

12. FINANCIAL INFORMATION (CONT'D)

12.2.3 Segmental analysis by revenue

(i) Revenue by business activities and products

	FY 2020		FY 2021		FY 2022		FY 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
BMS	10,876	73.94	9,056	51.47	12,659	67.88	20,108	75.53
- Systems integration of BMS	8,992	61.13	7,372	41.90	10,478	56.19	17,581	66.04
- Maintenance of BMS	1,884	12.81	1,684	9.57	2,181	11.69	2,527	9.49
Solar thermal systems and energy saving services	2,894	19.68	7,962	45.26	5,545	29.74	5,735	21.54
- Energy performance services	2,699	18.35	4,911	27.92	5,148	27.61	5,052	18.98
- Installation of solar thermal hot water and solar PV systems	53	0.36	2,893	16.44	223	1.20	528	1.98
- Maintenance of solar thermal hot water and cooling systems	142	0.97	158	0.90	174	0.93	155	0.58
Maintenance of other systems and equipment	939	6.38	576	3.27	444	2.38	779	2.93
- Gas fired chillers	939	6.38	576	3.27	444	2.38	469	1.76
- Chilled water system	-	-	-	-	-	-	310	1.17
Total	14,709	100.00	17,594	100.00	18,648	100.00	26,622	100.00

12. FINANCIAL INFORMATION (CONT'D)

	FP 2023		FP 2024	
	RM'000	%	RM'000	%
BMS	4,225	62.04	5,707	63.78
- Systems integration of BMS	3,314	48.66	4,743	53.01
- Maintenance of BMS	911	13.38	964	10.77
Solar thermal systems and energy saving services	2,336	34.29	2,137	23.88
- Energy performance services	2,196	32.24	2,064	23.07
- Installation of solar thermal hot water and solar PV systems	73	1.07	10 ⁽¹⁾	0.11
- Maintenance of solar thermal hot water and cooling systems	67	0.98	63	0.70
Maintenance of other systems and equipment	250	3.67	1,104	12.34
- Gas fired chillers	250	3.67	127	1.42
- Chilled water system	-	-	977	10.92
Total	6,811	100.00	8,948	100.00

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12. FINANCIAL INFORMATION (CONT'D)

(ii) Revenue by geographical markets

	FY 2020		FY 2021		FY 2022		FY 2023		FP 2023		FP 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	14,334	97.45	17,408	98.94	18,587	99.67	26,479	99.46	6,668	97.90	8,932	99.82
Other countries	375	2.55	186	1.06	61	0.33	143	0.54	143	2.10	16	0.18
- Singapore	375	2.55	186	1.06	-	-	-	-	-	-	16	0.18
- Brunei	-	-	-	-	61	0.33	143	0.54	143	2.10	-	-
Total	14,709	100.00	17,594	100.00	18,648	100.00	26,622	100.00	6,811	100.00	8,948	100.00

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12. FINANCIAL INFORMATION (CONT'D)

(iii) Commentaries on revenue

Comparison between FY 2020 and FY 2021

For FY 2021, our revenue increased by RM2.89 million or 19.61% to RM17.59 million (FY 2020: RM14.71 million) and this was contributed by the solar thermal systems and energy saving services segment.

BMS

Revenue from BMS segment decreased by RM1.82 million or 16.73% to RM9.06 million in FY 2021 (FY 2020: RM10.88 million). This was mainly due to the following:

- decrease in revenue contribution from systems integration of BMS by RM1.62 million or 18.02% to RM7.37 million in FY 2021 (FY 2020: RM8.99 million). This was mainly attributed to the completion of the Business School Project in FY 2020 where the revenue contribution from this project decreased by RM1.66 million from RM1.78 million in FY 2020 to RM0.12 million in FY 2021.

The decrease in revenue was moderated by the commencement of 7 BMS projects (each with a contract value less than RM1 million) in FY 2021 and the revenue contribution from these projects collectively accounted for RM1.37 million in FY 2021.

The decrease in revenue from the BMS segment was also partly due to the decrease of RM0.20 million in maintenance of BMS services to RM1.68 million in FY 2021 (FY 2020: RM1.88 million). This was mainly due to the lower maintenance services rendered in FY 2021.

Solar thermal systems and energy saving services

Revenue from solar thermal systems and energy saving services segment increased by RM5.07 million or 175.12% to RM7.96 million in FY 2021 (FY 2020: RM2.89 million). This was mainly due to the following:

- increase in revenue contribution from the installation of solar thermal hot water systems by RM2.84 million to RM2.89 million in FY 2021. The increase was mainly contributed by the revenue recognition of RM2.73 million from the Ampang Hospital Project which commenced in FY 2021 and the installation was completed in the same year. The total contract value for the Ampang Hospital Project was RM2.79 million and the revenue recognition of RM2.73 million for the Ampang Hospital Project was net of the LAD claim of RM0.06 million from our customer. Please refer to Section 9.1.7 of this Prospectus for further detail of the LAD claim.
- increase in revenue contribution of RM2.21 million or 81.96% to RM4.91 million in FY 2021 from energy performance services attributed to the following:
 - . increase in revenue from energy performance service contracts to the concessionaires for Sibu Hospital, Hospital 3 and Miri Hospital which collectively increased by RM1.33 million in FY 2021. The revenue recognition from these 3 projects commenced in FY 2020 following the completion of installations of hybrid solar thermal hot water systems and retrofitting of LED lighting in the respective hospitals between May 2020 and July 2020.

12. FINANCIAL INFORMATION (CONT'D)

commencement of the revenue recognition from the energy performance service contract to the concessionaire for the Sarawak Heart Centre following the completion of the installation of hybrid solar thermal hot water systems and retrofitting of LED lighting in March 2021 and the revenue recognised was RM0.93 million in FY 2021.

Maintenance of gas fired chillers

Revenue contribution from maintenance of gas fired chillers decreased by RM0.36 million or 38.66% to RM0.58 million in FY 2021 (FY 2020: RM0.94 million). This was mainly due to the decrease in revenue from the maintenance of gas fired chillers at a district cooling plant in Putrajaya. The decline in revenue was due to the lower maintenance rates charged which declined by 58.76% from year 1 to year 2 as stipulated in the 5-year maintenance contract.

Comparison between FY 2021 and FY 2022

For FY 2022, our revenue increased by RM1.05 million or 5.99% to RM18.65 million (FY 2021: RM17.59 million) and this was contributed by the BMS segment.

BMS

Revenue from BMS segment increased by RM3.60 million or 39.79% to RM12.66 million in FY 2022 (FY 2021: RM9.06 million). This was mainly due to the following:

- increase in revenue contribution of RM3.11 million or 42.13% to RM10.48 million in FY 2022 (FY 2021: RM7.37 million) from systems integration of BMS. The increase was mainly attributed to the commencement of the Financial Institution Project in November 2022 as well as the Ministry of Education 2 Project and Ministry of Health Project which commenced in November 2022. The revenue contribution of these three projects collectively accounted for RM3.24 million in FY 2022.
- increase in revenue contribution of RM0.50 million or 29.51% to RM2.18 million in FY 2022 (FY 2021: RM1.68 million) from the maintenance of BMS mainly for increases in services rendered to our existing customers.

Solar thermal systems and energy saving services

Revenue contribution from solar thermal systems and energy saving services segment decreased by RM2.42 million or 30.36% to RM5.55 million in FY 2022 (FY 2021: RM7.96 million). This was mainly due to the decrease in revenue contribution from the installation of solar thermal hot water systems by RM2.67 million or 92.29% to RM0.22 million in FY 2022 (FY 2021: RM2.89 million). The decrease was mainly attributed to the completion of the installation for Ampang Hospital Project which contributed RM2.73 million to our revenue in FY 2021.

The decrease in revenue was partially offset by an increase in recognised from the provision of energy performance services by RM0.24 million or 4.83% to RM5.15 million in FY 2022 (FY 2021: RM4.91 million). This was mainly attributed to the increase of RM0.31 million in revenue from energy performance service contract to the concessionaire for Sarawak Heart Centre as the revenue recognition commenced in FY 2021 following the completion of installation of hybrid solar thermal hot water systems and retrofitting of LED lighting in March 2021.

12. FINANCIAL INFORMATION (CONT'D)

Maintenance of gas fired chillers

Revenue contribution from the maintenance of gas fired chillers decreased by RM0.13 million or 22.92% to RM0.44 million in FY 2022 (FY 2021: RM0.58 million). This was mainly due to the completion of the maintenance contract for one of the district cooling plants in Putrajaya.

Comparison between FY 2022 and FY 2023

For FY 2023, our revenue increased by RM7.97 million or 42.76% to RM26.62 million (FY 2022: RM18.65 million) and this was mainly contributed by the BMS segment.

BMS

Revenue from BMS segment increased by RM7.45 million or 58.84% to RM20.11 million in FY 2023 (FY 2022: RM12.66 million). This was mainly due to the increase in revenue contribution of RM7.10 million or 67.79% to RM17.58 million in FY 2023 (FY 2022: RM10.48 million) from systems integration of BMS. This was mainly attributed to the following projects:

- the Conference and Residential Complex Project and Cyberjaya Data Centre Project, both of which commenced in March 2023 and collectively contributed revenue of RM6.68 million in FY 2023. The said projects were completed in the same year in December 2023;
- increase in revenue by RM2.17 million from the Semiconductor Project which commenced in August 2022; and
- the Ministry of Finance Project which commenced in July 2023 and contributed revenue of RM1.25 million in FY 2023.

The increase in revenue from systems integration of BMS was partially moderated by the decrease in revenue from the following projects:

- decrease in revenue by RM1.62 million in FY 2023 from the Financial Institution Project;
- decrease in revenue by RM0.79 million in FY 2023 from the Healthcare University Project following the completion of the said project in July 2022; and
- absence of revenue from the Business School Project which recorded a revenue of RM0.61 million in FY 2022 following the finalisation of the statement of final accounts.

Solar thermal systems and energy saving services

Revenue contribution from solar thermal systems and energy saving services segment increased by RM0.19 million or 3.43% to RM5.74 million in FY 2023 (FY 2022: RM5.55 million). This was mainly due to the increase in revenue contribution from the installation of solar thermal hot water systems by RM0.31 million or 136.77% to RM0.53 million in FY 2023. The increase was mainly attributed to the installation of solar thermal hot water system for a hospital in Perak which contributed RM0.46 million in FY 2023.

12. FINANCIAL INFORMATION (CONT'D)

The increase was partially moderated by a decrease in revenue from the provision of energy performance services by RM0.10 million or 1.86% to RM5.05 million in FY 2023 (FY 2022: RM5.15 million). The decrease was mainly due to the provision of potential EOYA claims due to the shortfalls in the actual energy savings and the guaranteed energy savings for Hospital 3 Contract, Sarikei Hospital Contract, Miri Hospital Contract as well as Sibiu Hospital Contract. Please refer to Section 9.1.7 of this Prospectus for further details on the EOYA. The decrease was partially offset by an increase in revenue for the Hospital 1 Contract in FY 2023 due to the higher amount of monthly payment in the last 5 months as stipulated in the contract. The Hospital 1 Contract was completed in November 2023.

Maintenance of other systems and equipment

Revenue contribution from the maintenance of other systems and equipment increased by RM0.34 million or 75.45% to RM0.78 million in FY 2023 (FY 2022: RM0.44 million). This was mainly due to the commencement of the Chilled Water System Maintenance Project in August 2023 which contributed RM0.31 million in revenue for FY 2023.

Comparison between FP 2023 and FP 2024

For FP 2024, our revenue increased by RM2.14 million or 31.38% to RM8.95 million (FP 2023: RM6.81 million) and this was mainly contributed by the BMS segment.

BMS

Revenue from BMS segment increased by RM1.48 million or 35.08% to RM5.71 million in FP 2024 (FP 2023: RM4.23 million), mainly due to an increase in revenue contribution of RM1.43 million from systems integration of BMS. This was mainly attributed to the following:

- the Ampang Office Tower Project and Ministry of Finance Project which commenced in March 2023 and July 2023 respectively, and the revenue from these projects collectively accounted for RM1.84 million in FP 2024.
- the Healthcare University Project and Corporate Tower Project which were completed prior to FP 2024. These said projects collectively contributed revenue of RM0.76 million in FP 2024 which were attributed to the finalisation of variation orders by customers subsequent to the completion of works.
- the Financial Institution Project which contributed revenue of RM0.38 million in FP 2024 following the approval of progress billings by our customer for installation works completed in FY 2022.

The increase was partially moderated by a decrease in revenue contribution by RM1.46 million in FP 2024 from the Semiconductor Project as the bulk of the supply and installation works were completed and billed in FP 2023.

Solar thermal systems and energy saving services

Revenue contribution from solar thermal systems and energy saving services segment decreased by RM0.20 million or 8.52% to RM2.14 million in FP 2024 (FP 2023: RM2.34 million). This was mainly due to the decrease in revenue from the provision of energy performance services by RM0.13 million or 6.01% to RM2.06 million in FP 2024 (FP 2023: RM2.20 million). This was mainly attributed to the completion of the energy performance service contract to the concessionaire for Hospital 1.

12. FINANCIAL INFORMATION (CONT'D)

The decrease in revenue was also due to the Hospital 3 Contract where we recognised revenue from 5 months' billings in FP 2024 compared to 6 months' billings recognised during the previous FP 2023. The higher revenue in FP 2023 was due to the delay in approval of one of our monthly progress billings that was submitted to the customer then which resulted in 6 months' billings for a 5-month period during FP 2023.

Maintenance of other systems and equipment

Revenue contribution from maintenance of other systems and equipment increased by RM0.85 million or 341.60% to RM1.10 million in FP 2024 (FP 2023: RM0.25 million). This was mainly due to the commencement of the Chilled Water System Maintenance Project in August 2023 which contributed RM0.98 million in revenue for FP 2024. The increase in revenue was partially moderated by the decrease in revenue from the maintenance of gas fired chiller segment following the completion of the maintenance of gas fired chiller project in Brunei.

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12. FINANCIAL INFORMATION (CONT'D)

12.2.4 Cost of Sales

(i) Cost of sales by business activities

	FY 2020		FY 2021		FY 2022		FY 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
BMS	7,123	82.08	4,979	58.34	5,768	72.37	9,962	81.19
- System integration of BMS	7,006	80.73	4,862	56.97	5,628	70.61	9,769	79.62
- Maintenance of BMS	117	1.35	117	1.37	140	1.76	193	1.57
Solar thermal systems and energy saving services	1,186	13.67	3,311	38.79	1,881	23.60	1,937	15.79
- Energy performance services	990	11.41	1,726	20.22	1,723	21.62	1,553	12.66
- Installation of solar thermal hot water and solar PV systems	136	1.57	1,569	18.38	104	1.30	343	2.80
- Maintenance of solar thermal hot water and cooling systems	60	0.69	16	0.19	54	0.68	41	0.33
Maintenance of other systems and equipment	369	4.25	245	2.87	321	4.03	371	3.02
- Gas fired chillers	369	4.25	245	2.87	321	4.03	294	2.39
- Chilled water system	-	-	-	-	-	-	77	0.63
Total	8,678	100.00	8,535	100.00	7,970	100.00	12,270	100.00

12. FINANCIAL INFORMATION (CONT'D)

	FP 2023		FP 2024	
	RM'000	%	RM'000	%
BMS	2,705	78.63	2,628	64.66
- System integration of BMS	2,670	77.61	2,500	61.51
- Maintenance of BMS	35	1.02	128	3.15
Solar thermal systems and energy saving services	671	19.51	631	15.53
- Energy performance services	618	17.97	591	14.54
- Installation of solar thermal hot water and solar PV systems	44	1.28	12	0.30
- Maintenance of solar thermal hot water and cooling systems	9	0.26	28	0.69
Maintenance of other systems and equipment	64	1.86	805	19.81
- Gas fired chillers	64	1.86	37	0.91
- Chilled water system	-	-	768	18.90
Total	3,440	100.00	4,064	100.00

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12. FINANCIAL INFORMATION (CONT'D)

(ii) Cost of sales by cost component

	FY 2020		FY 2021		FY 2022		FY 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Material and equipment costs	3,369	38.82	2,893	33.90	3,352	42.06	7,320	59.66
Subcontractor costs	4,397	50.67	4,056	47.52	2,948	36.98	2,930	23.88
Depreciation costs ⁽¹⁾	719	8.29	1,302	15.25	1,393	17.48	1,496	12.19
Others ⁽²⁾	193	2.22	284	3.33	277	3.48	524	4.27
Total	8,678	100.00	8,535	100.00	7,970	100.00	12,270	100.00
	FP 2023		FP 2024					
	RM'000	%	RM'000	%				
Material and equipment costs	2,183	63.46	1,827	44.95				
Subcontractor costs	562	16.34	1,596	39.27				
Depreciation costs ⁽¹⁾	579	16.83	552	13.58				
Others ⁽²⁾	116	3.37	89	2.20				
Total	3,440	100.00	4,064	100.00				

Notes:

(1) Depreciation costs consist of depreciation of our hybrid solar thermal hot water systems and retrofitted LED lighting. Based on our operating model for this business segment, we capitalised all the costs incurred for the hybrid solar thermal hot water systems energy savings facilities. Depreciation is recognised based on facilities installed and use over the estimated useful life of assets during the contract period.

(2) Including freight charges, customs fees as well as consultation fees.

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12. FINANCIAL INFORMATION (CONT'D)

(iii) Commentaries for cost of sales

Our cost of sales mainly consists of the following:

- **Material and equipment costs**

Material and equipment costs mainly consists of ICT hardware and software, equipment and materials for BMS, as well as equipment for the solar thermal hot water system including solar thermal collector modules, solar pumps and other pumps, and solar thermal control systems.

For the FY 2021, our materials and equipment costs declined by RM0.48 million or 14.15% to RM2.89 million (FY 2020: RM3.37 million). This was mainly due to the decrease in purchases of materials and equipment for the installation of BMS which was reflected in the decrease in revenue from systems integration of BMS of 18.02% in FY 2021. The decrease in material and equipment costs for BMS was partially offset by the increase in purchases of materials and equipment for the installation of solar thermal hot water systems mainly for the Ampang Hospital Project.

For the FY 2022, our material and equipment costs increased by RM0.46 million or 15.87% to RM3.35 million (FY 2021: RM2.89 million). This was mainly due to the increase in the purchases of materials and equipment for the installation of BMS which was reflected in the increase in revenue from systems integration of BMS by 42.13% in FY 2022. The increase was partially moderated by the decrease in material and equipment costs incurred for the installation of solar thermal hot water systems following the completion of the installation of solar thermal hot water systems for the Ampang Hospital Project. This was reflected in the decrease in revenue from the installation of solar thermal hot water systems of 92.29% in FY 2022.

For FY 2023, our material and equipment costs increased by RM3.97 million or 118.38% to RM7.32 million (FY 2022: RM3.35 million). This was mainly due to the increase in material and equipment costs for the installation of BMS as reflected in the increase in revenue from BMS segment by 58.84% in FY 2023.

For the FP 2024, our material and equipment costs decreased by RM0.36 million or 16.31% to RM1.83 million (FP 2023: RM2.18 million). This was mainly due to the decrease in the materials and equipment installed for the BMS segment in FP 2024. The higher material and equipment costs in FP 2023 were mainly attributed to the Semiconductor Project as bulk of the materials and equipment were installed in FP 2023, as well as materials and equipment installed for the Ministry of Education 2 Project, Ministry of Health Project, and the Conference and Residential Complex Project which were completed in October 2023, November 2023 and December 2023 respectively.

- **Subcontractor costs**

Our subcontractor costs mainly comprised third-party subcontractors we engaged to carry out the installation works for the integration of BMS systems including hacking and wet works to install power and communication cables, connecting all the BMS ICT hardware, equipment and devices, interfacing with existing equipment and systems, and providing power and communications termination points for future addition of ICT hardware and equipment. We also engaged third-party subcontractors to carry out installation works for solar

12. FINANCIAL INFORMATION (CONT'D)

thermal hot water systems including hacking and wet works to install solar thermal collector modules and other equipment, as well as supplying piping materials, power and IT cables and wires, all of which are carried out under our management and supervision.

For the FY 2021, our subcontractor costs decreased by RM0.34 million or 7.76% to RM4.06 million (FY 2020: RM4.40 million). This was mainly due to the decrease in subcontractor costs incurred for the installation works for the integration of BMS systems following the completion of the Business School Project. This was reflected in the decrease in revenue contribution from this segment in FY 2021. The decrease in subcontractor costs incurred for the installation works for system integration of BMS systems was partially offset by the increase in subcontractor costs incurred for the installation of solar thermal hot water systems mainly for the Ampang Hospital Project.

For the FY 2022, our subcontractor costs decreased by RM1.11 million or 27.32% to RM2.95 million (FY 2021: RM4.06 million). This was mainly due to the decrease in subcontractor costs incurred for the installation of solar thermal hot water systems in FY 2022 following the completion of the installation of solar thermal hot water systems for the Ampang Hospital Project.

For the FY 2023, our subcontractor costs decreased by RM0.02 million or 0.61% to RM2.93 million (FY 2022: RM2.95 million). This was mainly due to the lower subcontractor costs incurred for the maintenance of our energy performance service contracts.

For the FP 2024, our subcontractor costs increased by RM1.03 million or 183.99% to RM1.60 million (FP 2023: RM0.56 million). This was mainly contributed by the subcontractor costs for the maintenance of the Chilled Water System Maintenance Project which commenced in August 2023. The increase was also partly attributed to the subcontractor costs for the installation works for the integration of BMS systems mainly for the Ampang Office Tower Project and Ministry of Finance Project which commenced in March 2023 and July 2023 respectively.

- **Depreciation costs**

Depreciation costs mainly consist of depreciation of the concession assets for the hybrid solar thermal hot water systems and retrofitting of LED lighting for the energy performance services.

For the FY 2021, the depreciation costs increased by RM0.58 million or 81.08% to RM1.30 million (FY 2020: RM0.72 million). This was mainly due to the completion of installations of hybrid solar thermal hot water systems and retrofitting of LED lighting for Sibu Hospital, Hospital 3 and Miri Hospital between May 2020 and July 2020.

For the FY 2022, the depreciation costs increased by RM0.09 million or 6.99% to RM1.39 million (FY 2021: RM1.30 million). This was mainly attributed to the completion of installations of the hybrid solar thermal hot water system for the Sarawak Heart Centre in March 2021.

12. FINANCIAL INFORMATION (CONT'D)

For the FY 2023, the depreciation costs increased by RM0.10 million or 7.39% to RM1.50 million (FY 2022: RM1.39 million), mainly attributed to the increase in depreciation cost for the Hospital 1 Contract in FY 2023 due to the finalisation of project costs upon completion of the contract.

For the FP 2024, the depreciation costs decreased slightly by RM0.03 million or 4.66% to RM0.55 million (FP 2023: RM0.58 million), as the concession asset for Hospital 1 Contract have been fully depreciated following the completion in November 2023.

- **Other cost of sales**

Our other cost of sales mainly comprised freight charges, customs fees as well as consultation fees for our BMS projects.

For the FY 2021, other cost of sales increased by RM0.09 million or 47.92% to RM0.28 million (FY2020; RM0.19 million) which was mainly due to the higher freight charges and customs fees incurred.

For the FY 2022, other cost of sales decreased by approximately RM7,000 which was mainly due to the lower freight charges incurred.

For the FY 2023, other cost of sales increased by RM0.25 million or 89.17% to RM0.52 million (FY 2022: RM0.28 million) and this was mainly due to the higher custom fees incurred for the purchases of materials and equipment for the installation of BMS.

For the FP 2024, other cost of sales decreased by RM0.03 million or 23.28% to RM0.09 million (FP 2023: RM0.12 million) and this was mainly due to lower freight charges and customs fees incurred.

