12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated on 23 June 2021 as an investment holding company to facilitate the Listing. The consolidated financial statements of our Group for the financial years ended 31 December 2020, 2021 and 2022 were prepared in a manner as if the entities under common control were operating as a single economic entity at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. As such, the historical financial information of our Group for the Period Under Review is therefore presented based on the historical audited consolidated financial statements of our Group.

The audited consolidated financial statements throughout the Period Under Review have been prepared in accordance with IFRS and MFRS. The selected historical financial information included in this Prospectus is not intended to, and should not be assumed to, be indicative of our Group's financial position, results and cash flows for any future financial year or interim period.

12.1.1 Consolidated statements of comprehensive income

The following table sets out a summary of our Group's consolidated statements of comprehensive income for the FYEs 2020, 2021 and 2022, which have been extracted from the Accountants' Report as set out in Section 13 of this Prospectus. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.2 and 13 of this Prospectus, respectively.

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Revenue	545,583	679,339	910,613
Cost of sales	(289,263)	(365,534)	(526,924)
GP	**256,320**	**313,805**	**383,689**
Other item of income			
Other income	22,101	21,746	79,142
Other items of expense			
Administrative expenses	(32,642)	(47,438)	(90,490)
Other operating expenses	(1,199)	(1,239)	(24,635)
Finance costs	(92,467)	(96,641)	(127,052)
Share of results of jointly controlled entities	-	543	(28,303)
PBT	**152,113**	**190,776**	**192,351**
Income tax benefit/(expense)	13,971	(15,419)	(15,154)
PAT	**166,084**	**175,357**	**177,197**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	(16,429)	16,143	42,759
Fair value adjustment on derivatives	-	-	(210)
Realisation of hedge reserves to profit or loss upon acquisition of subsidiaries	-	(903)	-
Realisation of capital reserves to profit or loss upon acquisition of subsidiaries	-	9,774	-
Total comprehensive income for the year	**149,655**	**200,371**	**219,746**

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Profit attributable to:			
Owner of our Company	163,122	172,704	173,551
Non-controlling interests	2,962	2,653	3,646
	166,084	**175,357**	**177,197**
Total comprehensive income attributable to:			
Owner of our Company	147,479	195,786	215,085
Non-controlling interests	2,176	4,585	4,661
	149,655	**200,371**	**219,746**
EBIT[(1)]	241,404	283,466	314,633
EBITDA[(1)]	338,602	392,539	435,260
GP margin (%)[(2)]	47.0	46.2	42.1
PBT margin (%)[(3)]	27.9	28.1	21.1
PAT margin (%)[(4)]	30.4	25.8	19.5
EBITDA margin (%)[(5)]	62.1	57.8	47.8
Effective tax rate (%)[(6)]	N/A	8.1	7.9
Number of ordinary shares after the Listing ('million)	3,550	3,550	3,550
Basic and diluted EPS (sen)[(7)]	4.6	4.9	4.9

Note:

N/A Not applicable as it is in an income tax benefit position.

(1) EBIT and EBITDA are calculated as follows:

	Audited		
	FYE 2020	***FYE 2021***	***FYE 2022***
	RM'000	***RM'000***	***RM'000***
PAT	*166,084*	*175,357*	*177,197*
Less:			
*Interest income (others)**	*(3,176)*	*(3,951)*	*(4,770)*
Add:			
Finance costs	*92,467*	*96,641*	*127,052*
Income tax (benefit)/expense	*(13,971)*	*15,419*	*15,154*
EBIT	***241,404***	***283,466***	***314,633***
Add:			
Depreciation of property, plant and equipment	*78,006*	*90,172*	*100,321*
Depreciation of rights-of-use asset	*4,287*	*4,283*	*5,114*
Amortisation of intangible assets	*14,905*	*14,618*	*15,192*
EBITDA	***338,602***	***392,539***	***435,260***

* *Excluding interest income recognised as a result of the unwinding of the discount on the amount receivable from EDC pursuant to the operation of CTL Transmission Line Asset. Under the IFRIC 12, our Group recognised the guaranteed fixed payment receivables from EDC during the concession period as "other financial assets" at amortised cost. The interest income is derived from the amortisation of the "other financial assets" using the effective interest rate method. As the interest income is earned through the daily operations of CTL Transmission Line Asset, it has been excluded in the computation of EBIT and EBITDA. Please refer to Notes 2.22, 3.1(c), 6(a) and 18 of the Accountants' Report in Section 13 of this Prospectus for further information on interest income recognised pursuant to the service concession arrangement.*

(2) GP margin is computed based on GP divided by revenue.

(3) PBT margin is computed based on PBT divided by revenue.

(4) PAT margin is computed based on PAT divided by revenue.

(5) EBITDA margin is computed based on EBITDA divided by revenue.

(6) Effective tax rate is calculated as tax expenses divided by PBT.

(7) Basic and diluted EPS is calculated as PATNCI for the financial year divided by the enlarged share capital of 3,550,000,000 Shares upon Listing. There were no dilutive securities issued during the FYEs 2020, 2021 and 2022.

12.1.2 Consolidated statements of financial position

The following table sets out the consolidated statements of financial position of our Group as at 31 December 2020, 2021 and 2022, which have been extracted from the Accountants' Report. The information below should be read with the "Management's Discussion and Analysis of Results of Financial Condition and Operations" and Accountants' Report set out in Sections 12.2 and 13 of this Prospectus, respectively.

