July 2019, pursuant to the share sale agreement between the Company and Atlantic Blue Vendors, the Company issued and allotted 291,795,555 new ordinary shares of RM0.09 each to Atlantic Blue Vendors to acquire the entire equity interest in Atlantic Blue. The new ordinary shares of the Company rank pari passu in all respects with the existing ordinary shares of the Company.

Subsequent to the allotment of ordinary shares, Atlantic Blue Holdings Sdn Bhd and Chin Hin Group Berhad own 55% and 45% of the equity interest in the Company respectively.

13. ACCOUNTANTS' REPORT (Cont'd)

Solarvest Holdings Berhad

Company No. 1247778-U

Accountants' Report

Statement by Directors

In the opinion of the Directors, the historical financial information of **Solarvest Holdings Berhad** (the "Group") as set out on pages 6 to 133 are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 March 2016, 2017, 2018 and 2019, and of the financial performance and cash flows of the Group for each of the financial years ended 31 March 2016, 2017, 2018 and 2019.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors on 3 September 2019.



Lim Chin Siu
Director



Tan Chyi Boon
Director

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION



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Malaysia

3 September 2019

Dear Sirs

SOLARVEST HOLDINGS BERHAD ("SOLARVEST" OR "THE COMPANY") AND ITS SUBSIDIARIES ("SOLARVEST GROUP" OR "THE GROUP")

REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR INCLUSION IN THE PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma consolidated financial information of Solarvest Group prepared by the Board of Directors of the Company. The pro forma consolidated financial information consists of the pro forma consolidated statement of financial position as at 31 March 2019 together with the accompanying notes thereon, for which we have stamped for the purpose of identification. The pro forma consolidated financial information has been prepared for inclusion in the prospectus of Solarvest in connection with the admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of Solarvest on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Proposal").

The applicable criteria on the basis of which the Board of Directors has compiled the pro forma consolidated financial information are described in Note 2 to the pro forma consolidated statement of financial position, and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The pro forma consolidated financial information has been compiled by the Board of Directors to illustrate the effects of the events or transactions as set out in Note 3 of the pro forma consolidated statement of financial position had they been implemented and completed on 31 March 2019, on the Group's financial position as at that date. As part of this process, information about the Group's financial position has been extracted by the Board of Directors from the audited financial statements of the Group as at 31 March 2019.

ECOVIS MALAYSIA PLT (FKA ECOVIS AHL PLT) (LLP0003185-LCA) & (AF 001825) Chartered Accountants, No 9-3, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Malaysia Phone: +60(3) 7981 1799 Fax: +60(3) 7980 4796 E-Mail: kuala-lumpur@ecovis.com.my

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



Directors' Responsibility for the Pro Forma Consolidated Financial Information

The Board of Directors is responsible for compiling the pro forma consolidated financial information on the basis as described in Note 2 to the pro forma consolidated statement of financial position and in accordance with the requirements of the Prospectus Guidelines.

Reporting Accountants' Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the *Code of Ethics for Professional Accountants* issued by the International Ethics Standard Board for Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control 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, about whether the pro forma consolidated financial information has been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in Note 2 of the pro forma consolidated statement of financial position.

We conducted our engagement in accordance with International Standards on Assurance Engagements ("ISAE") 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Accounting 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 has compiled, in all material respects, the pro forma consolidated financial information on the basis set out in Note 2 to the pro forma consolidated statement of financial position.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of the pro forma consolidated financial information included in a 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 events or transactions at 31 March 2019, would have been as presented.

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



Reporting Accountants' Responsibilities (Cont'd)

A reasonable assurance engagement to report on whether the pro forma consolidated financial information has been compiled, in all material respects, on the basis of the applicable involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma consolidated financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- (i) the related pro forma adjustments give appropriate effect to those criteria; and
- (ii) the pro forma consolidated financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated financial information of the Group has been compiled, in all material respects, on the basis as set out in Note 2 of the pro forma consolidated statement of financial position and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

This report has been prepared solely for the purpose of inclusion in the prospectus of Solarvest in connection with the Proposal. 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 letter contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink that reads "Francois".

ECOVIS MALAYSIA PLT
AF 001825
Chartered Accountants

Kuala Lumpur

A large, stylized handwritten signature in black ink that reads "CHUA KAH CHUN".

CHUA KAH CHUN
02696/09/2019 J
Chartered Accountant

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

ECOVIS MALAYSIA PLT
(AF 001825)
Chartered Accountants
For identification purposes only

SOLARVEST HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

1.0 Abbreviations

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

AB Holdings	:	Atlantic Blue Holdings Sdn. Bhd. (1240450-P)
Atlantic Blue	:	Atlantic Blue Sdn. Bhd. (686139-X)
Atlantic Blue Group	:	Atlantic Blue and its subsidiaries, collectively
Atlantic Blue Vendors	:	Chin Hin and AB Holdings, collectively
ACE Market	:	ACE Market of Bursa Securities
Acquisition	:	Acquisition by Solarvest of the entire share capital of Atlantic Blue from the Atlantic Blue Vendors for a purchase consideration of RM26,261,600, wholly satisfied by the issuance of 291,795,555 new Shares at an issue price of RM0.09 per share, which was completed on 15 July 2019
Act	:	Companies Act, 2016
Board	:	Board of Directors of Solarvest
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
Chin Hin	:	Chin Hin Group Berhad (1097507-W)
CMSA	:	Capital Markets and Services Act, 2007
Director(s)	:	An executive director or a non-executive director of our Company within the meaning of Section 2 of the Act
FYE 31 March	:	Financial year ended 31 March
IFRS	:	International Financial Reporting Standards
Initial Public Offering or IPO	:	Our initial public offering comprising the Public Issue
IPO Price	:	Issue price of RM0.35 per Issue Share
Issue Share(s)	:	98,828,000 new Shares to be issued under the Public Issue
Listing	:	Listing of and quotation for our entire enlarged share capital of RM60,851,410 comprising 390,623,655 Shares on the ACE Market
Listing Scheme	:	Comprising the Public Issue and Listing, collectively
Malaysian Public	:	Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
MFRS	:	Malaysian Financial Reporting Standards