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12. FINANCIAL INFORMATION (CONT'D)

12.2.5 Segmental Analysis by GP

(i) GP and GP margin by business activities

	FY 2020			FY 2021			FY 2022			FY 2023		
	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)
BMS	3,753	62.23	34.51	4,077	45.01	45.02	6,891	64.54	54.44	10,146	70.70	50.46
- System integration of BMS	1,986	32.93	22.09	2,510	27.71	34.05	4,850	45.42	46.29	7,812	54.43	44.43
- Maintenance of BMS	1,767	29.30	93.79	1,567	17.30	93.05	2,041	19.12	93.58	2,334	16.27	92.36
Solar thermal systems and energy saving services	1,708	28.32	59.02	4,651	51.34	58.41	3,664	34.31	66.08	3,798	26.46	66.22
- Energy performance services	1,709	28.34	63.32	3,185	35.16	64.85	3,425	32.08	66.53	3,499	24.38	69.26
- Installation of solar thermal hot water and solar PV systems	(83)	(1.38)	(156.60)	1,324	14.61	45.77	119	1.11	53.36	185	1.29	35.04
- Maintenance of solar thermal hot water and cooling systems	82	1.36	57.75	142	1.57	89.87	120	1.12	68.97	114	0.79	73.55
Maintenance of other systems and equipment	570	9.45	60.70	331	3.65	57.47	123	1.15	27.70	408	2.84	52.37
Gas fired chillers	570	9.45	60.70	331	3.65	57.47	123	1.15	27.70	175	1.22	37.31
Chilled water system	-	-	-	-	-	-	-	-	-	233	1.62	75.16
Total GP/Group GP margin	6,031	100.00	41.00	9,059	100.00	51.49	10,678	100.00	57.26	14,352	100.00	53.91

12. FINANCIAL INFORMATION (CONT'D)

	FP 2023			FP 2024		
	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)
BMS	1,520	45.09	35.98	3,079	63.04	53.95
- System integration of BMS	644	19.10	19.43	2,243	45.92	47.29
- Maintenance of BMS	876	25.99	96.16	836	17.12	86.72
Solar thermal systems and energy saving services	1,665	49.39	71.28	1,506	30.84	70.47
- Energy performance services	1,578	46.81	71.86	1,473	30.16	71.37
- Installation of solar thermal hot water and solar PV systems	29	0.86	39.73	(2)	(0.04)	(20.00)
- Maintenance of solar thermal hot water and cooling systems	58	1.72	86.57	35	0.72	55.56
Maintenance of other systems and equipment	186	5.52	74.40	299	6.12	27.08
- Gas fired chillers	186	5.52	74.40	90	1.84	70.87
- Chilled water system	-	-	-	209	4.28	21.39
Total GP/Group GP margin	3,371	100.00	49.49	4,884	100.00	54.58

12. FINANCIAL INFORMATION (CONT'D)

(ii) GP and GP margin by geographical markets

	FY 2020			FY 2021			FY 2022			FY 2023		
	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)
Malaysia	6,090	100.98	42.49	9,003	99.38	51.72	10,617	99.43	57.12	14,245	99.25	53.80
Other countries	(59)	(0.98)	(15.73)	56	0.62	30.11	61	0.57	100.00	107	0.75	74.83
- Singapore	(59)	(0.98)	(15.73)	56	0.62	30.11	-	-	-	-	-	-
- Brunei	-	-	-	-	-	-	61	0.57	100.00	107	0.75	74.83
Total GP/Group GP margin	6,031	100.00	41.00	9,059	100.00	51.49	10,678	100.00	57.26	14,352	100.00	53.91
	FP 2023			FP 2024								
	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)						
Malaysia	3,264	96.83	48.95	4,881	99.94	54.65						
Other countries	107	3.17	74.83	3	0.06	18.75						
- Singapore	-	-	-	3	0.06	18.75						
- Brunei	107	3.17	74.83	-	-	-						
Total GP/Group GP margin	3,371	100.00	49.49	4,884	100.00	54.58						

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12. FINANCIAL INFORMATION (CONT'D)**(iii) Commentaries for GP and GP margin****Comparison between FY 2020 and FY 2021**

For FY 2021, our GP increased by RM3.03 million or 50.21% to RM9.06 million (FY 2020: RM6.03 million) and this was mainly contributed by both BMS and solar thermal systems and energy saving services segments. Meanwhile, our GP margin improved from 41.00% in FY 2020 to 51.49% in FY 2021.

BMS

GP from BMS segment increased by RM0.32 million or 8.63% to RM4.08 million in FY 2021 (FY 2020: RM3.75 million), mainly attributed to the increase in GP from systems integration of BMS by RM0.52 million or 26.38%. This was mainly due to the increase in GP from various projects which recorded gross losses in the previous year in FY 2020 including the Putrajaya Hotel ICT Project and the Ministry of Education 1 Project. These two projects collectively contributed to the increase in GP by RM1.57 million to RM1.07 million in FY 2021 (FY 2020: gross loss of RM0.49 million). The increase in GP from these two projects were mainly due to the lower costs incurred in FY 2021 which were mainly related to post installation testing and commissioning works as compared to FY 2020. The higher costs incurred in FY 2020 was mainly relating to materials as well as supply and installation costs which constituted the bulk of the costs. Although these projects recorded gross losses in FY 2020, the overall projects still remain profitable.

The increase in GP from BMS segment was partially offset by the decrease in GP contribution from Putrajaya Hotel Project and the Business School Project by a collective RM0.91 million in FY 2021. This was also reflected in the decrease of 90.02% in revenue from these two projects in FY 2021, mainly due to the completion of the Business School Project in FY 2020 as well as decrease in revenue from the Putrajaya Hotel Project following the completion of bulk of the supply and installation works (approximately 79.07% of work completed) in FY 2020.

The GP margin from our BMS segment improved from 34.51% in FY 2020 to 45.02% in FY 2021. This was mainly attributed to the improvement in GP margin coupled with higher GP contributions from various projects which previously recorded a gross loss as the bulk of supply and installation costs were incurred in the previous financial year including the two projects mentioned above.

Solar thermal systems and energy saving services

GP from solar thermal systems and energy saving services segment increased by RM2.94 million or 172.31% to RM4.65 million in FY 2021 (FY 2020: RM1.71 million) which was also reflected in the increase of 175.12% in our revenue from this segment. The increase in GP was mainly attributed to the following:

- increase in GP of RM1.48 million in FY 2021 from our energy performance service contracts to concessionaires which was also reflected in the increase in revenue from this segment by RM2.21 million in FY 2021. This was following the commencement of the use of the hybrid solar thermal hot water system and retrofitted lightings for Sarawak Heart Centre upon completion of installation in March 2021. In addition, the concessionaires for Sibul Hospital, Hospital 3 and Miri Hospital also commenced the use of the said facilities upon completion of installation between May 2020 and July 2020.

12. FINANCIAL INFORMATION (CONT'D)

- increase in GP of RM1.41 million in FY 2021 from the installation of solar thermal hot water systems which was mainly contributed by the GP from Ampang Hospital Project which commenced and was completed in FY 2021.

The GP margin from solar thermal systems and energy saving services segment declined from 59.02% in FY 2020 to 58.41% in FY 2021. This was mainly attributed to the following:

- increase in GP contribution from the installation of solar thermal hot water system projects which was associated with a lower GP margin of 45.77% compared to 64.85% for the energy performance services in FY 2021. For FY 2021, the GP contribution from the installation of solar thermal hot water system projects was higher at 14.61% or RM1.32 million of our total GP in FY 2021 as compared to a gross loss of RM0.08 million in FY 2020. The gross loss of RM0.08 million in FY 2020 was mainly due to the final claims made by our subcontractor for a project which was completed in FY 2019. The revenue was fully recognised upon completion in FY 2019. However, the final claim from our subcontractor was only received in February 2020 and recognised as expenses in FY 2020. Hence, it has resulted in the gross loss for this project for FY 2020.
- The decline in GP margin from solar thermal systems and energy saving services segment was moderated by the improvement in GP margin from our energy performance services which improved from 63.32% in FY 2020 to 64.85% in FY 2021. This was mainly due to lower proportion of cost incurred for the maintenance of the solar thermal hybrid hot water systems and LED lighting installed and retrofitted under the energy performance service contracts over the associated revenue mainly for the Sibuh Hospital, Hospital 3 and Miri Hospital that commenced the use of the said facilities upon completion of installation between May 2020 and July 2020. The decrease in the proportion of maintenance cost was mainly due to the decrease in repair or replacement works undertaken such as replacements of LED tubes or light fixtures that have malfunctioned. This was reflected in the decrease in the proportion of cost of sales over revenue of the energy performance services segment by 1.53% in FY 2021. The improvement in GP margin from the energy performance services was also partly contributed by the Sarawak Heart Centre which commenced the use upon completion of installation in March 2021.

Maintenance of other systems and equipment

GP from maintenance of gas fired chillers decreased by RM0.24 million or 41.93% to RM0.33 million in FY 2021 (FY 2020: RM0.57 million), which was also reflected in the decrease of 38.66% in revenue from this segment. The GP margin for maintenance of gas fired chillers declined from 60.70% in FY 2020 to 57.47% in FY 2021 mainly due to subcontractor costs incurred for the maintenance of gas fired chillers in FY 2021. This was reflected in the higher proportion of cost incurred against the revenue generated from maintenance of gas fired chillers of 42.53% in FY 2021 as compared to 39.30% in FY 2020.

Comparison between FY 2021 and FY 2022

For FY 2022, our GP increased by RM1.62 million or 17.87% to RM10.68 million (FY 2021: RM9.06 million) and this was mainly contributed by the BMS segment. Meanwhile, our GP margin improved from 51.49% in FY 2021 to 57.26% in FY 2022.

12. FINANCIAL INFORMATION (CONT'D)

BMS

GP from BMS segment increased by RM2.81 million or 69.02% to RM6.89 million in FY 2022 (FY 2021: RM4.08 million). This was mainly attributed to the following:

- increase in GP by RM2.34 million or 93.23% from systems integration of BMS which was mainly contributed by the Financial Institution Project, Ministry of Education 2 Project and Ministry of Health Project which commenced installations in FY 2022. These three projects collectively contributed GP of RM2.49 million in FY 2022.
- increase in GP by RM0.47 million or 30.25% from the maintenance of BMS which was also reflected in the increase in revenue by 29.51% in FY 2022 mainly attributed to the increase in maintenance services rendered to existing customers.

The GP margin from BMS segment improved from 45.02% for FY 2021 to 54.44% in FY 2022, mainly attributed to the improvement in GP margin as well as increased GP contribution from systems integration of BMS of three on-going projects in FY 2022 associated with higher GP margin including the Financial Institution Project, Ministry of Education 2 Project and Ministry of Health Project which commenced in FY 2022. These projects command higher GP margins as our scope of work for these said projects are wider as it involves the integration of various systems including security and car park systems.

Solar thermal systems and energy saving services

GP from solar thermal systems and energy saving services segment decreased by RM0.99 million or 21.22% to RM3.66 million in FY 2022 (FY 2021: RM4.65 million). This was mainly due to the decrease in GP of RM1.21 million from the installation of solar thermal hot water systems following the completion of the Ampang Hospital Project in FY 2021.

The decrease in GP was partially offset by the increase in GP of RM0.24 million or 7.54% in FY 2021 from energy performance services, which was also reflected in the increase in revenue of 4.83% from this segment in FY 2022. This was mainly attributed to the increase in GP from the energy performance services for Sarawak Heart Centre which commenced the use of the hybrid solar thermal hot water system and/or retrofitted lightings upon completion of installation in March 2021.

The GP margin from solar thermal systems and energy saving services segment improved from 58.41% in FY 2021 to 66.08% in FY 2022. This was mainly attributed to the following:

- increase in GP margin from the installation of solar thermal hot water systems which increased from 45.77% in FY 2021 to 53.36% in FY 2022 following the completion of the Ampang Hospital Project which was associated with a lower GP margin in FY 2021.
- improvement in GP margin from the energy performance services which improved from 64.85% in FY 2021 to 66.53% in FY 2022, mainly attributed to the improvement in GP margin from the Sarawak Heart Centre which commenced the use of the hybrid solar thermal hot water system and retrofitting LED lightings upon completion of installation in March 2021. The improvement in GP margin from the Sarawak Heart Centre Contract was mainly due to lower costs incurred

12. FINANCIAL INFORMATION (CONT'D)

for the maintenance of the solar thermal hybrid hot water systems and LED lighting installed and retrofitted. The decrease in maintenance cost was mainly due to the decrease in repair or replacement works undertaken such as replacements of LED tubes or light fixtures that have malfunctioned. This was reflected in the decrease in the proportion of cost of sales over revenue of the Sarawak Heart Centre by 2.61% in FY 2022.

Maintenance of other systems and equipment

GP from maintenance of gas fired chillers decreased by RM0.21 or 62.84% to RM0.12 million in FY 2022 (FY 2021: RM0.33 million), which was also reflected in the decrease of 22.92% in revenue from this segment. The GP margin declined from 57.47% in FY 2021 to 27.70% in FY 2022 and this was mainly due to the higher costs incurred for maintenance of gas fired chillers.

Comparison between FY 2022 and FY 2023

For FY 2023, our GP increased by RM3.67 million or 34.41% to RM14.35 million (FY 2022: RM10.68 million) and this was mainly contributed by the BMS segment.

BMS

GP from BMS segment increased by RM3.26 million or 47.24% to RM10.15 million in FY 2023 (FY 2022: RM6.89 million) and this was mainly attributed to the following:

- increase in GP by RM2.96 million or 61.07% to RM7.81 million in FY 2023 (FY 2022: RM4.85 million) from systems integration of BMS. This was mainly contributed by the Conference and Residential Complex Project and Cyberjaya Data Centre Project which commenced in March 2023 and the GP contribution from these two projects collectively accounted for RM2.73 million in FY 2023.
- increase in GP by RM0.29 million or 14.36% from the maintenance of BMS which was also reflected in the increase in revenue by 15.86% in FY 2023, mainly attributed to the increase in maintenance services rendered to existing customers.

The GP margin from BMS segment declined from 54.44% in FY 2022 to 50.46% in FY 2023. The decline was mainly due to the completion of the installation for the Financial Institution Project which commanded a higher GP margin. In addition, the decline was partly due to the higher costs incurred for the Ministry of Education 2 Project and Ministry of Health Project in FY 2023 as reflected in the increase in the proportion of cost of sales over revenue of the said projects by 14.10% in FY 2023. The Ministry of Education 2 Project and Ministry of Health Project were completed in October 2023 and November 2023 respectively.

Solar thermal systems and energy saving services

GP from solar thermal systems and energy saving services segment increased by RM0.13 million or 3.66% to RM3.80 million in FY 2023 (FY 2022: RM3.66 million), while GP margin improved from 66.08% in FY 2022 to 66.22% in FY 2023. This was mainly attributed to the increase in GP by RM0.07 million or 2.16% from the provision of energy performance services.

Despite a decline in revenue from the provision of energy performance services in FY 2023, the GP from this segment improved due to lower costs incurred for the

12. FINANCIAL INFORMATION (CONT'D)

maintenance of the solar thermal hybrid hot water systems and LED lighting installed and retrofitted under the energy performance service contracts. The decrease in maintenance cost was mainly due to the decrease in repair or replacement works undertaken such as replacements of LED tubes or light fixtures that have malfunctioned. This was further reflected in the decrease in the proportion of cost of sales over revenue of the energy performance services segment by 2.73% in FY 2023, resulting in the improvement in GP margin for this segment from 66.53% in FY 2022 to 69.26% in FY 2023.

The increase in GP was also partly due to the increase in GP by RM0.07 million from the installation of solar thermal hot water systems in FY 2023, mainly from the installation of solar thermal hot water system for a hospital in Perak. The GP margin from this segment declined from 53.36% in FY 2022 to 35.04% in FY 2023, mainly due to the GP contribution from a lower margin project namely the installation of solar thermal hot water system for a hospital in Perak.

Maintenance of other systems and equipment

GP from the maintenance of other systems and equipment increased by RM0.29 million or 231.71% to RM0.41 million in FY 2023 (FY 2022: RM0.12 million). This was mainly attributed to the GP of RM0.23 million from the maintenance of chilled water system segment, mainly contributed by the Chilled Water System Maintenance Project which commenced in August 2023.

The GP margin from the maintenance of other systems and equipment improved from 27.70% in FY 2022 to 52.37% in FY 2023, mainly due to the GP contribution from the maintenance of chilled water system segment which recorded a higher GP margin of 75.16% in FY 2023 as compared to the GP margin of 37.31% for the maintenance of gas fired chillers.

Comparison between FP 2023 and FP 2024

For FP 2024, our GP increased by RM1.51 million or 44.88% to RM4.88 million (FP 2023: RM3.37 million) and this was mainly contributed by the BMS segment.

BMS

GP from BMS segment increased by RM1.56 million or 102.57% to RM3.08 million in FP 2024 (FP 2023: RM1.52 million) while GP margin improved from 35.98% in FP 2023 to 53.95% in FP 2024. This was mainly contributed by the increase in GP from systems integration of BMS by RM1.60 million to RM2.24 million in FP 2024 while GP margin increased from 19.43% in FP 2023 to 47.29% in FP 2024.

The increase in GP and GP margin from systems integration of BMS was mainly contributed by the following:

- GP contribution from the Healthcare University Project, the Corporate Tower Project and Financial Institution Project which collectively contributed GP of RM1.12 million in FP 2024. The GP contribution from the Healthcare University Project and the Corporate Tower Project were attributed to the finalisation of variation orders by the customers subsequent to the completion of works, while the GP contribution from the Financial Institution Project was attributed to the revenue recognised following the approval of progress billings by our customer. There were minimal costs incurred for Healthcare University Project, the Corporate Tower Project and Financial Institution Project during the FP 2024,

12. FINANCIAL INFORMATION (CONT'D)

mainly pertaining to costs incurred for rectification works during the defect liability period, resulting in improvement in GP margin for the systems integration of BMS segment;

- GP contribution of RM0.33 million from the Ministry of Finance Project which commenced in July 2023.

Solar thermal systems and energy saving services

GP from solar thermal systems and energy saving services segment decreased by RM0.16 million or 9.55% to RM1.51 million in FP 2024 (FP 2023: RM1.67 million). This was mainly due to the decrease in GP by RM0.11 million or 6.65% from the provision of energy performance services as reflected in the decrease of 6.01% in revenue from this segment.

The GP margin from solar thermal systems and energy saving services segment declined from 71.28% in FP 2023 to 70.47% in FP 2024. This was mainly due to the decrease in GP margin from the provision of energy performance services where the decline in GP margin was attributed to the Hospital 3 Contract. The higher GP margin for Hospital 3 Contract in FP 2023 was mainly due to the higher revenue in FP 2023 arising from the 6 months' billings as mentioned above.

For the installation of solar thermal hot water and solar PV systems segment, we recorded a gross loss of approximately RM2,000 and a gross loss margin of 20.00% in FP 2024. This was mainly due to costs incurred during defect liability period for a completed project where no revenue was recorded in FP 2024.

Maintenance of other systems and equipment

GP from the maintenance of other systems and equipment increased by RM0.11 million or 60.75% to RM0.30 million in FP 2024 (FP 2023: RM0.19 million). This was mainly attributed to the GP of RM0.21 million from the maintenance of chilled water segment contributed by the Chilled Water System Maintenance Project which commenced in August 2023. The increase in GP was partially moderated by the decrease in GP from the maintenance of gas fired chiller by RM0.10 million in FP 2024 following the completion of the maintenance of the gas fired chiller project in Brunei.

The GP margin from the maintenance of other systems and equipment declined from 74.40% in FP 2023 to 27.08% in FP 2024. This was mainly due to the higher GP contribution from the maintenance of chilled water system segment which was associated with lower GP margin of 21.39% in FP 2024 as compared to the GP margin of 70.87% for the maintenance of gas fired chiller segment. The lower GP margin of 21.39% for the maintenance of chilled water system segment was mainly due to the costs incurred including material and equipment costs as well as subcontractor costs for the replacement works.

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12. FINANCIAL INFORMATION (CONT'D)

12.2.6 Other income

	FY 2020		FY 2021		FY 2022		FY 2023		FP 2023		FP 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	23	100.00	9	2.50	9	21.95	13	52.00	6	100.00	27	100.00
Unrealised gain on foreign exchange	-	-	1	0.28	*	*	*	*	*	*	*	*
Gain on disposal of fixed asset	-	-	30	8.33	32	78.05	-	-	-	-	-	-
Others ⁽¹⁾	-	-	320	88.89	*	*	12	48.00	-	-	-	-
Total	23	100.00	360	100.00	41	100.00	25	100.00	6	100.00	27	100.00

* Less than RM1,000 or 0.01%.

Note:

(1) The grant received from the United Nations Industrial Development Organisation for the completion of installation of hybrid solar thermal hot water system for Sarawak Heart Centre which amounted to RM0.32 million in FY 2021 and the insurance claim of approximately RM11,000 in FY 2023.

Comparison between FY 2020 and FY 2021

Our other income increased by RM0.34 million to RM0.36 million in FY 2021 (FY 2020: RM0.02 million). This was mainly due to the grant received from the United Nations Industrial Development Organisation for the completion of installation of hybrid solar thermal hot water system for Sarawak Heart Centre amounting to RM0.32 million in FY 2021.

Comparison between FY 2021 and FY 2022

Our other income decreased by RM0.32 million to RM0.04 million in FY 2022 (FY 2021: RM0.36 million). This was mainly due to the absence of the grant received in FY 2021 as mentioned above.

Comparison between FY 2022 and FY 2023

Our other income decreased by approximately RM16,000 to RM25,000 in FY 2023 (FY 2022: RM41,000). This was due to the absence of gains from the disposal of fixed asset in FY 2023. The decrease was partially offset by the insurance claim from a main contractor relating to a theft incident for our Semiconductor Project which amounted to approximately RM11,000 in FY 2023.

12. FINANCIAL INFORMATION (CONT'D)

Comparison between FP 2023 and FP 2024

Our other income increased by approximately RM21,000 to RM27,000 in FP 2024 (FP 2023: RM6,000) due to the increase in interest income.

12.2.7 Administrative and other expenses, and net impairment gain/loss on financial asset

	FY 2020		FY 2021		FY 2022		FY 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Administrative expenses	3,105	96.31	2,817	94.59	3,624	92.21	5,032	93.60
Staff costs	1,620	50.25	1,542	51.78	1,998	50.84	3,085	57.38
Directors' remuneration	551	17.09	516	17.33	619	15.75	635	11.81
Travelling expenses	182	5.65	183	6.14	235	5.98	384	7.14
Professional fees	280	8.68	257	8.63	228	5.80	295	5.49
Other administrative expenses ⁽¹⁾	472	14.64	319	10.71	544	13.84	633	11.78
Other expenses	119	3.69	161	5.41	306	7.79	344	6.40
Depreciation ⁽²⁾	107	3.32	147	4.94	279	7.10	208	3.87
Realised loss on foreign exchange	1	0.03	14	0.47	27	0.69	64	1.19
Unrealised loss on foreign exchange	6	0.19	-	-	-	-	-	-
Bad debts written off	5	0.15	-	-	-	-	72	1.34
Property, plant and equipment written off	-	-	-	-	-	-	*	*
Total expenses	3,224	100.00	2,978	100.00	3,930	100.00	5,376	100.00
Net impairment gain/(loss) on financial asset	12		(117)		(282)		(261)	

12. FINANCIAL INFORMATION (CONT'D)

	FP 2023		FP 2024	
	RM'000	%	RM'000	%
Administrative expenses	1,930	94.19	2,332	95.18
Staff costs	1,221	59.59	1,551	63.31
Directors' remuneration	249	12.15	296	12.08
Travelling expenses	134	6.54	141	5.75
Professional fees	36	1.76	81	3.31
Other administrative expenses ⁽¹⁾	290	14.15	263	10.73
Other expenses	119	5.81	118	4.82
Depreciation ⁽²⁾	97	4.74	75	3.06
Realised loss on foreign exchange	22	1.07	43	1.76
Unrealised loss on foreign exchange	-	-	-	-
Bad debts written off	-	-	-	-
Property, plant and equipment written off	-	-	-	-
Total expenses	2,049	100.00	2,450	100.00
Net impairment gain/(loss) on financial asset	(166)		70	

Notes:

- (1) Including office expenses, medical expenses, upkeep of motor vehicles and equipment, membership and registration fee, utilities, insurance and bank charges for the FY Under Review and FP Under Review, sales and marketing expenses and write-off of IPO listing expenses for FY 2020, as well as general administrative support services in FY 2022.
- (2) Refers to the depreciation of our motor vehicles, office building, renovation, computers, furniture and fittings, office equipment and machineries.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FY 2020 and FY 2021**

Our administrative and other expenses decreased by RM0.25 million or 7.63% to RM2.98 million in FY 2021 (FY 2020: RM3.22 million). This was mainly due to the decrease in other administrative expenses of RM0.15 million, mainly due to the decrease in sales and marketing expenses. The decrease was also partly due to the decrease in staff costs by RM0.08 million mainly decrease in allowances.

Comparison between FY 2021 and FY 2022

Our administrative and other expenses increased by RM0.95 million or 31.97% to RM3.93 million in FY 2022 (FY 2021: RM2.98 million). This was mainly contributed by the following:

- increase in staff costs by RM0.46 million due to increases in salaries and bonus payments in FY 2022, as well as increase in the number of employees from 38 employees in FY 2021 to 40 employees in FY 2022.
- increase in other administrative expenses by RM0.23 million, mainly due to RM0.15 million paid to SPE for the provision of general administrative support services.
- increase in depreciation costs by RM0.13 million due to accumulated depreciation cost of our office building for FY 2017 to FY 2022.
- increase in directors' remuneration by RM0.10 million due to the increase in salary as well as bonus payments in FY 2022.

There was a net impairment loss on financial assets of RM0.12 million and RM0.28 million in FY 2021 and FY 2022 respectively, namely trade receivables which were recognised based on the expected credit losses ("ECL") computed in accordance with MFRS 9. The amount of ECL was assessed at each reporting period to reflect changes in credit risk since the initial recognition of trade receivables.