	As at 31 December		
	2020	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**
Assets			
Non-current assets			
Property, plant and equipment	1,962,713	2,040,600	2,114,264
Right of use assets	100,728	101,688	102,169
Intangible assets	255,620	313,402	283,187
Investment in jointly controlled entities	-	196,877	177,144
Other receivables	687	4,929	2,413
Operating financial assets	331,985	331,038	334,027
Other investment	175,343	-	-
Deferred tax assets	54,103	51,393	49,405
Derivative financial instruments	-	-	47,685
Total non-current assets	**2,881,179**	**3,039,927**	**3,110,294**
Current assets			
Inventories	85,537	154,054	204,505
Trade and other receivables	522,650	134,301	147,308
Operating financial assets	12,452	13,598	15,086
Derivative financial instruments	-	-	9,488
Cash and bank balances	200,099	257,220	313,923
Total current assets	**820,738**	**559,173**	**690,310**
Total assets	**3,701,917**	**3,599,100**	**3,800,604**

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	As at 31 December		
	2020	2021	2022
	RM'000	RM'000	RM'000
Equity and liabilities			
Equity attributable to owner of the parent			
Share capital	-	*	694,803
Equity reserve	-	-	(670,447)
Net share capital	-	*	24,356
Other reserves	(20,564)	5,552	(22,020)
Retained earnings	678,362	780,490	973,663
	657,798	**786,042**	**975,999**
Non-controlling interests	**34,872**	**41,759**	**47,573**
Total equity	**692,670**	**827,801**	**1,023,572**
Non-current liabilities			
Borrowings	1,401,557	1,400,649	1,552,746
Lease liabilities	118,179	124,282	136,127
Trade and other payables	385,033	668,478	357,858
Deferred tax liabilities	102,570	118,958	112,835
Total non-current liabilities	**2,007,339**	**2,312,367**	**2,159,566**
Current liabilities			
Borrowings	197,608	330,228	389,451
Lease liabilities	1,736	2,433	1,517
Derivative financial instruments	-	903	-
Trade and other payables	800,399	124,761	214,135
Income tax payable	2,165	607	12,363
Total current liabilities	**1,001,908**	**458,932**	**617,466**
Total liabilities	**3,009,247**	**2,771,299**	**2,777,032**
Total equity and liabilities	**3,701,917**	**3,599,100**	**3,800,604**

* *Less than RM1,000 (our Company is incorporated on 23 June 2021, accordingly, the share capital as at 31 December 2020 is RM Nil)*

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12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and segmental analysis of our Group's financial condition and results of operations for the Period Under Review should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus.

12.2.1 Overview of our operations

(a) Principal activities

We are primarily involved in a concession-based business for infrastructure projects. Our Group together with our jointly controlled entities, is an IPP that is primarily engaged in the development, ownership, O&M of power generation and transmission assets and projects. As at the LPD, our Group and our jointly controlled entities have presence in 6 Southeast Asian countries comprising Malaysia, Cambodia, Vietnam, Singapore, Indonesia and Thailand as well as Taiwan. Our core business activities are broadly categorised as:

(i) Utility-Scale Business

This refers to our Group's business relating to the power assets and projects that are connected to national power transmission systems and of which the customers are government-owned and/or government-linked utility companies, and generally each power generation asset or project has a GIC of not smaller than 10MW. As at the LPD, the power assets of our Group and its jointly controlled entities classified under Utility-Scale Business include hydropower plants, solar PV power plants, power transmission systems and coal-fired power plants.

(ii) C&I Solar Business

This refers to our Group's business relating to the solar PV systems installed at the premises of our Group's customers who are primarily corporate entities in the C&I sectors, with a few customers being government-owned and government-linked utility companies and each power generation asset or project has a GIC generally below 10MW. On 18 August 2021, LSEPL had entered into a share purchase agreement for the acquisition of 100.0% of the ordinary shares of LYS Energy Group for a total purchase consideration of RM96,175,714 (USD22,992,423).

Following the completion of the acquisition of the LYS Energy Group on 28 September 2021, our RE power business expanded to undertake the C&I Solar Business across Southeast Asian countries, including Singapore, Vietnam, Indonesia, Malaysia and Thailand. Our Group also undertakes the C&I Solar Business in Taiwan, through LGRECL (our subsidiary in Taiwan) and SDCL (our jointly controlled entity in Taiwan), and we acquired our equity interests in these two companies in March 2021.

Our Group has been working on the C&I Solar Projects, including those owned and operated by us (i.e., under the PPA Model and Rental Model) and those belonging to our C&I Customers but operated by us on their behalf (i.e., under the EPC Model and O&M Model). Please refer to Section 7.2.8 of this Prospectus for further information on the completion statuses and other information of the C&I Solar Projects.

Our core business activities are classified further into non-RE sources and RE sources, representing power assets and projects with non-RE and RE sources, respectively.

The non-RE power assets comprise those that involve the use of fossil fuel to generate power. As at the LPD, our non-RE power assets are our two coal-fired power plants in Cambodia, i.e. the CEL Plant and the CEL II Plant. As at the LPD, we do not have any non-RE power project under development.

The RE power assets and projects comprise those that do not involve the use of any fossil fuel to generate or transmit power. As at the LPD, our RE power assets include two Utility-Scale solar PV power plants, i.e. LSE Plant and LSE II Plant in Malaysia, five small hydropower plants (i.e., LNTH Plants in Vietnam), four Utility-Scale solar PV power plants (i.e., the Phu My Plants and the Vinh Hao 6 Plant in Vietnam), and two power transmission assets (i.e., the CTL Transmission Line Asset and the CTL II Transmission Line Asset in Cambodia), and various C&I Solar Business across Southeast Asia and Taiwan. Our power transmission assets are considered RE power assets because the electricity transmitted is from the hydropower sources.

