VAFE SYSTEM SDN. BHD.
201401048114 (1124303-W)
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED
31 MARCH 2021

Registration No. 201401048114 (1124303-W)

VAFE SYSTEM SDN. BHD.
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

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DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Company for the financial period ended 31 March 2021.

PRINCIPAL ACTIVITIES

The Company is principally engaged in development and operation of power generation activities from renewable energy resource.

There has been no significant change in the nature of these principal activities during the financial period.

RESULTS

	RM
Loss for the financial period, net of tax	(182,192)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial period.

The directors do not recommend the payment of any dividends in respect of the financial period ended 31 March 2021.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial period other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts hava been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

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DIRECTORS' REPORT (CONTINUED)

CURRENT ASSETS

Before the financial statements of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial period which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Company which has arisen since the end of the financial period.

In the opinion of the directors, no contingent or other liability of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial period which will or may affect the ability of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

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DIRECTORS' REPORT (CONTINUED)

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Company for the financial period were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial period and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial period in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial period, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial period.

DIRECTORS

The directors in office during the financial period and during the period from the end of the financial period to the date of the report are:

Chio Chooi Yuen
Lee Fong Yeng
Leong Wai Yee
Mok Chee Hoong
Mok Lik Yuee

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DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, none of the directors in office at the end of the financial period had any interest in shares of the Company.

DIRECTORS' BENEFITS

Since the end of the previous financial period, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial period, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial period, there was no indemnity coverage and insurance premium paid for the director and officers of the Company.

IMMEDIATE HOLDING COMPANY

The directors regard Fabulous Sunview Sdn. Bhd., a company incorporated in Malaysia, as the immediate holding company.

SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

Details of significant events during the financial period are disclosed in Note 21 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 16 to the financial statements.

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

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DIRECTORS' REPORT (CONTINUED)

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....
CHIO CHOOI YUEN
Director

....
LEE FONG YENG
Director

Date: 2 September 2021

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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note	31.03.2021 RM	31.12.2019 Restated RM	1.1.2019 Restated RM
ASSETS				
Non-current assets				
Property, plant and equipment	5	6,541,437	7,029,604	7,420,137
Total non-current assets		**6,541,437**	**7,029,604**	**7,420,137**
Current assets				
Other receivables	6	1,323,768	1,467,897	1,620,630
Contract assets	7	83,255	73,837	39,409
Cash and bank balances	8	270,840	21,094	93,818
Total current assets		**1,677,863**	**1,562,828**	**1,753,857**
TOTAL ASSETS		**8,219,300**	**8,592,432**	**9,173,994**
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	9	1,800,000	1,800,000	1,800,000
Accumulated losses		(1,011,534)	(829,342)	(757,291)
TOTAL EQUITY		**788,466**	**970,658**	**1,042,709**
Non-current liabilities				
Loans and borrowings	10	5,201,748	5,494,856	6,135,492
Deferred tax liabilities	11	307,389	355,046	367,595
Total non-current liabilities		**5,509,137**	**5,849,902**	**6,503,087**
Current liabilities				
Loans and borrowings	10	570,341	640,636	639,619
Current tax liabilities		8,307	54	217
Trade and other payables	12	1,343,049	1,131,182	988,362
Total current liabilities		**1,921,697**	**1,771,872**	**1,628,198**
TOTAL LIABILITIES		**7,430,834**	**7,621,774**	**8,131,285**
TOTAL EQUITY AND LIABILITIES		**8,219,300**	**8,592,432**	**9,173,994**

The accompanying notes form an integral part of these financial statements.

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD 31 MARCH 2021

	Note	1.1.2020 to 31.3.2021 RM	1.1.2019 to 31.12.2019 Restated RM
Revenue	13	1,192,259	1,012,715
Cost of sales		(562,775)	(473,676)
Gross profit		**629,484**	**539,039**
Other income	14	36,110	-
Administrative expenses		(438,163)	(98,017)
Distribution expenses		(718)	(2,172)
Operating profit		**226,713**	**438,850**
Finance costs	15	(448,309)	(523,450)
Loss before tax	16	**(221,596)**	**(84,600)**
Income tax credit	17	39,404	12,549
Loss for the financial period/year, representing total comprehensive loss for the financial period/year		**(182,192)**	**(72,051)**

The accompanying notes form an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	Attributable to owners of the Company		
	Share capital RM	Accumulated losses RM	Total equity RM
At 1 January 2019	**1,800,000**	**-**	**1,800,000**
- As previously reported	-	(348,621)	(348,621)
- Effect of MFRS 16	-	(41,021)	(41,021)
- Prior year adjustments	-	(367,649)	(367,649)
As restated	-	(757,291)	(757,291)
Restated balance at 1 January 2019	**1,800,000**	**(757,291)**	**1,042,709**
Total comprehensive income for the financial year			
- As previously reported	-	(73,162)	(73,162)
- Prior year adjustment	-	1,111	1,111
As restated	-	(72,051)	(72,051)
Restated balance at 31 December 2019	**1,800,000**	**(829,342)**	**970,658**
Total comprehensive income for the financial period			
Profit for the financial period	-	(182,192)	(182,192)
At 31 March 2021	**1,800,000**	**(1,011,534)**	**788,466**

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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021

	Note	1.1.2020 to 31.3.2021 RM	1.1.2019 to 31.12.2019 Restated RM
Cash flows from operating activities			
Loss before tax		(221,596)	(84,600)
Adjustments for:			
Depreciation of property, plant and equipment		488,167	390,533
Impairment loss on other receivables		260,074	-
Finance costs		448,309	523,450
Operating profit before changes in working capital		974,954	829,383
Changes in working capital:			
Other receivables		(1,186,011)	87,233
Contract assets		(9,418)	(34,428)
Trade and other payables		1,164,408	77,494
Net cash generated from operations		943,933	959,682
Income tax paid		-	(163)
Net cash from operating activities		943,933	959,519
Cash flows from financing activities	(a)		
Repayment of term loans		(342,442)	(624,000)
Repayment of lease liability		(20,961)	(15,619)
Net changes in amount owing to holding company		(470,815)	58,524
Net changes in amount owing to related parties		588,340	72,302
Interest paid		(448,309)	(523,450)
Net cash used in financing activities		(694,187)	(1,032,243)
Net increase/(decrease) in cash and cash equivalents		249,746	(72,724)
Cash and cash equivalents at the beginning of the financial period/year		21,094	93,818
Cash and cash equivalents at the end of the financial period/year	8	**270,840**	**21,094**

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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2021 (CONTINUED)

(a) Reconciliation of liabilities arising from financing activities

	1.1.2020 RM	Cash Flow RM	31.3.2021 RM
Term loans	5,596,000	(342,442)	5,253,558
Lease liabilities	539,492	(20,961)	518,531
Net changes in amount owing to holding company	470,815	(470,815)	-
Net changes in amount owing to related parties	(588,340)	588,340	-
	6,017,967	(245,878)	5,772,089

	1.1.2019 Restated RM	Cash Flow Restated RM	31.12.2019 Restated RM
Term loans	6,220,000	(624,000)	5,596,000
Lease liabilities	555,111	(15,619)	539,492
Net changes in amount owing to holding company	412,291	58,524	470,815
Net changes in amount owing to related parties	(660,642)	72,302	(588,340)
	6,526,760	(508,793)	6,017,967

The accompanying notes form an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at No. 31-3, Jalan Tasik Selatan 3, Metro Centre, Bandar Tasik Selatan 57000 Kuala Lumpur. The principal place of business of the Company is located at A-02-06, Galeria Hartamas Jalan 26A/70A, Desa Sri Hartamas, 50480 Kuala Lumpur.

The principal activity of the Company is engaged in development and operation of power generation activities from renewable energy resources.

There has been no significant change in the nature of this activity during the financial period.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 2 September 2021.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company has been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Explanation of transition to MFRSs and change in accounting policy

The financial statements of the Company for the financial period ended 31 March 2021 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards. For periods up to and including the financial year ended 31 December 2019, the Company prepared its financial statements in accordance with the Malaysia Private Entities Reporting Standards ("MPERSs") in Malaysia. In preparing these financial statements, the Company's opening MFRSs statements of financial position were prepared as at 1 January 2019 (the date of transition to MFRSs).

The Company has consistently applied the same accounting policies in the preparation of the financial statements of the Company for the financial period ended 31 March 2021, the comparative financial statements for the financial year ended 31 December 2019, and the opening MFRSs statements of financial position as at 1 January 2019, other than those as discussed below. The transition to the MFRSs framework does not have any significant effect on the financial statements of the Company except for those discussed below.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Explanation of transition to MFRSs and change in accounting policy (continued)

(a) Transition to MFRSs

MFRS 16 Leases ("MFRS 16")

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 Leases and IC Int 4 Determining whether an Arrangement contains a Lease.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Company have applied MFRS 16 using the full retrospective approach, as if the leases had already been effective at the commencement date of existing lease contracts.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Company has elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Company has complied with in the current financial period, the application of this standard does not have any significant effect on the financial statements of the Company except for those as discussed below.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Explanation of transition to MFRSs and change in accounting policy (continued)

(a) Transition to MFRSs (continued)

MFRS 16 (continued)

(i) Classification and measurement

As a lessee, the Company previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Company.

On adoption of MFRS 16, for all their leases other than short-term and low value asset leases, the Company:
- recognised the right-of-use assets and lease liabilities in the statements of financial position;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statements of cash flows for the current financial period.

(ii) Short-term lease and low value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Other adjustments

In addition to the adjustments described above, other items such as deferred taxes were adjusted to retained earnings as necessary.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

The Company has not adopted the following new MFRS, and amendments/ improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 4	Insurance Contracts	1 January 2021/ 1 January 2023
MFRS 5	Non-current Assets Held for Sale and Discontinued Operation	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2021/ 1 January 2023#
MFRS 9	Financial Instruments	1 January 2021/ 1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2021/ 1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

The Company has not adopted the following new MFRS, and amendments/ improvements to MFRSs that have been issued, but yet to be effective: (continued)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (continued)		
MFRS 137	Provisions, Contingent Liabilities and contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRSs 2018-2020*
\# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2.3.1 The Company plans to adopt the above applicable new MFRS and amendments/ improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Company are summarised below.

Annual Improvements to MFRSs 2018-2020

Annual Improvements to MFRSs 2018-2020 covers amendments to:

- MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

Amendments to MFRS 3 Business Combinations

The amendments update MFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by Malaysian Accounting Standards Board in April 2018.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases

The *Interest Rate Benchmark Reform—Phase* 2 amends some specific requirements in MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, with respect to issues that affect financial reporting during the reform of an interest rate benchmark.

The amendments provide a practical expedient whereby an entity would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period ; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, unless otherwise stated.

2.5 Basis of measurement

The financial statements of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial period presented in the financial statements of the Company.

3.1 Financial instruments

Financial instruments are recognised in the statement of financial position when, and only when, the Company becomes a party to the contract provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Company categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Company reclassifies financial assets when and only when its business models for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.6(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Company categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments (continued)

- **Fair value through other comprehensive income (FVOCI)**
  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.6(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- **Fair value through profit or loss (FVPL)**
  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Company categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Equity instruments

The Company subsequently measure all equity investments at fair value. Upon initial recognition, the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Company classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial Instruments (continued)

(a) Subsequent measurement (continued)

The Company categorises the financial instruments as follows: (continued)

(ii) Financial liabilities (continued)

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. the Company has not designated any financial liability as at FVPL.

Financial liabilities at amortised cost

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

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised as applicable, using trade date accounting (i.e. the date the Company commits itself to purchases or sells an asset).

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire; or
(ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Company evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Financial instruments (continued)

(d) Derecognition (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.2 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.6(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment (continued)

(a) Recognition and measurement (continued)

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

All property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Solar equipment	21
Right-of-use assets	22

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

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 arising on derecognition of the asset is recognised in profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Leases

At inception of a contract, the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether:

- the contract involves the use of an identified asset;
- the Company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company have the right to direct the use of the asset.

(a) Lessee accounting

At the lease commencement date, the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Company present right-of-use assets that do not meet the definition of property, plant and equipment in Note 5 and lease liabilities in Note 10.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.6(b).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Leases (continued)

(a) Lessee accounting (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company use their incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other expenses" in the statements of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Leases (continued)

(a) Lessee accounting (continued)

Lease liability (continued)

The Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed

(b) Lessor accounting

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Company are intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described in Note 3.3(a), then it classifies the sub-lease as an operating lease.