Comparison between FY 2022 and FY 2023

Our administrative and other expenses increased by RM1.45 million or 36.79% to RM5.38 million in FY 2023 (FY 2022: RM3.93 million). This was mainly contributed by the increase in staff costs by RM1.09 million due to the increase in salaries, bonus and statutory contributions in FY 2023, as well as increase in the number of employees from 40 employees in FY 2022 to 53 employees in FY 2023. The increase was partly contributed by the increase in travelling expenses of RM0.15 million, mainly accommodation expenses and petrol claims.

There was a net impairment loss on trade receivables of RM0.26 million in FY 2023 comprising RM0.25 million in allowance for impairment loss pertaining to trade receivables from a customer whom we have an on-going litigation as at the LPD, as well as RM0.01 million which was recognised based on ECL computed in accordance with MFRS 9.

Comparison between FP 2023 and FP 2024

Our administrative and other expenses increased by RM0.40 million or 19.57% to RM2.45 million in FP 2024 (FP 2023: RM2.05 million). This was mainly contributed by the increase in staff costs by RM0.33 million due to increases in salaries and bonus payments in FP 2024.

For FP 2024, there was a reversal of impairment losses on trade receivables of RM0.07 million.

12. FINANCIAL INFORMATION (CONT'D)

12.2.8 Finance costs

	FY 2020		FY 2021		FY 2022		FY 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:								
- Term loans	3	3.70	29	87.88	35	72.92	49	81.67
- Bank overdrafts	58	71.61	*	*	*	*	*	*
- Bankers' acceptance	11	13.58	-	-	-	-	-	-
- Invoice financing	9	11.11	-	-	-	-	-	-
- Hire purchase	-	-	4	12.12	13	27.08	11	18.33
Total	81	100.00	33	100.00	48	100.00	60	100.00
	FP 2023		FP 2024					
	RM'000	%	RM'000	%				
Interest expenses on:								
- Term loans	34	87.18	9	69.23				
- Bank overdrafts	*	*	*	*				
- Hire purchase	5	12.82	4	30.77				
Total	39	100.00	13	100.00				

* Less than RM1,000 or 0.01%.

Comparison between FY 2020 and FY 2021

Our finance costs decreased by RM0.05 million or 59.26% to RM0.03 million in FY 2021 (FY 2020: RM0.08 million). This was mainly due to the decrease in interest expense on bank overdrafts by RM0.06 million due to lower utilisation in FY 2021.

12. FINANCIAL INFORMATION (CONT'D)

Comparison between FY 2021 and FY 2022

Our finance costs increased by RM0.02 million or 45.45% to RM0.05 million in FY 2022 (FY 2021: RM0.03 million). This was mainly due to the increase in interest expense on hire purchase and term loans for working capital purposes.

Comparison between FY 2022 and FY 2023

Our finance costs increased by RM0.01 million or 25.00% to RM0.06 million in FY 2023 (FY 2022: RM0.05 million). This was mainly due to the increase in interest expense on term loans.

Comparison between FP 2023 and FP 2024

Our finance costs decreased by RM0.03 million or 66.67% to RM0.01 million in FP 2024 (FP 2023: RM0.04 million). This was mainly due to the decrease in interest expense on term loans.

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12. FINANCIAL INFORMATION (CONT'D)**12.2.9 PBT, taxation and PAT**

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FP 2023</u>	<u>FP 2024</u>
PBT (RM'000)	2,761	6,291	6,459	8,680	1,123	2,518
PBT margin (%)	18.77	35.76	34.64	32.60	16.49	28.14
Taxation (RM'000)	777	2,066	1,275	2,335	339	707
Effective tax rate (%)	28.14	32.84	19.74	26.90	30.19	28.08
Statutory tax rate (%)	24.00	24.00	24.00	24.00	24.00	24.00
PAT (RM'000)	1,984	4,225	5,184	6,345	784	1,811
PAT margin (%)	13.49	24.01	27.80	23.83	11.51	20.24

Comparison between FY 2020 and FY 2021

Our PBT increased by RM3.53 million or 127.85% to RM6.29 million in FY 2021 (FY 2020: RM2.76 million), mainly due to the increase of RM3.03 million in our GP in FY 2021. Our PBT margin improved from 18.77% in FY 2020 to 35.76% in FY 2021, mainly attributed to the improvement in our GP margin from 41.00% in FY 2020 to 51.49% in FY 2021 coupled with the increase in other income as well as decrease in administrative expenses.

In FY 2021, our effective tax rate was 32.84% which was higher than the statutory tax rate of 24.00%, mainly due to the under provision of current and deferred taxation in the previous year.

Our PAT increased by RM2.24 million or 112.95% to RM4.23 million in FY 2021 (FY 2020: RM1.98 million) following the improvement in our PBT. Similarly, our PAT margin improved from 13.49% in FY 2020 to 24.01% in FY 2021.

Comparison between FY 2021 and FY 2022

Our PBT increased by RM0.17 million or 2.67% to RM6.46 million in FY 2022 (FY 2021: RM6.29 million), mainly attributed to the increase in our GP by 17.87%. Our PBT margin declined slightly from 35.76% in FY 2021 to 34.64% in FY 2022, mainly due to the decline in other income coupled with the increase in administrative and other expenses.

In FY 2022, our effective tax rate was 19.74% which was lower than the statutory tax rate of 24.00% and this was mainly due to the over provision of deferred taxation in the previous year.

Our PAT increased by RM0.96 million or 22.70% to RM5.18 million in FY 2022 (FY 2021: RM4.23 million) while PAT margin improved from 24.01% in FY 2021 to 27.80% in FY 2022. This was mainly due to the decrease in taxation arising from the over provision of deferred taxation as mentioned above.

Comparison between FY 2022 and FY 2023

Our PBT increased by RM2.22 million or 34.39% to RM8.68 million in FY 2023 (FY 2022: RM6.46 million), mainly attributed to the increase in our GP by 34.41%. Our PBT margin decreased from 34.64% in FY 2022 to 32.60% in FY 2023, mainly due to an increase in administrative and other expenses.

12. FINANCIAL INFORMATION (CONT'D)

In FY 2023, our effective tax rate was 26.90%, which was higher than the statutory tax rate of 24.00% and this was mainly due to deferred tax assets not recognised during the financial year pertaining to accelerated capital allowance and allowance for impairment losses.

Our PAT increased by RM1.16 million or 22.40% to RM6.35 million in FY 2023 (FY 2022: RM5.18 million) attributed to the improvement in GP in FY 2023. Our PAT margin declined from 27.80% in FY 2022 to 23.83% in FY 2023 which was mainly due to increase in taxation.

Comparison between FP 2023 and FP 2024

Our PBT increased by RM1.40 million or 124.22% to RM2.52 million in FP 2024 (FP 2023: RM1.12 million), mainly attributed to the increase in our GP by 44.88%. Our PBT margin improved from 16.49% in FP 2023 to 28.14% in FP 2024, mainly due to the improvement in GP margin from the BMS segment.

In FP 2024, our effective tax rate was 28.08% which was higher than the statutory tax rate of 24.00% and this was mainly due to deferred tax assets not recognised during the financial year mainly arising from losses incurred by one of our subsidiaries.

Our PAT increased by RM1.03 million or 130.99% to RM1.81 million in FP 2024 (FP 2023: RM0.78 million) and PAT margin increased from 11.51% in FP 2023 to 20.24% in FP 2024. This was mainly contributed by the improvement in GP and GP margin from the BMS segment.

12.3 SIGNIFICANT FACTORS AFFECTING OUR GROUP'S OPERATIONS AND FINANCIAL PERFORMANCE

Our business operations and financial performance have been and are expected to continue to be affected by factors including, but not limited to, the following:

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

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

Our recurrent business is derived from the provision of energy performance services as well as maintenance of BMS, solar thermal cooling systems and other systems and equipment including gas fired chillers. The periods for our energy performance service contracts typically range between 4 to 6 years. At the end of the concession period, all the assets and systems revert to the customers and there is no option for renewal. While our order book for energy performance services is up to 2025, there is no assurance that we will be able to continually secure new projects to sustain and grow our revenue and profitability. In the event we are unable to do so, this may materially affect our business growth and future financial performance. Please refer to Section 9.1.2 of this Prospectus for further details.

12. FINANCIAL INFORMATION (CONT'D)

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

Our business operations in BMS, solar thermal systems and energy saving services, and maintenance of other systems and equipment including gas fired chillers are based on contractual agreements with customers and these may be terminated or suspended before our specified scope of works are completed. The early termination or suspension of any contracts may adversely affect our financial performance if we are unable to recover our expenses before the termination of the contract as well as foregone potential revenue and profit.

As we are funding the project investment for the installation of the hybrid solar thermal hot water system and for some contracts, the retrofitting of LED lighting, the early termination of any energy performance service agreement with the concession companies may occur before the payment is sufficient for us to recoup the initial project investment. While the contracts commonly include a stipulation that the customer may pay us a specified sum if they choose to terminate the contracts early, there is no assurance that the payment would be sufficient to recover our initial project investment at the time of the early termination. Please refer to Section 9.1.3 of this Prospectus for further details.

(iii) Our business and financial performance may be affected by increases in the costs of implementing our systems integration of BMS or solar thermal hot water systems or timing of recognising the initial project cost incurred may impact the reporting of financial performance

An increase in the cost of implementing our systems integration of BMS and/or installation of solar thermal hot water systems and/or provision of energy saving and maintenance services may adversely affect our profitability. Increases in costs may be caused by, among others, increases in the costs of labour, equipment, materials, subcontractor's fees and overheads. There is a risk that our profitability may be adversely affected if we are not able to adequately factor in potential price increases of materials and services into our contracts, or if we have to absorb any unanticipated cost increases during the duration of our contracts or if we have to incur cost to carry out additional works based on instructions given by the customer which are still pending confirmation of variation order from the customer. Please refer to Section 9.1.5 of this Prospectus for further details.

For our supply and installation projects, the initial project costs incurred are typically higher arising from purchase of equipment and mobilisation costs before we bill our customers on the works done or services rendered. In this respect, the timing of recognising the cost incurred will have an impact on the reporting of financial performance such as lower reported profits due to higher initial implementation costs incurred during the initial stage of the project while the revenue is only recognised based on services rendered or work done at the later stage. For example, in FY 2020, the low GP margin from our BMS segment was mainly due to the gross losses from various projects including the Putrajaya Hotel ICT Project and the Ministry of Education 1 Project as we incurred higher cost mainly relating to materials as well as supply and installation costs which constituted the bulk of the costs. Please refer to Section 12.2.5(iii) of this Prospectus for further details.

12. FINANCIAL INFORMATION (CONT'D)

- (iv) **We may be subject to LAD claims if there were any delays in completing our projects according to the timeline stipulated in the contracts or subject to penalties if the minimum guaranteed savings stipulated in the energy performance service contracts are not achieved**

Depending on the contracts, our systems integration of BMS, installation of solar thermal hot water systems and provision of energy savings services include project implementation timelines and milestones. Any delays in meeting specified project implementation timelines and milestones may lead to delays in recognising revenue and receiving payments as well as adversely affecting our reputation. Furthermore, the customer may make claims for LAD against us if we fail to complete the project according to the specified timeline stipulated in the agreements which may adversely affect our financial performance. Please refer to Section 9.1.7 of this Prospectus for further details.

- (v) **We are subject to credit risk from either delay in collections or non-recoverability of trade receivables or retention sum**

We are exposed to delays in collection of non-recoverability of trade receivables and/or retention sum from our customers. Our normal credit terms granted to our customers mainly range from 1 day to 60 days. If customers fail to pay us within the stipulated credit period or fail to pay us at all, we may be required to make an allowance for any impairment losses to our trade receivables or write off our bad debts, either of which would adversely affect our financial performance.

For the FY Under Review, we recorded net impairment loss on trade receivables of RM0.12 million, RM0.28 million and RM0.26 million in FY 2021, FY 2022 and FY 2023 respectively, which was recognised based on the ECL computed in accordance with MFRS 9. As at the LPD, we have subsisting legal proceedings against 4 customers for the recovery of outstanding receivables, of which legal proceedings against only one customer is material. Please refer to Section 15.6 of this Prospectus for further details on the material litigation.

The outstanding trade receivables of these 4 customers are summarised in the following table:

Customer	Trade receivables as at 31 May 2024 (RM'000)	Allowance for impairment loss as at 31 May 2024⁽¹⁾ (RM'000)	Net trade receivables⁽²⁾ as at FP 31 May 2024 (RM'000)
Customer D	635	588	47 ⁽³⁾
Perbadanan Kemajuan Negeri Selangor	225	185	39 ⁽⁴⁾
Kumpulan Bersekutu Sdn Bhd	148	148	-
United Integration Technology Sdn Bhd	45	45	-

Notes:

(1) Being the amount that are under dispute with the customers.

(2) Net trade receivables after allowance for impairment loss.

(3) As at the LPD, we have fully collected this amount.

12. FINANCIAL INFORMATION (CONT'D)

(4) As at the LPD, we have collected RM0.03 million from Perbadanan Kemajuan Negeri Selangor.

(vi) We are subject to defect liability claims which may adversely affect our financial performance

There is a risk that we may incur substantial expenses to make good our customers' defect liability claims. The contracts for our BMS and solar thermal hot water systems and energy saving services include provisions for the customer to make claims against us in the event of poor workmanship, and manufacturing defects in the equipment installed during the defect liability period. The defect liability period for our systems integration of BMS and installation of solar thermal hot water system contracts generally ranges from 12 months to 24 months after the date of the testing and commissioning report or the issuance of acceptance by our customers. We are responsible for making good any defects due to the design, materials, equipment or workmanship at no additional charges to the customer. Please refer to Section 9.1.8 of this Prospectus for further details.

(vii) Impact of foreign exchange

Our business is exposed to the risk of foreign exchange fluctuations where 4.24%, 16.42%, 36.01%, 51.67% and 23.87% of our purchases of materials and services including subcontractors' costs for FY 2020, FY 2021, FY 2022, FY 2023 and FP 2024 respectively were transacted in foreign currencies mainly USD.

The breakdown of our revenue and purchases transacted in RM and other currencies for the FY Under Review and FP 2024 are as follows:

	FY 2020	FY 2021	FY 2022	FY 2023	FP 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	14,709	17,594	18,648	26,622	8,948
RM	14,334	17,408	18,587	26,479	8,932
USD	375	186	61	143	16
Purchases	10,270	8,262	7,198	11,530	3,330
RM	9,835	6,905	4,606	5,573	2,535
USD	335	845	2,326	5,517	745
RMB	-	299	-	-	-
SGD	98	213	266	440	50
EUR	2	-	-	-	-

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12. FINANCIAL INFORMATION (CONT'D)

The following table demonstrates the sensitivity analysis of our net profit to a reasonably possible change in the foreign currency within our Group, with all other variables held constant:

Effects on PAT	FY 2020 RM	FY 2021 RM	FY 2022 RM	FY 2023 RM	FP 2024 RM
USD/RM					
Strengthen by 5%	5,892	4,473	(18,302)	(63,743)	92,977
Weakened by 5%	(5,892)	(4,473)	18,302	63,743	(92,977)
SGD/RM					
Strengthen by 5%	(688)	(4,349)	(902)	(8,380)	1,077
Weakened by 5%	688	4,349	902	8,380	(1,077)
RMB/RM					
Strengthen by 5%	3,827	-	-	-	-
Weakened by 5%	(3,827)	-	-	-	-

Details of our foreign currency exchange gains and losses during the FY Under Review and FP 2024 are as follows:

	FY 2020 RM'000	FY 2021 RM'000	FY 2022 RM'000	FY 2023 RM'000	FP 2024 RM'000
Realised loss on foreign exchange	(1)	(14)	(27)	(64)	(42)
Unrealised gain/(loss) on foreign exchange	(6)	1	*	*	*
Net gain/(loss)	(7)	(13)	(27)	(64)	(42)

* Less than RM1,000.

Our business is subject to risks related to any favourable foreign currency exchange rate fluctuations which could materially affect our financial performance. As at the LPD, we do not have any foreign currency forward hedging contracts.

(viii) Impact of interest rates fluctuations

All our borrowings are interest-bearing obligations. Any hikes in interest rates would affect our financial performance. Our finance cost mainly comprises interest expenses on term loans, bank overdrafts, bankers' acceptance, invoice financing and hire purchase that are granted by financial institutions. As at 31 May 2024, our bank borrowings are all interest bearing including RM0.55 million based on floating interest rates and RM0.16 million based on fixed interest rates. We incurred finance cost of RM0.08 million, RM0.03 million, RM0.05 million, RM0.06 million and RM0.01 million for FY 2020, FY 2021, FY 2022, FY 2023 and FP 2024 respectively.

In this respect, any increase in draw down of borrowings and/or interest rates may impact our financial performance. If we fail or encounter difficulties in meeting our financial

12. FINANCIAL INFORMATION (CONT'D)

obligations when they fall due, this will result in a financial distress condition which will affect our operations and financial performance. For the FY Under Review and FP 2024 and up to the LPD, we have not defaulted on any payments of either the principal or interests in relation to our borrowings.

(ix) Impact of inflation

Our business, financial condition or results of our operations for the FY Under Review and FP 2024 were not materially affected by the impact of inflation. However, there can be no assurance that future inflation would not have an impact on our business operations and financial performance.

(x) Impact of government / economic / fiscal / monetary policies

Our business is subject to risks relating to government, political, economic, fiscal or monetary policies and regulatory risks, geopolitical events, as well as occurrence of force majeure events in Malaysia. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect our operations in Malaysia. Please refer to Section 9.2.4 of this Prospectus for further details on this risk.

12.4 LIQUIDITY AND CAPITAL RESOURCES

(i) Working capital

Our business is financed by a combination of internal and external sources of funds. Internal sources of funds comprised cash generated from our business operations while our external sources of funds mainly consist of banking facilities from financial institutions. These funds are mainly used to finance our business operations and growth.

As at 31 May 2024, our cash and bank balances amounted to RM7.55 million and our total borrowings were RM0.71 million. As at 31 May 2024, our gearing ratio is 0.03 times and current ratio is 9.42 times. As at the LPD, we have banking facilities namely trade facilities of RM6.00 million, of which RM5.79 million has yet to be utilised.

Based on the above, expected cash flow to be generated from our operations, the amount that is available under our existing banking facilities, as well as proceeds to be raised from the Public Issue, our Board believes that we have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

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12. FINANCIAL INFORMATION (CONT'D)**(ii) Cash flow**

The following is the summary of our combined statements of cash flow for the FY Under Review and FP 2024. This should be read in conjunction with the Accountants' Report as set out in Section 14 of this Prospectus.

	FY 2020	FY 2021	FY 2022	FY 2023	FP 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	4,874	4,321	6,681	7,050	1,572
Net cash used for investing activities	(2,245)	(1,240)	(278)	(64)	(35)
Net cash used for financing activities	(1,648)	(2,157)	(6,573)	(2,299)	(124)
Net increase/(decrease) in cash and cash equivalents	981	924	(170)	4,687	1,413
Effects of foreign exchange translation	-	-	*	*	*
Cash and cash equivalents at the beginning	(284)	697	1,621	1,451	6,138
Cash and cash equivalents at the end	697	1,621	1,451	6,138	7,551
Details of the cash and cash equivalents:-					
Fixed deposits with licensed banks	515	524	533	550	550
Cash and bank balances	697	1,621	1,451	6,138	7,551
Bank overdrafts	*	*	*	*	-
	1,212	2,145	1,984	6,688	8,101
Less: Fixed deposits pledged to licensed banks	(515)	(524)	(533)	(545)	(545)
Less: Fixed deposits with tenure of more than 3 months	-	-	-	(5)	(5)
	697	1,621	1,451	6,138	7,551

* Less than RM1,000.

(a) Net cash from operating activities**FY 2020**

For the FY 2020, our net cash from operating activities was RM4.87 million after taking into account the following:

- decrease in trade and other receivables by RM2.51 million, mainly due to lower outstanding receivables balances of RM5.50 million as at FY 2020 arising from lower revenue and billings in FY 2020;

12. FINANCIAL INFORMATION (CONT'D)

- decrease in inventories by RM0.41 million, mainly due to the lower balances of inventories of RM1.28 million as at FY 2020 arising from decrease in purchases of materials and equipment in FY 2020 which was also reflected in the lower revenue in FY 2020 as mentioned above; and
- decrease in trade and other payables by RM0.23 million, mainly due to lower outstanding payables balances of RM0.91 million as at FY 2020 arising from lower purchases of materials and equipment in FY 2020 as mentioned above.

FY 2021

For the FY 2021, our net cash from operating activities was RM4.32 million after taking into account the following:

- increase in trade and other receivables by RM2.50 million, mainly due to the higher outstanding receivables balances of RM7.24 million as at FY 2021 as compared to RM5.50 million as at FY 2020. This was mainly due to higher revenue and billings in the last quarter of FY 2021; and
- increase in trade and other payables by RM0.17 million, mainly due to the higher outstanding payables balances of RM1.19 million as at FY 2021 compared to RM0.91 million as at FY 2020. This was mainly due to higher purchases of materials and equipment in the last quarter of FY 2021.

FY 2022

For the FY 2022, our net cash from operating activities was RM6.68 million after taking into account the following:

- increase in inventories by RM0.77 million mainly due to the higher purchases of materials and equipment in the last quarter of FY 2022 to meet the scheduled installations in the following months; and
- increase in trade and other payables by RM0.25 million, mainly due to the higher outstanding payables balances of RM1.45 million as at FY 2022 compared to RM1.19 million as at FY 2021. This was mainly due to higher purchases of materials and equipment in the last quarter of FY 2022 as mentioned above.

FY 2023

For the FY 2023, our net cash from operating activities was RM7.05 million after taking into consideration the following:

- increase in trade and other payables by RM1.95 million, mainly due to higher outstanding trade payable balances of RM2.61 million as at 31 December 2023 as compared to RM1.45 million as at 31 December 2022;
- increase in trade and other receivables by RM1.78 million, mainly due to increase in other receivables arising from prepayments mainly in IPO listing expenses; and
- increase in inventories by RM1.23 million, mainly due to higher purchases of materials and equipment in FY 2023.

12. FINANCIAL INFORMATION (CONT'D)

FP 2024

For the FP 2024, our net cash from operating activities was RM1.57 million after taking into consideration the following:

- decrease in trade and other payables by RM1.99 million, mainly due to lower outstanding trade payables balances of RM0.95 million as at 31 May 2024 as compared to RM2.61 million as at 31 December 2023;
- decrease in trade and other receivables by RM1.35 million, mainly due to lower outstanding trade receivables balances of RM5.84 million as at 31 May 2024 as compared to RM7.36 million as at 31 December 2023; and
- decrease in inventories by RM0.18 million as materials and equipment have been supplied to the project sites for installation as at 31 May 2024.

(b) Net cash used for investing activities**FY 2020**

For FY 2020, our net cash used for investing activities was RM2.25 million which was mainly attributed to RM2.85 million for the purchase of equipment, mainly for the installation of the hybrid solar thermal hot water system and retrofitting of LED lightings under the energy performance services. The net cash used was partially offset by the RM0.59 million received from the withdrawal of fixed deposits with licensed banks.

FY 2021

For FY 2021, our net cash used for investing activities was RM1.24 million mainly attributed to RM1.27 million used for the purchase of equipment mainly for the installation of the hybrid solar thermal hot water system and retrofitting of LED lighting under the energy performance services.

FY 2022

For FY 2022, our net cash used for investing activities was RM0.28 million mainly attributed to the purchase of a passenger car of RM0.23 million.

FY 2023

For FY 2023, our net cash used for investing activities was approximately RM64,000, mainly attributed to the purchase of property, plant and equipment amounting to approximately RM60,000 comprising the purchase of equipment mainly for the installation of solar PV systems at our Headquarters in Kajang, Selangor and 16 units of computers.

FP 2024

For FP 2024, our net cash used for investing activities was approximately RM35,000, and this was primarily attributed to the purchase of property, plant and equipment of approximately RM55,000 comprising mainly the purchase of equipment for the installation of solar PV systems, the purchase and installation of air conditioners and CCTV at our Headquarters in Kajang, Selangor, as well as the purchase of machinery such as measuring tools, and demo set to showcase our products. In addition, the net

12. FINANCIAL INFORMATION (CONT'D)

cash used for investing activities was also attributed to approximately RM7,000 for the registration of trademark for our “Tri-IO” brand. The net cash used was partially offset by the approximately RM27,000 of interest income received.

(c) Net cash used for financing activities**FY 2020**

For FY 2020, our net cash used for financing activities was RM1.65 million, mainly attributed to the net repayment of term loans of RM0.98 million as well as net repayment of banker’s acceptance of RM0.59 million. These banking facilities were used for working capital purposes.

FY 2021

For FY 2021, our net cash used for financing activities was RM2.16 million, mainly attributed to the interim dividend payment of RM2.00 million declared in FY 2021.

FY 2022

For FY 2022, our net cash used for financing activities was RM6.57 million, mainly attributed to the dividend payment of RM6.30 million including RM2.00 million of final dividend declared in FY 2021 and RM4.30 million of dividend declared in FY 2022.