Please refer to Sections 7.1 and 7.2 of this Prospectus for further information on our Group's business.

(b) Revenue

Revenue from our Utility-Scale Business (from non-RE and RE sources) is derived from making available the power generation capacity for supplying electricity (the CEL Plant and the CEL II Plant only), supplying electricity generated from our power assets (all of our Utility-Scale power generation assets) and maintaining the operation of the power transmission lines (the CTL Transmission Line Asset and CTL II Transmission Line Asset), under the respective PPAs and PTAs entered into by our operating subsidiaries with the customers. Our customers in the Utility-Scale Business comprise government-owned utility companies, i.e., EDC in Cambodia, EVN NPC and EVN in Vietnam, and a government-linked utility company, i.e., TNB in West Malaysia. These customers are companies entrusted by their respective governments to regulate power generation, transmission and distribution in their respective countries.

Revenue from our C&I Solar Business is derived from (i) the sale of electricity under relevant PPAs (PPA Model), (ii) the lease of the solar PV systems under relevant rental agreements (Rental Model), and (iii) the provision of EPC and/or O&M services for solar PV systems owned by our C&I Customers through EPC agreements (EPC Model) and/or O&M agreements (O&M Model).

Revenue is measured based on the consideration to which our Group expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when our Group has satisfied a performance obligation by transferring a promised good or service to a customer, which is when the customer obtains control of the goods or services. A performance obligation may be satisfied at a point of time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(i) **Power generation and transmission operation service**

Revenue from the sale of power is recognised upon the performance of services based on the invoiced value of sales net of discounts allowed.

Service income from transmission operation is recognised upon rendering of services which would be accepted by the customers and is measured based on the consideration that our Group expects to receive in the transactions.

(ii) EPC contracts

Revenue from EPC contracts is recognised based on the percentage of completion method where the outcome of the EPC contract can be reasonably estimated.

The stage of completion is determined by the proportion that costs incurred to-date bear to the estimated total costs, and for this purpose, only those costs that reflect actual contract work performed are included as costs incurred. Where the outcome of a construction contract cannot be reasonably estimated, revenue is recognised only to the extent of contract costs incurred that are expected to be recoverable. At the same time, all contract costs incurred are recognised as an expense in the period in which they are incurred.

(c) Cost of sales

Our cost of sales comprises material and consumable costs, depreciation for property, plant and equipment and right-of-use assets (leasehold land and building) directly used for our Utility-Scale power generation assets and power transmission assets, amortisation of intangible assets for our power purchase contracts and service concession agreements, staff-related costs for operation and maintenance and business development staff (mainly of salaries, bonuses, allowances and statutory contributions), repair and maintenance costs, insurance expenses and other expenses which comprise mainly utility charges, licence fees paid to the authorities for our power plants located in respective countries, transportation charges, rental expenses, security charges and electricity charges.

Please refer to Section 12.2.3(ii) of this Prospectus for further information.

(d) Other income

Other income mainly comprises interest income and fair value gain from derivatives.

(e) Administrative expenses

Administrative expenses mainly comprise staff-related costs for administrative staff, depreciation for property, plant and equipment, amortisation of computer software, insurance, professional fees and management fees incurred by our management, finance and administration and project management staff.

(f) Other operating expenses

Other operating expenses mainly comprise realised and unrealised foreign exchange loss, bank charges/commission and loss on disposal of a subsidiary company.

(g) Finance costs

Finance costs mainly comprise interest expenses on bank borrowings and related parties, profit on sukuk and interest charge for lease liabilities.

(h) Share of results of jointly controlled entities

Share of results of jointly controlled entities comprises results from our jointly controlled entities, namely, CEVD, YBSSPCL and SDCL. LGRECL has disposed of its shares in YBSSPCL to Hsinking Construction Co., Ltd. on 17 July 2023.

(i) Income tax (expense)/benefit

Tax expenses comprise the current financial year's income tax payable, deferred tax and any under or overprovision of tax expenses in the previous financial year. The applicable statutory tax rates for our business operations for the Period Under Review are set out below:

	FYE		
	2020	**2021**	**2022**
	%	**%**	**%**
Statutory tax rates:			
- Cambodia	20.0	20.0	20.0
- Indonesia	22.0	22.0	22.0
- Malaysia	24.0	24.0	24.0
- Singapore	17.0	17.0	17.0
- Taiwan	20.0	20.0	20.0
- Thailand	20.0	20.0	20.0
- Vietnam	20.0	20.0	20.0

(j) Recent developments

Subsequent to our audited consolidated financial statements for FYE 2022, the following significant events have been undertaken by us:

(i) Acquisition of CTL II Transmission Line Asset

CTL II had on 20 October 2022 entered into a business transfer agreement with Diamond Power Limited for the acquisition of CTL II Transmission Line Asset for a total purchase consideration of USD118.0 million. The CTL II Transmission Line Asset includes an extended part of a 230/115kV substation in Kampong Cham, a 230/22 kV substation in Kratie, and an approximately 125km long 230kV double-circuit transmission line connecting the two substations with a 25-year concession under the PTA with EDC, which will expire on 31 December 2042. The CTL II Transmission Line Asset is located adjacent to our existing CTL Transmission Line Asset. The acquisition of the CTL II Transmission Line Asset and its business was completed on 22 March 2023.