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

SOLARVEST HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

ECOVIS MALAYSIA PLT
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1.0 Abbreviations (Cont'd)

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

MITI	:	Ministry of International Trade and Industry Malaysia
NA	:	Net assets
Prospectus	:	This Prospectus dated 30 September 2019 in relation to our IPO
PPE	:	Property, plant and equipment
Powertrack	:	Powertrack Sdn. Bhd. (1173857-K)
Public Issue	:	Public issue of 98,828,000 Issue Shares at our IPO price
RPS	:	Redeemable preference shares issued by Atlantic Blue
RM or sen	:	Ringgit Malaysia and sen, respectively
Share(s) or Solarvest Share(s)	:	Ordinary share(s) in Solarvest
Solarvest Energy	:	Solarvest Energy Sdn. Bhd. (1194560-T)
Solarvest Energy (SR)	:	Solarvest Energy (SR) Sdn Bhd (1320152-A)
Solarvest or Company	:	Solarvest Holdings Berhad (1247778-U)
Solarvest Group or Group	:	Solarvest and its subsidiaries, collectively

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

SOLARVEST HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

ECOVIS MALAYSIA PLT
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2.0 Pro Forma Group and Basis of Preparation

2.1 Basis of Preparation

The pro forma consolidated statement of financial position of Solarvest Group has been prepared by the Board in a manner consistent with the format of the audited financial statements and accounting policies of the Group for the FYE 31 March 2019, in accordance with MFRS, IFRS and the requirements of the Prospectus Guidelines. The pro forma consolidated statement of financial position has been prepared solely for illustrative purposes, to show the effects of transactions as disclosed in Note 3.

The pro forma consolidated statement of financial position is consolidated using the merger method as both Solarvest and Atlantic Blue Group are under the common control of the same party both before and after the Acquisition. When the merger method is used, the difference between the cost of investment recorded by Solarvest and the share capital of the subsidiaries are accounted for as reorganisation reserve in the pro forma consolidated statement of financial position.

The Group is regarded as a continuing entity resulting from the reorganisation exercise because the management of all the entities within the Group, which took part in the reorganisation exercise, was under common control before and immediately after the reorganisation exercise. The Group has applied the merger method of accounting on a retrospective basis and restated its comparative as if the consolidation had taken place before the start of the earliest period presented in the financial statements.

The audited financial statements of the Group and of the Company as at 31 March 2019 were not subject to any audit qualification.

The pro forma financial information of the Group comprises the pro forma consolidated statement of financial position as at 31 March 2019, adjusted for the impact of the Acquisition (Note 2.2), Listing Scheme (Note 2.3) and utilisation of proceeds from the IPO (Note 3.1.3).

The pro forma financial information, because of its nature, may not reflect the actual financial position of the Group. Furthermore, such information does not predict the future financial position of the Group.

2.2 Acquisition

Subsequent to FYE 31 March 2019, Solarvest acquired the entire equity interest of Atlantic Blue from Atlantic Blue Vendors for a total purchase consideration of RM26,261,600, satisfied by the issuance of 291,795,555 new Solarvest Shares at RM0.09 per Share. The legal structure of the Solarvest Group is now formalised via completion of the Acquisition on 15 July 2019.

On 7 August 2019, Solarvest Energy (SR) increased its issued and paid-up share capital from RM100 to RM200,000 by allotting 199,900 new ordinary shares of RM1.00 each to its shareholders in proportion to their existing equity interest. The increase in non-controlling interest from subscribing for 30% of the new issue of shares is RM59,970.

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

SOLARVEST HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

ECOVIS MALAYSIA PLT
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2.0 Pro Forma Group and Basis of Preparation (Cont'd)

2.3 Listing Scheme

In conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued share capital of Solarvest on the ACE Market, the Company intends to undertake the following transactions:

2.3.1 Public Issue

The Public Issue of 98,828,000 new Solarvest Shares, representing approximately 25.30% of the enlarged issued share capital at IPO Price amounting to RM34,589,800, payable in full on application, upon such terms and conditions as set out in the Prospectus, and will be allocated and allotted in the following manner:

- (a) 19,531,000 new Solarvest Shares made available for application by the Malaysian Public;
- (b) 19,531,000 new Solarvest Shares made available for application by the eligible Directors, employees and persons who have contributed to the success of the Group;
- (c) 20,703,000 new Solarvest Shares made available by way of private placement to identified investors; and
- (d) 39,063,000 new Solarvest Shares made available by way of private placement to MITI approved investors.

2.3.2 Listing

The admission of Solarvest to the Official List of Bursa Securities, and the entire enlarged issued share capital of RM60,851,410 comprising 390,623,655 Solarvest Shares shall be listed and quoted on the ACE Market upon completion of the Public Issue.