FY 2023

For FY 2023, our net cash used for financing activities was RM2.30 million, mainly attributed to RM2.00 million from dividend payment and RM0.18 million used for the repayment of term loans.

FP 2024

For FP 2024, our net cash used for financing activities was RM0.12 million, mainly attributed to RM0.09 million used for the repayment of term loans and RM0.03 million used for the repayment of hire purchase.

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12. FINANCIAL INFORMATION (CONT'D)**(iii) Borrowings**

As at 31 May 2024, our bank borrowings are all interest bearing including RM0.55 million based on floating interest rates and RM0.16 million based on fixed interest rates. All our bank borrowings are denominated in RM. The breakdown of our bank borrowings is set out below:

		As at 31 May 2024			
Type of borrowings	Purpose	Effective interest rates (%)	Payable within 12 months	Payable after 12 months	Total
			RM'000	RM'000	
Term loans	Used for working capital purposes	3.50% - 4.55%	212	340	552
Hire purchase	Finance purchase of motor vehicles	4.18%	63	97	160
Total			275	437	712
Gearing ratio⁽¹⁾					0.03

* Less than RM1,000.

Note:

(1) Calculated based on total borrowings divided by total equity.

The maturity profile of our bank borrowings as at 31 May 2024 are set out below:

As at 31 May 2024				
Type of borrowings	Less than 1 year	1 to 5 years	More than 5 years	Total
	RM'000	RM'000	RM'000	
Term loan	212	266	74	552
Hire purchase	63	97	-	160
Total	275	363	74	712

Our Group has not defaulted on payments of either interest and/or principal sum in respect of any borrowings during the FY Under Review, FP 2024 and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities. As at the LPD, we are not in breach of any terms and conditions and covenants associated with credit arrangements or bank loans, which can materially affect our financial results, financial position or business operations, or the investments by holders of our Shares.

As at the LPD, we have banking facilities namely trade facilities of RM6.00 million, of which RM5.79 million has yet to be utilised. Save as disclosed above, our Group did not use any other credit facilities as at the LPD.

(iv) Treasury policies and objectives

Our Group has been funding our operations through cash generated from our business operations, and external sources of funds. The external sources of funds consist primarily

12. FINANCIAL INFORMATION (CONT'D)

of banking facilities from financial institutions. The normal credit terms granted by our suppliers range from 30 days to 60 days. As at the LPD, our Group's borrowings from financial institution mainly consist of term loan and bank overdrafts used for working capital purposes, as well as hire purchase used to finance the purchase of motor vehicles. The interest rates of our bank borrowings are based on the prevailing market rates as at the dates of the respective transactions. As at the LPD, our Group has banking facilities amounting to approximately RM6.00 million, of which RM5.79 million has yet to be fully utilised.

The main objective of our capital management is to maintain a strong credit rating and healthy capital ratio in order to support our business and maximise shareholders' value. We review and maintain our capital structure to maintain the debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

(v) Financial instruments for hedging purposes

For FY Under Review, FP 2024 and up to the LPD, our Group does not have any financial instrument for hedging purposes.

(vi) Financial guarantee contracts

As at the LPD, our financial guarantee contracts which comprised bank guarantees for performance bond of various projects for BMS as well as solar thermal systems and energy saving services and the details are as set out below:

	As at the LPD RM'000
Bank guarantee for performance bond:	
- Systems integration of BMS	172
- Maintenance of BMS and solar thermal hot water systems	39
Total	211

(vii) Contingent liabilities

As at the LPD, there is no indirect and/or material contingent liabilities incurred by our Group, which may have a substantial impact on the financial position of our Group.

(viii) Material litigation, claims or arbitration

Save as disclosed in Section 15.6 of this Prospectus, we are not involved in any legal action, proceeding, prosecution or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business or our financial position, and our Directors are not aware of any legal proceeding, pending or threatened, or of any fact to give rise to any legal proceeding which may have a material adverse effect on our business or financial position. Please refer to Section 15.6 of this Prospectus for further details on the material litigation.

12. FINANCIAL INFORMATION (CONT'D)**(ix) Material capital commitment**

Our capital commitment as at the LPD is as follow:

	Capital commitment RM'000	Source of funds	
		Internally generated funds/ borrowings RM'000	IPO proceeds RM'000
Approved and contracted for:			
Construction of new shop office in Kajang, Selangor	100	-	100
Approved but not contracted for:			
• Construction of new shop office in Kajang, Selangor	1,800	-	1,800
• Purchase new tools and equipment for our BMS and solar thermal systems and energy saving services	1,740	-	1,740
• Purchase ICT software and services to improve our business operations	782	-	782
Total	4,422	-	4,422

(x) Key financial ratios

Our key financial ratios for the FY Under Review and FP 2024 are as follows:

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FP 2024</u>
Average trade receivable turnover period (days) ⁽¹⁾	125	96	103	71	73
Average trade payable turnover period (days) ⁽²⁾	34	28	43	52	56
Average inventory turnover period (days) ⁽³⁾	62	54	75	78	118
Current ratio (times) ⁽⁴⁾	5.71	6.49	4.96	4.74	9.42
Gearing ratio (times) ⁽⁵⁾	0.08	0.08	0.07	0.04	0.03

Notes:

- (1) Computed based on average of the opening and closing net trade receivable over total revenue for the financial year/period and multiplied by 365 days/152 days for each financial year/period.
- (2) Computed based on average of the opening and closing net trade payables over total cost of sales for the financial year/period and multiplied by 365 days/152 days for each financial year/period.
- (3) Computed based on average of the opening and closing inventory over total cost of sales for the financial year/period and multiplied by 365 days/152 days for each financial year/period.
- (4) Computed based on the current assets over the current liabilities.
- (5) Computed based on the borrowings over the total equity.

12. FINANCIAL INFORMATION (CONT'D)**(a) Trade receivables turnover ratio**

A summary of our trade receivables for the FY Under Review and FP 2024 are set out as follows:

	FY 2020	FY 2021	FY 2022	FY 2023	FP 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	5,921	7,779	8,311	8,446	6,852
<i>Less: Allowance for impairment loss</i>	<i>(423)</i>	<i>(540)</i>	<i>(822)</i>	<i>(1,083)</i>	<i>(1,013)</i>
<i>Less: Retention sum</i>	<i>(1,580)</i>	<i>(1,919)</i>	<i>(2,274)</i>	<i>(2,182)</i>	<i>(2,409)</i>
Net trade receivables	3,918	5,320	5,215	5,181	3,430
Revenue (RM'000)	14,709	17,594	18,648	26,622	8,948
Average trade receivable turnover period (days) ⁽¹⁾	125	96	103	71	73

Note:

(1) Computed based on average of the opening and closing net trade receivable over total revenue for the financial year/period and multiplied by 365 days/152 days for each financial year/period. The average net trade receivables are calculated by adding the closing balance of trade receivables less allowance for impairment loss and retention sum of the financial year/period with that of the previous financial year, and dividing the total by 2, as follows:

	FY 2020	FY 2021	FY 2022	FY 2023	FP 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Opening net trade receivables	6,145	3,918	5,320	5,215	5,181
Closing net trade receivables	3,918	5,320	5,215	5,181	3,430
Average net trade receivables	5,032	4,619	5,268	5,198	4,306

We deal with our customers on credit terms and the credit terms granted to our customers are assessed and approved on case-to-case basis. The normal credit terms we grant to our customers range from 1 day to 60 days.

Our average trade receivables turnover period decreased from 125 days as at 31 December 2020 to 96 days as at 31 December 2021. This was mainly attributed to timely payments from our customers as reflected in the lower proportion of outstanding balances from our customers for the solar thermal systems and energy saving services segment on the back of higher revenue from this segment which increased by 175.12% in FY 2021.

Our average trade receivables turnover period increased from 96 days as at 31 December 2021 to 103 days as at 31 December 2022, mainly due to higher proportion of outstanding balances from our customers for the solar thermal hot water systems and energy saving services segment on the back of lower revenue from this segment which decreased by 30.36% in FY 2022. This was mainly due to the slow payments from our customers for the solar thermal hot water systems and energy saving services segment, mainly attributed to past due outstanding receivables from two major customers namely One Medicare Sdn Bhd and Customer D. As at the LPD, the remaining past due amounts

12. FINANCIAL INFORMATION (CONT'D)

(after deducting allowance for impairment loss of RM0.25 million due from Customer D) have been collected.

Our average trade receivables turnover period improved from 103 days as at 31 December 2022 to 71 days as at 31 December 2023, mainly due to timely payments from our customers for the BMS segment as reflected in the lower proportion of outstanding balances from our customers for the BMS segment on the back of higher revenue which increased by 58.84% in FY 2023.

Our average trade receivables turnover period increased from 71 days as at 31 December 2023 to 73 days as at 31 May 2024, mainly due to slower payment from a customer for the maintenance of other systems and equipment segment.

For the FY Under Review and FP 2024, our average trade receivable turnover period range between 71 days and 125 days which exceeded the normal credit terms granted to customers range between 1 to 60 days. This was mainly due to slow payments from some of our customers as follows:

- the past due outstanding receivables in FY 2020 were mainly from customers for BMS segment including construction companies, engineering company and building owner;
- the past due outstanding receivables for FY 2021 were mainly from customers for the BMS segment including construction companies, engineering company and facilities management company, as well as customers for the solar thermal hot water systems and energy saving services segment mainly concession companies;
- the past due outstanding receivables for FY 2022 were mainly from customers for the BMS segment including construction companies and building owner, as well as solar thermal hot water systems and energy saving services segment;
- the past due outstanding receivables for FY 2023 were mainly from customers for the BMS segment including construction companies and building owner, as well as customers for the solar thermal hot water systems and energy saving services segment mainly concession companies.
- the past due outstanding receivables for FP 2024 were mainly from a customer for the maintenance of other systems and equipment segment, as well as customers for the BMS segment including construction companies and building owners.

For the FY Under Review and FP 2024, the past due outstanding receivables accounted for 52.49%, 73.31%, 47.77%, 53.12% and 40.09% of our net trade receivables as at 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and 31 May 2024 respectively. As at the LPD, RM2.28 million or 66.50% of our net trade receivables as at 31 May 2024 has been subsequently collected.

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12. FINANCIAL INFORMATION (CONT'D)

The ageing analysis of our trade receivables as at 31 May 2024 and the subsequent collections up to the LPD are set out below:

	Exceeded Credit Period					Total
	Within				More	
	Credit	1-30	31-60	61-90	than 90	
	Period	days	days	days	days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	4,464	201	669	136	1,382	6,852
<i>Less: Allowance for impairment loss</i>	*	*	*	*	(1,012)	(1,013)
<i>Less: Retention sum</i>	(2,409)	-	-	-	-	(2,409)
Net trade receivables	2,055	201	668	136	370	3,430
<i>% of total net trade receivables</i>	59.91	5.86	19.48	3.97	10.78	100.00
Subsequent collections as at the LPD	(1,432)	(143)	(384)	(116)	(206)	(2,281)
Net trade receivables net of subsequent collections	623	58	284	20	164	1,149
<i>% of total net trade receivables net of subsequent collections</i>	54.22	5.05	24.72	1.74	14.27	100.00
	* Less than RM1,000.					

As at the LPD, RM2.28 million or 66.50% of our net trade receivables as at 31 May 2024 has been subsequently collected.

(b) Trade payables turnover ratio

A summary of our trade payables for the FY Under Review and FP 2024 are set out as follows:

	FY 2020	FY 2021	FY 2022	FY 2023	FP 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	914	1,190	1,451	2,614	945
<i>Less: Retention sum</i>	(349)	(446)	(331)	(241)	(300)
Net trade payables	565	744	1,120	2,373	645
Cost of sales	8,678	8,535	7,970	12,270	4,064
Average trade payable turnover period (days) ⁽¹⁾	34	28	43	52	56

Note:

(1) Computed based on average of the opening and closing net trade payables over total cost of sales for the financial year/period and multiplied by 365 days/152 days for each financial year/period. The average net trade payables are calculated by adding the closing balance of trade payables less retention sum of the financial year/period with that of the previous financial year, and dividing the total by 2, as follows:

12. FINANCIAL INFORMATION (CONT'D)

	FY 2020	FY 2021	FY 2022	FY 2023	FP 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>Opening net trade payables</i>	1,045	565	744	1,120	2,373
<i>Closing net trade payables</i>	565	744	1,120	2,373	645
<i>Average net trade payables</i>	805	655	932	1,747	1,509

We deal with our suppliers including subcontractors on credit terms and the normal credit terms granted to us range from 30 days to 60 days.

Our average trade payables turnover period improved from 34 days as at 31 December 2020 to 28 days as at 31 December 2021. This was mainly due to improvement in payments to our suppliers.

Our average trade payables turnover period increased from 28 days as at 31 December 2021 to 43 days as at 31 December 2022. This was mainly due to past due outstanding amount to our major suppliers. As at the LPD, the said outstanding amount has been settled.

Our average trade payables turnover period decreased from 43 days as at 31 December 2022 to 52 days as at 31 December 2023. This was mainly due to higher outstanding trade payables balances of RM2.61 million as at 31 December 2023 as compared to RM1.45 million as at 31 December 2022 arising from higher purchases of materials and equipment in FY 2023.

Our average trade payables turnover period increased from 52 days as at 31 December 2023 to 56 days as at 31 May 2024. This was mainly due to past due outstanding amount to our major suppliers. As at the LPD, we have settled RM0.49 million or 75.66% of the net trade payables as at 31 May 2024.

The ageing analysis of our trade payables as at 31 May 2024 and the subsequent payments up to the LPD are set out below:

	Exceeded Credit Period					Total
	Within				More	
	Credit	1-30	31-60	61-90	than 90	
	Period	days	days	days	days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	612	133	101	48	51	945
<i>Less: Retention sum</i>	<i>(300)</i>	-	-	-	-	<i>(300)</i>
Net trade payables	312	133	101	48	51	645
<i>% of total net trade payables</i>	<i>48.37</i>	<i>20.62</i>	<i>15.66</i>	<i>7.44</i>	<i>7.91</i>	<i>100.00</i>
Subsequent payments as at the LPD	(184)	(104)	(101)	(48)	(51)	(488)
Trade payables net of subsequent payments	128	29	-	-	-	157
<i>% of total trade payables net of subsequent payments</i>	<i>81.53</i>	<i>18.47</i>	-	-	-	<i>100.00</i>

12. FINANCIAL INFORMATION (CONT'D)

As at the LPD, we have settled RM0.49 million or 75.66% of the net trade payables as at 31 May 2024.

(c) Inventory turnover ratio

The breakdown of our inventories for the FY Under Review and FP 2024 are as follows:-

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FP 2024</u>
Inventory (RM'000)	1,277	1,243	2,011	3,240	3,059
Cost of sales (RM'000)	8,678	8,535	7,970	12,270	4,064
Average inventory turnover period (days) ⁽¹⁾	62	54	75	78	118

Note:

(1) Computed based on average of the opening and closing inventory over total cost of sales for the financial year/period and multiplied by 365 days/152 days for each financial year/period, as follows:

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FP 2024</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Opening inventories	1,688	1,277	1,243	2,011	3,240
Closing inventories	1,277	1,243	2,011	3,240	3,059
Average inventories	1,483	1,260	1,627	2,626	3,150

Our inventory comprises the materials and equipment for our business operations including ICT hardware and software, equipment and materials for the BMS segment, as well as equipment for the solar thermal hot water systems including solar thermal collector modules, solar pump and other pumps, and the solar thermal control systems.

Our average inventory turnover period decreased from 62 days as at 31 December 2020 to 54 days as at 31 December 2021, mainly due to the lower purchases of materials and equipment in FY 2021.

Our average inventory turnover period increased from 54 days as at 31 December 2021 to 75 days as at 31 December 2022. This was mainly due to the increase in purchases of materials and equipment in the last quarter of FY 2022 to meet the scheduled installations in the following months.

Our average inventory turnover period increased from 75 days as at 31 December 2022 to 78 days as at 31 December 2023, mainly due to higher purchases of materials and equipment in the last quarter of FY 2023.

Our average inventory turnover period increased from 78 days as at 31 December 2023 to 118 days as at 31 May 2024. This was mainly due to the higher proportion of inventory over cost of sales for the FP 2024 where the inventory of RM3.06 million as at 31 May 2024 mainly comprised materials and equipment including controllers and sensors which were carried forward from FY 2023 and these were mainly for our ongoing and new projects.

12. FINANCIAL INFORMATION (CONT'D)**(d) Current ratio**

The summary of our current ratio for the FY Under Review and FP 2024 are as follows:-

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FP 2024</u>
Current assets (RM'000)	8,999	11,599	11,833	19,245	19,516
Current liabilities (RM'000)	1,576	1,786	2,387	4,062	2,072
Current ratio (times) ⁽¹⁾	5.71	6.49	4.96	4.74	9.42

Note:

(1) Computed based on the current assets over the current liabilities.

As at 31 December 2021, our current ratio was 6.49 times which was higher compared to 5.71 times as at 31 December 2020. This was mainly due to the increase in our current assets by RM2.60 million mainly attributed to the increase in trade receivables, as well as higher cash and bank balances as at 31 December 2021.

As at 31 December 2022, our current ratio was 4.96 times which was lower compared to 6.49 times as at 31 December 2021. This was mainly due to the current tax liabilities of RM0.29 million as well as higher trade payables as at 31 December 2021.

As at 31 December 2023, our current ratio was 4.74 times which was lower compared to 4.96 times as at 31 December 2022. This was mainly due to the increase in our current liabilities arising from a higher outstanding trade payable balance of RM2.61 million as at 31 December 2023 as compared to RM1.45 million as at 31 December 2022. The decrease in current ratio was partially offset by an increase in current assets mainly arising from higher cash and bank balances of RM6.14 million as at 31 December 2023. As at 31 May 2024, our current ratio was 9.42 times which was higher compared to 4.74 times as at 31 December 2023. This was mainly due to the decrease in our current liabilities arising from lower outstanding trade payable balance of RM0.95 million as at 31 May 2024 as compared to RM2.61 million as at 31 December 2023.

(e) Gearing ratio

The summary of our gearing ratio for the FY Under Review and FP 2024 are as follows:-

	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>	<u>FP 2024</u>
Borrowings (RM'000)	1,099	1,287	1,062	823	712
Total equity (RM'000)	14,719	16,403	15,258	19,603	21,414
Gearing ratio (times) ⁽¹⁾	0.08	0.08	0.07	0.04	0.03

Note:

(1) Computed based on the borrowings over the total equity.

Our gearing ratio remained at 0.08 times as at 31 December 2021. This was mainly due to the increase of RM2.22 million in retained profits which increased from RM13.10 million as at 31 December 2020 to RM15.31 million as at 31 December 2021.

12. FINANCIAL INFORMATION (CONT'D)

Our gearing ratio improved to 0.07 times as at 31 December 2022 and this was mainly due to the decrease in outstanding bank borrowings to RM1.06 million as at 31 December 2022 compared to RM1.29 million as at 31 December 2021.

Our gearing ratio decreased to 0.04 times as at 31 December 2023 as compared to 0.07 times as at 31 December 2022. This was mainly due to an increase in retained profits by RM4.35 million and a decrease in outstanding bank borrowings by RM0.24 million in FY 2023.

Our gearing ratio decreased to 0.03 times as at 31 May 2024 as compared to 0.04 times as at 31 December 2023. This was mainly due to the increase in retained profits by RM1.81 million and a decrease in outstanding bank borrowings by RM0.11 million in FP 2024.

12.5 ACCOUNTING POLICIES AND AUDIT QUALIFICATION

There was no accounting policy adopted which is peculiar to our Group because of the nature of our business or the industry we operate in during the FY Under Review and FP 2024. The Accountants' Report did not contain any audit qualification for the FY Under Review and FP 2024.

12.6 TREND ANALYSIS

As at the LPD, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources, save as disclosed in this section and Sections 7 and 9 of this Prospectus;
- (ii) material commitment for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and Sections 7 and 9 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save as disclosed in this section and Sections 7 of this Prospectus; and
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not indicative of the future financial performance and position, save as disclosed in this Section and Sections 7 and 9 of this Prospectus.

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12. FINANCIAL INFORMATION (CONT'D)**12.7 ORDER BOOK**

As at the LPD, we have a total unbilled order book of RM22.78 million, the details of which are set out below:

By business segment	Unbilled order book as at the LPD RM'000	Expected timeline to be recognised		
		FY 2024 RM'000	FY 2025 RM'000	FY 2026 RM'000
BMS	15,513	10,561	4,827	125
- System integration of BMS	13,808	9,825	3,983	-
- Maintenance of BMS	1,705	736	844	125
Solar thermal systems and energy saving services	3,944	2,602	1,273	69
- Energy performance services	3,698	2,548	1,150	-
- Maintenance of solar thermal hot water and cooling systems	246	54	123	69
Maintenance of other systems and equipment	3,327	3,305	22	-
- Gas fired chillers	2,699	2,677	22	-
- Chilled water system	628	628	-	-
Total	22,784	16,468	6,122	194

As at the LPD, out of the unbilled order book of RM13.81 million for the system integration of BMS, approximately 71.15% or RM9.83 million is expected to be recognised as revenue in FY 2024. These projects are expected to be completed between FY 2024 and FY 2025.

12.8 DIVIDEND POLICY

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

Our ability to distribute dividends to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for the working capital of our business. Our ability to declare and pay dividends is subject to the discretion of our Board. Our Directors will take into consideration, among others, the following factors when recommending or declaring any dividends:

- (i) the availability of adequate reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments;

12. FINANCIAL INFORMATION (CONT'D)

- (iii) our anticipated future operating conditions and expansion taking into consideration projected capital expenditure and investment plans;
- (iv) our working capital requirements;
- (v) any contractual restrictions and/or commitments; and
- (vi) prior written consent from financial institutions, where required.

As at the LPD, save for any applicable financial covenants (in particular, the financial institutions' consent for declaration of dividends from our subsidiaries in Malaysia to us) and the Act, and subject to the availability of distributable profits and reserves, there are no dividend restrictions imposed on us or our Subsidiaries. The existing financial covenants would not affect the future dividend payments of our Company.

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

The dividends declared and paid by our Group for the FY Under Review and FP 2024 are set out below:

	FY 2020 RM'000	FY 2021 RM'000	FY 2022 RM'000	FY 2023 RM'000	FP 2024 RM'000
Dividends declared	-	4,000	4,300	2,000	-
Dividends paid	-	2,000	⁽²⁾ 6,300	2,000	-
PAT	1,984	4,225	5,184	6,345	1,811
Dividend payout ratio ⁽¹⁾	-	47.34%	121.53%	31.52%	-

Notes:

(1) Computed as dividends paid divided by PAT.

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

The dividends declared and paid for the FY 2021, FY 2022 and FY 2023 were funded via internally generated funds.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modification (including non-declaration) thereof at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that further dividends declared by our Board, if any, will not differ materially from historical dividend levels.

Save as disclosed above, there are no other Pre-IPO Dividends to be declared and to be paid up to the date of the Listing.

12. FINANCIAL INFORMATION (CONT'D)**12.9 CAPITALISATION AND INDEBTEDNESS**

The following table sets out our Group's capitalisation and indebtedness:

- (i) our unaudited statements of financial position as at 30 June 2024; and
- (ii) after adjusted for our IPO and utilisation of proceeds arising from the IPO.

	Audited as at 31 May 2024 RM'000	Unaudited as at 30 June 2024 RM'000	After our IPO and use of proceeds RM'000
Indebtedness ⁽¹⁾			
<u>Current</u>			
Term loans	212	212	212
Bank overdraft	-	*	*
Hire purchases	63	64	64
Total Current	275	276	276
<u>Non-current</u>			
Term loans	340	322	322
Hire purchases	97	90	90
Total Non-current	437	412	412
Total indebtedness	712	688	688
Capitalisation			
Shareholders' equity	21,414	22,061	62,856
Total capitalisation	21,414	22,061	62,856
Total capitalisation and indebtedness	22,126	22,749	63,544
Gearing ratio ⁽²⁾	0.03	0.03	0.01

(*) Less than RM500

Notes:

(1) All of our indebtedness is either secured and/or guaranteed.

(2) Computed based on based on the borrowings over the total equity.

Our shareholders' equity increased by RM40.80 million as a result of the issue of new IPO Shares.

Total indebtedness will remain the same after the IPO as there is no portion of the IPO proceeds intended to be utilised for repayment of bank borrowings.

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13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION



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Date: 02 AUG 2024

The Board of Directors
Solar District Cooling Group Berhad
 Wisma SDC, No. 25, Jalan Kajang Perdana 3/2,
 Taman Kajang Perdana,
 43000 Kajang,
 Selangor Darul Ehsan.

Dear Sirs/Madam,

SOLAR DISTRICT COOLING GROUP BERHAD (“SDCG” OR “THE COMPANY”) REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of Pro Forma Combined Statements of Financial Position of SDCG and its subsidiaries (collectively known as “the Group”) as at 31 May 2024 and the related notes (as set out in Appendix A which we have stamped for the purpose of identification) prepared by the Board of Directors of the Company for inclusion in the prospectus in connection with the listing of and quotation for the entire issued share capital of SDCG on the ACE Market of Bursa Malaysia Securities Berhad (“**Listing**”).