If an entity in the Company is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Company apply MFRS 15 Revenue from Contracts with Customers to allocate the consideration under the contract to each component.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Contract assets

Contract asset is the right to consideration for goods and services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.6(a).

3.5 Cash and cash equivalents

For the purpose of statements of cash flows, cash and cash equivalents comprise cash and bank balances and deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change of value.

3.6 Impairment of assets

(a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Company measures loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables and contract assets, the Company applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Company in full, without taking into account any credit enhancements held by the Company; or
- the contractual payment of the financial asset is more than 30 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one lor more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Company makes an estimate of the assets' recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

The recoverable amount of an asset of a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows 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 or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit of groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For other assets, 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. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.8 Revenue and other income

The Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Company is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Company applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Company reasonably expect that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

The Company measure revenue at its transaction price, being the amount of consideration to which the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and services tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Company expect to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Company estimate it by using the adjusted market assessment approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Revenue and other income (continued)

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Company has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components

The Company has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Company expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Sale of electricity generated from renewable energy equipment

Revenue from sale of electricity generated from renewable energy equipment is recognised over time as the customers simultaneously received and consumed the benefits provided by the Company's performance. The revenue recognised is the amount to which the Company has a right to invoice as it corresponds directly with the value to the customer of the Compay's performance that is completed to date. This revenue also includes an estimated value of the electricity delivered from the date of their last meter reading and period end.

3.9 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial period, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial period.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Income tax (continued)

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits 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 the benefit of part or all of that 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.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on 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 there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Fair value measurements

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 a 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.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair value is categorised into different levels 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 Company can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Company's financial statements within the next financial period are disclosed as follows:

(a) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.2, the Company reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Company's property, plant and equipment are disclosed in Note 5.

(b) Impairment of financial assets and contract assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. The Company uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimate at the end of each reporting period.

The Company uses a provision matrix to calculate expected credit losses for trade receivables and contract assets. The provision rate depends on the number of days that a trade receivable is past due. The Company uses the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type, customer type and rating, collateral or trade credit insurance.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) Impairment of financial assets and contract assets (continued)

The assessment of the correlation between historical observed default rates, forward-looking estimate and expected credit losses is a significant estimate. The amount of expected credit loss is sensitive to changes in circumstances and of forecast economic over the expected lives of the financial assets and contract assets. The Company's historical credit loss experience and forecast of the economic conditions may also not be representative of customer's actual default in the future.

The information about the expected credit losses on the Company's financial assets and contract assets are disclosed in Note 18(b).

(c) Measurement of income taxes

Significant judgement is required in determining the Company's estimation for current and deferred taxes. When the final outcome of the tax payable is determined with the tax authorities, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Company will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expenses of the Company are disclosed in Note 17.

(d) Impairment of non-financial assets

The Company assesses impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The Company uses fair value less cost to sell as the recoverable amount. Fair values are arrived at using comparison method and valuation technique method to suit the assets characteristic of the Company.

The carrying amounts of the non-financial assets are disclosed in Note 5.

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5. PROPERTY, PLANT AND EQUIPMENT

2021	Note	Solar equipment RM	Right-of-use asset RM	Total RM
Cost				
At 1 January 2020/ 31 March 2021		7,633,000	597,516	8,230,516
Accumulated depreciation				
At 1 January 2020		1,090,428	110,484	1,200,912
Depreciation charge for the financial period	16	454,345	33,822	488,167
At 31 March 2021		1,544,773	144,306	1,689,079
Carrying amount				
At 1 January 2020		**6,542,572**	**487,032**	**7,029,604**
At 31 March 2021		**6,088,227**	**453,210**	**6,541,437**

	Note	Solar equipment RM	Right-of-use asset RM	Total RM
2019 (Restated)				
Cost				
At 1 January 2019/ 31 December 2019		7,633,000	597,516	8,230,516
Accumulated depreciation				
At 1 January 2019		726,952	83,427	810,379
Depreciation charge for the financial year	16	363,476	27,057	390,533
At 31 December 2019		1,090,428	110,484	1,200,912
Carrying amount				
At 1 January 2019		**6,906,048**	**514,089**	**7,420,137**
At 31 December 2019		**6,542,572**	**487,032**	**7,029,604**

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use asset

The Company leases rooftop to place solar equipment. The lease for rooftop generally has a lease term of 22 years.

Information about the lease for which the Company is the lessee is presented below:

	Rooftop RM
Carrying amount	
At 1 January 2019	597,516
Depreciation charge for the financial year	(110,484)
At 31 December 2019	487,032
Depreciation charge for the financial period	(33,822)
At 31 March 2021	453,210

The Company has a lease that includes extension options. These options are negotiated by the Company to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs.

6. OTHER RECEIVABLES

	Note	31.03.2021 RM	31.12.2019 Restated RM	1.1.2019 Restated RM
Non-trade				
Other receivables		1,570,066	113,120	112,144
Amount owing by related parties	(a)	-	1,070,066	1,135,566
Deposits		-	262,866	346,129
Prepayments		13,776	21,845	26,791
Less: Impairment losses for other receivables		(260,074)	-	-
Total other receivables		1,323,768	1,467,897	1,620,630

(a) Amount owing by related parties

Amount owing by related parties are unsecured, non-trade in nature, non-interest bearing and repayable on demand.

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7. CONTRACT ASSETS

	31.03.2021 RM	31.12.2019 Restated RM	1.1.2019 Restated RM
Contract assets relating to unbilled revenue recognised during the period/year	83,255	73,837	39,409
Total contract assets	83,255	73,837	39,409

(a) Significant changes in contract balances

	31.03.2021 Contract assets Increase/ (decrease) RM	31.12.2019 Contract assets Increase/ (decrease) Restated RM	1.1.2019 Contract assets Increase/ (decrease) Restated RM
Increase as a result of unbilled revenue recognised during the period/year	83,255	73,837	39,409
Transfer from contract assets recognised at the beginning of the period/year to receivables	(73,837)	(39,409)	(95,740)

8. CASH AND BANK BALANCES

	31.03.2021 RM	31.12.2019 Restated RM	1.1.2019 Restated RM
Cash and bank balances	270,840	21,094	93,818

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. SHARE CAPITAL

	Number of ordinary shares			Amount		
	31.03.2021 Unit	31.12.2019 Unit	1.1.2019 Unit	31.03.2021 RM	31.12.2019 RM	1.1.2019 RM
Issued and fully paid up:						
At 1 January/31 December/ 31 March	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The Company did not issue any new share or debentures during the period.

10. LOANS AND BORROWINGS

		31.03.2021 RM	31.12.2019 Restated RM	1.1.2019 Restated RM
Non-current:				
Term loans	(a)	4,701,217	4,972,000	5,596,000
Lease liabilities	(b)	500,531	522,856	539,492
		5,201,748	5,494,856	6,135,492
Current:				
Term loans	(a)	552,341	624,000	624,000
Lease liabilities	(b)	18,000	16,636	15,619
		570,341	640,636	639,619
		5,772,089	**6,135,492**	**6,775,111**
Total loans and borrowings:				
Term loans	(a)	5,253,558	5,596,000	6,220,000
Lease liabilities	(b)	518,531	539,492	555,111
		5,772,089	**6,135,492**	**6,775,111**

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. LOANS AND BORROWINGS (CONTINUED)

(a) Term loans

Term loan 1 of the Company of RM Nil (31.12.2019: RM5,596,000 and 1.1.2019: RM6,220,000) bears interest at Nil % (31.12.2019: 15.81% and 1.1.2019: 15.81%) per annum and is repayable by monthly instalments of RM52,000 over twelve years commencing from the day of first drawdown and is secured and supported as follows:

(i) Debenture creating a first ranked fixed and floating charge over the Company's assets;
(ii) Specific Debenture over the solar equipment;
(iii) Memorandum of Deposit over Cash Deposit/Fixed Deposit of RM350,000;
(iv) Assignment of all right of the Company and proceeds from the sales of electricity in respect of the Renewable Energy Power Purchase Agreement ("REPPA") between the Company and Tenaga Nasional Berhad ("TNB");
(v) Assignment of all right of the Company under Project Award Agreement between the Company and Fabulous Sunview Sdn. Bhd. for Engineering, Procurement, Construction and Commissioning of a roof-top solar power plant project;
(vi) Assignment of all right of the Company in respect of the Lease Agreement between the Company and F.Y. Food Processing Sdn. Bhd. in relation to Project Line 1 ("PL1") Project site;
(vii) Letter of confirmation as approved by Credit Guarantee Corporation Berhad ("CGC") under the Green Technology Financing Scheme ("GTFS") ("Guarantee Amount");
(viii) Memorandum of Deposit over Sinking Fund built up by way of accumulated of 5% retention from every proceed until expiry of PL1 Tenure;and
(ix) Joint and several guarantee by directors of the Company.

Term loan 1 was settled on 30 June 2020.

Term loan 2 of the Company of RM5,253,558 (31.12.2019: RM Nil and 1.1.2019: RM Nil) bears interest at 5.99% per annum and is repayable by monthly instalments of RM66,583 over ten years commencing from the day of first drawdown and is secured and supported as follows:

(i) A Facility Agreement to secure repayment of principal together with interest;
(ii) Assignment over the right to the Lease Agreement between the Company and F.Y. Food Processing Sdn. Bhd. over a place of land where the solar power is constructed;
(iii) Assignment over the right of the Company to the proceeds from the sales of electricity in respect of the REPPA between the Company and TNB;
(iv) Debenture incorporating a fixed charge over the solar power plant;
(v) Corporate Guarantee by Sendang Energy Sdn. Bhd.; and
(vi) Joint and several guarantee by directors of the Company.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. LOANS AND BORROWINGS (CONTINUED)

(b) Lease liabilities

	31.03.2021	31.12.2019 Restated	1.1.2019 Restated
	RM	RM	RM
Minimum lease payments:			
Not later than one year	49,992	49,992	49,992
Later than one year but not later than five years	199,968	199,968	199,968
Later than five years	587,406	649,896	699,888
	837,366	899,856	949,848
Less: Future finance charges	(318,835)	(360,364)	(394,736)
Present value of minumum lease payments	518,531	539,492	555,112
Present value of minimum lease payment payable:			
Not later than one year	18,000	16,636	15,620
Later than one year but not later than five years	84,496	78,094	73,324
Later than five years	416,035	444,762	466,168
	518,531	539,492	555,112
Less: Amount due within twelve months	(18,000)	(16,636)	(15,620)
Amount due after twelve months	500,531	522,856	539,492

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. DEFERRED TAX LIABILITIES

	At 1 January 2020 RM	Recognised in profit or loss (Note 17) RM	At 31 March 2021 RM
Deferred tax assets:			
Unused tax losses	(21,087)	-	(21,087)
Unutilised capital allowances	(401,345)	(164,517)	(565,862)
	(422,432)	(164,517)	(586,949)
Deferred tax liability:			
Property, plant and equipment	777,478	116,860	894,338
	777,478	116,860	894,338
	355,046	(47,657)	307,389

	At 1 January 2019 Restated RM	Recognised in profit or loss (Note 17) Restated RM	At 31 December 2019 Restated RM
Deferred tax assets:			
Unused tax losses	(21,087)	-	(21,087)
Unutilised capital allowances	(295,583)	(105,762)	(401,345)
	(316,670)	(105,762)	(422,432)
Deferred tax liability:			
Property, plant and equipment	684,265	93,213	777,478
	684,265	93,213	777,478
	367,595	(12,549)	355,046

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. TRADE AND OTHER PAYABLES

		31.03.2021	31.12.2019 Restated	1.1.2019 Restated
		RM	RM	RM
Trade				
Trade payables				
- Third parties	(a)	130,482	108,859	43,000
- Holding company	(b)	25,867	-	-
		156,349	108,859	43,000
Non-trade				
Other payables		1,155,700	35,282	166
Amount owing to holding company	(b)	-	470,815	412,291
Amount owing to related parties	(b)	-	481,726	474,924
Accruals		31,000	34,500	57,981
		1,186,700	1,022,323	945,362
Total trade and other payables		1,343,049	1,131,182	988,362

(a) Trade payables

Trade payables are non-interest bearing and are normally settled on 30 days terms.

(b) Amount owing to holding company and related parties

Amount owing to holding company and related parties are unsecured, non-interest bearing, repayable upon demand and is expected to be settled in cash.

For explanations on the Company's liquidity risk management processes, refer to Note 18(b)(ii).