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

SOLARVEST HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

3.0 Pro Forma Consolidated Statement of Financial Position as at 31 March 2019

	Audited as at 31 March 2019 RM	Pro Forma I			Pro Forma II		Pro Forma III	
		Acquisition RM	After Acquisition RM	Public Issue RM	After Pro Forma I and Public Issue RM	Utilisation of proceeds RM	After Pro Forma II and utilisation of proceeds RM	
Assets								
Non-current assets								
Property, plant and equipment	-	14,681,805	14,681,805	-	14,681,805	4,650,000	19,331,805	
Investment properties	-	887,192	887,192	-	887,192	-	887,192	
Intangible assets	-	631,645	631,645	-	631,645	-	631,645	
Deferred tax assets	-	111,885	111,885	-	111,885	-	111,885	
Trade receivables	-	2,442,172	2,442,172	-	2,442,172	-	2,442,172	
Other receivables	-	239,749	239,749	-	239,749	-	239,749	
	-	18,994,448	18,994,448	-	18,994,448	4,650,000	23,644,448	
Current assets								
Inventories	-	2,029,613	2,029,613	-	2,029,613	-	2,029,613	
Trade receivables	-	15,544,883	15,544,883	-	15,544,883	-	15,544,883	
Other receivables, deposits and prepayments	166,732	10,438,371	10,605,103	-	10,605,103	(166,732)	10,438,371	
Contract assets	-	16,646,166	16,646,166	-	16,646,166	-	16,646,166	
Current tax assets	-	1,903,172	1,903,172	-	1,903,172	-	1,903,172	
Fixed deposits with financial institutions	-	8,235,392	8,235,392	-	8,235,392	-	8,235,392	
Cash and bank balances	10	14,191,233	14,191,243	34,589,800	48,781,043	(12,306,381)	36,474,662	
	166,742	68,988,830	69,155,572	34,589,800	103,745,372	(12,473,113)	91,272,259	
Total assets	166,742	87,983,278	88,150,020	34,589,800	122,739,820	(7,823,113)	114,916,707	
Equity and liabilities								
Equity								
Share capital	10	26,261,600	26,261,610	34,589,800	60,851,410	(1,148,711)	59,702,699	
Reorganisation reserve	-	(25,261,600)	(25,261,600)	-	(25,261,600)	-	(25,261,600)	
Retained earnings	(1,019,655)	31,699,551	30,679,896	-	30,679,896	(1,308,888)	29,371,008	
Equity attributable to owners of the Company	(1,019,645)	32,699,551	31,679,906	34,589,800	66,269,706	(2,457,599)	63,812,107	
Non-controlling interest	-	(6,418)	(6,418)	-	(6,418)	-	(6,418)	
Total equity	(1,019,645)	32,693,133	31,673,488	34,589,800	66,263,288	(2,457,599)	63,805,689	

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

SOLARVEST HOLDINGS BERHAD
 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 MARCH 2019

3.0 Pro Forma Consolidated Statement of Financial Position as at 31 March 2019 (Cont'd)

	Audited as at 31 March 2019 RM	Pro Forma I			Pro Forma II		Pro Forma III	
		Acquisition RM	After Acquisition RM	Public Issue RM	After Pro Forma I and Public Issue RM	Utilisation of proceeds RM	After Pro Forma II and utilisation of proceeds RM	
Liabilities								
Non-current liabilities								
Bank borrowings	-	5,798,425	5,798,425	-	5,798,425	(2,239,289)	3,559,136	
Finance lease liabilities	-	1,095,697	1,095,697	-	1,095,697	-	1,095,697	
Redeemable preference shares	-	4,555,414	4,555,414	-	4,555,414	-	4,555,414	
Trade payables	-	503,428	503,428	-	503,428	-	503,428	
Contract liabilities	-	272,800	272,800	-	272,800	-	272,800	
	-	12,225,764	12,225,764	-	12,225,764	(2,239,289)	9,986,475	
Current liabilities								
Trade payables	-	25,474,478	25,474,478	-	25,474,478	-	25,474,478	
Other payables and accruals	1,186,387	1,458,582	2,644,969	-	2,644,969	(365,514)	2,279,455	
Provisions	-	331,777	331,777	-	331,777	-	331,777	
Bank borrowings	-	7,692,609	7,692,609	-	7,692,609	(2,760,711)	4,931,898	
Finance lease liabilities	-	610,519	610,519	-	610,519	-	610,519	
Contract liabilities	-	7,496,416	7,496,416	-	7,496,416	-	7,496,416	
	1,186,387	43,064,381	44,250,768	-	44,250,768	(3,126,225)	41,124,543	
Total liabilities	1,186,387	55,290,145	56,476,532	-	56,476,532	(5,365,514)	51,111,018	
Total equity and liabilities	166,742	87,983,278	88,150,020	34,589,800	122,739,820	(7,823,113)	114,916,707	
Number of Solarvest Shares in issue	100	291,795,655	291,795,655	390,623,655	390,623,655	390,623,655	390,623,655	
NA (RM)	(1,019,645)	31,679,906	31,679,906	66,269,706	66,269,706	66,269,706	63,812,107	
NA per Share (RM)	(10,196)	0.11	0.11	0.17	0.17	0.17	0.16	
Borrowings	-	19,752,664	19,752,664	19,752,664	19,752,664	19,752,664	14,752,664	
Gearing (times) ⁽¹⁾	-	0.6	0.6	0.3	0.3	0.3	0.2	
Current ratio (times) ⁽²⁾	0.1	1.6	1.6	2.3	2.3	2.3	2.2	

⁽¹⁾ Calculated based on the total borrowings (i.e. finance lease liabilities, bank borrowings and RPS) of our Group divided by the total equity of our Group

⁽²⁾ Calculated based on total current assets divided by total current liabilities of our Group

14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

ECOVIS MALAYSIA PLT
(AF 001825)
Chartered Accountants
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SOLARVEST HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

3.1 Notes to Pro Forma Consolidated Statement of Financial Position

3.1.1 Pro Forma I

Pro Forma I incorporates the effects of Acquisition as set out in Note 2.2.

3.1.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the Public Issue and Listing as set out in Note 2.3.

3.1.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the utilisation of proceeds from the Public Issue.

The estimated gross proceeds from the Public Issue of RM34,589,800 will be utilised as follows:

	RM	Estimated time frame (from the listing date)
Business expansion ⁽¹⁾ :		
- Southern region of Peninsular Malaysia	700,000	Within 24 months
- Other Asian countries	2,300,000	Within 24 months
Capital expenditure	4,000,000	Within 18 months
Working capital	19,189,800	Within 24 months
Repayment of bank borrowings	5,000,000	Within 3 months
Estimated listing expenses ⁽²⁾	3,400,000	Within 1 month
	<u>34,589,800</u>	

Notes:

- ⁽¹⁾ Purchase of furniture and fittings, equipment and machinery during business expansion to southern region of Peninsular Malaysia and other Asian countries is estimated at RM650,000
- ⁽²⁾ An amount of RM1,148,711 from total listing expenses (including RM166,732 recognised in prepayments as at 31 March 2019) is to be offset against equity on completion of the Listing. For the remaining estimated listing expenses of RM2,251,289, an amount of RM942,401 has been charged to profit or loss during the FYE 31 March 2019. The balance of RM1,308,888 will be charged to profit or loss as incurred

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

ECOVIS MALAYSIA PLT
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For identification purposes only