The applicable criteria on the basis of which the Board of Directors of the Company has compiled the Pro Forma Combined Statements of Financial Position are described in Note 3 of Appendix A. The Pro Forma Combined Statements of Financial Position are prepared in accordance with the requirements Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia (“the Prospectus Guidelines”) and the Guidance Note for issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants (“Guidance Note”).

The Pro Forma Combined Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions as set out in Note 5 of Appendix A as if the events have occurred or the transactions have been undertaken on 31 May 2024. As part of this process, information about the Group’s financial position as at 31 May 2024 has been extracted by the Board of Directors of Company from the audited financial statements of the Company and its combining entities as at 31 May 2024.

THE BOARD OF DIRECTORS’ RESPONSIBILITIES

The Board of Directors of the Company is responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis as set out in Note 3 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

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13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)



REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

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

Our firm applies International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines issued by the Securities Commission Malaysia, about whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis as set out in Note 3 of Appendix A and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Company has compiled, in all material respects, the Pro Forma Combined Statements of Financial Position on the basis set out in Note 3 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Combined Statements of Financial Position.

The purpose of Pro Forma Combined Statements of Financial Position included in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)



REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)

A reasonable assurance engagement to report on whether the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis set out in Note 3 of Appendix A and in accordance with the requirements of the Prospectus Guidelines, involves performing procedures to assess whether the applicable criteria used by the Board of Directors of the Company in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Combined Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Combined Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Combined Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, Pro Forma Combined Statements of Financial Position of the Group have been compiled, in all material respects, on the basis set out in Note 3 of Appendix A and in accordance with the requirements of the Prospectus Guidelines.

OTHER MATTER

This letter has been prepared solely for the purpose of inclusion in the prospectus of SDCG, in connection with the Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

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

Kuala Lumpur

Ung Voon Huay
03233/09/2024 J
Chartered Accountant

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024

	Note	SDCG Audited As at 31 May 2024 RM'000	SDC* Audited As at 31 May 2024 RM'000	Acquisition of SDC RM'000	Pro Forma 1 After Acquisition of SDC RM'000	Public Issue RM'000	Pro Forma 2 After Pro Forma 1 and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma 3 After Pro Forma 2 and Utilisation of Proceeds RM'000
ASSETS									
NON-CURRENT ASSETS									
Property, plant and equipment		-	4,400	-	4,400	-	4,400	-	4,400
Intangible asset		-	7	-	7	-	7	-	7
		-	4,407	-	4,407	-	4,407	-	4,407
CURRENT ASSETS									
Inventories		-	3,059	-	3,059	-	3,059	-	3,059
Trade receivables		-	5,839	-	5,839	-	5,839	-	5,839
Other receivables, deposits and prepayments		-	2,140	-	2,140	-	2,140	-	2,140
Amount owing by SDCG		-	19	(19)	-	-	-	-	-
Current tax assets		-	377	-	377	-	377	-	377
Fixed deposits with licensed banks		-	550	-	550	-	550	-	550
Cash and bank balances	6.1	#	7,551	-	7,551	45,095	52,646	(4,300)	48,346
		#	19,535	(19)	19,516	45,095	64,611	(4,300)	60,311
TOTAL ASSETS		#	23,942	(19)	23,923	45,095	69,018	(4,300)	64,718

Notes:-

(*) - Extracted from the SDC's Consolidated Financial Statements for the financial period ended 31 May 2024.

(#) - Amount represents RM100.

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024 (CONT'D)

	Notes	SDCG Audited As at 31 May 2024 RM'000	SDC* Audited As at 31 May 2024 RM'000	Acquisition of SDC RM'000	Pro Forma 1 After Acquisition of SDC RM'000	Public Issue RM'000	Pro Forma 2 After Pro Forma 1 and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma 3 After Pro Forma 2 and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES									
EQUITY									
Share capital	6.2	#	1,000	14,258	15,258	45,095	60,353	(1,762)	58,591
Merger deficit	6.3	-	-	(14,258)	(14,258)	-	(14,258)	-	(14,258)
(Accumulated losses)/Retained profits	6.4	(27)	20,441	-	20,414	-	20,414	(2,538)	17,876
TOTAL EQUITY		(27)	21,441	-	21,414	45,095	66,509	(4,300)	62,209
LIABILITIES									
NON-CURRENT LIABILITIES									
Hire purchase payables		-	97	-	97	-	97	-	97
Term loans		-	340	-	340	-	340	-	340
		-	437	-	437	-	437	-	437

Notes:-

(*) - Extracted from the SDC's Consolidated Financial Statements for the financial period ended 31 May 2024.

(#) - Amount represents RM100.

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024 (CONT'D)

	SDCG Audited As at 31 May 2024 RM'000	SDC* Audited As at 31 May 2024 RM'000	Acquisition of SDC RM'000	Pro Forma 1 After Acquisition of SDC RM'000	Public Issue RM'000	Pro Forma 2 After Pro Forma 1 and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma 3 After Pro Forma 2 and Utilisation of Proceeds RM'000
CURRENT LIABILITIES								
Trade payables	-	945	-	945	-	945	-	945
Other payables and accruals	8	844	-	852	-	852	-	852
Amount owing to SDC	19	-	(19)	-	-	-	-	-
Hire purchase payables	-	63	-	63	-	63	-	63
Term loans	-	212	-	212	-	212	-	212
	27	2,064	(19)	2,072	-	2,072	-	2,072
TOTAL LIABILITIES	27	2,501	(19)	2,509	-	2,509	-	2,509
TOTAL EQUITY AND LIABILITIES	#	23,942	(19)	23,923	45,095	69,018	(4,300)	64,718

Note:-

(*) - Extracted from the SDC's Consolidated Financial Statements for the financial period ended 31 May 2024.

(#) - Amount represents RM100.

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024 (CONT'D)

	SDCG Audited As at 31 May 2024	SDC* Audited As at 31 May 2024	Acquisition of SDC	Pro Forma 1 After Acquisition of SDC	Public Issue	Pro Forma 2 After Pro Forma 1 and Public Issue	Utilisation of Proceeds	Pro Forma 3 After Pro Forma 2 and Utilisation of Proceeds
Share capital (RM'000)	#	1,000	14,258	15,258	45,095	60,353	(1,762)	58,591
Merger deficit (RM'000)	-	-	(14,258)	(14,258)	-	(14,258)	-	(14,258)
(Accumulated losses)/Retained profits (RM'000)	(27)	20,441	-	20,414	-	20,414	(2,538)	17,876
Net Assets (NA)/Total equity attributable to owners of the Company (RM'000)	(27)	21,441	-	21,414	45,095	66,509	(4,300)	62,209
Number of shares ('000)	^	1,000	305,152	305,152	118,670	423,822	-	423,822
NA per Share (RM)	-	21.44	-	0.07	0.38	0.16	-	0.15
Total borrowings (RM'000)	-	712	-	712	-	712	-	712
Gearing (times)	-	0.03	-	0.03	-	0.01	-	0.01

Notes:-

(*) - Extracted from the SDC's Consolidated Financial Statements for the financial period ended 31 May 2024.

(#) - Amount represents RM100.

(^)- At 25 April 2023 (date of incorporation), SDCG issued 100 Shares at RM1 each.

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024

1. ABBREVIATIONS

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

Abbreviations

SDCG or the Company	: Solar District Cooling Group Berhad Registration No.: 202301015665 (1509587-U)
SDCG Group or the Group	: Solar District Cooling Group Berhad and its subsidiaries Kejuruteraan Efektif Dinamik Sdn. Bhd. Registration No.: 201401042378 (1118545-H) Solar District Cooling Sdn. Bhd. Registration No.: 200301004597 (607017-T)
SDC	: Solar District Cooling Sdn. Bhd.
KED	: Kejuruteraan Efektif Dinamik Sdn. Bhd.
Acquisition of SDC	: Acquisition by the Company of the entire issued share capital of SDC from the shareholders of SDC, namely Edison Kong and Eileen Liuk, for a total purchase consideration of RM15,257,618, which was entirely satisfied by the issuance of 305,152,360 new Shares at an issue price of RM0.05 per Share. The Acquisition of SDC was completed on 15 July 2024.
IPO	: Initial public offering of the Shares in conjunction with the Listing, comprising the Public Issue
Listing	: Admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of SDCG on the ACE Market of Bursa Securities
SDCG Shares or Shares	: Ordinary shares in SDCG
SSA	: Share Sale Agreement
FYE	: Financial year ended
Public Issue	: The public issue of 118,670,000 new Shares at the IPO Price
RM and Sen	: Ringgit Malaysia and sen, respectively
Vendors	: Collectively, Edison Kong and Eileen Liuk
LPD	: 29 July 2024, being the latest practicable date

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD**NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024 (CONT'D)****2. INTRODUCTION**

The Pro Forma Combined Statements of Financial Position as at 31 May 2024 together with the notes thereon, for which the Board of Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus in connection with the Listing and should not be relied upon for any other purposes.

3. BASIS OF PREPARATION

The Pro Forma Combined Statements of Financial Position as at 31 May 2024 is prepared based on the audited consolidated statements of financial position of the Group as at 31 May 2024 which, was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the financial statements and accounting policies of the Group.

The financial statements used in the preparation of these pro forma statements of financial position were not subject to any audit qualification, modification, disclaimer of opinion or emphasis of matter.

The Pro Forma Combined Statements of Financial Position together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 5 to the Pro Forma Combined Statements of Financial Position had the events occurred or transactions been undertaken on 31 May 2024. The Pro Forma Combined Statements of Financial Position are not necessarily indicative of the financial positions that would have been attained had the Listing actually occurred at the respective dates.

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024 (CONT'D)

4. LISTING SCHEME

4.1 Acquisition of SDC

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

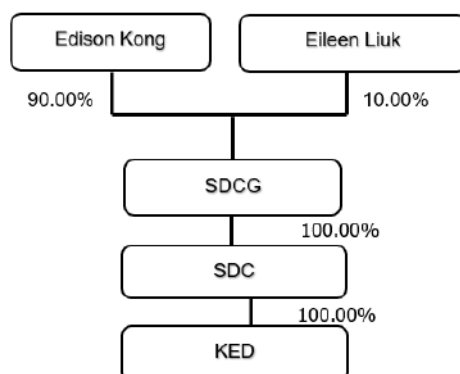
Vendors	No. of shares acquired	% of share capital	Purchase consideration (RM)	No of new Shares issued
Edison Kong	900,000	90.00	13,731,856	274,637,124
Eileen Liuk	100,000	10.00	1,525,762	30,515,236
Total	1,000,000	100.00	15,257,618	305,152,360

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

The Acquisition of SDC was completed on 15 July 2024. Following the completion of the Acquisition of SDC, SDC and its subsidiary, KED became the wholly-owned subsidiaries of SDCG.

The Group structure after the Acquisition and before the Listing are illustrated as follows:

After the Acquisition of SDC and before the Listing



The Acquisition of SDC was completed on 15 July 2024. Following the completion, SDC and its subsidiary, KED became the wholly-owned subsidiaries of SDCG. As at the LPD, the Group does not have any other subsidiary company, joint-venture or associated company.

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD**NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024 (CONT'D)****4. LISTING SCHEME (CONT'D)**

The following proposals will be undertaken in conjunction with, and as an integral part of the Listing:

4.2 Public Issue

The Public Issue of 118,670,000 Issue Shares, representing approximately 28.00% of the enlarged total number of Shares of SDCG at an issue price of RM0.38 per Share allocated in the following manner:-

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

4.3 Listing

The admission of the listing of and quotation for the entire enlarged issued share capital of SDCG of RM60,352,318 comprising 423,822,460 Shares on the ACE Market of Bursa Malaysia Securities Berhad.

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024 (CONT'D)

5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

5.1 Pro Forma 1

Pro Forma 1 incorporates the effects of the Acquisition of SDC as set out in Note 4.1 to the pro forma statements of financial position.

5.2 Pro Forma 2

Pro Forma 2 incorporates the effects of Pro Forma 1 and Public Issue as set out in Note 4.2 to the pro forma statements of financial position.

5.3 Pro Forma 3

Pro Forma 3 incorporates the effects of Pro Forma 2 and the utilisation of proceeds from Public Issue. The proceeds from the Public Issue will be utilised as follows:-

Details of use of proceeds	Amount of proceeds		Estimated timeframe for the use of proceeds from the date of Listing
	RM'000	%	
Expansion of our Headquarters #	1,900	4.21	Within 24 Months
Tender bonds and/or performance bonds for future projects #	5,000	11.09	Within 24 Months
Purchase of materials for BMS segment, and solar thermal systems and energy saving services segment #	18,700	41.47	Within 36 months
General working capital #	12,673	28.10	Within 36 months
Capital expenditure #	2,522	5.59	Within 36 months
Estimated listing expenses ^{*A}	4,300	9.54	Within 3 months
	45,095	100.00	

Notes:-

- As at the LPD, these utilisations of proceeds are not adjusted in the Pro Forma 3 to the statements of financial position as they are not supported by any purchase order or any other contractual binding agreement, and hence, they remained in the cash and bank balances.

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

^A - The estimated listing expenses of RM1,762,000 directly attributable to the Public Issue will be set off against share capital and the remaining estimated listing expenses of RM2,538,000 that is attributable to the Listing will be expensed off to statements of profit or loss and other comprehensive income.

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024 (CONT'D)

6. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

6.1 Cash and bank balances

	RM'000
As at 31 May 2024/Pro Forma 1	7,551
Pursuant to Public Issue	45,095
As per Pro Forma 2	52,646
Pursuant to Utilisation of Proceeds - Estimated listing expenses [^]	(4,300)
As per Pro Forma 3	48,346

6.2 Share capital

	Number of ordinary shares '000	Amount of share capital RM'000
As at 31 May 2024*	-	-
Add: Ordinary shares issued pursuant to the Acquisition of SDC	305,152	15,258
As per Pro Forma 1	305,152	15,258
Pursuant to Public Issue	118,670	45,095
As per Pro Forma 2	423,822	60,353
Pursuant to Utilisation of Proceeds - Estimated listing expenses [^]	-	(1,762)
As per Pro Forma 3	423,822	58,591

6.3 Merger deficit

	RM'000
As at 31 May 2024	-
Pursuant to Acquisition of SDC	(14,258)
As per Pro Forma 1, 2 and 3	(14,258)

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 MAY 2024 (CONT'D)

6. EFFECTS ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

6.4 Retained profits

	RM'000
As at 31 May 2024/Pro Forma 1 and 2	20,414
Pursuant to Utilisation of Proceeds	
- Estimated listing expenses [^]	(2,538)
	<hr/>
As per Pro Forma 3	<u>17,876</u>

Notes:-

[^] - The estimated listing expenses of RM1,762,000 directly attributable to the Public Issue will be set off against share capital and the remaining estimated listing expenses of RM2,538,000 that is attributable to the Listing will be expensed off to the statements of profit or loss and other comprehensive income.

* - At 25 April 2023 (date of incorporation), SDCG issued 100 Shares at RM1 each.

13. REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

Appendix A

SOLAR DISTRICT COOLING GROUP BERHAD

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Solar District Cooling Group Berhad in accordance with a resolution dated **02 AUG 2024**

On behalf of the Board of Directors,



Kong Kam Onn



Liuk Ing Hong

14. ACCOUNTANTS' REPORT

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

Date: **02 AUG 2024**

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

Dear Sirs

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

OPINION

We have audited the financial information contained in the Accountants' Report of Solar District Cooling Group Berhad ("SDCG") and its combining entity, Solar District Cooling Sdn Bhd ("SDC") and its subsidiary (collectively known as the "Group"), which comprises the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and 31 May 2024 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial year ended ("FYE") 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and for the financial period ended ("FPE") 31 May 2024 and notes to the combined financial statements, including a summary of material accounting policy information as set out on pages 4 to 97.

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

In our opinion, the accompanying financial information gives a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and 31 May 2024, and of its financial performance and cash flows for the FYE 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and for the FPE 31 May 2024 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards.

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

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

Independence and Other Ethical Responsibilities

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL INFORMATION

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL INFORMATION

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

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

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

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

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

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

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

RESTRICTION ON DISTRIBUTION AND USE

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

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

Kuala Lumpur

Ung Voon Huay
03233/09/2024 J
Chartered Accountant

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

	Note	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	5	7,846,111	7,979,094	6,616,266	4,972,236	4,400,327
Intangible asset	6	-	-	-	-	6,908
TOTAL ASSETS		7,846,111	7,979,094	6,616,266	4,972,236	4,407,235
Inventories	7	1,276,427	1,243,475	2,010,534	3,240,212	3,058,762
Trade receivables	8	5,497,207	7,238,674	7,488,655	7,363,140	5,838,647
Other receivables, deposits, and prepayments	9	190,126	831,175	319,142	1,892,423	2,140,360
Current tax assets		822,045	140,912	30,102	60,799	376,534
Fixed deposits with licensed banks	10	515,384	523,989	532,740	549,849	549,849
Cash and bank balances		697,256	1,620,555	1,451,140	6,138,407	7,551,329
		8,998,445	11,598,780	11,832,313	19,244,830	19,515,481
TOTAL ASSETS		16,844,556	19,577,874	18,448,579	24,217,066	23,922,716

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

	Note	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
EQUITY AND LIABILITIES						
EQUITY						
Share capital	11	-	-	-	100	100
Invested capital	11	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Retained profits		13,096,009	15,312,259	14,257,618	18,602,723	20,414,088
Equity attributable to owners of the Company		14,096,009	16,312,259	15,257,618	19,602,823	21,414,188
Non-controlling interests		83,018	91,347	-	-	-
TOTAL EQUITY		14,179,027	16,403,606	15,257,618	19,602,823	21,414,188
NON-CURRENT LIABILITIES						
Hire purchase payables	12	-	240,508	185,078	123,195	96,502
Term loans	13	906,844	817,581	619,291	429,012	339,791
Deferred tax liabilities	14	182,768	330,058	-	-	-
		1,089,612	1,388,147	804,369	552,207	436,293
CURRENT LIABILITIES						
Trade payables	15	914,487	1,189,812	1,450,811	2,614,022	944,676
Other payables and accruals	16	469,532	367,558	385,734	1,173,354	852,443
Hire purchase payables	12	-	54,400	58,807	61,884	63,166
Term loans	13	191,885	174,340	198,378	208,875	211,950
Bank overdrafts	17	13	11	536	10	-
Current tax liabilities		-	-	292,326	3,891	-
		1,575,917	1,786,121	2,386,592	4,062,036	2,072,235
TOTAL LIABILITIES		2,665,529	3,174,268	3,190,961	4,614,243	2,508,528
TOTAL EQUITY AND LIABILITIES		16,844,556	19,577,874	18,448,579	24,217,066	23,922,716

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

	Note	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
REVENUE	18	14,709,259	17,593,728	18,647,539	26,621,655	8,948,077
COST OF SALES		(8,678,348)	(8,535,347)	(7,970,063)	(12,269,326)	(4,063,592)
GROSS PROFIT		6,030,911	9,058,381	10,677,476	14,352,329	4,884,485
OTHER INCOME		23,423	360,390	41,796	25,272	27,211
ADMINISTRATIVE EXPENSES		(3,105,711)	(2,816,623)	(3,623,483)	(5,033,595)	(2,333,380)
OTHER EXPENSES		(118,886)	(161,516)	(306,412)	(343,545)	(117,604)
FINANCE COSTS		(81,297)	(32,812)	(47,913)	(59,748)	(12,762)
NET IMPAIRMENT GAIN/(LOSSES) ON FINANCIAL ASSET	19	12,438	(117,225)	(282,422)	(260,719)	70,095
PROFIT BEFORE TAXATION	20	2,760,878	6,290,595	6,459,042	8,679,994	2,518,045
INCOME TAX EXPENSE	21	(776,685)	(2,066,016)	(1,275,030)	(2,334,889)	(706,680)
PROFIT AFTER TAXATION		1,984,193	4,224,579	5,184,012	6,345,105	1,811,365
OTHER COMPREHENSIVE INCOME		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		1,984,193	4,224,579	5,184,012	6,345,105	1,811,365

14. ACCOUNTANTS' REPORT (CONT'D)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

		Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
	Note					
PROFIT AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-						
Owners of the Company		1,999,052	4,216,250	5,194,991	6,345,105	1,811,365
Non-controlling interests		(14,859)	8,329	(10,979)	-	-
		1,984,193	4,224,579	5,184,012	6,345,105	1,811,365
EARNINGS PER SHARE (SEN):						
- Basic	22	199.91	421.63	519.50	634.45	181.12
- Diluted	22	199.91	421.63	519.50	634.45	181.12

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

	Note	Share Capital RM	Invested Capital RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
Audited						
Balance at 1.1.2020		-	900,000	11,196,957	97,877	12,194,834
Profit after taxation/Total comprehensive income for the financial year		-	-	1,999,052	(14,859)	1,984,193
Contributions by owners of the Company:						
- Issuance of shares		-	100,000	(100,000)	-	-
Balance at 31.12.2020/1.1.2021		-	1,000,000	13,096,009	83,018	14,179,027
Profit after taxation/Total comprehensive income for the financial year		-	-	4,216,250	8,329	4,224,579
Distributions to owners of the Company:						
- Dividend	23	-	-	(2,000,000)	-	(2,000,000)
Balance at 31.12.2021/1.1.2022		-	1,000,000	15,312,259	91,347	16,403,606
Profit after taxation/Total comprehensive income for the financial year		-	-	5,194,991	(10,979)	5,184,012
Distributions to owners of the Company:						
- Dividend	23	-	-	(6,300,000)	-	(6,300,000)
Acquisition of non-controlling interests	24	-	-	50,368	(80,368)	(30,000)
Balance at 31.12.2022/1.1.2023		-	1,000,000	14,257,618	-	15,257,618

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

	Note	Share Capital RM	Invested Capital RM	Retained Profits RM	Non-controlling Interests RM	Total Equity RM
Audited						
Balance at 1.1.2023		-	1,000,000	14,257,618	-	15,257,618
Incorporation of the Company	11	100	-	-	-	100
Profit after taxation/Total comprehensive income for the financial year		-	-	6,345,105	-	6,345,105
Distributions to owners of the Company: - Dividend	23	-	-	(2,000,000)	-	(2,000,000)
Balance at 31.12.2023/1.1.2024		100	1,000,000	18,602,723	-	19,602,823
Profit after taxation/Total comprehensive income for the financial period		-	-	1,811,365	-	1,811,365
Balance at 31.5.2024		100	1,000,000	20,414,088	-	21,414,188

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

Note	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation	2,760,878	6,290,595	6,459,042	8,679,994	2,518,045
Adjustments for:-					
Bad debt written off	5,108	-	-	71,654	-
Depreciation of property, plant and equipment	825,830	1,448,601	1,673,084	1,703,631	627,088
Amortisation of intangible asset	-	-	-	-	300
Impairment losses on trade receivables	297,044	117,225	282,422	260,719	-
Interest expenses	81,297	32,812	47,913	59,748	12,762
Reversal of impairment losses on trade receivables	(309,482)	-	-	-	(70,095)
Gain on disposal of property, plant and equipment	-	(30,447)	(32,000)	-	-
Unrealised loss/(gain) on foreign exchange	5,677	(926)	(160)	(110)	(65)
Property, plant and equipment written off	-	-	-	21	-
Interest income	(23,423)	(8,605)	(8,751)	(12,740)	(27,146)
Operating profit before working capital changes	3,642,929	7,849,255	8,421,550	10,762,917	3,060,889
Decrease/(Increase) in inventories	411,736	32,952	(767,059)	(1,229,678)	181,450
Decrease/(Increase) in trade and other receivables	2,514,281	(2,498,815)	(20,370)	(1,780,139)	1,346,651
(Decrease)/Inrease in trade and other payables	(228,268)	173,351	249,175	1,950,831	(1,990,257)
CASH FROM OPERATIONS	6,340,678	5,556,743	7,883,296	9,703,931	2,598,733
Income tax refunded	-	130,179	-	26,114	248,001
Income tax paid	(1,466,737)	(1,367,772)	(1,201,952)	(2,680,135)	(1,274,307)
NET CASH FROM OPERATING ACTIVITIES	4,873,941	4,319,150	6,681,344	7,049,910	1,572,427

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

		Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
	Note					
CASH FLOWS FOR INVESTING ACTIVITIES						
Interest received		8,039	-	-	-	27,146
Additions of fixed deposits with tenure more than 3 months		-	-	-	(4,369)	-
Acquisition of intangible asset		-	-	-	-	(7,208)
Purchase of property, plant and equipment	25(a)	(2,846,200)	(1,269,584)	(310,256)	(59,622)	(55,179)
Proceeds from disposal of property, plant and equipment		-	30,447	32,000	-	-
Withdrawal of fixed deposits with licensed banks		593,229	-	-	-	-
NET CASH FOR INVESTING ACTIVITIES		<u>(2,244,932)</u>	<u>(1,239,137)</u>	<u>(278,256)</u>	<u>(63,991)</u>	<u>(35,241)</u>
CASH FLOWS FOR FINANCING ACTIVITIES						
Proceeds from issuance of ordinary shares:						
- the Company		-	-	-	100	-
Net repayment of banker's acceptance	25(b)	(590,000)	-	-	-	-
Drawdown of term loans	25(b)	2,299,454	-	-	-	-
Repayment of term loans	25(b)	(3,275,923)	(106,808)	(174,252)	(179,782)	(86,146)
Repayment of hire purchase payables	25(b)	-	(17,092)	(51,023)	(58,806)	(25,411)
Dividend paid	23	-	(2,000,000)	(6,300,000)	(2,000,000)	-
Interest paid		(81,297)	(32,812)	(47,913)	(59,748)	(12,762)
NET CASH FOR FINANCING ACTIVITIES		<u>(1,647,766)</u>	<u>(2,156,712)</u>	<u>(6,573,188)</u>	<u>(2,298,236)</u>	<u>(124,319)</u>

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

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
Note					
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	981,243	923,301	(170,100)	4,687,683	1,412,867
EFFECTS OF FOREIGN EXCHANGE TRANSLATION	-	-	160	110	65
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD	<u>(284,000)</u>	<u>697,243</u>	<u>1,620,544</u>	<u>1,450,604</u>	<u>6,138,397</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	25(c) <u>697,243</u>	<u>1,620,544</u>	<u>1,450,604</u>	<u>6,138,397</u>	<u>7,551,329</u>

14. ACCOUNTANTS' REPORT (CONT'D)

1. GENERAL INFORMATION

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

SDCG was incorporated for the purpose of acquiring Solar District Cooling Sdn. Bhd. ("SDC") pursuant to the acquisition as disclosed in Note 31 to the financial statements and to embark on the listing of and quotation for the entire issued share capital of SDCG on the Ace Market of Bursa Securities.