13. REVENUE

	1.1.2020 to 31.3.2021	1.1.2019 to 31.12.2019 Restated
	RM	RM
Over time:		
Sale of electricity generated from renewable energy equipment	1,192,259	1,012,715

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. OTHER INCOME

	1.1.2020 to 31.3.2021 RM	1.1.2019 to 31.12.2019 Restated RM
Interest income	34,386	-
Discount received	1,724	-
	36,110	-

15. FINANCE COSTS

	1.1.2020 to 31.3.2021 RM	1.1.2019 to 31.12.2019 Restated RM
Interest expense on:		
- Term loans	406,780	489,077
- Lease liabilities	41,529	34,373
	448,309	523,450

16. LOSS BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at loss before tax:

	Note	1.1.2020 to 31.3.2021 RM	1.1.2019 to 31.12.2019 Restated RM
Auditors' remuneration			
- Current year		5,000	4,770
Impairment losses on other receivables	6	260,074	-
Depreciation of property, plant and equipment	5	488,167	390,533

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17. INCOME TAX CREDIT

The major components of income tax credit for the financial period/year ended 31 March 2021 and 31 December 2019 are as follows:

	1.1.2020 to 31.3.2021 RM	1.1.2019 to 31.12.2019 Restated RM
Statement of comprehensive income		
Current income tax:		
- Current income tax charge	8,253	-
Deferred tax: (Note 11)		
- Origination of temporary differences	(47,657)	(12,549)
Income tax credit recognised in profit or loss	**(39,404)**	**(12,549)**

Domestic income tax is calculated at the Malaysia statutory income tax rate of 24% of the estimated assessable profit for the financial period.

The reconciliations from the tax amount at the statutory income tax rate to the Company's tax credit are as follows:

	1.1.2020 to 31.3.2021 RM	1.1.2019 to 31.12.2019 Restated RM
Loss before tax	(221,596)	(84,600)
Tax at Malaysian statutory loss tax rate of 24%	(53,183)	(20,304)
Adjustments:		
Non-deductible expenses	13,779	7,755
Income tax credit	(39,404)	(12,549)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statement of financial position by the classes of financial instruments to which they are assigned:

	Carrying amount RM	Amortised cost RM
At 31 March 2021		
Financial assets		
Other receivables, less prepayment	1,309,992	1,309,992
Cash and bank balances	270,840	270,840
	1,580,832	1,580,832
Financial liabilities		
Loans and borrowings	(5,772,089)	(5,772,089)
Trade and other payables	(1,343,049)	(1,343,049)
	(7,115,138)	(7,115,138)
At 31 December 2019		
Financial assets		
Other receivables, less prepayment	1,446,052	1,446,052
Cash and bank balances	21,094	21,094
	1,467,146	1,467,146
Financial liabilities		
Loans and borrowings	(6,135,492)	(6,135,492)
Trade and other payables	(1,131,182)	(1,131,182)
	(7,266,674)	(7,266,674)
At 1 January 2019		
Financial assets		
Other receivables, less prepayment	1,593,839	1,593,839
Cash and bank balances	93,818	93,818
	1,687,657	1,687,657
Financial liabilities		
Loans and borrowings	(6,775,111)	(6,775,111)
Trade and other payables	(988,362)	(988,362)
	(7,763,473)	(7,763,473)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Company's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The Company's overall financial risk management objective is to optimise value for its shareholders.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Company's senior management.

(i) Credit risk

Credit risk is the risk of financial loss to the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company is exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities, including deposits with banks and financial institutions. The Company has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables contract assets

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by their carrying amounts in the statement of financial position.

<u>Credit risk concentration profile</u>

The Company has no significant concentration of credit risk from its receivables and contract assets. The Company minimises credit risk by requiring collateral and/or dealing with credit worthy counterparties.

The Company applies the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

Credit risk concentration profile (continued)
The Company determines the credit risk concentration of its trade receivables and contract assets by industry sector profile on an ongoing basis. The credit risk concentration profile of the Company's trade receivables and contract assets at the reporting date are as follows:

			Trade receivables					
	Contract assets RM	Current RM	1 to 30 days past due RM	31 to 60 days past due RM	61 to 90 days past due RM	91 to 120 days past due RM	>120 days past due RM	Total RM
31 March 2021								
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	83,255	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
31 December 2019								
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	73,837	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
1 January 2019								
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	39,409	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets

For other receivables and other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Company's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

Intercompany loans between related entities are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3.6(a) for the Company's other accounting policies for impairment of financial assets.

As at the end of the reporting date, the Company recognised impairment losses of RM260,074 for other receivables. The Company did not recognise any loss allowance for impairment for other financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations when they fall due. The Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Company's exposure to liquidity risk arise principally from trade and other payables, loans and borrowings.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Company maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Company uses a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost on borrowed funds. The Company's treasury department also ensures that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Registration No. 201401048114 (1124303-W)

VAFE SYSTEM SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis
The maturity analysis of the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		← Contractual cash flows			→
	Carrying amount RM	On demand or within one year RM	Between one and five years RM	More than five years RM	Total RM
31 March 2021					
Trade and other payables	1,343,049	1,343,049	-	-	1,343,049
Term loans	5,253,558	798,996	3,195,984	3,462,316	7,457,296
Lease liabilities	518,531	49,992	199,968	587,406	837,366
	7,115,138	2,192,037	3,395,952	4,049,722	9,637,711
31 December 2019					
Other payables	1,131,182	1,131,182	-	-	1,131,182
Term loans	5,596,000	624,000	2,496,000	2,476,000	5,596,000
Lease liability	539,492	49,992	199,968	649,896	899,856
	7,266,674	1,805,174	2,695,968	3,125,896	7,627,038
1 January 2019					
Other payables	988,362	988,362	-	-	988,362
Term loans	6,220,000	624,000	2,496,000	3,100,000	6,220,000
Lease liability	555,111	49,992	199,968	699,888	949,848
	7,763,473	1,662,354	2,695,968	3,799,888	8,158,210

(iii) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Company's financial instruments as a result of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates. The Company's policy to manage their interest rate risk is to hedge all material floating rate borrowings using interest rate swaps.

Sensitivity analysis for interest rate risk
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Company's total equity and profit for the financial period/year.

Registration No. 201401048114 (1124303-W)

VAFE SYSTEM SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Interest rate risk (continued)

	Carrying amount RM	Change in basis point	Effect on profit and equity for the financial period/year RM
31 March 2021			
Term loans	5,253,558	+ 50	(19,964)
		- 50	19,964
31 December 2019			
Term loans	5,596,000	+ 50	(21,265)
		- 50	21,265
1 January 2019			
Term loans	6,220,000	+ 50	(23,636)
		- 50	23,636

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

	Carrying amount RM	Fair value of financial instruments not carried at fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM
31 March 2021					
Financial liabilities					
Term loans	4,701,217	-	-	9,099,707	9,099,707
31 December 2019					
Financial liabilities					
Term loans	4,972,000	-	-	6,719,060	6,719,060
1 January 2019					
Financial liabilities					
Term loans	5,596,000	-	-	7,783,035	7,783,035

Registration No. 201401048114 (1124303-W)

VAFE SYSTEM SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. RELATED PARTY

(a) Identification of related party

Parties are considered to be related if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related party of the Company include the Company's former company.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statement are as follows:

	1.1.2020 to 31.3.2021 RM	1.1.2019 to 31.12.2019 Restated RM
Management fee		
Former holding company	101,174	82,336

20. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Company manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial period ended.

The Company monitors capital using gearing ratio. The gearing ratio is calculated as total interests bearing debts divided by total equity. The debt to equity ratio at 31 March 2021, 31 December 2019 and 1 January 2019 are as follows:

Registration No. 201401048114 (1124303-W)

VAFE SYSTEM SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. CAPITAL MANAGEMENT (CONTINUED)

	Note	31.03.2021 RM	31.12.2019 Restated RM	1.1.2019 Restated RM
Loan and borrowings	10	5,772,089	6,135,492	6,775,111
Total equity		788,466	970,658	1,042,709
Net gearing ratio (times)		7.32	6.32	6.50

There were no changes in the Company's approach to capital management during the financial period under review.

The Company is not subject to externally imposed capital requirement.

21. SIGNIFICANT EVENTS DURING THE FINANCIAL PERIOD

(a) On 3 March 2021, Fabulous Sunview Sdn. Bhd. ("FSSB") acquired 1,800,000 unit of ordinary shares of RM1 each representing 100% equity interest in the Company for a total consideration of RM5,800,000. As a result, the Company became a subsidiary of FSSB.

(b) Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Company operates.

The Company has performed assessments on the overall impact of the situation on the Company's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there is no material adverse effects on the financial statements for the financial period ended 31 March 2021.

Given the fluidity of the situation, the Company will continuously monitor the impact of COVID-19 and take appropriate and timely measures to minimize the impact of the outbreaks on the Company's operations.

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VAFE SYSTEM SDN. BHD.
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. PRIOR YEAR ADJUSTMENTS AND COMPARATIVE FIGURE

(a) The financial statements for the Company have been prepared for a financial period of fifteen (15) months ended 31 March 2021. The comparative is for twelve (12) months ended 31 December 2019 with a transition date of 1 January 2019.

(b) The prior year adjustments were in relation the following retrospective changes in accounting policies, adoption of new accounting standards and fundamental errors made in the prior financial years:

(i) Reclassification of accounts;
(ii) Overstatement or understatement of taxation or deferred tax liabilities; and
(iii) Adoption of MFRS 16.

As a result of the prior year adjustments, corresponding adjustments have been made to the statements of changes in equity and statements of cash flows.

	As previously reported RM	(i) RM	(ii) RM	(iii) RM	As restated RM
At 31 December 2019					
Statement of financial position					
Property, plant and equipment	6,542,572	-	-	487,032	7,029,604
Other receivables	1,541,734	(73,837)	-	-	1,467,897
Contract assets	-	73,837	-	-	73,837
Accumulated losses	421,783	-	355,100	52,459	829,342
Loan and borrowings (non-current)	(4,972,000)	-	-	(522,856)	(5,494,856)
Trade and other payables	(1,131,183)	-	-	1	(1,131,182)
Loan and borrowings (current)	(624,000)	-	-	(16,636)	(640,636)
Current tax liabilities	-	-	(54)	-	(54)
Deferred tax liabilities	-	-	(355,046)	-	(355,046)

	As previously reported RM	(i) RM	(ii) RM	(iii) RM	As restated RM
At 31 December 2019					
Statement of comprehensive income					
Cost of sales	(133,135)	(363,476)	-	22,935	(473,676)
Administrative expenses	(461,493)	363,476	-		(98,017)
Finance costs	(489,077)	-	-	(34,373)	(523,450)
Taxation	-	-	12,549	-	12,549

Registration No. 201401048114 (1124303-W)

VAFE SYSTEM SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. PRIOR YEAR ADJUSTMENTS AND COMPARATIVE FIGURE (CONTINUED)

(b) The prior year adjustments were in relation the following retrospective changes in accounting policies, adoption of new accounting standards and fundamental errors made in the prior financial years: (continued)

	As previously reported RM	(i) RM	(ii) RM	(iii) RM	As restated RM
At 1 January 2019					
Statement of financial position					
Property, plant and equipment	6,906,048	-	-	514,089	7,420,137
Other receivables	1,655,092	(34,462)	-	-	1,620,630
Contract assets	-	39,409	-	-	39,409
Accumulated losses	348,621	-	367,649	41,021	757,291
Loan and borrowings (non-current)	(5,591,054)	(4,947)	-	(539,491)	(6,135,492)
Loan and borrowings (current)	(624,000)	-	-	(15,619)	(639,619)
Current tax liabilities	(163)	-	(54)	-	(217)
Deferred tax liabities	-	-	(367,595)	-	(367,595)

Registration No. 201401048114 (1124303-W)

VAFE SYSTEM SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
(Pursuant to Section 251(2) of the Companies Act 2016)

We, **CHIO CHOOI YUEN** and **LEE FONG YENG,** being two of the directors of VAFE SYSTEM SDN. BHD., do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2021 and of its financial performance and cash flows for the financial period then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....
CHIO CHOOI YUEN
Director

....
LEE FONG YENG
Director

Kuala Lumpur

Date: 2 September 2021

Registration No. 201401048114 (1124303-W)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
VAFE SYSTEM SDN. BHD.
(Incorporated in Malaysia)

STATUTORY DECLARATION
(Pursuant to Section 251(1) of the Companies Act 2016)

I, **CHIO CHOOI YUEN**, being the officer primarily responsible for the financial management of VAFE SYSTEM SDN. BHD., do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

....
CHIO CHOOI YUEN

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 2 September 2021.