The CTL II Transmission Line Asset had commenced its commercial operation on 1 January 2018. As the CTL II Transmission Line Asset is an operational and revenue-generating asset, there were no material capital expenditure to be incurred. We will recognise revenue from the CTL II Transmission Line Asset in the form of making available the capacity of the CTL II Transmission Line Asset under the Utility-Scale Business. Please refer to Section 7.2.3(ii) of this Prospectus for further information on the PTA on the CTL II Transmission Line Asset.

The acquisition of the CTL II Transmission Line Asset is funded by way of a bridging loan of USD90.0 million. Our Group intends to use [●] of the proceeds from the IPO to repay the USD90.0 million borrowing; and

(ii) Acquisition of VHJSC

LEVPL had on 20 October 2022 entered into a share purchase agreement for the acquisition of the entire ordinary shares of VHJSC for an initial purchase price of USD19.2 million in respect of ACWA and VND299.5 billion in respect of FECON, which subject to the adjustment on the completion of the agreement. The final total purchase consideration is RM139,068,000 (equivalent to USD31,200,000). Vinh Hao 6 Plant is wholly-owned by VHJSC, which is a ground-mounted solar PV power plant located at Tuy Phong district, Binh Thuan province, Vietnam with a 20-year concession under the PPA with EVN, which will expire in June 2039.

The acquisition of the ordinary shares of VHJSC is funded by way of a banking facility amounting to USD29.0 million. The acquisition of VHJSC was completed on 27 April 2023.

The Vinh Hao 6 Plant had commenced its commercial operation in June 2019. As the Vinh Hao 6 Plant is an operational and revenue-generating asset, there were no material capital expenditure to be incurred. We will recognise revenue from VHJSC in the form of sales of electricity generated by the Vinh Hao 6 Plant under the Utility-Scale Business. Please refer to Section 7.2.4(iii) of this Prospectus for further information on the production process and power offtake of the Vinh Hao 6 Plant.

(k) Significant accounting policies, estimates and judgements

The summary of our significant accounting policies is set out in the Accountants' Report disclosed in Note 2 of Section 13 of this Prospectus. The significant accounting policies that are peculiar to our Group because of the nature of our Utility-Scale Business and the C&I Solar Business are summarised below:

(i) Intangible assets for service concession agreements and power purchase contracts as detailed in Paragraphs 2.9(ii) and 2.9(iii) of the Accountants' Report, respectively;

(ii) Service concession arrangements as detailed in Paragraph 2.22 of the Accountants' Report; and

(iii) Revenue recognition as detailed in Paragraph 2.23 of the Accountants' Report.

The preparation of our Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. Although these estimates and judgements are based on our best knowledge of current events and actions, actual results may differ and seldom be equal to estimated results. The summary of the judgements, estimates and assumptions made in applying accounting policies are set out in the Accountants' Report disclosed in Note 3 of Section 13 of this Prospectus.

(l) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during the Period Under Review. In addition, our audited consolidated financial statements for the Period Under Review were not subject to any audit qualifications.

12.2.2 Significant factors affecting our results of operations and financial condition

Our results of operations and financial condition have been, and are expected to be, affected by a number of factors, including those affecting our industry generally and those that could specifically affect our existing power assets and our ability to grow.

(i) Operation of our power assets

Our results of operations and financial condition are dependent upon our ability to effectively operate and maintain our power plants in accordance with the terms of the relevant PPAs and PTA. For the Period Under Review, our revenue was primarily generated from the following sources:

(a) making available the power generation capacity for supplying electricity, as we are obliged to make available the net dependable capacities of the CEL Plant and the CEL II Plant under the respective PPAs and are required to make shortfall payments if we fail to do so. Please refer to Section 7.2.2 of this Prospectus for further information;

(b) supplying electricity generated from our Utility-Scale power generation assets. For the LSE Plant, the LSE II Plant and the LNTH Plants, we are required to supply a minimum amount of electricity and/or regularly provide power generation plans and follow through on them. Payment is made from customers according to the amount of electricity supplied by each power generation asset, either non-RE or RE, under the respective PPA. Please refer to Sections 7.2.4 and 7.2.5 of this Prospectus for further information;

(c) maintaining the operation of our power transmission asset, i.e. the CTL Transmission Line Asset. We are required to limit the outage duration to below a permitted amount per annum. Please refer to Section 7.2.3 of this Prospectus for further information; and

(d) supplying electricity generated from solar PV systems (under the PPA Model), leasing solar PV systems (under the Rental Model) and providing EPC and O&M services for solar PV systems (under the EPC Model and O&M Model, respectively) under the C&I Solar Business. Please refer to Section 7.2.8 of this Prospectus for further information.

Items (a), (b) and (c) above were our primary revenue sources, as the Utility-Scale Business contributed 100.0%, 98.5% and 96.2% of our revenue for FYE 2020, FYE 2021 and FYE 2022, respectively.