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

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

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

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

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

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

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

(a) Acquisition of SDC by SDCG

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

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

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

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

On 6 June 2024, the Company obtained conditional approval from Bursa Securities for its listing on the ACE Market of Bursa Securities. The Acquisition of SDC was completed on 15 July 2024.

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14. ACCOUNTANTS' REPORT (CONT'D)

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

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

(i) Public Issue

The Public Issue of 118,670,000 new Shares ("Public Issue Shares"), representing approximately 28% of the enlarged total number of Shares of Solar District Cooling Group Berhad at an issue price of RM0.38 per Share allocated in the following manner:-

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

(ii) The Listing

The admission of the listing of and quotation for the entire enlarged issued share capital of Solar District Cooling Group Berhad of RM60,352,318 comprising 423,822,460 Shares on the ACE Market of Bursa Malaysia Securities Berhad.

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14. ACCOUNTANTS' REPORT (CONT'D)

3. BASIS OF PREPARATION

The combined entities are SDCG and SDC (collectively the "Group"). The combined financial statements of the Group have been prepared as if the Group has been operating as a single economic entity throughout the financial year ended 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and the financial period ended 31 May 2024, since the combining entities were under common control throughout the financial years/period under review by virtue of common controlling shareholders.

FYE 31 DECEMBER 2020, 2021, 2022, 2023 AND FPE 31 MAY 2024

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

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

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

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

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

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14. ACCOUNTANTS' REPORT (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

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

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

MFRS 17: Insurance Contracts

Amendments to MFRS 17: Insurance Contracts

Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 - Comparative Information

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112: International Tax Reform - Pillar Two Model Rules

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

Amendments to MFRS 101: Disclosure of Accounting Policies

The Amendments to MFRS 101 'Disclosure of Accounting Policies' did not result in any changes to the existing accounting policies of the Group. However, the amendments require the disclosure of 'material' rather than 'significant' accounting policies and provide guidance on how entities apply the concept of materiality in making decisions about the material accounting policy disclosures. The Group has made updates to the accounting policies presented in Note 4 to the combined financial statements in line with the amendments.

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

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

	Effective Date
Amendments to MFRS 16: Lease Liability in Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of exchangeability	1 January 2025
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

14. ACCOUNTANTS' REPORT (CONT'D)

4. MATERIAL ACCOUNTING POLICY INFORMATION

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

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

(a) Depreciation of Property, Plant and Equipment

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

(b) Impairment of Property, Plant and Equipment

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

(c) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 7 to the combined financial statements.

(d) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 8 to the combined financial statements.

14. ACCOUNTANTS' REPORT (CONT'D)**4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Key Sources of Estimation Uncertainty (Cont'd)***(e) Impairment of Non-Trade Receivables**

The loss allowances for non-trade financial assets are based on assumptions about risk of default (probability of default) and expected loss if a default happens (loss given default). It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amount of other receivables as at the reporting date is disclosed in Note 9 to the combined financial statements.

(f) Revenue Recognition for Construction Contracts

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

(g) Income Taxes

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

Critical Judgements Made in Applying Accounting Policies

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

(a) Lease Terms

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

14. ACCOUNTANTS' REPORT (CONT'D)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.2 BASIS OF COMBINATION

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

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

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

(a) Business Combinations

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

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

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

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

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

14. ACCOUNTANTS' REPORT (CONT'D)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.2 BASIS OF COMBINATION (CONT'D)

(b) Merger Accounting for Common Control Business Combinations

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

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

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

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

(c) Non-controlling Interests

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

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

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

14. ACCOUNTANTS' REPORT (CONT'D)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.2 BASIS OF COMBINATION (CONT'D)

(e) Loss of Control

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

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

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

4.3 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

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

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

(b) Foreign Currency Transactions and Balances

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

14. ACCOUNTANTS' REPORT (CONT'D)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.4 FINANCIAL INSTRUMENTS

(a) Financial Assets

Financial Assets Through Profit or Loss

The financial assets are initially measured at fair value. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest and dividend income.

Financial Assets at Amortised Cost

The financial assets are initially measured at fair value plus transaction costs except for trade receivables without significant financing component which are measured at transaction price only. Subsequent to the initial recognition, all financial assets are measured at amortised cost less any impairment losses.

Financial Assets Through Other Comprehensive Income

The Group has elected to designate the equity instruments as financial assets through other comprehensive income at initial recognition.

The financial assets are initially measured at fair value plus transaction costs. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes taken up in other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference of a debt instrument which are recognised directly in profit or loss. The fair value changes do not include interest and dividend income.

(b) Financial Liabilities

Financial Liabilities Through Profit or Loss

The financial liabilities are initially measured at fair value. Subsequent to the initial recognition, the financial liabilities are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest expense.

Financial Liabilities at Amortised Cost

The financial liabilities are initially measured at fair value less transaction costs. Subsequent to the initial recognition, the financial liabilities are measured at amortised cost.

(c) Equity

Ordinary Shares

Ordinary shares are recorded on initial recognition at the proceeds received less directly attributable transaction costs incurred. The ordinary shares are not remeasured subsequently.

14. ACCOUNTANTS' REPORT (CONT'D)**4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****4.5 PROPERTY, PLANT AND EQUIPMENT**

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

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

Freehold land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over the estimated useful lives. The principal annual depreciation rates are:-

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

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

4.6 INTANGIBLE ASSET

Intangible asset is initially measured at cost. Subsequent to the initial recognition, the intangible asset is measured at cost less accumulated amortisation and any accumulated impairment losses.

Intangible Asset with Definite Useful Lives

The intangible asset is amortised using the straight-line method to allocate their depreciable amounts over the following periods:-

Trademark	5 years
-----------	---------

4.7 INVENTORIES

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

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

14. ACCOUNTANTS' REPORT (CONT'D)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

4.8 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

(a) Sales of Parts

Revenue from sale of parts is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Rendering of Maintenance Services

Revenue from providing maintenance services is recognised over time in the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. As a practical expedient, the Group recognises revenue on a straight-line method over the period of service.

Customers are invoiced on a monthly basis and consideration is payable when invoiced.

14. ACCOUNTANTS' REPORT (CONT'D)

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)**4.8 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)****(c) Construction Services**

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

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

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

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

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

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

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

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

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

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

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

Audited	At 1.1.2023 RM	Additions RM	Written off RM	Depreciation Charges RM	At 31.12.2023 RM
31.12.2023					
<i>Carrying Amount</i>					
Freehold office building	2,622,612	-	-	(17,000)	2,605,612
Computers	48,284	16,710	-	(18,036)	46,958
Furniture and fittings	2,904	927	-	(1,522)	2,309
Office equipment	19,007	-	-	(5,275)	13,732
Machineries	6,312	8,152	-	(2,807)	11,657
Motor vehicles	461,315	-	-	(144,171)	317,144
Renovation	100,221	-	-	(19,066)	81,155
Concession assets	3,355,611	-	(21)	(1,495,754)	1,859,836
Capital work in progress	-	33,833	-	-	33,833
	6,616,266	59,622	(21)	(1,703,631)	4,972,236

14. ACCOUNTANTS' REPORT (CONT'D)

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

Audited	At 1.1.2024 RM	Additions RM	Transfers RM	Depreciation Charges RM	At 31.5.2024 RM
<i>31.5.2024</i>					
<i>Carrying Amount</i>					
Freehold office building	2,605,612	-	-	(7,083)	2,598,529
Computers	46,958	2,246	-	(7,131)	42,073
Furniture and fittings	2,309	3,090	-	(279)	5,120
Office equipment	13,732	14,584	-	(3,191)	25,125
Machineries	11,657	14,561	-	(1,790)	24,428
Motor vehicles	317,144	-	-	(45,635)	271,509
Renovation	81,155	-	-	(7,945)	73,210
Concession assets	1,859,836	-	-	(552,216)	1,307,620
Solar PV system	-	-	54,531	(1,818)	52,713
Capital work in progress	33,833	20,698	(54,531)	-	-
	4,972,236	55,179	-	(627,088)	4,400,327

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

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

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

Audited	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
31.12.2023			
Freehold office building	2,724,612	(119,000)	2,605,612
Computers	119,782	(72,824)	46,958
Furniture and fittings	24,662	(22,353)	2,309
Office equipment	89,543	(75,811)	13,732
Machineries	16,604	(4,947)	11,657
Motor vehicles	1,029,872	(712,728)	317,144
Renovation	190,664	(109,509)	81,155
Concession assets	6,497,868	(4,638,032)	1,859,836
Capital work in progress	33,833	-	33,833
	10,727,440	(5,755,204)	4,972,236

Audited**31.5.2024**

Freehold office building	2,724,612	(126,083)	2,598,529
Computers	122,028	(79,955)	42,073
Furniture and fittings	27,752	(22,632)	5,120
Office equipment	104,127	(79,002)	25,125
Machineries	31,165	(6,737)	24,428
Motor vehicles	1,029,872	(758,363)	271,509
Renovation	190,664	(117,454)	73,210
Concession assets	6,497,868	(5,190,248)	1,307,620
Solar PV system	54,531	(1,818)	52,713
	10,782,619	(6,382,292)	4,400,327

- (a) The freehold office building of the Group has been charged as security for banking facilities granted to the Group as disclosed in Notes 13(b) and 17(a) to the combined financial statements.
- (b) Included in the property, plant and equipment of the Group were motor vehicles with a total carrying amount of RM118,175 (31.12.2023 - RM144,643; 31.12.2022 - RM208,165; 31.12.2021 - RM271,687; 31.12.2020 - Nil) held under hire purchase arrangements. These assets are secured against the hire purchase payables of the Group as disclosed in Note 12(a) to the combined financial statements.

14. ACCOUNTANTS' REPORT (CONT'D)

6. INTANGIBLE ASSET

	At 1.1.2024 RM	Additions RM	Amortisation Charges RM	At 31.5.2024 RM
Audited				
31.5.2024				
<i>Carrying Amount</i>				
Trademark	-	7,208	(300)	6,908

	At Cost RM	Accumulated Amortisation RM	Carrying Amount RM
Audited			
31.5.2024			
Trademark	7,208	(300)	6,908

The amortisation charge is recognised in profit of loss under the "Other Expenses" line item.

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14. ACCOUNTANTS' REPORT (CONT'D)**7. INVENTORIES**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Trading goods	1,276,427	1,243,475	2,010,534	3,240,212	3,058,762
Recognised in profit or loss:- Inventories recognised as cost of sales	3,367,281	2,888,562	3,354,080	7,669,553	1,826,502

8. TRADE RECEIVABLES

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Trade receivables	5,919,836	7,778,528	8,310,931	8,446,135	6,851,547
Allowance for impairment losses	(422,629)	(539,854)	(822,276)	(1,082,995)	(1,012,900)
	5,497,207	7,238,674	7,488,655	7,363,140	5,838,647
Allowance for impairment losses:-					
At beginning of the financial year/period	(450,087)	(422,629)	(539,854)	(822,276)	(1,082,995)
Addition during the financial year/period	(297,044)	(117,225)	(282,422)	(260,719)	-
Reversal during the financial year/period	309,482	-	-	-	70,095
Written off during the financial year/period	15,020	-	-	-	-
At end of the financial year/period	(422,629)	(539,854)	(822,276)	(1,082,995)	(1,012,900)

14. ACCOUNTANTS' REPORT (CONT'D)**8. TRADE RECEIVABLES (CONT'D)**

- (a) The Group's normal trade credit terms range from 1 to 90 (31.12.2023 - 1 to 60; 31.12.2022 - 1 to 60; 31.12.2021 - 1 to 60; 31.12.2020 - 1 to 60) days. Other credit terms are assessed and approved on a case-by-case basis.
- (b) Included in the trade receivables are retention sums totaling RM2,409,409 (31.12.2023 - RM2,182,134; 31.12.2022 - RM2,273,766; 31.12.2021 - RM1,919,349; 31.12.2020 - RM1,580,031). These retention sums are expected to be collected within the periods of 30 to 365 (31.12.2023 - 30 to 365; 31.12.2022 - 30 to 365; 31.12.2021 - 30 to 365; 31.12.2020 - 30 to 365) days.
- (c) Included in the trade receivables was amount owing by a former related party totaling RM635,000 as at 31.12.2021 and RM285,763 as at 31.12.2020. The amount owing was subsequently settled in cash.

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Other receivables:-					
Third parties	1,786	1,817	2,612	2,813	8,439
Advances to suppliers	70,000	619,055	71,680	-	4,265
	71,786	620,872	74,292	2,813	12,704
Deposits	118,340	196,413	243,422	494,802	211,956
Prepayments	-	13,890	1,428	1,394,808	1,915,700
	<u>190,126</u>	<u>831,175</u>	<u>319,142</u>	<u>1,892,423</u>	<u>2,140,360</u>

The advances to suppliers will be offset against invoices to be issued by suppliers.

14. ACCOUNTANTS' REPORT (CONT'D)

10. FIXED DEPOSITS WITH LICENSED BANKS

- (a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 2.26% to 2.80% (31.12.2023 - 2.55% to 2.60%; 31.12.2022 - 2.25% to 2.55%; 31.12.2021 - 1.55% to 1.85%; 31.12.2020 - 1.55% to 1.85%;) per annum. The fixed deposits have maturity period of 365 (31.12.2023 - 365; 31.12.2022 - 365; 31.12.2021 - 365; 31.12.2020 - 365) days.
- (b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period were an amount of RM545,369 (31.12.2023 - RM545,369; 31.12.2022 - RM532,740; 31.12.2021 - RM523,989; 31.12.2020 - RM515,384) which have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 17(a) to the combined financial statements.

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14. ACCOUNTANTS' REPORT (CONT'D)

11. SHARE CAPITAL AND INVESTED CAPITAL

	Audited 31.12.2020	Audited 31.12.2021	Audited 31.12.2022	Audited 31.12.2023	Audited 31.5.2024
	-----Number of Shares-----				
Issued and Fully Paid-Up					
Ordinary Shares					
At beginning of the financial year/period	900,000	1,000,000	1,000,000	1,000,000	1,000,100
Issuance of new shares by SDC	100,000	-	-	-	-
Incorporation of the Company	-	-	-	100	-
At end of the financial year/period	1,000,000	1,000,000	1,000,000	1,000,100	1,000,100
Companies:-					
The Company	-	-	-	100	100
SDC	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
At end of the financial year/period	1,000,000	1,000,000	1,000,000	1,000,100	1,000,100
	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Issued and Fully Paid-Up					
Ordinary Shares					
At beginning of the financial year/period	900,000	1,000,000	1,000,000	1,000,000	1,000,100
Issuance of new shares by SDC	100,000	-	-	-	-
Incorporation of the Company	-	-	-	100	-
At end of the financial year/period	1,000,000	1,000,000	1,000,000	1,000,100	1,000,100

14. ACCOUNTANTS' REPORT (CONT'D)**11. SHARE CAPITAL AND INVESTED CAPITAL (CONT'D)**

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

12. HIRE PURCHASE PAYABLES

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
At beginning of the financial year/period	-	-	294,908	243,885	185,079
Additions	-	312,000	-		
Interest expense recognised in profit or loss	-	4,094	12,480	10,469	3,454
Repayment of principal	-	(17,092)	(51,023)	(58,806)	(25,411)
Repayment of interest expense	-	(4,094)	(12,480)	(10,469)	(3,454)
At end of the financial year/period	<u>-</u>	<u>294,908</u>	<u>243,885</u>	<u>185,079</u>	<u>159,668</u>
Analysed by:-					
Current liabilities	-	54,400	58,807	61,884	63,166
Non-current liabilities	-	240,508	185,078	123,195	96,502
	<u>-</u>	<u>294,908</u>	<u>243,885</u>	<u>185,079</u>	<u>159,668</u>

- (a) The hire purchase payables of the Group are secured by the Group's motor vehicles under hire purchase arrangements as disclosed in Note 5(b) to the financial statements. The hire purchase arrangements are expiring within 2 to 3 (31.12.2023 - 3 to 4; 31.12.2022 - 4 to 5; 31.12.2021 - 5 to 6; 31.12.2020 - Nil) years.
- (b) The hire purchase payables of the Group at the end of the reporting period bore effective interest rate of 4.18% (31.12.2023 - 4.18%; 31.12.2022 - 4.18%; 31.12.2021 - 4.18%; 31.12.2020 - Nil) per annum. The interest rate is fixed at the inception of the hire purchase arrangements.

14. ACCOUNTANTS' REPORT (CONT'D)**13. TERM LOANS**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Current liabilities	191,885	174,340	198,378	208,875	211,950
Non-current liabilities	906,844	817,581	619,291	429,012	339,791
	1,098,729	991,921	817,669	637,887	551,741

- (a) The term loans of the Group at the end of the reporting period bore effective interest rates ranging from 3.50% to 4.55% (31.12.2023 - 3.50% to 4.55%; 31.12.2022 - 3.30% to 3.50%; 31.12.2021 - 3.35% to 3.56%; 31.12.2020 - 3.60% to 4.67%) per annum.
- (b) The term loans are secured by:-
- (i) a first party open charge under National Land Code of 1965 over the Group's and the Company's freehold office building as disclosed in Note 5(a) to the financial statements; and
 - (ii) a guarantee from Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP").

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14. ACCOUNTANTS' REPORT (CONT'D)

14. DEFERRED TAX LIABILITIES

	At 1.1.2020 RM	Recognised In Profit or Loss (Note 21) RM	At 31.12.2020 RM
Audited			
31.12.2020			
<i>Deferred Tax Liability</i>			
Property, plant and equipment	14,154	168,614	182,768

	At 1.1.2021 RM	Recognised In Profit or Loss (Note 21) RM	At 31.12.2021 RM
Audited			
31.12.2021			
<i>Deferred Tax Liability</i>			
Property, plant and equipment	182,768	147,290	330,058

	At 1.1.2022 RM	Recognised In Profit or Loss (Note 21) RM	At 31.12.2022 RM
Audited			
31.12.2022			
<i>Deferred Tax Liability</i>			
Property, plant and equipment	330,058	(330,058)	-

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

14. ACCOUNTANTS' REPORT (CONT'D)

15. TRADE PAYABLES

- (a) The normal trade credit terms granted to the Group range from 30 to 90 (31.12.2023 - 30 to 60; 31.12.2022 - 30 to 60; 31.12.2021 - 30 to 60; 31.12.2020 - 30 to 60) days.
- (b) Included in the trade payables are retention sums totalling RM299,605 (31.12.2023 - RM241,364; 31.12.2022 - RM330,639; 31.12.2021 - RM446,493; 31.12.2020 - RM348,867). The retention sums are expected to be settled within the periods ranging from 30 to 365 (31.12.2023 - 30 to 365; 31.12.2022 - 30 to 365; 31.12.2021 - 30 to 365; 31.12.2020 - 30 to 365) days.
- (c) Included in the trade payables were amount owing to related parties totaling RM186,790 as at 31.12.2021 and RM108,790 as at 31.12.2020. The amounts owing were settled in cash.

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14. ACCOUNTANTS' REPORT (CONT'D)**16. OTHER PAYABLES AND ACCRUALS**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Other payables	47,697	28,404	104,437	150,988	157,420
Accruals	421,835	339,154	281,297	1,022,366	695,023
	469,532	367,558	385,734	1,173,354	852,443

17. BANK OVERDRAFTS

- (a) The bank overdrafts of the Group are secured by a fixed charge over certain of the Group's property, plant and equipment and fixed deposits with licensed banks as disclosed in Notes 5(a) and 10(b) to the combined financial statements.
- (b) The bank overdrafts of the Group at the end of the reporting period bore floating interest rates ranging from 4.60% to 7.35% (31.12.2023 - 7.10% to 7.40%; 31.12.2022 - 7.10% to 7.40%; 31.12.2021 - 3.60% to 6.95%; 31.12.2020 - 6.10% to 7.17%) per annum.

14. ACCOUNTANTS' REPORT (CONT'D)

18. REVENUE

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
Revenue from Contracts with Customers					
<u>Revenue recognised at a point in time</u>					
Sales of parts	511,569	322,230	265,667	1,103,409	29,762
<u>Revenue recognised over time</u>					
Construction contracts	11,732,697	15,174,580	15,909,287	23,297,028	7,794,842
Maintenance services	2,464,993	2,096,918	2,472,585	2,221,218	1,123,473
	14,197,690	17,271,498	18,381,872	25,518,246	8,918,315
	<u>14,709,259</u>	<u>17,593,728</u>	<u>18,647,539</u>	<u>26,621,655</u>	<u>8,948,077</u>
<u>Represented by geographical markets:-</u>					
Malaysia	14,334,378	17,408,201	18,586,195	26,478,519	8,931,822
Singapore	374,881	185,527	-	-	16,255
Brunei	-	-	61,344	143,136	-
	<u>14,709,259</u>	<u>17,593,728</u>	<u>18,647,539</u>	<u>26,621,655</u>	<u>8,948,077</u>

14. ACCOUNTANTS' REPORT (CONT'D)**19. NET IMPAIRMENT (GAIN)/LOSSES ON FINANCIAL ASSET**

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
Impairment losses on trade receivables (Note 8)	297,044	117,225	282,422	260,719	-
Reversal of impairment losses on trade receivables (Note 8)	(309,482)	-	-	-	(70,095)
	(12,438)	117,225	282,422	260,719	(70,095)

20. PROFIT BEFORE TAXATION

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
Profit before taxation is arrived after charging/(crediting):-					
Auditors' remuneration:					
- audit fees:					
- current financial year	22,000	22,000	35,000	29,000	-
- overprovision in the previous financial year	-	-	-	(5,000)	-
- non-audit fees	-	-	-	27,000	25,000
Material Expenses/(Income)					
Bad debts written off	5,108	-	-	71,654	-
Depreciation of property, plant and equipment	825,830	1,448,601	1,673,084	1,703,631	627,088
Amortisation of intangible asset	-	-	-	-	300

14. ACCOUNTANTS' REPORT (CONT'D)**20. PROFIT BEFORE TAXATION (CONT'D)**

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
Profit before taxation is arrived after charging/(crediting):- (Cont'd)					
Material Expenses/(Income) (Cont'd)					
Directors' remuneration (Note 26)					
- salaries, bonuses and allowances	469,692	433,980	519,515	533,580	248,780
- defined contribution benefits	79,800	79,800	97,185	99,560	46,740
- others	1,847	1,847	1,847	2,278	965
Interest expense on financial liabilities that are not at fair value through profit or loss:					
- banker's acceptances	11,086	-	-	-	-
- bank overdrafts	7,549	128	30	305	110
- term loans	62,662	28,590	35,403	48,974	9,198
- hire purchase payables	-	4,094	12,480	10,469	3,454
Short-term lease expenses	11,400	16,600	33,860	21,350	2,850
Loss/(Gain) on foreign exchange:					
- realised	1,163	14,599	26,717	63,993	42,432
- unrealised	5,677	(926)	(160)	(110)	(65)
Staff costs:					
- short-term employee benefits	1,325,683	1,249,829	1,666,184	2,562,331	1,316,838
- defined contribution benefits	161,829	164,526	186,463	275,074	141,762
- others	172,976	231,433	190,392	324,766	148,827
Gain on disposal of property, plant and equipment	-	(30,447)	(32,000)	-	-
Property, plant and equipment written off	-	-	-	21	-
Interest income on financial assets that are not at fair value through profit or loss:					
- deposits from licensed banks	(23,423)	(8,605)	(8,751)	(12,740)	(27,146)

14. ACCOUNTANTS' REPORT (CONT'D)**21. INCOME TAX EXPENSE**

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
Current tax expense	575,500	1,500,000	1,687,000	2,330,260	706,680
Under/(Over)provision in the previous financial year	32,571	418,726	(81,912)	4,629	-
	<u>608,071</u>	<u>1,918,726</u>	<u>1,605,088</u>	<u>2,334,889</u>	<u>706,680</u>
Deferred tax (Note 14):					
- origination and reversal of temporary differences	136,694	(13,832)	(33,255)	-	-
- under/(over)provision in the previous financial year	31,920	161,122	(296,803)	-	-
	<u>168,614</u>	<u>147,290</u>	<u>(330,058)</u>	<u>-</u>	<u>-</u>
	<u><u>776,685</u></u>	<u><u>2,066,016</u></u>	<u><u>1,275,030</u></u>	<u><u>2,334,889</u></u>	<u><u>706,680</u></u>

14. ACCOUNTANTS' REPORT (CONT'D)**21. INCOME TAX EXPENSE (CONT'D)**

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

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
Profit before taxation	2,760,878	6,290,595	6,459,042	8,679,994	2,518,045
Tax at the statutory tax rate of 24%	662,611	1,509,743	1,550,170	2,083,199	604,331
Tax effects of:-					
Non-deductible expenses	74,676	25,100	29,989	50,178	19,703
Differential in tax rates	(42,000)	(42,000)	(42,000)	(64,740)	(45,280)
Deferred tax assets not recognised during the financial year	16,907	-	115,586	268,185	127,926
Utilisation of deferred tax assets not recognised in the previous year	-	(6,675)	-	(6,562)	-
Under/(Over)provision in the previous financial year:					
- current tax	32,571	418,726	(81,912)	4,629	-
- deferred tax	31,920	161,122	(296,803)	-	-
	<u>776,685</u>	<u>2,066,016</u>	<u>1,275,030</u>	<u>2,334,889</u>	<u>706,680</u>

The corporate tax rate of the Group on the first RM150,000 (31.12.2023 - RM150,000; 31.12.2022 - RM600,000; 31.12.2021 - RM600,000; 31.12.2020 - RM600,000) of chargeable income is 15% (31.12.2023 - 15%; 31.12.2022 - 17%; 31.12.2021 - 17%; 31.12.2020 - 17%) and RM150,001 to RM600,000 (31.12.2023 - RM150,001 to RM600,000; 31.12.2022 - n/a; 31.12.2021 - n/a; 31.12.2020 - n/a) of chargeable income is 17% (31.12.2023 - 17%; 31.12.2022 - n/a; 31.12.2021 - n/a; 31.12.2020 - n/a). The tax rate applicable to the balance of the chargeable income is 24% (31.12.2023 - 24%; 31.12.2022 - 24%; 31.12.2021 - 24%; 31.12.2020 - 17%).