Before me,

PESURUHJAYA SUMPAH
W 761
HADINUR MOHD SYARIF
01/05/2019-31/12/2021
MALAYSIA

....
Commissioner for Oaths

CHAMBERS TWENTY FIVE
NO 25, JALAN TUNGKU, BUKIT TUNKU
50480 KUALA LUMPUR

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
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F : +603 2282 9980

info@bakertilly.my
www.bakertilly.my

Registration No. 201401048114 (1124303-W)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VAFE SYSTEM SDN. BHD.
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vafe System Sdn. Bhd., which comprise the statement of financial position as at 31 March 2021 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial period then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 59.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the financial period then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *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.

bakertilly

Registration No. 201401048114 (1124303-W)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VAFE SYSTEM SDN. BHD.
(Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company do not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirement of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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Registration No. 201401048114 (1124303-W)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VAFE SYSTEM SDN. BHD.
(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

- identify and assess the risks of material misstatement of the financial statements of the Company, 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.
- 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 Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 financial statements of the Company 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

bakertilly

Registration No. 201401048114 (1124303-W)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VAFE SYSTEM SDN. BHD.
(Incorporated in Malaysia)

Other Matters

1. As stated in Note 2 to the financial statements, Vafe System Sdn. Bhd. adopted the Malaysian Financial Reporting Standards on 1 January 2020 with a transition date of 1 January 2019. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statement of financial position as at 31 December 2019 and 1 January 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2019 and its related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial period ended 31 March 2021 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2020 do not contain misstatements that materially affect the financial position as at 31 March 2021 and the financial performance and cash flows for the financial period then ended.

2. The financial statements of the Company for the financial year ended 31 December 2019 were audited by another firm of chartered accountants whose report dated 3 June 2020 expressed an unmodified opinion on those financial statements.

3. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Paul Tan Hong
No. 03459/11/2021 J
Chartered Accountant

Kuala Lumpur

Date: 2 September 2021

FAIR VALUATION CERTIFICATE ON THE ENTIRE EQUITY INTEREST OF SUNTECH ENERGY SDN BHD AND THE 49% EQUITY INTEREST IN SOLARCITY REIT SDN BHD

Presented by
Asia Equity Research Sdn Bhd, a company licensed by Securities Commission Malaysia to provide advisory in corporate finance and investment advice.

Fair valuation certificate for the **entire** equity interest in **Suntech Energy Sdn Bhd** (Co. No:201301028089 / 1057919-A) and its **49%** associate company, **Solarcity Reit Sdn Bhd** (Co No: 201901033470 / 1342800-D)

Independent Fair Valuation Certificate ("Valuation Certificate") is prepared by Asia Equity Research Sdn Bhd ("**AER**"), a company licensed by Securities Commission Malaysia in providing advisory in Corporate Finance and Investment Advice, for the board of directors of Fabulous Sunview Sdn Bhd ("**FSSB**"). AER is not making any representation or warranty, expressed or implied, as to the contents of this report. No liability whatsoever is accepted by AER for the accuracy of any information or opinions contained in this report.

The directors of FSSB are responsible to make available to us all relevant financial information pertaining to this fair valuation exercise, including informing us of any material changes which may have an impact on our valuation.

This Valuation Certificate is an extract from our Report dated 5 April 2021 ("**Report**"). We have relied on information furnished to us by FSSB and Suntech Energy Sdn Bhd, external information which are extracted from S&P Global Market Intelligence, Bloomberg, information published in public domain and our own analysis in order for us to prepare this Report.

The preparation of the Valuation Certificate is based on prevailing economic, market and other conditions which may change over time.

We reserve the exclusive right, should we consider if necessary, to revise our Report in light of any information that existed at the date of the Report but which becomes known to us subsequent to the date of the Report.

6 January 2022

AER

ASIA EQUITY RESEARCH SDN BHD
(License Number: eCMSL/A0330/2015)
Licensed to provide advisory in corporate finance and investment advice.

Registered Office:-
66-2 Jalan PJU 8/5B.
Damansara Perdana,
48820 Petaling Jaya
Email: contact@aer.finance
Website: www.aer.finance

6 January 2022

FABULOUS SUNVIEW SDN BHD
[Registration No. 201301006831 (1036671-H) ("**FSSB**" or "**the Company**")]
Registered address:-
No. 77, 79 & 81, Jalan SS21/60,
Damansara Utama,
47400 Petaling Jaya, Selangor.

ASCRIBING THE FAIR EQUITY VALUATION FOR THE ENTIRE EQUITY INTEREST IN SUNTECH ENERGY SDN BHD AND A 49% EQUITY INTEREST IN SOLARCITY REIT SDN BHD

On 5 April 2021, FSSB had engaged AER to perform an independent equity valuation to ascribe a fair value for the entire equity interest in Suntech Energy Sdn Bhd ("**SESB"**). SESB's principal activity is the owner of **two** solar power plants, each with an installed capacity of one (1) Megawatt operating at No. 2887 Jalan Rozhan of Jalan Alma Bukit Mertajam, Pulau Pinang and another at Lot 732, Jalan Zamrud 1, Kawasan Perindustrian Nilai 2, 71800 Seremban, Negeri Sembilan with commencement date on 22 December 2016 and 13 February 2015, respectively. SESB owns a 49% equity interest in Solarcity REIT Sdn Bhd ("**SRSB**") that constructs roof top solar and sell the electricity produced to Lion Ipoh Parade Sdn Bhd, Kluang Chong Hwa Chinese School, Attic Holdings Sdn Bhd (i.e. that operates CITTA Mall), Zenxin Agriculture Sdn Bhd and Rhong Khen Timbers Sdn Bhd with a total capacity of 4.15 MWac, under the Net Energy Metering Approval ("**NEM**") program.

AER is licensed to provide advisory in Corporate Finance and Investment Advice by the Securities Commission of Malaysia. AER's primary scope is to perform an independent fair equity valuation exercise to ascribe the fair value for the entire equity interest in SESB and its 49% associate company, i.e. SRCB.

This valuation certificate is an extract from our Report dated 5 April 2021 ("**Valuation Certificate**"), that has been prepared by AER based on information as provided to us by FSSB as listed below:-

(i) a copy of the audited financial statements of SESB for FYE 31 December 2018, FYE 31 December 2019 and the unaudited management accounts for FYE 31 March 2021.
(ii) a signed copy of the letter of offer by Bank Islam to SESB for a total facility of RM 11.5 million.
(iii) a copy of Feed-In Approval, Feed-in Approval Certificate, leasing agreement, renewable power purchase agreement, copy of insurance policy and copy of electricity generations historically for each of the solar site.
(iv) a copy of power purchase agreements between SRSB and Lion Ipoh Parade Sdn Bhd, Kluang Chong Hwa Chinese School, Attic Holdings Sdn Bhd, Zenxin Agriculture Sdn Bhd and Rhong Khen Timbers Sdn Bhd.
(v) a signed copy of the letter of offer by Alliance Islamic Bank to SRSB for a total facility of RM 5.8 million.
(vi) Representation from SRSB with regards to the approximate bank balance and outstanding bank balance owing to Alliance Bank as at valuation date.

Although the information is obtained from sources considered as reliable by AER, we make no representation as to, and accepts no liability for any representations in relation to, the accuracy or completeness of the information contained in this Valuation Certificate.

AER and/or its directors and staff **do not** own any equity ownership in SESB's shares or involve in any advisory matters except being mandated to act as an Independent Valuer to ascribe the entire fair value of SESB and 49% of SRSB.

Fair value of the entire equity interest in SESB and 49% equity interest in SRSB

Based on the Free Cash Flow to Firm approach, the fair value of the entire equity interest in SESB and 49% equity interest in SRSB is **RM 15.70 million** evaluated based on a weighted average cost of capital rate of 7.00% and using the sum of parts approach applied on projected cash flows for the period 1 January 2021 until the expiry of the concession terms for the two solar farms of 1MW each at No. 2887 Jalan Rozhan of Jalan Alma Bukit Mertajam, Pulau Pinang and another at Lot 732, Jalan Zamrud 1, Kawasan Perindustrian Nilai 2, 71800 Seremban, Negeri Sembilan, the aggregate of the fair value from the roof top solar operated by SESB's 49% associate company, i.e. SRSB and the projected contractual profits projected to be earned by SRSB by referring two Engineering, Procurement, Construction and Commissiong ("**EPCC**") work to FSSB .

Readers are advised to read the entire Valuation Certificate and specifically **Section 5** on the risk considerations that could affect the fair value of entire equity interest in SESB and 49% equity interest in SRSB. As this Valuation Certificate is an extract from a copy of our Valuation Report, readers are advised to refer to the Valuation Report for clarification. Please do not hesitate to contact the undersigned if you have any queries on the above matter.

Yours faithfully
ASIA EQUITY RESEARCH SDN BHD

ONG TEE CHIN, CFA, FRM, CAIA
DIRECTOR

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DEFINITIONS

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

"CAPM"	Capital Asset Pricing Model $r = r_f + (R_m - r_f) \times beta$ Where:- r is the cost of equity rf is the annualised risk free rate R_m is the annualised expected market return
"Commercial Operation Date"	Means the date on which the TNB confirms in writing that (a) the Solar Plant has achieved the feed-in tariff in accordance with the Renewable Energy (Technical and Operation Requirements) Rules 2011 and (b) the Solar Plant has been commissioned and is ready for commercial operation
"Comparable Companies"	Selected companies listed on listing exchanges that are involved in renewable energy solar plant
"FSSB"	Fabulous Sunview Sdn Bhd, [Registration No. 201301006831 (1036671-H)]
"FCFF"	Free Cash Flow to Firm represents free cash flow at the business enterprise level and is used to value the firm or indirectly, the firm's equity. FCFF determines the EV. The equity value is determined by deducting from the enterprise value the total borrowings followed by the addition of the cash and bank balance as at date of valuation
"FYE"	Financial year ended 31 December
"LAT"	Loss after tax
"NEM"	Net Energy Metering
"PAT"	Profit after tax
"P/E"	Price Earnings Ratio or Price Earnings Multiple
'r'	Cost of equity
"REPPA"	Renewable Energy Power Purchase Agreement.
"Report"	Independent fair valuation report on appraising the fair value of the entire equity interest in SESB and 49% equity interest in SRSB, prepared by AER
"RVA"	Relative Valuation Analysis

"SESB"	Suntech Energy Sdn Bhd (Co. no: 1057919A)
"SEDA"	Sustainable Energy Development Authority Malaysia.
"Solar at Alma"	One Megawatt solar plant with an installed capacity of 1 Megawatt situated at No. 2887 Jalan Rozhan of Jalan Alma Bukit Mertajam, Pulau Pinang, with an actual commencement date of 22 December 2016, running for 21 years ending on 21 December 2037, with a FIT rate of RM 0.7980 per kWh
"Solar at Nilai"	One Megawatt solar plant with an installed capacity of 1 Megawatt situated at Lot 732, Jalan Zamrud 1, Kawasan Perindustrian Nilai 2, 71800 Seremban, Negeri Sembilan, with an actual commencement date of 13 February 2015, running for 21 years ending on 12 February 2036, with a FIT rate of RM 1.1688 per kWh
"SRSB"	Solarcity Reit Sdn Bhd (Co No. 1342800-D)
"TNB"	Tenaga Nasional Berhad (Co. no: 200866-W)
"WACC"	Weighted Average Cost of Capital

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1. EXECUTIVE SUMMARY

Item no	Explanation on key message	Section reference
1	**Purpose and scope of work** We were engaged by FSSB as an independent valuer to ascribe the fair equity value for the entire equity interest in SESB and 49% equity interest in SRSB	Section 2.1
2	**Results of valuation** AER has adopted the FCFF approach to ascribe the fair value of the entire equity interest in SESB and 49% equity interest in SRSB. Based on the FCFF approach, the fair value of the entire equity interest in SESB and 49% equity interest in SRSB is **RM 15.70 million** Sum of parts approach (a) applied on projected cash flows for the period 1 January 2021 until the expiry of the concession terms for the two solar farms of 1MW each at No. 2887 Jalan Rozhan of Jalan Alma Bukit Mertajam, Pulau Pinang and another at Lot 732, Jalan Zamrud 1, Kawasan Perindustrian Nilai 2, 71800 Seremban, Negeri Sembilan with an aggregate fair value of **RM 7.67 million** (b) share of projected profit net of tax earned by SRSB by referring EPCC work to FSSB discounted to present value based on the projected collections with an aggregate fair value of **RM 3.68 million** (c) the aggregate of the fair value from the roof top solar operated by SESB's 49% associate company, i.e. SRSB based on the estimated residual value of **RM 4.35 million.**	Section 4 and section 5.
3	**Explanation of the approach and justification / rationales of using FCFF approach.** **FCFF method** is the chosen, as it is the **appropriate method** to be used to value companies with an offtake agreement with a contractual predetermined future cash flow. RVA approach is **not suitable** to value companies with an offtake agreement as the main driver of value for such companies are the projected cashflow streams rather than market driven multiples. Fair value arrived at using market driven multiples are affected by non-cash flow consideration such as fair value adjustments of which varying accounting treatments may skew the value ascribed.	Section 2.3