SOLARVEST HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

3.2 Pro Forma Effects on Financial Statement Line Items

3.2.1 Effects on PPE

	RM	RM
As audited on 31 March 2019		-
<u>Pro Forma I:</u>		
Acquisition		14,681,805
After effects of Pro Forma I, II		14,681,805
<u>Pro Forma III:</u>		
Utilisation of proceeds from Public Issue:		
- Acquisition of PPE as part of business expansion	650,000	
- Capital expenditure	4,000,000	4,650,000
After effects of Pro Forma III		19,331,805

3.2.2 Effects on Other Receivables, Deposits and Prepayments (Current Assets)

	RM	RM
As audited on 31 March 2019		166,732
<u>Pro Forma I:</u>		
Acquisition		10,438,371
After effects of Pro Forma I, II		10,605,103
<u>Pro Forma III:</u>		
Utilisation of proceeds from Public Issue:		
- Estimated listing expenses ⁽¹⁾		(166,732)
After effects of Pro Forma III		10,438,371

Note:

⁽¹⁾ RM166,732 of share issue costs has been recognised in prepayments as at 31 March 2019

3.2.3 Effects on Cash and Bank Balances

	RM	RM
As audited on 31 March 2019		10
<u>Pro Forma I:</u>		
Acquisition		14,191,233
After effects of Pro Forma I		14,191,243
<u>Pro Forma II:</u>		
Public Issue		34,589,800
After effects of Pro Forma II		34,589,800
<u>Pro Forma III:</u>		
Utilisation of proceeds from Public Issue:		
- Acquisition of PPE as part of business expansion	(650,000)	
- Capital expenditure	(4,000,000)	
- Repayment of bank borrowings	(5,000,000)	
- Payment for estimated listing expenses	(2,656,381)	(12,306,381)
After effects of Pro Forma III		22,283,419

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

ECOVIS MALAYSIA PLT
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SOLARVEST HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

3.2 Pro Forma Effects on Financial Statement Line Items (Cont'd)

3.2.4 Effects on Share Capital

	No. of shares	RM
As audited on 31 March 2019	100	10
<u>Pro Forma I:</u>		
Acquisition:		
- Shares issued on Acquisition	291,795,555	26,261,600
After effects of Pro Forma I	291,795,655	26,261,610
<u>Pro Forma II:</u>		
Public Issue	98,828,000	34,589,800
After effects of Pro Forma II	390,623,655	60,851,410
<u>Pro Forma III:</u>		
Utilisation of proceeds from Public Issue:		
- Estimated listing expenses offset against equity	-	(1,148,711)
After effects of Pro Forma III	390,623,655	59,702,699

3.2.5 Effects on Reorganisation Reserve

	RM
As audited on 31 March 2019	-
<u>Pro Forma I:</u>	
Acquisition:	
- Shares issued on Acquisition	(26,261,600)
- Elimination of ordinary shares of Atlantic Blue	1,000,000
After effects of Pro Forma I, II, III	(25,261,600)

3.2.6 Effects on Retained Earnings

	RM
As audited on 31 March 2019	(1,019,655)
<u>Pro Forma I:</u>	
Acquisition	31,699,551
After effects of Pro Forma I, II	30,679,896
<u>Pro Forma III:</u>	
Utilisation of proceeds from Public Issue:	
- Estimated listing expenses charged to profit or loss	(1,308,888)
After effects of Pro Forma III	29,371,008

3.2.7 Effects on Bank Borrowings (Current and Non-current Liabilities)

	RM
As audited on 31 March 2019	-
<u>Pro Forma I:</u>	
Acquisition	13,491,034
After effects of Pro Forma I, II	13,491,034
<u>Pro Forma III:</u>	
Utilisation of proceeds from Public Issue:	
- Repayment of bank borrowings	(5,000,000)
After effects of Pro Forma III	8,491,034

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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SOLARVEST HOLDINGS BERHAD
 PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 MARCH 2019

3.2 Pro Forma Effects on Financial Statement Line Items (Cont'd)

3.2.8 Effects on other payables and accruals

	RM
As audited on 31 March 2019	1,186,387
<u>Pro Forma I:</u>	
Acquisition	1,458,582
After effects of Pro Forma I, II	2,644,969
<u>Pro Forma III:</u>	
Utilisation of proceeds from Public Issue:	
- Settlement of payables for listing expenses recognised at 31 March 2019	(365,514)
After effects of Pro Forma III	2,279,455

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14. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

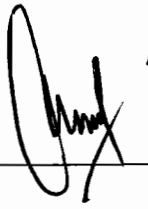
SOLARVEST HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

ECOVIS MALAYSIA PLT
(AF 001825)
Chartered Accountants
For identification purposes only

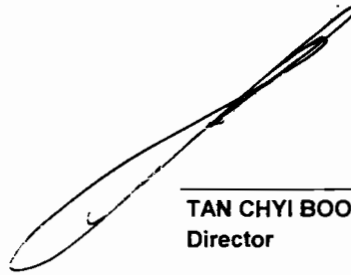
4.0 Approval by the Board of Directors

The pro forma consolidated statement of financial position is approved by the Board of Directors of Solarvest Holdings Berhad in accordance with Directors' resolution dated 3 September 2019.

LIM CHIN SIU
Director



TAN CHYI BOON
Director



15. STATUTORY AND OTHER INFORMATION

15.1 SHARE CAPITAL

- (i) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (ii) Save for our Pink Form Allocations as disclosed in Section 4.3.2, as at the date of this Prospectus:
 - (a) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and
 - (b) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (iii) Save as disclosed in Sections 6.2, 6.3.1, 6.3.2 and 15.2, no shares of our Company or our subsidiaries have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (iv) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.
- (v) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

15.2 CHANGES IN SHARE CAPITAL OF OUR SUBSIDIARIES

15.2.1 Atlantic Blue

Atlantic Blue was incorporated on 26 March 2005 as San Hong Metal & Steel Sdn Bhd and then changed its name to Atlantic Blue on 18 March 2008.