14. ACCOUNTANTS' REPORT (CONT'D)**21. INCOME TAX EXPENSE (CONT'D)**

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

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Accelerated capital allowances	(251)	(531,210)	(369,289)	581,316	1,066,825
Unabsorbed capital allowances	289	-	36	-	-
Unused tax losses	112,362	84,780	121,243	-	363,476
Unrealised exchange gains	-	(926)	(160)	(110)	(65)
Provision	7,910	539,854	822,276	1,082,995	1,012,900
	<u>120,310</u>	<u>92,498</u>	<u>574,106</u>	<u>1,664,201</u>	<u>2,443,136</u>

22. EARNINGS PER SHARE

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Profit after taxation attributable to owners of the Company	<u>1,999,052</u>	<u>4,216,250</u>	<u>5,194,991</u>	<u>6,345,105</u>	<u>1,811,365</u>
Weighted average number of ordinary shares in issue:-					
Ordinary shares at 1 January	900,000	1,000,000	1,000,000	1,000,000	1,000,100
Effect of new ordinary shares issued	100,000	-	-	100	-
At 31 December/1 May	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,100</u>	<u>1,000,100</u>
Basic earning per share (sen)	<u>199.91</u>	<u>421.63</u>	<u>519.50</u>	<u>634.45</u>	<u>181.12</u>

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

14. ACCOUNTANTS' REPORT (CONT'D)**23. DIVIDENDS**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Ordinary Shares					
Final dividend of RM2.00 per ordinary share in respect of the previous financial year	-	-	2,000,000	-	-
Interim dividend of RM2.00 per ordinary share in respect of the current financial year	-	2,000,000	2,000,000	2,000,000	-
Second interim dividend of RM2.30 per ordinary share in respect of the current financial year	-	-	2,300,000	-	-
	<u>-</u>	<u>2,000,000</u>	<u>6,300,000</u>	<u>2,000,000</u>	<u>-</u>

24. ACQUISITION OF NON-CONTROLLING INTERESTS

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

14. ACCOUNTANTS' REPORT (CONT'D)**25. CASH FLOW INFORMATION**

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

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
Cost of Property, plant and equipment purchased (Note 5)	2,846,200	1,581,584	310,256	59,622	55,179
Less: Acquired through hire purchase arrangement (Note 25(b))	-	(312,000)	-	-	-
	<u>2,846,200</u>	<u>1,269,584</u>	<u>310,256</u>	<u>59,622</u>	<u>55,179</u>
Cost of intangible asset purchased (Note 6)	-	-	-	-	<u>7,208</u>

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14. ACCOUNTANTS' REPORT (CONT'D)**25. CASH FLOW INFORMATION (CONT'D)**

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

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

14. ACCOUNTANTS' REPORT (CONT'D)**25. CASH FLOW INFORMATION (CONT'D)**

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

Audited	Term Loans RM	Hire Purchase Payables RM	Banker's Acceptance RM	Total RM
31.12.2022				
At 1 January	991,921	294,908	-	1,286,829
<u>Changes in Financing Cash Flows</u>				
Repayment of principal	(174,252)	(51,023)	-	(225,275)
Repayment of interests	(35,403)	(12,480)	-	(47,883)
	(209,655)	(63,503)	-	(273,158)
<u>Other Changes</u>				
Interest expense recognised in profit or loss	35,403	12,480	-	47,883
At 31 December	817,669	243,885	-	1,061,554
31.12.2023				
At 1 January	817,669	243,885	-	1,061,554
<u>Changes in Financing Cash Flows</u>				
Repayment of principal	(179,782)	(58,806)	-	(238,588)
Repayment of interests	(48,974)	(10,469)	-	(59,443)
	(228,756)	(69,275)	-	(298,031)
<u>Other Changes</u>				
Interest expense recognised in profit or loss	48,974	10,469	-	59,443
At 31 December	637,887	185,079	-	822,966

14. ACCOUNTANTS' REPORT (CONT'D)**25. CASH FLOW INFORMATION (CONT'D)**

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

Audited	Term Loans RM	Hire Purchase Payables RM	Banker's Acceptance RM	Total RM
31.5.2024				
At 1 January	637,887	185,079	-	822,966
<u>Changes in Financing Cash Flows</u>				
Repayment of principal	(86,146)	(25,411)	-	(111,557)
Repayment of interests	(9,198)	(3,454)	-	(12,652)
	(95,344)	(28,865)	-	(124,209)
<u>Other Changes</u>				
Interest expense recognised in profit or loss	9,198	3,454	-	12,652
At 31 May	551,741	159,668	-	711,409

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14. ACCOUNTANTS' REPORT (CONT'D)**25. CASH FLOW INFORMATION (CONT'D)**

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

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Fixed deposits with licensed banks	515,384	523,989	532,740	549,849	549,849
Cash and bank balances	697,256	1,620,555	1,451,140	6,138,407	7,551,329
Bank overdrafts	(13)	(11)	(536)	(10)	-
	<u>1,212,627</u>	<u>2,144,533</u>	<u>1,983,344</u>	<u>6,688,246</u>	<u>8,101,178</u>
Less: Fixed deposits pledged to licensed banks (Note 10)	(515,384)	(523,989)	(532,740)	(545,369)	(545,369)
Less: Fixed deposit with tenure of more than 3 months (Note 10)	-	-	-	(4,480)	(4,480)
	<u>697,243</u>	<u>1,620,544</u>	<u>1,450,604</u>	<u>6,138,397</u>	<u>7,551,329</u>

14. ACCOUNTANTS' REPORT (CONT'D)**26. KEY MANAGEMENT PERSONNEL COMPENSATION**

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

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

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
(a) Directors					
Short-term employee benefits:					
- salaries, bonuses and other benefits	471,539	435,827	521,362	535,858	249,745
Defined contribution benefits	79,800	79,800	97,185	99,560	46,740
	<u>551,339</u>	<u>515,627</u>	<u>618,547</u>	<u>635,418</u>	<u>296,485</u>
(b) Other Key Management Personnel					
Short-term employee benefits	142,246	142,246	172,596	442,276	198,731
Defined contribution benefits	16,848	16,848	20,496	49,596	24,420
	<u>159,094</u>	<u>159,094</u>	<u>193,092</u>	<u>491,872</u>	<u>223,151</u>

14. ACCOUNTANTS' REPORT (CONT'D)**27. RELATED PARTY DISCLOSURES**

(a) Identities of Related Parties

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

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

(b) Significant Related Party Transactions and Balances

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

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
Sales to former related parties	298,243	587,884	-	-	-
Purchases from former related parties	377,490	642,000	1,440,834	199,270	-

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

14. ACCOUNTANTS' REPORT (CONT'D)

28. OPERATING SEGMENTS

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

The Group is organised into 3 main reportable segments as follows:-

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

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

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

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14. ACCOUNTANTS' REPORT (CONT'D)**28. OPERATING SEGMENTS (CONT'D)**

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

14. ACCOUNTANTS' REPORT (CONT'D)**28. OPERATING SEGMENTS (CONT'D)**

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

14. ACCOUNTANTS' REPORT (CONT'D)**28. OPERATING SEGMENTS (CONT'D)**

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

14. ACCOUNTANTS' REPORT (CONT'D)

28. OPERATING SEGMENTS (CONT'D)

Audited	SOLAR	BMS	←-----M-----→		Total
	Malaysia RM	Malaysia RM	Malaysia RM	Brunei RM	
31.12.2023					
Revenue					
External revenue	5,735,232	20,107,507	635,780	143,136	26,621,655
Inter-segment revenue	-	-	-	-	-
Total revenue	5,735,232	20,107,507	635,780	143,136	26,621,655
Results					
Segment results	3,797,757	10,146,606	301,185	106,781	14,352,329
Unallocated income	-	-	-	-	25,272
Unallocated expenses	-	-	-	-	(5,697,607)
Consolidated profit before taxation					8,679,994
Income tax expense					(2,334,889)
Consolidated profit after taxation					6,345,105
Capital expenditure					
Other material item of expense consist of the following:-					
Depreciation on property, plant and equipment	1,495,754	-	-	-	1,495,754

14. ACCOUNTANTS' REPORT (CONT'D)

28. OPERATING SEGMENTS (CONT'D)

Audited	SOLAR	←-----BMS-----→		M	Total
	Malaysia RM	Malaysia RM	Singapore RM	Malaysia RM	RM
31.5.2024					
Revenue					
External revenue	2,136,526	5,691,241	16,255	1,104,055	8,948,077
Inter-segment revenue	-	-	-	-	-
Total revenue	2,136,526	5,691,241	16,255	1,104,055	8,948,077
Results					
Segment results	1,505,321	3,077,066	2,950	299,148	4,884,485
Unallocated income	-	-	-	-	97,306
Unallocated expenses	-	-	-	-	(2,463,746)
Consolidated profit before taxation					2,518,045
Income tax expense					(706,680)
Consolidated profit after taxation					1,811,365
Capital expenditure					
Other material item of expense consist of the following:-					
Depreciation on property, plant and equipment	552,216	-	-	-	552,216

14. ACCOUNTANTS' REPORT (CONT'D)**28. OPERATING SEGMENTS (CONT'D)**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Assets					
Segment assets	16,022,511	19,436,962	18,418,477	24,156,267	23,546,182
Unallocated assets:-					
Current tax assets	822,045	140,912	30,102	60,799	376,534
Consolidated total assets	<u>16,844,556</u>	<u>19,577,874</u>	<u>18,448,579</u>	<u>24,217,066</u>	<u>23,922,716</u>
Liabilities					
Segment liabilities	(2,482,761)	(2,844,210)	(2,898,635)	(4,610,352)	(2,508,528)
Unallocated liabilities:-					
Current tax liabilities	-	-	(292,326)	(3,891)	-
Deferred tax liabilities	(182,768)	(330,058)	-	-	-
Consolidated total liabilities	<u>(2,665,529)</u>	<u>(3,174,268)</u>	<u>(3,190,961)</u>	<u>(4,614,243)</u>	<u>(2,508,528)</u>

14. ACCOUNTANTS' REPORT (CONT'D)**28. OPERATING SEGMENTS (CONT'D)**

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

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM	Segment
Customer A	4,279,512	2,112,967	1,965,678	489,213	699,194	Malaysia
Customer B	1,636,770	3,394,427	3,751,391	3,447,180	1,643,366	Malaysia
Customer C	43,862	2,762,256	444,730	131,271	24,326	Malaysia
Customer D	112,889	5,650	1,624,152	1,992,397	-	Malaysia
Customer E	-	-	235,600	2,407,649	375,570	Malaysia
Customer F	-	-	-	403,379	1,070,799	Malaysia
Customer G	-	-	46,800	416,518	1,021,206	Malaysia

29. CONTINGENT LIABILITIES

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

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Bank guarantees extended to third parties	539,810	366,237	393,402	414,997	211,371

14. ACCOUNTANTS' REPORT (CONT'D)

30. FINANCIAL INSTRUMENTS

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

30.1 FINANCIAL RISK MANAGEMENT POLICIES

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

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

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

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14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

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

Foreign Currency Exposure

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

14. ACCOUNTANTS' REPORT (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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

Foreign Currency Exposure (Cont'd)

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

14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

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

Foreign Currency Exposure (Cont'd)

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

14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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

Foreign Currency Exposure (Cont'd)

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

14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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

Foreign Currency Exposure (Cont'd)

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

14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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

Foreign Currency Exposure (Cont'd)

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

14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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

Foreign Currency Exposure (Cont'd)

	USD RM	SGD RM	RMB RM	RM RM	Total RM
Audited					
31.12.2023					
<u>Financial Assets</u>					
Trade receivables	-	-	-	7,363,140	7,363,140
Other receivables	-	-	-	2,813	2,813
Fixed deposits with licensed banks	-	-	-	549,849	549,849
Cash and bank balances	2,529	-	-	6,135,878	6,138,407
	2,529	-	-	14,051,680	14,054,209

14. ACCOUNTANTS' REPORT (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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

Foreign Currency Exposure (Cont'd)

	USD RM	SGD RM	RMB RM	RM RM	Total RM
<u>Financial Liabilities</u>					
Hire purchase payables	-	-	-	(185,079)	(185,079)
Term loans	-	-	-	(637,887)	(637,887)
Trade payables	(1,679,980)	(220,536)	-	(713,506)	(2,614,022)
Other payables and accruals	-	-	-	(1,173,354)	(1,173,354)
Bank overdrafts	-	-	-	(10)	(10)
	(1,679,980)	(220,536)	-	(2,709,836)	(4,610,352)
Net financial (liabilities)/assets	(1,677,451)	(220,536)	-	11,341,844	9,443,857
Less: Net financial assets denominated in the respective entities functional currencies	-	-	-	(11,341,844)	(11,341,844)
Currency Exposure	(1,677,451)	(220,536)	-	-	(1,897,987)

14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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

Foreign Currency Exposure (Cont'd)

	USD RM	SGD RM	RMB RM	RM RM	Total RM
Audited					
31.5.2024					
<u>Financial Assets</u>					
Trade receivables	-	-	-	5,838,647	5,838,647
Other receivables	-	-	-	12,704	12,704
Fixed deposits with licensed banks	-	-	-	549,849	549,849
Cash and bank balances	2,504,274	78,942	-	4,968,113	7,551,329
	<u>2,504,274</u>	<u>78,942</u>	<u>-</u>	<u>11,369,313</u>	<u>13,952,529</u>

14. ACCOUNTANTS' REPORT (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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

Foreign Currency Exposure (Cont'd)

	USD RM	SGD RM	RMB RM	RM RM	Total RM
<u>Financial Liabilities</u>					
Hire purchase payables	-	-	-	(159,668)	(159,668)
Term loans	-	-	-	(551,741)	(551,741)
Trade payables	(57,505)	(50,607)	-	(836,564)	(944,676)
Other payables and accruals	-	-	-	(852,443)	(852,443)
	(57,505)	(50,607)	-	(2,400,416)	(2,508,528)
Net financial assets	2,446,769	28,335	-	8,968,897	11,444,001
Less: Net financial assets denominated in the respective entities functional currencies	-	-	-	(8,968,897)	(8,968,897)
Currency Exposure	2,446,769	28,335	-	-	2,475,104

14. ACCOUNTANTS' REPORT (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

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

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Effects on Profit After Taxation					
USD/RM - strengthened by 5%	5,892	4,473	(18,302)	(63,743)	92,977
- weakened by 5%	(5,892)	(4,473)	18,302	63,743	(92,977)
SGD/RM - strengthened by 5%	(688)	(4,349)	(902)	(8,380)	1,077
- weakened by 5%	688	4,349	902	8,380	(1,077)
RMB/RM - strengthened by 5%	3,827	-	-	-	-
- weakened by 5%	(3,827)	-	-	-	-

14. ACCOUNTANTS' REPORT (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

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

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

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period are disclosed in Notes 13 and 17 to the combined financial statements.

Interest Rate Risk Sensitivity Analysis

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

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Effects on Profit After Taxation					
Increase of 100 basis points	(8,350)	(7,539)	(6,218)	(4,848)	(4,193)
Decrease of 100 basis points	8,350	7,539	6,218	4,848	4,193

14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)**(iii) Equity Price Risk**

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

(b) Credit Risk

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

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by eight (8) (31.12.2023 - seven (7); 31.12.2022 - five (5); 31.12.2021 - five (5); 31.12.2020 - five (5)) customers which constituted approximately 58% (31.12.2023 - 55%; 31.12.2022 - 70%; 31.12.2021 - 41%; 31.12.2020 - 58%) of its trade receivables at the end of the reporting period.

(ii) Exposure to Credit Risk

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

(iii) Assessment of Impairment Losses

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

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

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

14. ACCOUNTANTS' REPORT (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

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

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

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

Trade Receivables

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

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

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

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

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

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

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

14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

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

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

14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

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

Audited	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
31.12.2022				
Current (not past due)	5,047,170	-	(49,261)	4,997,909
1 to 30 days past due	704,269	-	(5,602)	698,667
31 to 60 days past due	845,234	-	(17,538)	827,696
61 to 90 days past due	155,044	-	(7,956)	147,088
More than 90 days Credit impaired	862,446 696,768	- (696,768)	(45,151) -	817,295 -
Trade receivables	8,310,931	(696,768)	(125,508)	7,488,655
31.12.2023				
Current (not past due)	4,616,334	-	(5,230)	4,611,104
1 to 30 days past due	1,857,023	-	(5,140)	1,851,883
31 to 60 days past due	285,994	-	(807)	285,187
61 to 90 days past due	182,580	-	(3,142)	179,438
More than 90 days Credit impaired	905,378 598,826	- (598,826)	(469,850) -	435,528 -
Trade receivables	8,446,135	(598,826)	(484,169)	7,363,140

14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

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

Audited	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Amount RM
31.5.2024				
Current (not past due)	4,464,334	-	(290)	4,464,044
1 to 30 days past due	201,490	-	(38)	201,452
31 to 60 days past due	668,496	-	(306)	668,190
61 to 90 days past due	135,704	-	(214)	135,490
More than 90 days	445,585	-	(76,114)	369,471
Credit impaired	935,938	(935,938)	-	-
Trade receivables	6,851,547	(935,938)	(76,962)	5,838,647

The movements in the loss allowances in respect of trade receivables is disclosed in Note 8 to the combined financial statements.

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14. ACCOUNTANTS' REPORT (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

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

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

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

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

Allowance for Impairment Losses

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

Fixed Deposits with Licensed Banks, Cash and Bank Balances

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

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14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

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

Maturity Analysis

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

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

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14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

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

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14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

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

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14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

Audited	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
31.12.2023						
<u>Non-derivative Financial Liabilities</u>						
Hire purchase payables	4.18	185,079	198,041	69,277	128,764	-
Term loans	3.50 - 4.55	637,887	685,512	228,828	375,866	80,818
Bank overdrafts	7.10 - 7.40	10	10	10	-	-
Trade payables	-	2,614,022	2,614,022	2,614,022	-	-
Other payables and accruals	-	1,173,354	1,173,354	1,173,354	-	-
		4,610,352	4,670,939	4,085,491	504,630	80,818

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14. ACCOUNTANTS' REPORT (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

Maturity Analysis (Cont'd)

Audited	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
31.5.2024						
<u>Non-derivative Financial Liabilities</u>						
Hire purchase payables	4.18	159,668	169,175	69,276	99,899	-
Term loans	3.50 - 4.55	551,741	621,444	228,829	283,309	109,306
Trade payables	-	944,676	944,676	944,676	-	-
Other payables and accruals	-	852,443	845,210	845,210	-	-
		2,508,528	2,580,505	2,087,991	383,208	109,306

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14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.2 CAPITAL RISK MANAGEMENT

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

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

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Hire purchase payables	-	294,908	243,885	185,079	159,668
Term loans	1,098,729	991,921	817,669	637,887	551,741
Bank overdrafts	13	11	536	10	-
	<u>1,098,742</u>	<u>1,286,840</u>	<u>1,062,090</u>	<u>822,976</u>	<u>711,409</u>
Less: Fixed deposits with licensed banks	(515,384)	(523,989)	(532,740)	(549,849)	(549,849)
Less: Cash and bank balances	(697,256)	(1,620,555)	(1,451,140)	(6,138,407)	(7,551,329)
Net debt	<u>(113,898)</u>	<u>(857,704)</u>	<u>(921,790)</u>	<u>(5,865,280)</u>	<u>(7,389,769)</u>
Total equity	<u>14,179,027</u>	<u>16,403,606</u>	<u>15,257,618</u>	<u>19,602,823</u>	<u>21,414,188</u>
Debt-to-equity ratio	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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

14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 31.5.2024 RM
Financial Assets					
<u>Amortised Cost</u>					
Trade receivables	5,497,207	7,238,674	7,488,655	7,363,140	5,838,647
Other receivables	71,786	620,872	74,292	2,813	12,704
Fixed deposits with licensed banks	515,384	523,989	532,740	549,849	549,849
Cash and bank balances	697,256	1,620,555	1,451,140	6,138,407	7,551,329
	<u>6,781,633</u>	<u>10,004,090</u>	<u>9,546,827</u>	<u>14,054,209</u>	<u>13,952,529</u>
Financial Liabilities					
<u>Amortised Cost</u>					
Hire purchase payables	-	294,908	243,885	185,079	159,668
Term loans	1,098,729	991,921	817,669	637,887	551,741
Bank overdraft	13	11	536	10	-
Trade payables	914,487	1,189,812	1,450,811	2,614,022	944,676
Other payables and accruals	469,532	367,558	385,734	1,173,354	852,443
	<u>2,482,761</u>	<u>2,844,210</u>	<u>2,898,635</u>	<u>4,610,352</u>	<u>2,508,528</u>

14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Audited 1.1.2024 to 31.5.2024 RM
Financial Assets					
<u>Amortised Cost</u>					
Net gains recognised in profit or loss	23,423	8,605	8,751	12,740	27,146
Financial Liabilities					
<u>Amortised Cost</u>					
Net losses recognised in profit or loss	(81,297)	(32,812)	(47,913)	(59,748)	(12,762)

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14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.5 FAIR VALUE INFORMATION

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

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

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

14. ACCOUNTANTS' REPORT (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 FAIR VALUE INFORMATION (CONT'D)

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

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
Audited								
31.12.2022								
<u>Financial Liabilities</u>								
Term loans:								
- floating rate	-	-	-	-	817,669	-	817,669	817,669
Bank overdrafts:								
- floating rate	-	-	-	-	536	-	536	536
Audited								
31.12.2023								
<u>Financial Liabilities</u>								
Term loans:								
- floating rate	-	-	-	-	637,887	-	637,887	637,887
Bank overdrafts:								
- floating rate	-	-	-	-	10	-	10	10

14. ACCOUNTANTS' REPORT (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 FAIR VALUE INFORMATION (CONT'D)

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

Audited	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM	
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3			
	RM	RM	RM	RM	RM	RM			
31.5.2024									
<u>Financial Liabilities</u>									
Term loans:									
- floating rate	-	-	-	-	551,741	-	551,741	551,741	

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14. ACCOUNTANTS' REPORT (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)**

30.5 FAIR VALUE INFORMATION (CONT'D)

Fair Value of Financial Instruments Not Carried at Fair Value

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

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

	Audited 31.12.2020 RM %	Audited 31.12.2021 RM %	Audited 31.12.2022 RM %	Audited 31.12.2023 RM %	Audited 31.5.2024 RM %
Hire purchase payables	-	4.18	4.18	4.18	4.18
Term loans	3.60 - 4.67	3.35 - 3.56	3.30 - 3.50	3.50 - 4.55	3.50 - 4.55
Bank overdrafts	6.10 - 7.17	3.60 - 6.95	7.10 - 7.40	7.10 - 7.40	-

14. ACCOUNTANTS' REPORT (CONT'D)

31. SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

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

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

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

- (b) On 6 June 2024, the Company obtained conditional approval from Bursa Securities for its listing on the ACE Market of Bursa Securities.
- (c) On 15 July 2024, the acquisition of SDC was completed.