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1. Solar at Nilai

Details of the plant – at state of Negeri Sembilan

FiAH Application No:	S2014070003
Introduction	SESB has obtained a Feed-In-Approval dated 4 July 2014 from the SEDA . A REPPA was executed between TNB and SESB on 23 October 2014.
Location of installation	Lot 732 (PT 1659), Jalan Zamrud 1, Kawasan Perindustrian Nilai 2, 71800 Seremban Negeri Sembilan Darul Khusus.
Installed capacity	**1 megawatt peak**
Feed-in Tariff Rate	**RM1.1688 per kWh.** The Feed-in Tariff rate includes bonus: S01, S02 and S03 comprising of additional rates awarded for installation in buildings or building structures, use as building materials and for use of locally manufactured or assembled PV modules.
Concession period	**21 years**
Commercial Operation Date	**13 February 2015**
Land	The land for the solar site is leased from a landowner, i.e. Steelcon Heat Transfer Equipment Sdn Bhd with a total area of **approximately 2 acres**. The **monthly rental is RM 7,500 per month**, with a rent adjustment of up to 5% of the rental amount prior to revision. The rent adjustment is in three phases with the first rent adjustment commenced on the 6th year, second rent adjustment commenced on the 11th year and the third rent adjustment commenced on 16th year. The initial term is for a period of 22 years with commencement date from 19 November 2015.
Insurance cover	The existing insurance cover is from 24 April 2020 to 23 April 2021, for a total sum covered for RM 5.4 million, insured by Syarikat Takaful Malaysia Am Berhad for an annual premium of **RM 19,472** (rounded to nearest RM).

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2. Solar at Alma

Details of the solar plant – at state of Penang

FiAH Application No:	S2016040016
Introduction	SESB has obtained a Feed-In-Approval dated 12 May 2016 from the SEDA . A REPPA was executed between TNB and SESB on 26 July 2016.
Location of installation	No 2887, Jalan Rozhan, of Jalan Alma, 14000 Bukit Mertajam Pulau Pinang.
Installed capacity	**1 megawatt peak**
Feed-in Tariff Rate	**RM0.7980 per kWh.** The Feed-in Tariff rate includes bonus: S01,S03 comprising of additional rates awarded for installation in buildings or building structures and for use of locally manufactured or assembled PV modules.
Concession period	**21 years**
Commercial Operation Date	**22 December 2016**
Land	The land for the solar site is leased from a landowner, i.e. Thye Huat Chan Sdn Bhd with a total area of **approximately 2 acres**. The **monthly rental is RM 10,000 per month**, with a rent adjustment of up to 5% of the rental amount prior to revision. The rent adjustment is in three phases with the first rent adjustment commenced on the 6th year, second rent adjustment commenced on the 11th year and the third rent adjustment commenced on 16th year. The initial term is for a period of 22 years with commencement date from 19 November 2015.
Insurance cover	The existing insurance cover is from 28 May 2020 to 27 May 2021, for a total sum covered for RM 6.1 million, insured by Syarikat Takaful Malaysia Am Berhad for an annual premium of **RM 21,994** (rounded to nearest RM).

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Financing facility granted by Bank Islam

Lender	**Bank Islam**	
Borrower	**Suntech Energy Sdn Bhd**	
Terms of the facility	Facility 1 – Islamic Business Financing -1	Facility 2 – Islamic Business Financing -2
Purpose of financing	Financing the **Solar at Nilai**	Financing the **Solar at Alma**
Loan size in RM	**5,400,000**	**6,100,000**
Redemption amount, RM	12,946,103	14,624,303
Tenure of facility	168 months	168 months
Repayment sum of each month, RM	44,647.96	50,435.66
Bank Profit Rate (equivalent to the annual financing cost)	15% per annum	15% per annum
Effective interest rate The bank profit rate of 15% per annum is the maximum ceiling interest rate and the actual interest rate charged by the bank is based on 3 months cost of funds plus 2%.	5.6% Current cost of fund of 3.6% plus 2%.	5.6% Current cost of fund of 3.6% plus 2%.
Purpose	To redeem the financing facility granted by Malaysian Debt Ventures for the 1MW solar plant at Nilai 2, Negeri Sembilan.	To redeem the financing facility granted by Malaysian Debt Ventures for the 1MW solar plant at Bukit Mertajam, Pulau Pinang.

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2. BACKGROUND

2.1 INTRODUCTION AND TERMS OF REFERENCE

On **5 April 2021**, FSSB had engaged AER to perform an independent fair valuation exercise to ascribe the fair equity value for the entire equity interest in SESB and 49% equity interest in SRSB.

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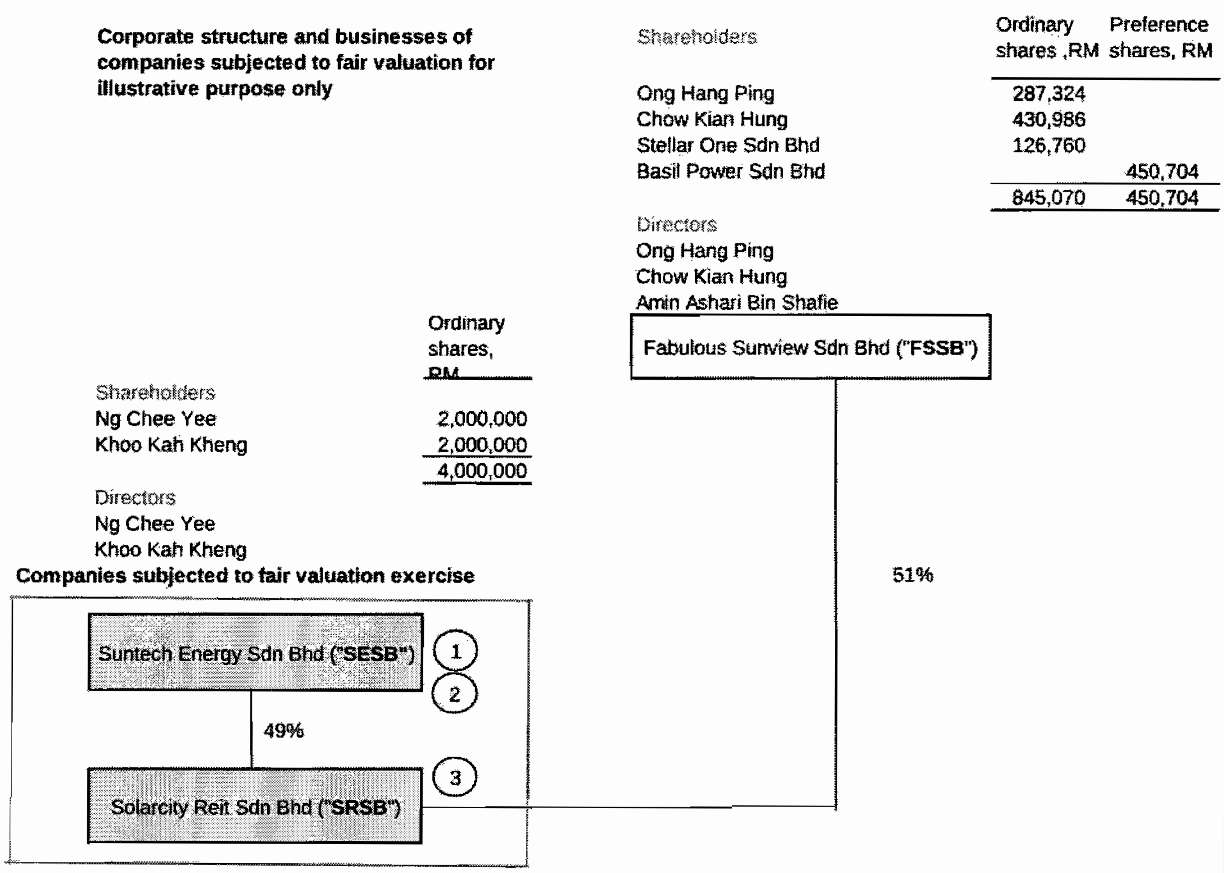
2.2 INFORMATION ON SESB AND ITS 49% EQUITY INTEREST IN SRSB.



(1) SESB owns a solar farm of 1 MW at Nilai, Negeri Semibilan and 1 MW solar farm at No 2887, Jalan Rozhan of Jalan Alma Bukit Mertajam, Pulau Pinang

(2) SESB earns a referral profit from the referral and leading to a successful award of EPCC work by the clients as referred to by SESB to FSSB, SESB is awarded a referral income computed based on a share of 30% of the projected profits after tax to be earned by SESB.

(3) SRSB operates roof top solar for its customers such as Lion Ipoh Parade Sdn Bhd, Kluang Chung Hwa Chinese School, Attic Holdings Sdn Bhd, Zenxin Agriculture Sdn Bhd and Rhong Khen Timbers Sdn Bhd with a total capacity of 4.15 MWac, under the NEM program.

Summarised by Asia Equity Research

2.3 APPROACH USED TO VALUE SESB

- **FCFF Approach.**

1. Solar at Alma and Solar at Nilai

We have adopted the **FCFF method** as it considered as an **appropriate method** to be used to value companies with an offtake agreement with a contractual predetermined future cash flow that generates a future projected cash inflows and cash outflows that could be determined with reasonable basis and assumptions, as it is backed by an offtake arrangement. In the present instance, the projected cash inflows is supported by an offtake for the energy produced and to be sold to TNB pursuant to a REPPA executed between SESB and TNB for Solar at Alma and Solar at Nilai. The value of SESB is derived from the projected net future cash flows from 1 January 2021 until the expiry of the concession for both Solar at Alma and Solar at Nilai computed from the projected annual cash inflow to be earned from the sales of electricity to TNB and the associated projected rental of land, insurance and overheads to be incurred by SESB.

"FCFF is cash flow from operations minus capital expenditures. FCFF is the part of the cash flow generated by the company's operations that can be withdrawn by bondholders and stockholders without economically impairing the company. Conceptually, the value of common equity is the present value of expected future FCFF (the total value of the company—minus the market value of outstanding debt and addition of cash balance if any) [1]"

Source for Note 1: Jerald E Pinto CFA, Elaine Henry CFA, Thomas R Robinson CFA, John D Stowe CFA. Equity Valuation page 239, Third Edition, Willey.

2. NEM

The fair value of NEM is derived from the contractual agreement as executed between SRSB and the customers such as Lion Ipoh Parade Sdn Bhd, Kluang Chung Hwa Chinese School, Attic Holdings Sdn Bhd, Zenxin Agriculture Sdn Bhd and Rhong Khen Timbers Sdn Bhd with a total capacity of 4.15 MWac, under the **NEM** program.

3. Projected profit from referral of EPCC work to FSSB by SESB.

SESB had referred two EPCC work to FSSB. In return for the successful award of EPCC work by the clients as referred to by SESB to FSSB, SESB is awarded a referral income and the share of projected profits after tax to be earned by SESB of 30% is discounted to present value based on the expected delivery date to the measurement date, i.e. 5 April 2021..

We adopted the sum of parts method based on the source of fair values from three sources as detailed above.

RVA approach is **not suitable** to value companies with an offtake agreement as the main driver of value for such companies are principally from a cash flow profiles that could be supported by reasonable basis and assumptions, derived from a offtake agreement which is characterized by high capital cost during construction phase and with no operating cash inflows, followed by post construction phase with operating cash flow and a period of debt servicing and the last phase with operating cash flow and all outstanding debt has been completely repaid.