To meet our contractual obligations described above, we must ensure that we undertake appropriate and efficient O&M activities. We utilise an in-house team to undertake O&M of our Utility-Scale power assets, except for the Phu My Plants, for which we rely on BCGE, the business partner of our jointly controlled entity, to undertake O&M services. Our management members and employees, including those who conduct and oversee the O&M work, have significant experience, and we also conduct training and reviews to ensure performance. Please refer to Sections 7.4.4 and 7.21 of this Prospectus for further information. For major maintenance work, we also engage third-party contractors who have the necessary experience and capabilities to deploy specialist equipment to ensure effective operation of our power assets. In addition, in light of the potential adverse impacts of safety incidents on the operation of our power assets, we have taken various measures on health, safety and environment and achieved no material loss time injury, no material accident and no fatal case during the Period Under Review and up to the LPD. Furthermore, we believe that we use reliable and proven equipment and materials and engage reliable contractors for building power assets (for those built by us), which also contributes to effective operation of those power assets.

Our future revenues and profits will depend on the operation of our power assets, including the performance of our O&M staff and contractors and the effects of the measures described above, as well as adopting current measures and developing new measures for power assets that we develop or acquire in the future.

(ii) Our development and acquisitions of new power assets

Our business and, in turn, our results of operations and financial condition are significantly affected by the capacity and growth of our operating power assets. As our portfolio of operating power assets expands, our potential income from electricity sales, power transmission services and rental, EPC and O&M services could increase accordingly. The increased scale and size of our power assets in diverse geographical areas enable us to benefit from economies of scale and reduce asset-specific risks.

As at 31 December 2020, 2021 and 2022 and the LPD, the aggregate GIC of our power assets (both those owned by us and those under our acquisition) and our power projects under construction (excluding power projects at early development stages) was 389.1MW, 761.4MW, 781.2MW and 833.5MW, respectively, representing an increase of 114.2% from 31 December 2020 to the LPD. Accordingly, for FYE 2020, FYE 2021 and FYE 2022, our revenue was RM545.6 million, RM679.3 million and RM910.6 million, respectively, and our PAT was RM166.1 million, RM175.4 million and RM177.2 million, respectively.

From FYE 2020 to FYE 2022, our revenue increased by 66.9% and our PAT increased by 6.7%. Such changes were mainly attributable to, among others, the commencement of commercial operation of the LSE II Plant in February 2020 and the CEL II Plant in April 2020 and our acquisition in September 2021 of the LYS Energy Group, which owns the majority of our C&I Solar Projects. Our investment in CEVD in FYE 2021 was recorded as an investment in jointly controlled entities in our consolidated statement of financial position. Our Group's profit had been impacted by the share of results of jointly controlled entities related to CEVD. Please refer to Section 12.2.3 of this Prospectus for further information on our results of operations and the respective changes over the Period under Review, Section 6.2 of this Prospectus for further information on our history and development of our Group, and Sections 7.1 and 7.2 of this Prospectus for further information on our portfolio of power assets and projects.

As at the LPD, the estimated GIC of our power projects at the early development stages is 321.9MW. In addition, the acquisitions of CTL II Transmission Line Asset and VHJSC have been completed as at the LPD. Our consolidated financial statements for FYE 2023 will include the results of operations of CTL II Transmission Line Asset and VHJSC following the completion of the said acquisitions. The revenue from CTL II Transmission Line Asset and VHJSC will be classified as revenue from our Utility-Scale Business customers. There are risks associated with these power projects and the estimated GIC numbers; please refer to Section 9.1.2(ii) of this Prospectus for further information.

Furthermore, we aim to explore acquisition and development of more power assets and projects, potentially of new energy types and in new geographic areas, and we aim to expand other services, particularly our EPC and O&M services under the C&I Solar Business. Please refer to Sections 7.5.2 of this Prospectus for further information on our future expansion plan. Our ability to execute our future expansion plan will depend on our own capabilities, the economic and business environment, government policies as well as the competitive landscape, especially on how we compete with international, regional and local competitors in securing new projects. Please refer to Sections 7.22 and 9.2.1 of this Prospectus for further information on the competition we are facing. The progress and results of our future business expansion would significantly affect our future results of operations and financial position.

(iii) Demand for electricity, economic conditions and infrastructure conditions

The electricity generated and/or transmitted by our power assets is supplied to end users in the countries where we operate our business. Therefore, the supply and demand balance for electricity, economic growth and other economic trends and factors in Southeast Asia and Taiwan in general as well as at the localities where our power assets and projects are situated have a direct impact on our operations.

In general, offtakers are not required to purchase all the electricity generated by our power generation assets, and apart from the compulsory purchase amounts under certain PPAs, the amounts of electricity actually purchased by the offtakers are subject to despatch instructions from the offtakers, annual and monthly generation plans agreed between offtakers and our operating subsidiaries and jointly controlled entities, or other commercial terms which may be negotiated as permitted under the respective PPAs. These despatch instructions, generation plans and results of negotiations are dependent on the demand of electricity, which are in turn substantially affected by economic conditions in relevant countries and areas. Moreover, economic conditions and demand for electricity as well as infrastructure conditions in a given area also affect the need for new power projects, which would affect new concessions awarded to us as well as the number of new assets and projects we may acquire and develop in the future. We have in the past benefited from the rapid economic growth and power demand increase in Southeast Asia and Taiwan and we expect to benefit from similar growth in the future. Please refer to Section 8 of this Prospectus for information on the economic and power industry conditions in Southeast Asia and Taiwan.