Atlantic Blue's share capital as at LPD is RM8,200,000 comprising 1,000,000 ordinary shares and 7,200,000 RPS. The movements in the share capital of Atlantic Blue since its incorporation are as follows:

Date of allotment	No. of ordinary shares allotted	Consideration/ Type of issue	Cumulative share capital RM
26 March 2005	2	RM2/ Subscribers' shares	2
8 August 2005	1	RM1/ Cash	3
14 February 2012	99,997	RM99,997/ Cash	100,000
12 August 2014	300,000	RM300,000/ Otherwise than cash	400,000
5 August 2015	600,000	RM600,000/ Cash	1,000,000
Date of allotment	No. of RPS allotted	Consideration/ Type of issue	Cumulative share capital RM
13 February 2019	7,200,000	RM7,200,000/ Otherwise than cash	7,200,000

15. STATUTORY AND OTHER INFORMATION (Cont'd)

On 17 June 2008, the first subscribers (Lee Ching Hong and Lee Kok San) together with Lee Seng Ho sold 3 ordinary shares owned by them to Ng Weng Keng and Ng Weng Kim.

On 14 February 2012, Lim Chin Siu, Tan Chyi Boon and Tan Paw Boon invested RM99,997 into Atlantic Blue and on 20 February 2012, purchased 3 existing ordinary shares from Ng Weng Keng and Ng Weng Kim to control 100% equity interest in Atlantic Blue and began the business operations in solar PV industry.

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Atlantic Blue. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

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15. STATUTORY AND OTHER INFORMATION (Cont'd)**Changes in Atlantic Blue's substantial shareholders' shareholdings**

The changes in Atlantic Blue's substantial shareholders' respective shareholdings for the past 3 years are as follows:

Name	As at 31 March 2016			As at 31 March 2017			As at 31 March 2018			
	Direct	Indirect		Direct	Indirect		Direct	Indirect		
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Chin Siu	350,000	35.0	-	-	350,000	35.0	-	-	(1)550,000	55.0
Tan Chyi Boon	350,000	35.0	-	-	350,000	35.0	-	-	(1)550,000	55.0
Tan Paw Boon	300,000	30.0	-	-	300,000	30.0	-	-	-	-
AB Holdings	-	-	-	-	-	-	-	550,000	55.0	-
Chin Hin	-	-	-	-	-	-	-	450,000	45.0	-
Divine Inventions	-	-	-	-	-	-	-	-	(2)450,000	45.0
PP Chin Hin Realty	-	-	-	-	-	-	-	-	(3)450,000	45.0
Datuk Seri Chiau Beng Teik	-	-	-	-	-	-	-	-	(4)450,000	45.0
Chiau Haw Choon	-	-	-	-	-	-	-	-	(4)450,000	45.0
Datin Seri Wong Mee Leng	-	-	-	-	-	-	-	-	(4)450,000	45.0
Name	As at 31 March 2019			As at LPD						
	Direct	Indirect		Direct	Indirect					
	No. of Shares	%	No. of Shares	%	No. of Shares	%				
Lim Chin Siu	-	-	(1)550,000	55.0	-	-	(1)1,000,000	100.0		
Tan Chyi Boon	-	-	(1)550,000	55.0	-	-	(1)1,000,000	100.0		
Tan Paw Boon	-	-	-	-	-	-	-	-		
Solarvest	-	-	-	-	1,000,000	100.0	-	-		
AB Holdings	550,000	55.0	-	-	-	-	-	-		
Chin Hin	450,000	45.0	-	-	-	-	-	-		
Divine Inventions	-	-	(2)450,000	45.0	-	-	(2)1,000,000	100.0		
PP Chin Hin Realty	-	-	(3)450,000	45.0	-	-	(3)1,000,000	100.0		
Datuk Seri Chiau Beng Teik	-	-	(4)450,000	45.0	-	-	(4)1,000,000	100.0		
Chiau Haw Choon	-	-	(4)450,000	45.0	-	-	(4)1,000,000	100.0		
Datin Seri Wong Mee Leng	-	-	(4)450,000	45.0	-	-	(4)1,000,000	100.0		

15. STATUTORY AND OTHER INFORMATION (Cont'd)**Notes:**

- (1) Deemed interest by virtue of his interest in AB Holdings pursuant to Section 8 of the Act
- (2) Deemed interest by virtue of its interest in Chin Hin pursuant to Section 8 of the Act
- (3) Deemed interest by virtue of its interest in Divine Inventions pursuant to Section 8 of the Act
- (4) Deemed interest by virtue of his/her interest in PP Chin Hin Realty pursuant to Section 8 of the Act

15.2.2 Powertrack

Powertrack's share capital as at LPD is RM20,000 comprising 20,000 ordinary shares. The movements in the share capital of Powertrack since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
26 January 2016	2	RM2/ Subscribers' shares	2
22 March 2016	19,998	RM19,998/ Cash	20,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Powertrack. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15. STATUTORY AND OTHER INFORMATION (Cont'd)**Changes in Powertrack's substantial shareholders' shareholdings**

The changes in Powertrack's substantial shareholders' respective shareholdings since its incorporation are as follows:

Name	As at incorporation				As at 31 March 2017				As at 31 March 2018			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Chin Siu	1	50.0	-	-	6,000	30.0	(1)8,000	40.0	-	-	(2)20,000	100.0
Tan Chyi Boon	1	50.0	-	-	6,000	30.0	(1)8,000	40.0	-	-	(2)20,000	100.0
Tan Paw Boon	-	-	-	-	-	-	(1)8,000	40.0	-	-	-	-
Atlantic Blue	-	-	-	-	8,000	40.0	-	-	20,000	100.0	-	-
AB Holdings	-	-	-	-	-	-	-	-	-	-	(3)20,000	100.0
Chin Hin	-	-	-	-	-	-	-	-	-	-	(3)20,000	100.0
Divine Inventions	-	-	-	-	-	-	-	-	-	-	(4)20,000	100.0
PP Chin Hin Realty	-	-	-	-	-	-	-	-	-	-	(5)20,000	100.0
Datuk Seri Chiau Beng Teik	-	-	-	-	-	-	-	-	-	-	(6)20,000	100.0
Chiau Haw Choon	-	-	-	-	-	-	-	-	-	-	(6)20,000	100.0
Datin Seri Wong Mee Leng	-	-	-	-	-	-	-	-	-	-	(6)20,000	100.0
Name	As at 31 March 2019				As at LPD							
	Direct		Indirect		Direct		Indirect					
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%				
Lim Chin Siu	-	-	(2)20,000	100.0	-	-	(2)20,000	100.0				
Tan Chyi Boon	-	-	(2)20,000	100.0	-	-	(2)20,000	100.0				
Tan Paw Boon	-	-	-	-	-	-	-	-				
Atlantic Blue	20,000	100.0	-	-	20,000	100.0	-	-				
AB Holdings	-	-	(3)20,000	100.0	-	-	(3)20,000	100.0				
Chin Hin	-	-	(3)20,000	100.0	-	-	(3)20,000	100.0				
Divine Inventions	-	-	(4)20,000	100.0	-	-	(4)20,000	100.0				
PP Chin Hin Realty	-	-	(5)20,000	100.0	-	-	(5)20,000	100.0				
Datuk Seri Chiau Beng Teik	-	-	(6)20,000	100.0	-	-	(6)20,000	100.0				
Chiau Haw Choon	-	-	(6)20,000	100.0	-	-	(6)20,000	100.0				
Datin Seri Wong Mee Leng	-	-	(6)20,000	100.0	-	-	(6)20,000	100.0				