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2.4 Comparable Companies

Comparable Companies	Most recent audited financial year ending	Description
Cypark Resources Bhd ("**Cypark**")	31 October 2020	Cypark is listed on the main market of Bursa Securities since 2010. Cypark is a provider of integrated renewable energy, green technology, environmental engineering solutions and construction engineering. The total capacity of renewable energy from solar project is estimated at 47.17 MWp in 2020 and the 100 MW (173MWp) solar project located at Merchang, Terengganu, which is 70% owned by Cypark, is projected to be completed by 31 December 2021. Information gathered from public announcement The 100 MWa.c, project in Marang Terengganu ("**Project**"), was awarded to a consortium comprising of Cypark and Impian Bumiria Sdn Bhd. This Project has been awarded by Energy Commission ("**EC**") under the Large Scale Photovoltaic Plant on 23 December 2019. Source: announced on 24 December 2019.
Mudajaya Group Bhd ("**Mudajaya**")	31 December 2019	Mudajaya is involved in construction, property development, power, manufacturing and trading. For the unaudited full year FYE 2020 (unaudited), the power sector (solar) generated a revenue for the year of RM 45.1 million and a PBT of RM 7.7 million. The entire group of Muda reported a total revenue of RM 384.4 million and a LBT of RM 41.1million. The power sector is contributed solar power from two locations:- (i) 10MW solar power plant at Gebeng, Pahang was signed between TNB and Special Universal Sdn Bhd that is 60% owned by Mudajaya Energy Sdn Bhd which in turn is a wholly owned subsidiary of Mudajaya. The feed-in tariff rate was RM 0.9016/KWh for and RM 0.8925/KWh for each phase 1 and phase 2 respectively, each of which is 5MW.

		(ii) 49MW solar power plant at Sungai Siput, Perak and the PPA was signed between TNB and Sinar Kamiri Sdn Bhd (formerly known as MGB Enterprise Sdn Bhd) on 16 March 2017. Some recent developments of Mudajaya included as follows:- (i) On 31 December 2020, Mudajaya's 76% indirectly owned subsidiary, i.e. Bera Hydropower Sdn Bhd, had been awarded as a successful bidder by SEDA for a 30MW hydro power plant, with a feed-in tariff rate of RM 0.29 per KwH for each with a contractual duration of 21 years.

Source: Annual reports, public websites of companies and Bloomberg

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APPENDIX F – VALUATION CERTIFICATES (CONT'D)

2.5 PRICING MULTIPLES OF COMPARABLE COMPANIES

No	Comparable Companies / exposure in renewable energy in MW	Market capitalization, **RM million** as at 5 March 2021.	FYE for results that are tabulated	Revenue, **RM million**	PAT / (LAT) **RM million**	Net margin	ROE	Altman Z Score	P/E, **times**	WACC	Cost of equity
	Median									**5.8%**	13.4 %
	Average									5.8%	13.4 %
	Minimum									5.8 %	11.2 %
	Maximum									5.7 %	15.7 %
1	Cypark Resources Bhd **320MWp** – solar	720	FYE 31 October 2020	304.0	70.7	23.3%	8.3%	1.2	10.3	5.8%	11.2%
2	Mudajaya Group Bhd **59 MW** - solar	178	FYE 31 Dec 2020	348.4	(47.5)	-13.6%	-36.4%	0.2	-	5.7%	15.7%

Source:- Announcements and Bloomberg analysed by Asia Equity Research

3. MAIN INPUT METRICS USED IN FCFF

The main input valuation metrics that are used in FCFF below are presented below in ascribing the fair value for SESB are as tabulated below:-

FCFF – On Solar Alma and Solar at Nilai

Item no	Input metrics	Source of input metrics and its basis	Input values used in FCFF
1	Cost of equity	For the purpose of our evaluation, we have applied a cost of equity of 13.86% The annual cost of equity rate is determined as follows:- (i) First, to determine the unlevered beta of the Comparable Companies in Malaysia, i.e., which translate to 0.382. (ii) Next, the unlevered beta is re-levered to the capital structure of SESB as at 31 December 2020 with an equity and debt size of RM 4.7 million and RM 17.8 million, respectively. This translate to a levered beta of 1.478 (iii) Next, we apply the CAPM model to determine the required rate of return which translate to 13.86%, based on an annual expected equity market return of 10.438% and annual risk free rate of 3.288% as extracted from Bloomberg, measured on 5 March 2021. CAPM Workings:- $r = r_f + (R_m - r_f) \times beta$ 13.86 = 3.288 + [(10.438 – 3.288) x 1.478	**13.86 %**
2	WACC	The proportion of equity and debt of the total capital structure as at 31 December 2020 were 20.96% and 79.04% respectively. The cost of debt is assumed at 6.00%. Corporate tax is assumed at 24%. This shall translate to a WACC of 7.01%	**7.00%**

		Workings:- 7.01% = [20.96% x 13.86% + 79.04% x 6.00% x (1 – 0.24)] + 0.50% Note 1 Say 7.00 Note 1 To accommodate for fluctuations of market inputs, we have specifically provided for 0.50% due to movements in annual expected market returns and risk free rates.	
3	Period under evaluation. ("**Evaluation Period**").	The projected free cash flow period under evaluation commences from 1 January 2021 until the expiry of the offtake agreement from TNB for both Solar at Alma and Solar at Nilai.	
4	Terminal value	**No** terminal value is assumed for the concession business as the cash inflow / outflows streams shall cease when concession expires.	-

OTHER KEY ASSUMPTIONS USED IN THE PROJECTED CASH FLOW OF BSSB FROM 2020 TO 2030

Key assumptions: -

Item number	Captioned items	Solar at Alma	Solar at Nilai
1	FiT rate, RM per kWh	0.7980	1.1688
2	Average annual electricity generation in GwH per year	1.23 The assumed electricity generation in base year was assumed at lower than, based on the historical 3 years records of TNB billings. Hence no degradation is assumed in projection years.	1.27 The assumed electricity generation in base year was assumed at lower than, based on the historical 4 years records of TNB billings. Hence no degradation is assumed in projection years.
3	Annual lease in RM	120,000	90,000
4	Annual insurance premium, RM	21,994	19,472
5	Annual overheads, RM	Annual overheads of RM 60,000 and increase at an annual rate of 6% a year.	Annual overheads of RM 60,000 and increase at an annual rate of 6% a year.

6	Maintenance	A maintenance in the tenth year of the solar plant estimated at RM 250,000.	A maintenance in the tenth year of the solar plant estimated at RM 300,000

2. NEM

The residual values of NEM is derived from the contractual agreement as executed between SRSB and the customers such as Lion Ipoh Parade Sdn Bhd, Kluang Chung Hwa Chinese School, Attic Holdings Sdn Bhd, Zenxin Agriculture Sdn Bhd and Rhong Khen Timbers Sdn Bhd.

3. Projected profit from referral of EPCC work to FSSB by SESB

SESB had referred two EPCC work to FSSB. In return for the successful award of EPCC work by the clients as referred to by SESB to FSSB, SESB is award a referral income and the share of projected profits after tax to be earned by SESB of 30% is discounted to present value based on the expected delivery date to the measurement date, i.e. 5 April 2021.

4. FAIR EQUITY VALUE FOR ENTIRE EQUITY INTEREST IN SESB AND 49% EQUITY INTEREST IN SRSB

Based on the FCFF approach, the fair value of the entire equity interest SESB and its 49% associate company, i.e. SRSB is **RM 15.70 million** evaluated based on an WACC of 7.00 % applied on projected cash flows from 1 January 2021 to end of concession life, on a going concern basis.

Item number	Description	Fair value, **RM million**
1	FCFF using a WACC of 7% applied on projected cash flows for the period 1 January 2021 until the expiry of the concession terms for the two solar farms of 1MW each at No. 2887 Jalan Rozhan of Jalan Alma Bukit Mertajam, Pulau Pinang and another at Lot 732, Jalan Zamrud 1, Kawasan Perindustrian Nilai 2, 71800 Seremban, Negeri Sembilan.	7.67
2	the aggregate of the fair value from the roof top solar operated by SESB's 49% associate company, i.e. SRSB based on the estimated residual value of RM 4.35 million.	4.35
3	Share of projected profit net of tax earned by SRSB by referring EPCC work to FSSB discounted to present value.	3.68
	Total	**15.70**

5. RISK CONSIDERATION IN FAIR VALUATION ASCRIBED

The fair valuation ascribed for SESB, could be affected by a number of major risk factors including as follows under the following broad categories amongst others: -

(i) The fair value ascribed for the 49% equity interest in SRSB
The fair value ascribed for the 49% equity interest in SRSB is derived from the residual value of the roof top contracts executed between SRSB and its clients. The NEM contract is signed with various companies such as Lion Ipoh Parade Sdn Bhd, Kluang Chung Hwa Chinese School, Attic Holdings Sdn Bhd, Zenxin Agriculture Sdn Bhd and Rhong Khen Timbers Sdn Bhd. As the parties are body corporates there is credit risk that affects the timing of the collection of collection of the projected cash inflow. In situations of delay or default in collection, this shall represent a discount to the fair valuation ascribed by us.

(ii) The fair value of SESB derived from the projected profit after tax to be earned by SESB.
The fair value derived from the projected profit net of tax earned by SESB by referring EPCC work to FSSB is discounted to present value. The projected profit net of tax is derived from two clients that was referred to FSSB by SESB. One of the clients (“**Client 1**”), had executed an EPCC contract with FSSB while the other client (“**Client 2**”) has not executed an EPCC contract with FSSB, though a term sheet has been signed between FSSB and Client 2. The aggregated fair value ascribed from Client 1 and Client 2 are RM 3.68 million. Even though, Client 2 has executed a term sheet with FSSB, there is a business risk that FSSB do not eventually execute an EPCC contract and this shall represent a discount to the fair value appraised by us.

In the event that the actual profit net of tax is lesser than the projected profit after tax, it shall represent a discount to the fair valuation appraised by us.

Lastly, any delay in the construction of the solar farm by FSSB for either Client 1 or Client 2 as compared to the scheduled delivery dates, shall represent a deferral of timing of the projected cash inflow to be earned by SESB and it shall represent a discount to the fair valuation as appraised by us.

(iii) As at 31 March 2021, total consolidated loans and borrowings SRSB stood at approximately RM 14.7 million. The loans and borrowings are subjected to risk of changes in interest rate risk. Any future increase in interest rate shall represent a discount to the fair value as appraised by us. Conversely, any reduction in future interest rate shall represent a premium to the fair value as appraised by us.

(iv) Any unforeseen factors that resulted in the **non-satisfactory maintenance** of the solar plant that may lead to interruption of the operation of the solar plant and has an effect of reducing the fair value ascribed by us.

(v) Some of the solar plant has not been completely constructed and it is exposed to **construction risk**, specifically the NEM of SRSB. Any event which lead to the construction of a plant that does not meet fully the specification represents a discount to the fair value ascribed by us.

(vi) Any **unforeseen cost overrun** that resulted in SESB incurred actual operational cost exceeding its projected cost.

(vii) Global and regional economic activity which is dependent on a number of factors such as **political and macro-economic factors** beyond the control of companies subjected to fair valuation exercise. Significant global events that affect the regional and global growth may translate to lesser business volumes and accordingly shall negatively affect the fair valuation. During such period, valuation metrics may also change as investors tend to become risk adverse in most asset classes of investments and hence requiring higher required rate of return in appraising its valuation during periods of uncertainties which translate to a lower fair value range.

(viii) **Changes in investor's risk appetite** in the equity capital markets may contribute either positively or negatively to the Companies subjected to fair valuation exercise. In circumstances that lead to risk aversion shall result in lesser weightings allocated to equity capital markets and hence causing the equity price to be lower than the fair value as ascribed. Conversely, in circumstances that lead to increasing risk appetite shall result in increased weights allocated to equity capital markets and hence causing the equity price to be higher than its fair value as ascribed.