(iv) Government policies on power industry

The governments of the countries where we operate our business have established various incentives to accelerate the development of power infrastructure and in particular, RE power infrastructure. For example, the CTL Transmission Line Asset, the CEL Plant and the CEL II Plant were recognised as Qualified Investment Projects by the Ministry of Finance Cambodia for income tax exemption of nine years upon commencement of operations, where CTL Transmission Line Asset and CEL Plant's income tax exemptions have expired on 31 July 2022 and 1 December 2022, respectively. CEL II Plant's income tax exemption will expire on 14 April 2029. Further, CTL II Transmission Line Asset in which the acquisition was completed on 22 March 2023 was recognised as Qualified Investment Projects by the Ministry of Finance Cambodia where it is eligible for income tax exemption for nine years and will expire on 31 December 2026.

The profit generated from the CEL Plant and CTL Transmission Line Asset will be subjected to the applicable statutory tax rate, i.e. the prevailing statutory tax rate of 20% in Cambodia commencing in August 2022 and December 2022, respectively subsequent to the expiration of their respective income tax exemptions in the preceding months. The profit generated from the CEL II Plant and CTL II Transmission Line Asset will be subjected to the applicable statutory tax rate, i.e. the prevailing statutory tax rate of 20% in Cambodia upon the expiry of their income tax exemption period in April 2029 and December 2026, respectively. As such, this directly affects our Group's PAT and PAT margin, and in turn may affect our overall profitability and financial performance in the future.

In addition, LSE and LSE II were granted an investment tax allowance incentive by the Malaysian Investment Development Authority via an approval letter dated 29 September 2017 and 16 August 2019, respectively, which allowed LSE and LSE II to claim 100.0% of the qualifying capital expenditure incurred on its green technology project with effect from 8 August 2017 until 31 December 2020 and 5 November 2018 until 31 December 2020, respectively for the purposes of solar energy generation. The allowance could be used to set off against 70.0% of the statutory business income for a year of assessment. Please refer to Section 12.2.3(ix) of this Prospectus for further information on our income tax.

According to Frost & Sullivan, countries in Southeast Asia and Taiwan have been aggressively promoting RE technology with the introduction of RE target, FiT policy and financial incentives for developers and asset owners. Our future results of operations and financial position will continue to be affected by the government incentives, including tax schemes.

Please refer to Section 9.1.15 of this Prospectus for further information on the risk that our Group may not be able to enjoy the same tax benefits in the future and Section 12.2.3(ix) of this Prospectus for further information on our Group's taxation and effective tax rate for the Period Under Review.

(v) Seasonality, weather and climate change

The amount of electricity generated by our solar PV power plants is dependent in part on the amount of sunlight, or solar irradiation, at the locations of the plants. In addition, the amount of electricity generated by our hydropower plants is dependent in part on the hydrological conditions where the plants are located. The amount of electricity generated by wind power plants which we plan to develop will also depend in part on the wind conditions at the relevant sites. Further, the operations of our coal-fired power plants are affected by seasonal change of precipitation in Cambodia, as EDC purchases more electricity generated from hydropower plants during the rainy seasons and reduces its purchase of electricity from coal-fired power plants during the rainy seasons. We normally arrange maintenance and shutdown of our coal-fired power plants during the rainy seasons.

Climate change, which may positively or negatively affect the solar irradiation, hydrological and wind conditions at a specific time point, will likely make these conditions more unpredictable and may lead to fluctuating solar irradiance, water flow or wind conditions, and thus make it difficult for us to pre-plan power generation and coordinate with our customers.

Our future results of operations and financial position will accordingly be affected by the fluctuations described above. Please refer to Sections 7.7 and 9.1.8 of this Prospectus for further information.

(vi) Our ability to access capital and our financing costs

We operate in a capital-intensive industry and have significant funding requirements for the acquisition and development of power assets and projects. Our capital funding requirements have historically been financed through a combination of cash generated from operating activities, borrowings from financial institutions and capital markets, and capital contributions, including shareholder loans and advances from HNG Capital, one of our Promoters and Substantial Shareholders, and its subsidiaries. Our total borrowings (excluding lease liabilities and amount due to related companies) were RM1.6 billion, RM1.7 billion and RM1.9 billion as at 31 December 2020, 2021 and 2022, respectively. For FYE 2020, FYE 2021 and FYE 2022, our finance costs were RM92.5 million, RM96.6 million and RM127.1 million, respectively, representing 16.9%, 14.2% and 14.0% of our revenue, respectively. Please refer to Section 12.2.6 of this Prospectus and Note 24 to the Accountants' Report in Section 13 of this Prospectus for further information on our borrowings and Section 10 of this Prospectus and Note 30 to the Accountants' Report in Section 13 of this Prospectus for further information on our transactions with HNG Capital and its subsidiaries.

In the future, we expect to satisfy our capital funding requirements, especially for the acquisition and development of new power assets and projects, through cash generated from operating activities, borrowings from financial institutions and capital markets, and our IPO proceeds. Please refer to Section 4.6 of this Prospectus for further information on the use of our IPO proceeds. Accordingly, our future results of operations and financial position will be affected by how we raise capital and the interest rates and other expenses of our borrowings. In particular, we expect rising interest rates to affect our financing costs.

(vii) Fluctuations in exchange rates between RM and foreign currencies

Our Group's functional currency is USD and our presentation currency is RM. Our revenue and expenses are denominated in local currencies of our respective foreign operations. Although there may be some amount of natural hedging to the extent where our revenues, costs and borrowings are denominated in the same foreign currency, fluctuations between such foreign currencies and our reporting currency may nevertheless impact our results. For FYE 2020, FYE 2021 and FYE 2022, approximately 93.3%, 94.2% and 95.8% of our revenue, respectively, were generated in currencies other than RM. Please refer to Section 12.2.3(i) of this Prospectus and Note 32(d) to the Accountants' Report in Section 13 of this Prospectus for further information. Accordingly, our future results of operations and financial position, as expressed in RM, will be affected by future foreign exchange translation exposure and the relevant exchange rate fluctuations.