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14. ACCOUNTANTS' REPORT (CONT'D)

STATEMENT BY DIRECTORS

We, Kong Kam Onn and Liuk Ing Hong, being two of the directors of Solar District Cooling Group Berhad, state that, in our opinion, the combined financial statements set out on pages 4 to 97 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the combined financial position of the Group as of 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and 31 May 2024 and of its combined financial performance and its combined cash flows for the financial years then ended 31 December 2020, 31 December 2021, 31 December 2022, 31 December 2023 and for the financial period ended 31 May 2024.

Signed in accordance with a resolution of the directors dated **02 AUG 2024**

**Kong Kam Onn****Liuk Ing Hong**

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- (i) As at the date of this Prospectus, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (ii) No securities will be allotted or issued on the basis of this Prospectus later than 6 months after the date of this Prospectus.
- (iii) None of the share capital of our Group is under option, or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.
- (iv) Save as disclosed in Section 6.1.2 of this Prospectus, our Group has not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within 3 years immediately preceding the date of this Prospectus.
- (v) As at the date of this Prospectus, save for the IPO Shares reserved for the Eligible Persons as disclosed in Section 4.3.1(ii) of this Prospectus, there is currently no other scheme involving our Directors or employees in the capital of our Group.
- (vi) As at the date of this Prospectus, our Group does not have any outstanding convertible securities, options, warrants or uncalled capital.
- (vii) Save as disclosed in Section 15.2.6 of this Prospectus and save as provided under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares.

15.2 EXTRACT OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the remainder of our Constitution and by applicable law. The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless otherwise defined or the context otherwise requires:

15.2.1 Transfer of shares

The provision in our Company's Constitution in respect of the transfer of shares and restrictions on their free transferability are as follows:

Clause 42 – Transfer of securities

“The transfer of any Listed Security or class of Listed Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Listed Security.”

Clause 43 – Transferor's right

“The instrument of transfer of any share shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof.”

Clause 44 – Person under disability

“No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.”

15. ADDITIONAL INFORMATION (CONT'D)

15.2.2 Transmission of shares

The provision in our Company's Constitution in respect of the transmission of shares and restrictions on their free transferability are as follows:

Clause 45 – Transmission of Shares

“Where:-

- (a) the securities of the Company are listed on another Exchange; and*
- (b) the Company is exempted from compliance with Section 14 of the Securities Industry (Central Depositories) Act 1991 or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Depository in respect of such securities,*

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Share Registrar of the company in the jurisdiction of the other Exchange, to the register of holders maintained by the Share Registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.”

Clause 46 – Death of holder of shares

“In the event of the death or bankruptcy of a Member, any person becoming entitled as a result thereof may transfer or be registered as the owner of the shares held by that Member before his death or bankruptcy or otherwise deal with the said shares in the manner allowed by law and in accordance with the Rules. The person so entitled shall notify the Depository accordingly in writing of his election whether to have the shares of the deceased or bankrupt Member to be registered under his name or otherwise to be transferred to another person and shall comply with the Rules affecting the registration and transfer of the said shares, as the case may be.”

15.2.3 Remuneration of our Directors

The provisions in our Company's Constitution in respect of the remuneration of our Directors are as follows:

Clause 103 – Remuneration

“The fees and any benefits payable to the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office PROVIDED ALWAYS that:-

- 103.1 fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;*
- 103.2 salaries payable to executive Directors may not include a commission on or percentage of turnover;*
- 103.3 fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and*

15. ADDITIONAL INFORMATION (CONT'D)

103.4 *any fee paid to an Alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter."*

Clause 104 – Reimbursement and special remuneration

"104.1 *The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in connection with or about the business of the Company in the course of the performance of their duties as Directors.*

104.2 *If by arrangement with the Directors, any Director shall perform or render any special duties or service's outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged subject to any other provisions of this Constitution."*

Clause 136 – Remuneration of Chief Executive Officer / Managing Director / Executive Director

"The remuneration of the CEO / MD / ED may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover."

15.2.4 Powers and duties of Directors

The provisions in our Company's Constitution in respect of the powers and duties of Directors are as follows:

Clause 106 – General power of Directors to manage Company's business

"The business of the Company shall be managed by the Directors who may exercise all such powers of the Company as are not by the Act or by these Constitution required to be exercised by the Company in general meeting, subject nevertheless to any of this Constitution and the provisions of the Act, and to such regulations not being inconsistent with these Constitution or the provisions of the Act as may be prescribed by the Company in general meeting, but no regulations so made by the Company shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. The general powers given by this Clause shall not be limited or restricted by any special authority or power given to the Directors by any other Constitution. Any sale or disposal by the Directors of a substantial portion of the Company's main undertaking or property shall be subject to the prior approval of shareholders in general meeting."

Clause 107 – Approval of the Company required

"The Directors shall not without the prior approval of the Company in general meeting:-

107.1 *carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's undertaking or property;*

107.2 *exercise any power of the Company to issue shares unless otherwise permitted under the Act; or*

15. ADDITIONAL INFORMATION (CONT'D)

107.3 *subject to Section 228 of the Act, enter into any arrangement or transaction with a Director or a director of the holding company or a subsidiary of the Company, or with a person connected with such a Director to acquire from or dispose to such a Director or person any non-cash assets of the requisite value.”*

Clause 108 – Directors’ borrowing powers

“108.1 *The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party PROVIDED ALWAYS that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company’s undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.*

108.2 *The Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.*

108.3 *If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.”*

Clause 109 – Pensions

“The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to any Director or ex-Director who may hold or have held any executive office or any office of profit under the Company or any subsidiary company, and for the purpose of providing any such pensions or other benefits, to contribute to any scheme or fund or to pay premiums.”

Clause 110 – Directors’ power to appoint attorney of the Company

“The Directors may from time to time, and at any time, by power of attorney under the Seal, appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Directors to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (including the power to sub-delegate but not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as the Directors may from time to time think fit, and any such power of attorney may contain such provisions for the protection or convenience of persons dealing with any such attorney as the Directors think fit.”

Clause 111 – Cheques, bills etc.

“All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipt for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors may from time to time determine by resolution.”

Clause 112 – Right to hold other office under the Company

“A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director

15. ADDITIONAL INFORMATION (CONT'D)

shall be disqualified by his office from contracting with the Company with regard to his tenure of any such office or place of profit in any other respect nor shall any such contract, or any contract or arrangement entered into by or on behalf of any company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established PROVIDED ALWAYS that Sections 221 and 228 and all other relevant provisions of the Act and this Constitution are complied with."

Clause 113 – Right to payment for professional services

"Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company."

Clause 114 – As to the duty and liability of the Director

"A Director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain, directly or indirectly, an improper advantage for himself or for any other person or cause detriment to the Company."

Clause 115 – General duty to make disclosure

"Every Director shall give notice to the Company of such events and matters relating to himself as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act."

15.2.5 Proceedings of Directors

The provisions in our Company's Constitution in respect of the proceedings of Directors are as follows:

Clause 116 – Meetings of Directors

"The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Subject to these Constitution, questions arising at any meeting shall be determined by a majority of votes."

Clause 117 – Calling of meetings

"A Director may at any time summon a meeting of the Directors, and the Secretary, upon the request of the Chairman or any one (1) Director, shall convene a meeting of the Directors. Unless otherwise determined by the Directors, a seven (7) days' notice of all Directors' meetings shall be given to all Directors and their Alternate Directors, except in the case of an emergency, where reasonable notice of the meeting shall be sufficient."

Clause 118 – Irregularity in Notice

"An irregularity in the notice of a meeting is waived if all directors entitled to receive notice of the meeting attend the meeting without objection to the irregularity."

Clause 119 – Quorum

"The quorum necessary for the transaction of the business of the Directors shall be two (2) Directors for the time being of the Company. A meeting of the Directors at which a quorum is

15. ADDITIONAL INFORMATION (CONT'D)

present shall be competent to exercise all powers and discretion for the time being exercisable by the Directors.”

Clause 120 – Participation of Directors’ meeting by way of telephone and video conferencing

“Any Director may participate at a meeting of Directors by way of telephone and video conferencing or by means of other communication equipment whereby all persons participating in the meeting are able to hear each other and be heard for the entire duration of the meeting in which event such Director shall be deemed to be physically present at the meeting. A Director participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the Directors attending the meeting PROVIDED that at least one (1) of the Directors present at the meeting was at such place for the duration of that meeting. All information and documents must be made equally available to all participants prior to or at/during the meeting.”

Clause 121 – Election of Chairman

“The Directors may from time to time elect a Chairman and may elect one (1) or more Deputy Chairman from their number and the Directors may determine the period for which such officers shall respectively hold office. The Chairman or in the absence of the Chairman, the Deputy Chairman (if any) or in the event that there are more than one (1) Deputy Chairman, the senior in appointment amongst them, shall preside at the meeting of Directors. If such officers have not been appointed, or if no such officers are present within fifteen (15) minutes after the time appointed for holding of the meeting of the Directors, the Directors present shall choose one (1) of their number to be Chairman of the meeting.”

Clause 122 – Chairman has casting vote

“In case of equality of votes the Chairman shall have a second/casting vote except where only two (2) Directors are competent to vote on the question at issue, or two (2) directors form a quorum and only such a quorum is present at the meeting.”

Clause 123 – Declaration of Interest and restriction of voting

“A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company, shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he should do so, his vote should not be counted, but this prohibition shall not apply to:-

- (a) *any arrangement for giving any Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or*
- (b) *any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security.”*

Clause 124 – Directors retained from voting in interested transactions

“Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company.”

15. ADDITIONAL INFORMATION (CONT'D)Clause 125 – Directors appointed at a meeting to hold other office to be counted in the quorum

“A Director notwithstanding his interest may be counted in the quorum present at any meeting whereat, he or any other Director is to be appointed to hold any office or place of profit in the Company or whereat the Directors resolve to exercise any of the rights of the Company, (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit in any other company or whereat the terms of any such appointment or arrangements as hereinbefore mentioned are considered, as he may vote on any such matter other than in respect of the appointment of or arrangements with himself or the fixing of the terms thereof.”

Clause 126 – General notice of interest in corporation by Company

“A general notice given to the Board of Directors that a Director, alternate Director or CEO / MD / ED is a member of or interested in any specified firm or corporation with whom any contract is proposed to be entered into in relation to the affairs of the Company and is to be regarded as interested in all transactions with such firm or corporation shall be sufficient disclosure under this clause as regards such Director and the said transaction and after such general notice it shall not be necessary for such Director to give any special notice relating to any particular transaction with such firm or corporation.”

Clause 127 – Director’s interest in corporation promoted by Company

“A Director of the Company may be or become a Director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of or from his interest in such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the Directors or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in the manner aforesaid.”

15.2.6 Share capital and variation of rights

The provisions in our Constitution in respect of the share capital and variation of rights are as follows:

Clause 7 – Authority of Directors to allot shares

“Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of this Constitution and the Act and the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as the Directors may think fit but the Directors in making any issue of shares shall comply with the following conditions:-

- 7.1 *no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members in general meeting;*

15. ADDITIONAL INFORMATION (CONT'D)

- 7.2 *in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution or in the resolution creating the same;*
- 7.3 *every issue of shares or options to employees and/or Directors shall be approved by the Members in general meeting and:-*
- a) *Such approval shall specifically detail the amount of shares or options to be issued to such employees and/or Directors; and*
 - b) *A Director not holding office in an executive capacity may so participate in an issue of shares pursuant to a share option scheme;*
- 7.4 *in the case of shares offered to the public for subscription, the amount payable on application on each share shall not be less than five per centum (5%) of the issue price;*
- 7.5 *the Company must ensure that all new issue of shares for which listing is sought shall be made by way of crediting the Securities Accounts of the allottees or entitled persons in the Depository with such securities save and except where the Company is specifically exempted from doing so. The Company shall notify the Depository of the names of the allottees or the entitled persons together with all such particulars as may be required by the Depository to enable it to make the appropriate entries in the Securities Accounts of such allottees or entitled persons.*
- 7.6 *the Company must allot and issue Securities, dispatch notices of allotment to the allottees and make an application for the quotation of such securities within such periods as may be prescribed by the Exchange.”*

Clause 18 – Alteration of class rights

“Whenever the capital of the Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of this Constitution (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-quarters (3/4) of the issued shares capital of the class or group, or with the sanction of any Special Resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of this Constitution relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one (1) vote in respect of every share of the class or group held by them respectively. To every such special resolution, the provisions of Section 292 of the Act, shall, with such adaptations as are necessary, apply.”

Clause 51 – Increase of share capital

“The Company may from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution passed at the general meeting increase its share capital, such new capital to be of such amount and to be divided into shares of such rights to or be subject to such conditions or restriction in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs, and if no direction to be given, as the Directors shall determine and in particular, but without prejudice to the rights attached to any preference shares that may have been issued, such new shares may

15. ADDITIONAL INFORMATION (CONT'D)

be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a special or restricted or without any right of voting.”

Clause 52 – Issue of new shares to existing Members

“In accordance with paragraph 7.08 of the Listing Requirements, subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the directors may dispose of those shares or securities in such manner as they think most beneficial to the company. The directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the directors, be conveniently offered under this Constitution. For the avoidance of doubt, where the approval of Members is obtained in a general meeting for any issuance of shares or convertible securities, including approvals obtained under Sections 75 and 76 of the Act, such approval shall be deemed to be a direction to the contrary given in general meeting which will render the pre-emptive rights above inapplicable. In any case and in respect of any issuance of shares or convertible securities, the pre-emptive rights of Members are strictly as contained in the Constitution and accordingly, the provisions of Section 85 of the Act in respect of pre-emptive rights to new shares, shall not apply.”

Clause 53 – New Capital to be considered as part of the current share capital of the Company

“Except so far as otherwise provided by the conditions of issues, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transaction, forfeiture and otherwise as the original share capital and shall also be subject to the Rules.”

15.2.7 Alteration of capital

The provisions in our Constitution in respect of the alteration of capital are as follows:

Clause 54 – Alteration of capital

“Subject to the provisions of the Act and the Listing Requirements, the Company may by Ordinary Resolution:-

- (a) consolidate and divide all or any of its share capital, such that the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;*
- (b) convert all or any of its issued shares into stock and reconvert that stock into fully-paid shares;*
- (c) subdivide its shares or any of its shares, such that whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived. Any resolution whereby any share is subdivided may determine that, as between the Holders of shares resulting from such subdivision, one (1) or more of such shares may have such preferred or other special rights over, or may be given any*

15. ADDITIONAL INFORMATION (CONT'D)

preference or advantage as regards distributions, including dividends, return of capital voting or otherwise over the other or others of such shares;

- (d) *increase its share capital by such sum to be divided into shares of such amount as the resolution may prescribe; or*
- (e) *subject to the provisions of this Constitution and the Act, convert and/or reclassify any class of shares into another class of shares.”*

15.2.8 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

The provisions in our Constitution in respect of rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights are as follows:

Clause 19 – Ranking of class rights

“The rights conferred upon the holders of the shares of any class with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari- passu therewith.”

Clause 81.1 – Members' vote

“Subject to Clause 60 above and any rights or restrictions for the time being attached to any class or classes of shares, at meetings of Members or classes of Members, each Member shall be entitled to be present and to vote at any general meeting of the Company either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid.”

Clause 81.2 – Number of votes

“Subject to any special rights or restrictions as to voting attached to any class or classes of shares by or in accordance with these Constitution, on a show of hands a holder of ordinary shares or preference shares who presents as a Member or a Member's representative or proxy or attorney and entitled to vote shall be entitled to one (1) vote on any question at any general meeting and in the case of a poll every Member present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for every share held by him. A person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses on a poll in the same way.”

Clause 81.3 – Shares of different denominations

“Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right's exercisable.”

Clause 82 – Votes of corporation

“Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative either at a particular meeting of the Company, or at all meetings of the Company or of any class of Members and the person so authorised shall, in accordance with his authority and until his authority is revoked by the corporation, be entitled to exercise the same powers subject to

15. ADDITIONAL INFORMATION (CONT'D)

Section 333 of the Act on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company."

Clause 83.1 – Vote of Members of unsound mind

"Any Member being of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder "may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other legal guardian or such other person who has been properly appointed to manage his estate. Any one of such committee or other person may vote either by proxy or by attorney provided such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty-eight (48) hours before the time appointed for holding the meeting."

Clause 83.2 – Vote of legal personal representatives of Members

"The legal personal representative of a deceased Member or the person entitled under Clause 46 to any share in consequence of the death or bankruptcy of any Member may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares provided that forty-eight (48) hours at least before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote he shall satisfy the Directors of his right to any share in consequence of the death or bankruptcy of any Member unless the Directors shall have previously admitted his right to vote in respect thereof."

15.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date is fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

15.4 LIMITATION ON THE RIGHT TO OWN SECURITIES

Subject to Section 15.3 above, there is no limitation on the right to own our Shares, including any limitations on the right of non-resident or non-Malaysian shareholders to hold or exercise voting rights on our Shares, which is imposed by Malaysian law or by our Constitution.

15.5 EXCHANGE CONTROLS

Our Group has not established any other place of business outside Malaysia and is not subject to governmental laws, decrees, regulations and/or other requirements which may affect repatriation of capital and remittance of profit by or to our Group.

15. ADDITIONAL INFORMATION (CONT'D)

15.6 MATERIAL LITIGATION

Save as disclosed below, as at the LPD, our Group is not involved in any material litigation or arbitration, whether as plaintiff, defendant or third party, including those relating to bankruptcy, receivership or similar proceedings which may have a material adverse effect on the business or financial position of our Group, and our Directors confirm that there are no legal proceedings, pending or threatened against our Group, or of any fact likely to give rise to any legal proceeding which may materially and adversely affect our business or financial position:

15.6.1 SDC v Sedafiat Sdn Bhd (“Sedafiat”)

SDC had on 8 November 2022 initiated a legal action against Sedafiat seeking for the recovery of the outstanding sum of RM542,591.60, being the unpaid work done by SDC in respect of the Keningau Hospital Contract, along with the sum of RM24,082.15 being the late payment interests (“**Main Claim**”).

Incidental to the above, Sedafiat’s defence for the non-payment of the outstanding sum to SDC is premised on the basis that the purported arrears had been fully paid off up to date along with right to set-off based on the letter of award, to which SDC contests and denies the same.

Sedafiat had also initiated a counterclaim against SDC (“**Counterclaim**”) for the sum of RM72,895.69 along with the withdrawal of the registration of Sedafiat’s involvement as a defendant from CTOS Data Systems Sdn Bhd. In respect of the Counterclaim, Sedafiat submitted that, as a result of SDC’s alleged non-compliance towards the energy savings guarantee as provided in SDC’s earlier proposal, Sedafiat was made liable to pay MOH for the additional sum of RM72,895.69, being the increment utility cost for the electricity usage due to the alleged non-compliance by SDC, as such Sedafiat is alleging that it is entitled to claim the additional sum of RM72,895.69 from SDC.

The pre-trial case management for the Main Claim and Counterclaim was completed on 22 June 2023, and the Court had issued pre-trial directions to the proceedings, namely for the filing of the relevant cause papers prior to the scheduled trial dates. The tentative trial dates for this matter have been rescheduled to 24 to 26 September 2024. As at the LPD, based on the pleadings of the case, the counsel for SDC is of the professional opinion that SDC has a reasonable prospect of success in the Main Claim as the Main Claim is premised on the unpaid contractual monthly payments for the work done by SDC as provided under the Keningau Hospital Contract and, in the event of a positive outcome arising from the Main Claim, the counsel for SDC is of the professional opinion that the Counterclaim may likely be unsustainable as the alleged shortfall in the energy savings was due to various factors not attributable to SDC.

15.7 CONSENTS

Our Principal Adviser, Sponsor, Underwriter, Placement Agent, Company Secretary, Due Diligence Solicitors, Internal Control Review Consultants, Share Registrar and Issuing House have given and have not subsequently withdrawn their written consents before the issuance of this Prospectus for the inclusion of their names and all references thereto in the form, manner and context in which they are included in this Prospectus.

Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consent before the issuance of this Prospectus for the inclusion of their name and all references thereto, the Accountants’ Report and the Reporting Accountants’ Report on the compilation of Pro Forma Combined Statement of Financial Position as at 31 May 2024, in the form, manner and context in which they are included in this Prospectus; and

15. ADDITIONAL INFORMATION (CONT'D)

Our IMR has given and has not subsequently withdrawn its written consent before the issuance of this Prospectus with the inclusion of its name and all references thereto and the IMR Report in the form, manner and context in which they are included in this Prospectus.

15.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Federal Territory of Kuala Lumpur, during office hours for a period of six months from the date of this Prospectus:

- (i) our Constitution;
- (ii) Reporting Accountants' Report referred to in Section 14 of this Prospectus;
- (iii) Reporting Accountants' Report on the Pro Forma Combined Statements of Financial Position as included in Section 13 of this Prospectus;
- (iv) the letters of consent referred to in Section 15.7 of this Prospectus;
- (v) material contracts referred to in Section 6.7 of this Prospectus;
- (vi) audited financial statements of our subsidiaries for the FY Under Review and FP 2024;
- (vii) IMR Report as included in Section 8 of this Prospectus; and
- (viii) the cause papers for the material litigation referred to in Section 15.6 of this Prospectus.

15.9 RESPONSIBILITY STATEMENTS

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

Mercury Securities, being our Principal Adviser, Sponsor, Underwriter and Placement Agent in relation to our IPO, acknowledges that, based on all available information, and to the best of their knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

16.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 28 AUGUST 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 6 SEPTEMBER 2024

In the event of any changes to the date or time for closing, we will advertise the notice of the change in a widely circulated daily Bahasa Malaysia and English newspapers in Malaysia, and make an announcement on Bursa Securities’ website.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATION**16.2.1 Application for our IPO Shares by the Malaysian public and the Eligible Persons**

Applications must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and Category of Investors	Application Method
Applications by the Eligible Persons of our Group	Pink Application Form only
Applications by the Malaysian Public	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-individuals	White Application Form only

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**16.2.2 Application for our Issue Shares via private placement**

Types of Application	Application Method
Applications by:	
Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

Malaysian institutional and selected investors may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16.3 ELIGIBILITY**16.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. **Invalid, nominee or third party CDS accounts will not be accepted** for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfil all of the following:

- (i) you must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or
 - (b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (ii) you must not be a director or employee of the Issuing House, or an immediate family member of a director or employee of the Issuing House; and
- (iii) you must submit Applications by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

16.3.3 Application by Eligible Persons

The Eligible Persons (including any entities, wherever established) will be provided with Pink Application Forms and letters from us detailing their respective allocation. The Eligible Persons must follow the notes and instructions in the said document and where relevant, in this Prospectus.

16.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.38 for each IPO Share.

Payment must be made out in favour of “**TIIH SHARE ISSUE ACCOUNT NO. 774** and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
 Unit 32-01, Level 32, Tower A
 Vertical Business Suite
 Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur
 Wilayah Persekutuan

- (ii) **DELIVER BY HAND AND DEPOSIT** in the Issuing House’s drop-in boxes provided at the following address:

Tricor Customer Service Centre
 Unit G-3, Ground Floor
 Vertical Podium
 Avenue 3, Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur
 Wilayah Persekutuan

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

so as to arrive not later than 5.00 p.m. on 6 September 2024 or by such other time and date specified in any change to the date or time for closing.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

16.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions or Participating Securities Firms, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd), Malacca Securities Sdn Bhd, Malayan Banking Berhad, Moomoo Securities Malaysia Sdn Bhd and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions or Participating Securities Firms (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions or Participating Securities Firms.

16.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iii) bank in all Application monies (including those from unsuccessful/ partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House, at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16.8 OVER/ UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House, will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> within one market day after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 4.3.3 of the Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL/ PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/ partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

16.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/ distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/ registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House, as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

16.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions or Participating Securities Firms of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) or Participating Securities Firms within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House, by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) or Participating Securities Firms not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions or Participating Securities Firms will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions or Participating Securities Firms will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/ offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. +603 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution, Participating Securities Firms and Authorised Financial Institution

The results of the allocation of our IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, within 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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