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APPENDIX 1 – Summary of workings results of the fair valuation for the entire equity interest in SESB and 49% equity interest in SRSB

Summary results
WACC rate = 7.0%

	Suntech Energy Sdn Bhd	Rate, RM/kWh	Date concession ends	Annual revenue reported, RM million	Enterprise value, RM million		
1	1 MW Solar power plant at Bukit Mertajam, Pulau Pinang	0.7980	21-Dec-2037	0.980	7.56		
	1 MW Solar power plant at Kawasan Perindustrian Nilai 2, NS	1.1688	12 February 2036	1.481	10.95		
					18.51		
	Amount owing to the Bank				(11.96)		
	Amount owing to directors and other creditors				(3.93)		
	Cash and cash equivalent				1.25		
	Trade receivable				3.80		
							7.67
2	Share of projected profit earned by Suntech Energy Sdn Bhd from referring two clients to FSSB						
					Total estimated profit, RM million		
	Total estimated profit after tax from subcontracting work for projects under the LSS 4 program				14.10		
	Total estimated profit after tax earned by Suntech Energy Sdn Bhd based on SESB's, 30% share of projected profit after tax before discounting			30%		4.23	
	Total estimated profit after tax earned by Suntech Energy Sdn Bhd based on SESB's, 30% share of projected profit after tax after discounting at 7%						3.68
3	Residual value of NEM's contacts awarded to Solarcity REITS Sdn Bhd, of which Suntech Energy Bhd has a 49% equity interest.						
	(I) Ipoh Parade - Phase 1 of 0.420 MWac				1.53		
	(ii) Ipoh Parade - Phase 1 of 0.333 MWac				1.20		
	(iii) Kluang Chung Hwa Chinese School - 1 x 0.183 MWac				0.82		
	Kluang Chung Hwa Chinese School - 1 x 0.183 MWac				0.82		
	(iv) Attic Holdings Sdn Bhd - 350KWH (at Citta Mall)				0.92		
	(v) Zenxin Agriculture Sdn Bhd 1,275.12 KWh, at Mengkiboi, Kluang, Johor						
	(a) Agreement dated 6 July 2020 - 213.84KWp				0.70		
	(b) Agreement dated 6 July 2020 - 530.64 KWp				1.75		
	(c) Agreement dated 6 July 2020 - 530.64 KWp				1.75		
	(vi) Rhong Khen Timbers Sdn Bhd						
	(a) Agreement dated 3 June 2021 - 25.44 KWp				0.07		
	(b) Agreement dated 3 June 2021 - 76 KWp				0.22		
	(c) Agreement dated 3 June 2021 - 481 KWp				1.39		
	(d) Agreement dated 3 June 2021 - 520 KWp				1.51		
	Add amount of financing drawdown from Alliance Bank, as per representation by Solar Reit Sdn Bhd				(5.80)		
	Add cash balance in bank account as at 2 April 2021, as per representation by Solar Reit Sdn Bhd				1.99		
					8.87		
	multiplied by 49% equity share of Suntech Energy Sdn Bhd						4.35
							15.70

END

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FAIR VALUATION CERTIFICATE ON THE ENTIRE EQUITY INTEREST OF VAFE SYSTEM SDN BHD

Presented by
Asia Equity Research Sdn Bhd, a company licensed by Securities Commission Malaysia to provide advisory in corporate finance and investment advice.

Fair valuation certificate for the **entire** equity interest in **Vafe System Sdn Bhd** (Co. No:201401048114/1124303-W)

Independent Fair Valuation Certificate ("Valuation Certificate") is prepared by Asia Equity Research Sdn Bhd ("**AER**"), a company licensed by Securities Commission Malaysia in providing advisory in Corporate Finance and Investment Advice, for the board of directors of Fabulous Sunview Sdn Bhd ("**FSSB**"). AER is not making any representation or warranty, expressed or implied, as to the contents of this report. No liability whatsoever is accepted by AER for the accuracy of any information or opinions contained in this Report.

The directors of FSSB are responsible to make available to us all relevant financial information pertaining to this fair valuation exercise, including informing us of any material changes which may have an impact on our valuation.

We have relied on information furnished to us by FSSB and Vafe System Sdn Bhd, external information which are extracted from S&P Global Market Intelligence, Bloomberg, information published in public domain and our own analysis in order for us to prepare this Report.

The preparation of the Valuation Certificate is based on prevailing economic, market and other conditions which may change over time.

We reserve the exclusive right, should we consider if necessary, to revise our Report in light of any information that existed at the date of the Report but which becomes known to us subsequent to the date of the Report.

6 January 2022

AER

ASIA EQUITY RESEARCH SDN BHD
(License Number: eCMSL/A0330/2015)
Licensed to provide advisory in corporate finance and investment advice.

Registered Address:-
66-2 Jalan PJU 8/5B.
Damansara Perdana,
48820 Pedaling Jaya
Email:contact@aer.finance
Website: www.aer.finance

6 January 2022

FABULOUS SUNVIEW SDN BHD
[Registration No. 201301006831 (1036671-H) ("**FSSB**" or "**the Company**")]
Registered address:-
No. 77, 79 & 81, Jalan SS21/60,
Damansara Utama,
47400 Petaling Jaya, Selangor

ASCRIBING THE FAIR EQUITY VALUATION FOR THE ENTIRE EQUITY INTEREST IN VAFE SYSTEM SDN BHD

On 5 April 2021, FSSB had engaged AER to perform an independent equity valuation to ascribe a fair value for the entire equity interest in Vafe System Sdn Bhd ("**Vafe"**). Vale's principal activity is the owner of **one** solar power plant with an installed capacity of one (1) Megawatt operating at Lot 305014, Mukim Hulu Kinta, 31200 Kinta Perak, Darul Ridzuan with an installed capacity and net export capacity of 1 MW, with a feed in tariff rate of RM 0.7980 per kWh with a commencement date from 29 December 2016 with an effective period of 21 years.

AER is licensed to provide advisory in Corporate Finance and Investment Advice by the Securities Commission of Malaysia. AER's primary scope is to perform an independent fair equity valuation exercise to ascribe the fair value for the entire equity interest in Vafe.

This valuation certificate is an extract from our Report dated 5 April 2021 ("**Valuation Certificate**"), that has been prepared by AER based on information as provided to us by FSSB as listed below:-

(i) a copy of a management accounts of Vafe for FYE 31 March 2021.
(ii) a signed copy of the letter of offer dated 11 September 2019 granted by Hong Leong Bank to Vafe for a total facility of RM 6 million.
(iii) a copy of Feed-In Approval, Feed-in Approval Certificate, and a copy of renewable power purchase agreement.

Although the information is obtained from sources considered as reliable by AER, we make no representation as to, and accepts no liability for any representations in relation to, the accuracy or completeness of the information contained in this Valuation Report.

AER and/or its directors and staff **do not** own any equity ownership in FSSB's or Vafe's shares or involve in any advisory matters except being mandated to act as an Independent Valuer to ascribe the entire fair value of Vafe.

Fair value of the entire equity interest in Vafe

Based on the Free Cash Flow to Firm approach, the fair value of the entire equity interest in Vafe evaluated based on a weighted average cost of capital rate of 7.00% and using the sum of parts approach applied on projected cash flows for the period 1 January 2021 until the expiry of the concession terms for the solar farm of 1MW at Lot 305014, Mukim Hulu Kinta, 31200 Kinta Perak, Darul Ridzuan and the share of referral profit earned by Vafe for referring a customer, i.e. GV Bumi (Sandakan) Sdn Bhd ("**GV Bumi**") to FSSB leading to the successful award of an Engineering Procurement and Construction Contract ("**EPCC**") to FSSB, is **RM 6.57 million**

Summary

Item number	Description	Fair value, **RM million**	Reference
1	Fair value for the entire equity interest in Vafe based on a Weighted Average Cost of Capital ("**WACC**") of 7% based on the projected cash inflow and cash outflow of the 1MW solar farm at Lot 305014, Mukim Hulu Kinta, 31200 Kinta Perak, Darul Ridzuan.	3.63	
2	Share of the net present value of the projected profit after tax earned by Vafe for referring a customer to FSSB. Workings:- Total projected profit net of tax is projected at RM 11.4 million. Share of profit entitlement of Vafe based on a 30% allocation equivalent to RM 3.4 million. (3.42 = 11.4 x 30%) As the period interval between the expected completion date (i.e. 30 June 2023) and measurement date on 5 April 2021 is 2.2 years, the discount factor applied based on a WACC of 7% is 0.8956. Hence, the net present value of the projected profit after tax from the referral is RM 2.94 million (2.94 = 0.8956 x 3.42)	2.94	
		6.57	Appendix 1

3

Readers are advised to read the entire Valuation Report and specifically **Section 5** on the risk considerations that could affect the fair value of interest. Please do not hesitate to contact the undersigned if you have any queries on the above matter.

Yours faithfully
ASIA EQUITY RESEARCH SDN BHD

ONG TEE CHIN, CFA, FRM, CAIA
DIRECTOR

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TABLE OF CONTENTS

DEFINITIONS

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

"CAPM"	Capital Asset Pricing Model $r = r_f + (R_m - r_f) \times beta$ Where:- r is the cost of equity rf is the annualised risk free rate R_m is the annualised expected market return
"Comparable Companies"	Selected companies listed on listing exchanges that are involved in renewable energy solar plant.
"FSSB"	Fabulous Sunview Sdn Bhd, [Registration No. 201301006831 (1036671-H)]
"FCFF"	Free Cash Flow to Firm represents free cash flow at the business enterprise level and is used to value the firm or indirectly, the firm's equity. FCFF determines the EV. The equity value is determined by deducting from the enterprise value the total borrowings followed by the addition of the cash and bank balance as at date of valuation.
"FYE"	Financial year ended 31 March
"LAT"	Loss after tax.
"PAT"	Profit after tax.
"P/E"	Price Earnings Ratio or Price Earnings Multiple.
'r'	Cost of equity
"REPPA"	Renewable Energy Power Purchase Agreement.
"Report"	Independent fair valuation report on appraising the fair value of the entire equity interest in Vafe prepared by AER.
"RVA"	Relative Valuation Analysis
"SEDA"	Sustainable Energy Development Authority Malaysia.
"Solar at Kinta"	One Megawatt solar plant with an installed capacity of 1 Megawatt situated at Lot 305014, Mukim Hulu Kinta, 31200 Kinta Perak, Darul Ridzuan with an actual commencement date of 29 December 2016, running for 21 years ending on 28 December 2037, with a FIT rate of RM 0.7980 per kWh.
"TNB"	Tenaga Nasional Berhad (Registration No: 200866-W)

APPENDIX F – VALUATION CERTIFICATES (CONT'D)

"Vafe"	Vafe System Sdn Bhd, [Registration No. 201401048114 (1124303-W)]
"WACC"	Weighted Average Cost of Capital

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1. EXECUTIVE SUMMARY

Item no	Explanation on key message	Section reference
1	**Purpose and scope of work** We were engaged by Vafe as an independent valuer to ascribe the fair equity value for the entire equity interest in Vafe.	Section 2.1
2	**Results of valuation** Based on the FCFF approach, the fair value of the entire equity interest in Vafe is **RM 6.57 million** Sum of parts approach (a) applied on projected cash flows for the period 1 January 2021 until the expiry of the concession terms for the 1 MW solar farm located at Lot 305014, Mukim Hulu Kinta, 31200 Kinta Perak, Darul Ridzuan with a fair value of **RM 3.63 million** (b) share of projected profit net of tax earned by Vafe by referring EPCC work to FSSB discounted to present value based on the projected collections with an aggregate fair value of **RM 2.94 million**	Section 4 and section 5.
3	**Explanation of the approach and justification / rationales of using FCFF approach.** **FCFF method** is the chosen, as it is the **appropriate method** to be used to value companies with an offtake agreement with a contractual predetermined future cash flow. RVA approach is **not suitable** to value companies with an offtake agreement as the main driver of value for such companies are the projected cashflow streams rather than market driven multiples. Fair value arrived at using market driven multiples are affected by non-cash flow consideration such as fair value adjustments of which varying accounting treatments may skew the value ascribed.	Section 2.2

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1. Solar at Kinta

Details of the solar plant – at state of Perak

FiAH Application No:	S2016050036
Introduction	Vafe has obtained a Feed-In-Approval dated 10 May 2016 from the SEDA . A REPPA was executed between TNB and Vafe on 26 July 2016.
Location of installation	Lot 305014, Mukim Hulu Kinta, 31200 Kinta Perak, Darul Ridzuan
Installed capacity	**1 megawatt peak**
Feed-in Tariff Rate	**RM 0.7980 per kWh.** The Feed-in Tariff rate includes bonus: S01, S02 and S03 comprising of additional rates awarded for installation in buildings or building structures, use as building materials and for use of locally manufactured or assembled PV modules.
Concession period	**21 years**
Commencement date	**29 December 2016**
Land	The land for the solar site is leased from a landowner with an annual rental of RM 50,000.
Insurance cover	The annual insurance premium is projected at RM 26,351.

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Financing facility granted by Hong Leong Bank

Lender	Hong Leong Bank
Borrower	Vafe
Terms of the facility	Fixed term loan
Purpose of financing	Financing the **Solar at Kinta**
Loan size in RM	**6,000,000**
Redemption amount, RM	14,624,303
Tenure of facility	120 months
Repayment sum of each month, RM	66,583
Bank interest rate	5.99% per annum Interest rate is charged by Hong Leong Bank based on a BLR – 0.90%

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2. BACKGROUND

2.1 INTRODUCTION AND TERMS OF REFERENCE

On **5 April 2021**, FSSB had engaged AER to perform an independent fair valuation exercise to ascribe the fair equity value for the entire equity interest in Vafe.