(viii) Exposure to impairment losses arising from acquisitions and project development

It is our business strategy to expand our portfolio through acquisition and/or development of power assets and/or projects. Any adverse changes to the power project development and acquisitions may result in impairment loss. In addition, any significant changes in the assumptions used for the computation of our Group's investment value (whether through project development or acquisitions) may also result in impairment loss.

The acquisition of LYS Energy Group was completed on 28 September 2021. As at 31 December 2022, our Group has performed an annual impairment review on the goodwill arising from the acquisition of LYS Energy Group. The recoverable amount of LYS Energy Group's cash-generating unit is lower than the carrying amount of its cash-generating unit which resulted in an impairment loss on goodwill of RM22.0 million. The lower recoverable amount arose mainly from the delay in certain projects and the increasing trend of interest rates, as detailed in Note 14(c) of the Accountants' Report in Section 13 of this Prospectus.

The acquisition of 49.0% equity interest in CEVD, a jointly controlled entity, for a total consideration of RM181,595,000 was completed in December 2021. During FYE 2022, our Group recognised an impairment loss of RM20.9 million for CEVD's cash-generating unit (comprising CEVD's property, plant and equipment) due to the delay in the CODs of Phase 2 of Phu My 1 Plant and Phu My 3 Plant caused by the unresolved tariff rate with EVN as these plants were not eligible for FiT by the end of 31 December 2020 in view that the construction of these plants was not completed before 31 December 2020. The delay in the completion of construction of these plants, as detailed in Note 16(ii)(a) of the Accountants' Report in Section 13 of this Prospectus.

On 30 May 2023, Phase 2 of both the Phu My 1 Plant and Phu My 3 Plant have been notified of their respective COD pursuant to official letters from EVN dated 30 May 2023. Their commercial operations have commenced from 30 May 2023 with a temporary tariff rate approved by MOIT of USD0.025 per kWh (50.0% of the ceiling rate). The ceiling rate is applicable to transitional ground-mounted solar projects in Vietnam, pending conclusion of the negotiation between the owners of the transitional ground-mounted solar projects and the MOIT to determine the final tariff rate that is anticipated to be higher than the ceiling rate as the ceiling rate is considered relatively low for the said solar projects to be commercially viable in Vietnam. After the conclusion of the said negotiations, the final tariff rate will be applied retrospectively from the COD of Phase 2 of both the Phu My 1 Plant and Phu My 3 Plant. The quantitative sensitivity analysis as at 31 December 2022 as set out in Note 16(ii)(c) to the Accountants' Report illustrates that 1 US cent per kWh increase or decrease in the tariff rate would result in an increase or decrease, respectively, in value in use by RM25.3 million. Therefore, the uncertainty in the final tariff rate, being one of the key assumptions used in CEVD's equity value calculation, may result in further impairment loss to be made in the event that the final tariff rate is lower than estimated.

Accordingly, our results of operations and financial position have been and will continue to be affected by the impairment loss incurred by us, the amount of which depends on the progress of our development of power projects and our acquisition of power assets/projects and the extent the financial results of the acquired power assets/projects and the developed projects meet our projections. These factors are in turn affected by, among others, the macroeconomic conditions, general capital market conditions, the competitions we face, the capabilities and efficiency of our power project development and acquisition execution, and the integration of our acquired businesses.

12.2.3 Review of our results of operations

(i) Revenue

Breakdown of revenue by business segment

By type of energy

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Non-RE						
- Cambodia[1]	416,227	76.3	540,371	79.5	737,904	81.0
RE						
- Cambodia[2]	55,304	10.1	54,328	8.0	57,658	6.3
- Vietnam[3]	37,889	6.9	38,519	5.7	46,125	5.1
- Malaysia[4]	36,163	6.7	38,980	5.8	38,077	4.2
- Singapore[5]	-	-	4,358	0.6	26,986	3.0
- Indonesia[5]	-	-	2,729	0.4	3,863	0.4
- Thailand[5]	-	-	54	*	-	-
	129,356	23.7	138,968	20.5	172,709	19.0
Total revenue	**545,583**	**100.0**	**679,339**	**100.0**	**910,613**	**100.0**

By type of business

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Utility-Scale Business						
- Coal-fired power plants	416,227	76.3	540,371	79.5	737,904	81.0
- Power transmission line asset	55,304	10.1	54,328	8.0	57,658	6.3
- Hydropower plants	37,889	6.9	35,607	5.3	43,336	4.8
- Solar PV power plants	36,163	6.7	38,979	5.7	37,562	4.1
	545,583	100.0	669,285	98.5	876,460	96.2
C&I Solar Business	-	-	10,054	1.5	34,153	3.8
Total revenue	**545,583**	**100.0**	**679,339**	**100.0**	**910,613**	**100.0**

Note:

* *Represents less than 0.1%.*

(1) *Comprises revenue from the sales of capacity (for which payments are for making available the power generation capacity for supplying electricity i.e. capacity payment) and power generated from two coal-fired power plants (the CEL Plant and the CEL II Plant, i.e. 2 coal-fired power plants in Sihanoukville province, Cambodia). The revenue of sales of capacity for FYEs 2020, 2021 and 2022 are RM274.8 million, RM306.0 million and RM399.1 million, respectively.*