15. STATUTORY AND OTHER INFORMATION (Cont'd)**Notes:**

- (1) Deemed interest by virtue of his interest in Atlantic Blue pursuant to Section 8 of the Act
- (2) Deemed interest by virtue of his interest in AB Holdings pursuant to Section 8 of the Act
- (3) Deemed interest by virtue of its interest in Atlantic Blue pursuant to Section 8 of the Act
- (4) Deemed interest by virtue of its interest in Chin Hin pursuant to Section 8 of the Act
- (5) Deemed interest by virtue of its interest in Divine Inventions pursuant to Section 8 of the Act
- (6) Deemed interest by virtue of his/her interest in PP Chin Hin Realty pursuant to Section 8 of the Act

15.2.3 Solarvest Energy

Solarvest Energy's share capital as at LPD is RM1,000,000 comprising 1,000,000 ordinary shares. The movements in the share capital of Solarvest Energy since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Cumulative share capital	
		Type of issue	RM
14 July 2016	3	RM3/ Subscribers' shares	3
12 October 2016	9,997	RM9,997/ Cash	10,000
26 February 2019	990,000	RM990,000/ Otherwise than cash	1,000,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Solarvest Energy. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15. STATUTORY AND OTHER INFORMATION (Cont'd)**Changes in Solarvest Energy's substantial shareholders' shareholdings**

The changes in Solarvest Energy's substantial shareholders' respective shareholdings since its incorporation are as follows:

Name	As at incorporation				As at 31 March 2017				As at 31 March 2018			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Chin Siu	1	33.4	-	-	2,000	20.0	(¹)4,000	40.0	-	-	(²)10,000	100.0
Tan Chyi Boon	1	33.3	-	-	2,000	20.0	(¹)4,000	40.0	-	-	(²)10,000	100.0
Chong Chun Shiong	1	33.3	-	-	2,000	20.0	-	-	-	-	-	-
Atlantic Blue	-	-	-	-	4,000	40.0	-	-	10,000	100.0	-	-
AB Holdings	-	-	-	-	-	-	-	-	-	-	(³)10,000	100.0
Chin Hin	-	-	-	-	-	-	-	-	-	-	(³)10,000	100.0
Divine Inventions	-	-	-	-	-	-	-	-	-	-	(⁴)10,000	100.0
PP Chin Hin Realty	-	-	-	-	-	-	-	-	-	-	(⁵)10,000	100.0
Datuk Seri Chiau Beng Teik	-	-	-	-	-	-	-	-	-	-	(⁶)10,000	100.0
Chiau Haw Choon	-	-	-	-	-	-	-	-	-	-	(⁶)10,000	100.0
Datin Seri Wong Mee Leng	-	-	-	-	-	-	-	-	-	-	(⁶)10,000	100.0
Name	As at 31 March 2019				As at LPD							
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Lim Chin Siu	-	-	(²)1,000,000	100.0	-	-	(²)1,000,000	100.0	-	-	(²)1,000,000	100.0
Tan Chyi Boon	-	-	(²)1,000,000	100.0	-	-	(²)1,000,000	100.0	-	-	(²)1,000,000	100.0
Chong Chun Shiong	-	-	-	-	-	-	-	-	-	-	-	-
Atlantic Blue	1,000,000	100.0	-	-	1,000,000	100.0	-	-	-	-	-	-
AB Holdings	-	-	(³)1,000,000	100.0	-	-	(³)1,000,000	100.0	-	-	(³)1,000,000	100.0
Chin Hin	-	-	(³)1,000,000	100.0	-	-	(³)1,000,000	100.0	-	-	(³)1,000,000	100.0
Divine Inventions	-	-	(⁴)1,000,000	100.0	-	-	(⁴)1,000,000	100.0	-	-	(⁴)1,000,000	100.0
PP Chin Hin Realty	-	-	(⁵)1,000,000	100.0	-	-	(⁵)1,000,000	100.0	-	-	(⁵)1,000,000	100.0
Datuk Seri Chiau Beng Teik	-	-	(⁶)1,000,000	100.0	-	-	(⁶)1,000,000	100.0	-	-	(⁶)1,000,000	100.0
Chiau Haw Choon	-	-	(⁶)1,000,000	100.0	-	-	(⁶)1,000,000	100.0	-	-	(⁶)1,000,000	100.0
Datin Seri Wong Mee Leng	-	-	(⁶)1,000,000	100.0	-	-	(⁶)1,000,000	100.0	-	-	(⁶)1,000,000	100.0

15. STATUTORY AND OTHER INFORMATION (Cont'd)

Notes:

- (1) Deemed interest by virtue of his interest in Atlantic Blue pursuant to Section 8 of the Act
- (2) Deemed interest by virtue of his interest in AB Holdings pursuant to Section 8 of the Act
- (3) Deemed interest by virtue of its interest in Atlantic Blue pursuant to Section 8 of the Act
- (4) Deemed interest by virtue of its interest in Chin Hin pursuant to Section 8 of the Act
- (5) Deemed interest by virtue of its interest in Divine Inventions pursuant to Section 8 of the Act
- (6) Deemed interest by virtue of his/her interest in PP Chin Hin Realty pursuant to Section 8 of the Act