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2.2 APPROACH USED TO VALUE VAFE

- **FCFF Approach.**

1. Solar at Kinta

We have adopted the **FCFF method** as it considered as an **appropriate method** to be used to value companies with an offtake agreement with a contractual predetermined future cash flow that generates a future projected cash inflows and cash outflows that could be determined with reasonable basis and assumptions, as it is backed by an offtake arrangement. In the present instance, the projected cash inflows is supported by an offtake for the energy produced and to be sold to TNB pursuant to a REPPA executed between Vafe and TNB for Solar at Kinta. The value of Vafe is derived from the remaining projected net future cash flows from 1 January 2021 until the expiry of the concession for Solar at Kinta computed from the projected annual cash inflow to be earned from the sales of electricity to TNB and the associated projected rental of land, insurance and overheads to be incurred by VAFE.

"FCFF is cash flow from operations minus capital expenditures. FCFF is the part of the cash flow generated by the company's operations that can be withdrawn by bondholders and stockholders without economically impairing the company. Conceptually, the value of common equity is the present value of expected future FCFF (the total value of the company—minus the market value of outstanding debt and addition of cash balance if any) [1]"

Source for Note 1: Jerald E Pinto CFA, Elaine Henry CFA, Thomas R Robinson CFA, John D Stowe CFA. Equity Valuation page 239, Third Edition, Willey.

2. EPC contracting work.

The projected profits after tax from acting as an EPCC for a customer, i.e. GV Bumi that was referred to by Vafe to FSSB is RM 11.4 million. Vafe's entitlement is 30% on the projected profit after tax, which translated to a sum of RM 3.42 million and upon the application of the discount factor to account for the time value of money for the interval of time between measurement date on 5 April 2021 and scheduled commercial operating date on 30 June 2023, shall translate to a fair value of RM 2.94 million.

We adopted the sum of parts method based on the source of fair values from two sources as detailed above.

RVA approach is **not suitable** to value companies with an offtake agreement as the main driver of value for such companies are principally from a cash flow profiles that could be supported by reasonable basis and assumptions, derived from a offtake agreement which is characterized by high capital cost during construction phase and with no operating cash inflows, followed by post construction phase with operating cash flow and a period of debt servicing and the last phase with operating cash flow and all outstanding debt has been completely repaid.

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2.3 Comparable Companies

Comparable Companies	Most recent audited financial year ending	Description
Cypark Resources Bhd ("**Cypark**")	31 October 2020	Cypark is listed on the main market of Bursa Securities since 2010. Cypark is a provider of integrated renewable energy, green technology, environmental engineering solutions and construction engineering. The total capacity of renewable energy from solar project is estimated at 47.17 MWp in 2020 and the 100 MW (173MWp) solar project located at Merchang, Terengganu, which is 70% owned by Cypark, is projected to be completed by 31 December 2021. Information gathered from public announcement The 100 MWa.c, project in Marang Terengganu ("Project"), was awarded to a consortium comprising of Cypark and Impian Bumiria Sdn Bhd. This Project has been awarded by Energy Commission ("EC") under the Large Scale Photovoltaic Plant and on 23 December 2019. Source: announced on 24 December 2019.
Mudajaya Group Bhd ("**Mudajaya**")	31 December 2019	Mudajaya is involved in construction, property development, power, manufacturing and trading. For the unaudited full year FYE 2020 (unaudited), the power sector (solar) generated a revenue for the year of RM 45.1 million and a PBT of RM 7.7 million. The entire group of Muda reported a total revenue of RM 384.4 million and a LBT of RM 41.1million. The power sector is contributed solar power from two locations:- (i) 10MW solar power plant at Gebeng, Pahang was signed between TNB and Special Universal Sdn Bhd that is 60% owned by Mudajaya Energy Sdn Bhd which in turn is a wholly owned subsidiary of Mudajaya. The feed-in tariff rate was RM 0.9016/KWh for and RM 0.8925/KWh for each phase 1 and phase 2 respectively, each of which is 5MW. (ii) 49MW solar power plant at Sungai Siput, Perak and the PPA was signed between TNB and Sinar Kamiri Sdn

		Bhd (formerly known as MGB Enterprise Sdn Bhd) on 16 March 2017. Some recent developments of Mudajaya included as follows:- (i) On 31 December 2020, Mudajaya's 76% indirectly owned subsidiary, i.e. Bera Hydropower Sdn Bhd, had been awarded as a successful bidder by SEDA for a 30MW hydro power plant, with a feed-in tariff rate of RM 0.29 per KwH for each with a contractual duration of 21 years.

Source: Annual reports, public websites of companies and Bloomberg

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2.4 PRICING MULTIPLES OF COMPARABLE COMPANIES

No	Comparable Companies / exposure in renewable energy in MW	Market capitalization, **RM million** as at 5 March 2021.	FYE for results that are tabulated	Revenue, **RM million**	PAT / (LAT) **RM million**	Net margin	ROE	Altman Z Score	P/E, **times**	WACC	Cost of equity
	Median									**5.8%**	13.4 %
	Average									5.8%	13.4 %
	Minimum									5.8 %	11.2 %
	Maximum									5.7 %	15.7 %
1	Cypark Resources Bhd **320MWp** – solar	720	FYE 31 October 2020	304.0	70.7	23.3%	8.3%	1.2	10.3	5.8%	11.2%
2	Mudajaya Group Bhd **59 MW** - solar	178	FYE 31 Dec 2020	348.4	(47.5)	-13.6%	-36.4%	0.2	-	5.7%	15.7%

Source:- Announcements and Bloomberg analysed by Asia Equity Research

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3. MAIN INPUT METRICS USED IN FCFF

The main input valuation metrics that are used in FCFF below are presented below in ascribing the fair value for VAFE are as tabulated below:-

FCFF – Solar at Kinta

Item no	Input metrics	Source of input metrics and its basis	Input values used in FCFF
1	Cost of equity	For the purpose of our evaluation, we have applied a cost of equity of 21.23% The annual cost of equity rate is determined as follows:- (i) First, to determine the unlevered beta of the Comparable Companies in Malaysia, i.e., which translate to 0.382. (ii) Next, the unlevered beta is re-levered to the capital structure of Vafe as at 31 March 2021 with an equity and debt size of RM 0.79 million and RM 5.77 million, respectively. This translate to a levered beta of 2.509 (iii) Next, we apply the CAPM model to determine the required rate of return which translate to 13.86%, based on an annual expected equity market return of 10.438% and annual risk free rate of 3.288% as extracted from Bloomberg, measured on 5 March 2021. Workings:- $r = r_f + (R_m - r_f) \times beta$ $21.23 = 3.288 + [(10.438 - 3.288) \times 2.509]$	**21.23 %**
2	WACC	The proportion of equity and debt of the total capital structure as at 31 March 2021 were 12.02% and 87.98% respectively. The cost of debt is assumed at 6.00%. Corporate tax is assumed at 24%. This shall translate to a WACC of 7.06%	**7.00%**

APPENDIX F – VALUATION CERTIFICATES (CONT'D)

		Workings:- 7.06 = [12.02% x 21.23% + 87.98% x 6.00% x (1 – 0.24)] + 0.50% Note 1 Say, 7.00 Note 1 To accommodate for fluctuations of market inputs, we have specifically provided for 0.50% due to movements in annual expected market returns and risk free rates.	
3	Period under evaluation. ("**Evaluation Period**").	The projected free cash flow period under evaluation commences from 1 January 2021 until the expiry of the offtake agreement from TNB for the Solar at Kinta	
4	Terminal value	**No** terminal value is assumed for the concession business as the cash inflow / outflows streams shall cease when concession expires.	-

OTHER KEY ASSUMPTIONS USED IN THE PROJECTED CASH FLOW OF VAFE FROM 2021 TO 2037

Key assumptions: -

Item number	Captioned items	Solar at Kinta
1	FiT rate, RM per kWh	0.7980
2	Average annual electricity generation in GWh per year in 2021	1.44 in 2021 with a projected degradation of 0.50 annually.
	Workings:-	1,000 kW x 4 hours a day x 365 days a year x 98.4% (being the efficiency in year 2021 after accounting for a degradation of 0.5% for every year) = 1,436,640 kW or 1.436 GWh per year
	Annual revenue in 2021	RM 1.146 million (1.436 x 0.7980 = 1.146 million)
Projected in 2021 and estimated to increase approximately 1% a year.		
3	Annual lease in RM	50,000
4	Annual insurance premium, RM	26,351

5	Annual miscellaneous cost, RM	10,840
6	Annual inflation cost	1%

4. FAIR EQUITY VALUE FOR ENTIRE EQUITY INTEREST IN VAFE

Based on the Free Cash Flow to Firm approach, the aggregate fair value of the entire equity interest in Vafe and the share of referral profit earned by Vafe for referring a customer, i.e. GV Bumi Solar (Sandakan) Sdn Bhd to FSSB is **RM 6.57 million**

Item number	Description	Fair value, **RM million**	Reference
1	Fair value for the entire equity interest in Vafe based on a Weighted Average Cost of Capital ("**WACC**") of 7% based on the projected cash inflow and cash outflow of the 1MW solar farm at Lot 305014, Mukim Hulu Kinta, 31200 Kinta Perak, Darul Ridzuan.	3.63	
2	Share of the net present value of the projected profit after tax earned by Vafe for referring a customer to FSSB. Workings:- Total projected profit net of tax is projected at RM 11.4 million. Share of profit entitlement of Vafe based on a 30% allocation equivalent to RM 3.4 million. (3.42 = 11.4 x 30%) As the period interval between the expected completion date (i.e. 30 June 2023) and measurement date on 5 April 2021 is 2.2 years, the discount factor applied based on a WACC of 7% is 0.8956. Hence, the net present value of the projected profit after tax from the referral is RM 2.94 million (2.94 = 0.8956 x 3.42)	2.94	
		6.57	Appendix 1

Kindly refer to **Appendix 1**

5. RISK CONSIDERATION IN FAIR VALUATION ASCRIBED

The fair valuation ascribed for Vafe, could be affected by a number of major risk factors including as follows under the following broad categories amongst others: -

(i) The fair value derived from the projected profit net of tax earned by Vafe by referring EPCC work to FSSB is discounted to present value. In the event that the actual profit net of tax is lesser than the projected profit after tax, it shall represent a discount to the fair valuation ascribed by us.

Lastly, any delay in the construction of the solar farm by FSSB compared to the scheduled delivery dates, shall represent a deferral of timing of the projected cash inflow to be earned by Vafe and it shall represent a discount to the fair valuation as appraised by us.

(ii) As at 31 March 2021, total consolidated loans and borrowings Vafe stood at approximately RM 5.77 million. The loans and borrowings are subjected to risk of changes in interest rate risk. Any future increase in interest rate shall represent a discount to the fair value as appraised by us. Conversely, any reduction in future interest rate shall represent a premium to the fair value as appraised by us.

(iii) Any unforeseen factors that resulted in the **non-satisfactory maintenance** of the solar plant that may lead to interruption of the operation of the solar plant and has an effect of reducing the fair value ascribed by us.

(iv) Any **unforeseen cost overrun** that resulted in VAFE incurred actual operational cost exceeding its projected cost.

(v) Global and regional economic activity which is dependent on a number of factors such as **political and macro-economic factors** beyond the control of company subjected to fair valuation exercise. Significant global events that affect the regional and global growth may translate to lesser business volumes and accordingly shall negatively affect the fair valuation. During such period, valuation metrics may also change as investors tend to become risk adverse in most asset classes of investments and hence requiring higher required rate of return in appraising its valuation during periods of uncertainties which translate to a lower fair value range.

(vi) **Changes in investor's risk appetite** in the equity capital markets may contribute either positively or negatively to the Companies subjected to fair valuation exercise. In circumstances that lead to risk aversion shall result in lesser weightings allocated to equity capital markets and hence causing the equity price to be lower than the fair value as ascribed. Conversely, in circumstances that lead to increasing risk appetite shall result in increased weights allocated to equity capital markets and hence causing the equity price to be higher than its fair value as ascribed.

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APPENDIX F – VALUATION CERTIFICATES (CONT'D)

APPENDIX 1 – Summary fair valuation using the sum of parts method for combining the results for the entire equity interest in Vafe and the share of profit earned by Vafe for referring a customer, i.e. GV Bumi Solar (Sandakan) Sdn Bhd to FSSB.

Sum of parts	**RM mil**
A. The fair value of the entire cash flow stream of Vafe	3.63
B. Share of 30% projected profit after tax from referral a customer by Vafe to FSSB	2.94
	6.57

END