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15. STATUTORY AND OTHER INFORMATION (Cont'd)**15.2.4 Solarvest Energy (SR)**

Solarvest Energy (SR)'s share capital as at LPD is RM200,000 comprising 200,000 ordinary shares. The movements in the share capital of Solarvest Energy (SR) since its incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
29 March 2019	100	RM100/ Subscribers' shares	100
6 August 2019	199,900	RM199,900/ Cash	200,000

Our substantial shareholders are as follows:

Name	As at incorporation				As at 31 March 2019				As at LPD			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Solarvest Energy	70	70.0	-	-	70	70.0	-	-	140,000	70.0	-	-
Cheong Kah Cheng	30	30.0	-	-	30	30.0	-	-	60,000	30.0	-	-

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Solarvest Energy (SR). In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

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15. STATUTORY AND OTHER INFORMATION (Cont'd)

15.3 CONSTITUTION

The following provisions are extracted from Solarvest's Constitution. Terms defined in the Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires. The following provisions extracted from our Company's Constitution are based on the current Listing Requirements and the Act.

(1) Remuneration, voting and borrowing powers of Directors

The provisions in the Constitution dealing with remuneration, voting and borrowing powers of Directors are as follows:

Clause 92 – Directors' remuneration

The fees payable to the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree PROVIDED ALWAYS that:

- (i) salaries payable to executive Director(s) may not include a commission on or percentage of turnover;
- (ii) fees payable to non-executive Directors shall be a fixed sum and not by a commission on or percentage of profits or turnover;
- (iii) fees of directors, and any benefits payable to directors shall be subject to annual shareholder approval at a general meeting; and
- (iv) any fee paid to an alternate Director shall be such as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 93 – Reimbursement of expenses

- (i) The Directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending board meetings of the Company.
- (ii) If by arrangement with the Directors, any Director shall perform or render any special duties or services 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 efforts 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 Company may remunerate the Director so doing a special remuneration in addition to his Director's fees and such special remuneration may be by way fixed sum or otherwise as may be arranged.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

Clause 116 – Remuneration of Managing Director

The remuneration of a managing director or managing directors shall be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.

Clause 97 – Directors' borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, 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 subsidiary company subject to the law including but not limited to the provisions of the Act and the Listing Requirements, as they may think fit.

Clause 110 – Chairman to have a casting vote

- (i) Subject to this Constitution any question arising at any meeting of the Directors shall be decided by a majority of votes, each Director having one (1) vote and a determination by a majority of the Directors shall for all purposes be deemed a determination of the Directors.
- (ii) In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote EXCEPT where only two (2) of the Directors form a quorum and only such Directors are present at the meeting or where only two (2) of the Directors are competent to vote on the question in issue, whereupon the resolution shall be deemed not to have been passed, without affecting any other businesses at the meeting.

Clause 112 – Disclosure of interest and restriction on discussion and voting

Every Director shall declare his interest in the Company and his interest in any contract or proposed contract with the Company as may be required by law. Subject to Section 221 of the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

Clause 113 – Power to vote

Without prejudice to the provisions of any other Constitution, the Act and the Listing Requirements, a Director may vote in respect of:

- (i) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- (ii) 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 for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of security.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

(2) Changes to share capital

The provisions in the Constitution dealing with changes in share capital are as follows:

Clause 52 – Power to increase capital

Subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, the Company may from time to time, whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, by Ordinary Resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase may direct.

Clause 53 – Offer of new shares to the member

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities of whatever kind for the time being unissued and not allotted and any new shares or securities from time to time to be created shall, before they are issued, 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 shall 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 also dispose of any new shares or securities 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.

Clause 55 – Power to alter capital

The Company may by ordinary resolution and subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (ii) subdivide its share capital or any part thereof into shares of smaller amount than is fixed by the Memorandum of Association of the Company by subdivision of its existing shares or any of them, subject nevertheless to the provisions of the Act and so that as between the resulting shares, one (1) or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividend, return of capital, voting or otherwise over the others or any other of such shares;

15. STATUTORY AND OTHER INFORMATION (Cont'd)

- (iii) cancel shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (iv) convert and/or re-classify any class of shares into any other class of shares.

Clause 56 – Power to reduce capital

The Company may by special resolution, subject to the Act, the Central Depositories Act, the Rules, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, reduce its share capital, any capital redemption reserve fund or any share premium account in any manner authorised by the Act and subject to any consent required by law.

(3) Transfer of Shares

The provisions in the Constitution in respect of the arrangement for transfer of securities of our Company and restrictions on their free transferability are as follows:

Clause 31 – Transfer of Deposited Securities

Subject to the restriction imposed by this Constitution, Listing Requirements, the Central Depositories Act and the Rules (with respect to transfer of Deposited Security), 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 subsection 148(2) of the Act and any exemption that may be made from compliance with subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed securities.

Clause 32 – Transfer of shares (non-Deposited Securities)

- (i) Subject to the provisions of the Act and this Constitution, any Member may transfer all or any of his shares by way of instrument in writing in any usual or common form or in any other form which the Directors may approve. The instrument shall be executed by or on behalf of the transferor and the transferor shall remain the holder of the shares transferred until the transfer is registered and the name of the transferee is entered in the Register of Members in respect thereof.
- (ii) The instrument of transfer must be left for registration at the registered office of the Company together with such fee not exceeding RM1.00 as the Directors from time to time may require accompanied by the certificate of the shares to which it relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and thereupon the Company shall subject to the powers vested in the Directors by this Constitution register the transferee as a shareholder and retain the instrument of transfer.
- (iii) The Directors may decline to register any transfer of shares not being fully paid shares to a person of whom they do not approve and may also decline to register any transfer of shares on which the Company has a lien.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

- (iv) The registration of transfer may be suspended at such times and for such periods as the Directors may from time to time determine not exceeding in the whole thirty (30) days in any year.
- (v) Neither the Company nor its Directors nor any of its officers shall incur any liability for any transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred and although transferred, the transfer may, as between the transferor and transferee be liable to be set aside and notwithstanding that the Company may have notice of such transfer. And in every such case, the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such shares and the previous holder shall so far as the Company is concerned, be deemed to have transferred his whole title hereto.
- (vi) No shares shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.
- (vii) Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any shares by the allottee thereof in favour of some other persons.
- (viii) If the Directors refuse to register a transfer they shall within one month after the date on which the transfer was lodged with the Company send to the transferee and the transferor notice of the refusal in accordance with the provisions of the Act.
- (ix) All instruments of transfer which shall be registered shall be retained by the Company but any instrument of transfer which the Directors may decline or refuse to register shall on demand be returned to the person depositing the same. All powers of attorney granted by members for purpose (interalia) of transferring shares which may be lodged produced or exhibited to the Company or any of its proper officers shall as between the Company and the grantor of such powers be taken and deemed to continue and remain in full force and effect and the same may be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at the registered office of the Company.
- (x) The Company shall be entitled to charge a fee, being a sum of money to be paid in advance, as the Directors may from time to time determine and which the Company may be permitted to charge by law, for the registration of every transfer, plus the amount of the proper duty or taxes with which each certificate to be issued in consequence of the registration of such transfer is chargeable under any law for the time being in force.

(4) *Rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights*

The provisions in the Constitution in respect of the rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights are as follows:

15. STATUTORY AND OTHER INFORMATION (Cont'd)

Clause 8 – Issue of shares

- (i) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject to the Act, the Listing Requirements, any other statutory requirements, and to this Constitution, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Directors, subject to any ordinary resolution of the Company, may determine.
- (ii) No shares shall be issued at a discount except in compliance with the provisions of the Act.
- (iii) The rights attaching to shares of a class other than ordinary shares, shall be expressed in this Constitution.
- (iv) No issue of shares shall be made without the prior approval of the members of the Company in general meeting.
- (v) No Director shall participate in a scheme that involves a new issuance of shares to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director.

Clause 9 – Rights of preference shareholders

- (i) Subject to the Act, the Listing Requirements, any other relevant authority for the time being in force, and the conditions, restrictions and limitations expressed in this Constitution, any preference shares may with the sanction of an ordinary resolution be issued on the terms that they are or at the option of the Company are liable to be redeemed and the Company has the power to issue such preference capital ranking equally with, or in priority to preference shares already issued.
- (ii) A holder of preference shares must have a right to vote in each of the following circumstances:
 - (a) when the dividend or part of the dividend on the share is in arrears for more than six (6) months;
 - (b) on a proposal to reduce the Company's share capital;
 - (c) on a proposal for the disposal of the whole of the Company's property, business and undertaking;
 - (d) on a proposal that affects the rights attached to the preference shares;
 - (e) on a proposal to wind up the Company; and
 - (f) during the winding up of the Company.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

- (iii) A holder of preference shares shall be entitled to the same rights as a holder of ordinary shares in relation to receiving notices, reports, and audited financial statements, and attending meetings.

Clause 11 – Modification of class rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of this Constitution relating to general meetings shall *mutatis mutandis* apply so that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll. To every such special resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.

Clause 12 – Alteration of rights by issuance of new shares

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, 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.

There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.4 GENERAL INFORMATION

- (i) Save for the dividends paid to the shareholders of our subsidiaries in FYE 31 March 2017, purchase consideration paid to Atlantic Blue Vendors for the Acquisition as disclosed in Section 6.3, Directors' remuneration as disclosed in Section 5.2, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be so paid or given, to any of our Promoters, Directors or substantial shareholders.
- (ii) Save as disclosed in Section 11.1, none of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (iii) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the summarised procedures for application and acceptance are set out in Section 16.
- (iv) There is no limitation on the right to own Shares including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

15.5 CONSENTS

- (i) The written consents of our Adviser, Sponsor, Underwriter and Placement Agent, Solicitors, Share Registrar, Company Secretaries and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (ii) The written consents of our Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (iii) The written consent of our IMR to the inclusion in this Prospectus of its name and the IMR Report in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

15.6 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at our Registered Office during normal business hours for a period of 6 months from the date of this Prospectus:

- (i) Constitution;
- (ii) Audited financial statements of Solarvest from the date of incorporation up to 31 March 2018 and FYE 31 March 2019;
- (iii) Audited financial statements of Atlantic Blue Group for FYE 31 March 2017, 2018 and 2019;
- (iv) Accountants' Report as set out in Section 13;
- (v) Reporting Accountants' Report relating to our pro forma consolidated financial information as set out in Section 14;
- (vi) IMR Report as set out in Section 8;
- (vii) Material contracts as set out in Section 6.6; and
- (viii) Letters of consent as set out in Section 15.5.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

15.7 RESPONSIBILITY STATEMENTS

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

M&A Securities 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 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 ISSUE 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 PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 30 September 2019

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 11 November 2019

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Retail Offering

Application 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 our eligible Directors, employees and business associates/persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**16.2.2 Placement**

Types of Application	Application Method
Applications by:	
(i) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(ii) Bumiputera investors approved by MITI	MITI will contact the Bumiputera Investors directly. They should follow MITI's instructions.

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 set out in Section 12 of the Detailed Procedures for Application and Acceptance 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 fulfill 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

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

- (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (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; or
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

16.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

16.4 APPLICATION BY WAY OF APPLICATION FORM

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 RM0.35 for each Issue Share.

Payment must be made out in favour of "**TIH SHARE ISSUE ACCOUNT NO. 689**" 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) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the drop-in boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 11 November 2019 or by such other time and date specified in any change to the date or time for closing.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

We, together with the 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 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our Issue 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, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only). A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our Issue 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, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB 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 THE 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 8 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 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.

16.8.1 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.
- (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 the 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).

16.8.2 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 Institution or Internet Participating Financial Institution (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.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (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 Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.9 SUCCESSFUL APPLICANTS

If you are successful in your application:-

- (i) Our Issue 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.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our Issue Shares issued 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 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.

16.10 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 Telephone at 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **five 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 Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.