(2) *Comprises revenue from making available the assets for transmission of electricity via the transmission lines linked to 2 sub-stations (the CTL Transmission Line Asset in Cambodia).*

(3) *Comprises revenue from the power generated by 5 small hydropower plants in Vietnam during the Period Under Review and revenue for the C&I Solar Projects from our customers in C&I sectors and government-owned or government-linked utilities companies for on-site solar PV system installations since the fourth quarter of FYE 2021.*

(4) *Revenue derived from the electricity generated by solar PV power plants (the LSE Plant and the LSE II Plant, i.e. 2 solar PV power plants in Kedah, Malaysia) during the Period Under Review and revenue for the C&I Solar Projects from our customers in the C&I sectors and government-owned or government-linked utilities companies for on-site solar PV system installations from FYE 2022.*

(5) *Revenue derived from the C&I Solar Projects for on-site solar PV system installations for our customers in the C&I sectors following the completion of the acquisition of the LYS Energy Group on 28 September 2021.*

Breakdown of revenue by geographical location[(1)]

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Overseas						
- Cambodia[(2)]	471,531	86.4	594,699	87.5	795,562	87.3
- Vietnam[(3)]	37,889	6.9	38,519	5.7	46,125	5.1
- Singapore[(3)]	-	-	4,358	0.6	26,986	3.0
- Indonesia[(3)]	-	-	2,729	0.4	3,863	0.4
- Thailand[(3)]	-	-	54	*	-	-
	509,420	**93.3**	**640,359**	**94.2**	**872,536**	**95.8**
Malaysia[(3)]	**36,163**	**6.7**	**38,980**	**5.8**	**38,077**	**4.2**
Total revenue	**545,583**	**100.0**	**679,339**	**100.0**	**910,613**	**100.0**

Note:

* *Represents less than 0.1%.*

(1) *The classification of our revenue by geographical market is based on the location of our customers.*

(2) *Comprises revenue from both business segments, i.e., the non-RE and RE segments.*

(3) *Comprise revenue solely from the RE segment.*

Comparison between FYE 2020 and FYE 2021

Our revenue increased by RM133.7 million, or 24.5%, to RM679.3 million for FYE 2021 (FYE 2020: RM545.6 million). The increase was mainly attributable to the growth in revenue from the non-RE segment, which increased by RM124.2 million, or 29.8%, to RM540.4 million for FYE 2021 (FYE 2020: RM416.2 million), as explained under the non-RE segment section below.

Revenue from the non-RE segment was RM540.4 million, or 79.5%, of our revenue for FYE 2021 (FYE 2020: RM416.2 million or 76.3%), out of which RM306.0 million, or 56.6%, was capacity payment (FYE 2020: RM274.8 million, or 66.0%) and RM234.4 million, or 43.4%, was revenue from power generated from two coal-fired power plants in Cambodia (FYE 2020: RM141.4 million, or 34.0%).

The overseas market continued to be our primary revenue contributor for FYE 2021, representing RM640.4 million, or 94.2%, of our revenue (FYE 2020: RM509.4 million or 93.3%).

During FYE 2021, following the completion of the acquisition of the LYS Energy Group on 28 September 2021, our RE business expanded to undertake the C&I Solar Projects from our customers in the C&I sectors and government-owned or government-linked utilities companies across Southeast Asian countries, such as Singapore, Vietnam, Indonesia, Malaysia and Thailand for on-site solar PV energy generation and installation. The C&I Solar Projects segment has contributed RM10.1 million or 1.5%, of our total revenue for FYE 2021.

Non-RE

Revenue from the non-RE segment increased by RM124.2 million, or 29.8%, to RM540.4 million for FYE 2021 (FYE 2020: RM416.2 million), mainly due to the following:

(i) increase in revenue from power generation was mainly attributable to the increase in coal prices during FYE 2021, which contributed positively to our revenue from the coal-fired power plants due to the cost-pass-through mechanism used in computing revenue based on the PPAs entered into with EDC. The average Newcastle Coal Index's monthly coal prices increased by 127.1% from USD60.45 per tonne for FYE 2020 to USD137.28 per tonne for FYE 2021; and

(ii) increase in revenue from power generated by the CEL II Plant in the second half of FYE 2021. The fine-tuning of CEL II Plant, which includes equipment testing and commercial test-run in FYE 2020, was only completed in the first half of FYE 2021.

RE

Our revenue from the RE segment for FYE 2021 was derived mainly from the overseas markets, which recorded a total revenue of RM100.0 million, or 72.0%, of our revenue for the RE segment for FYE 2021 (FYE 2020: RM93.2 million or 72.0%).

Revenue from the RE segment increased by RM9.6 million, or 7.4%, to RM139.0 million for FYE 2021 (FYE 2020: RM129.4 million), and is mainly attributable to the following:

(i) expansion of our RE business to undertake the C&I Solar Projects from our customers in C&I sectors and government-owned or government-linked utilities companies across various Southeast Asian countries, such as Singapore, Vietnam, Indonesia, Malaysia and Thailand for on-site solar PV energy generation and installation. The C&I Solar Business has contributed RM10.1 million, or 7.2%, to our revenue from the RE segment in the last quarter of FYE 2021 after the completion of the acquisition of the LYS Energy Group on 28 September 2021; and

(ii) revenue from power generated by our solar PV power plants in Malaysia increased by RM2.8 million, or 7.7%, to RM39.0 million for FYE 2021 (FYE 2020: RM36.2 million), mainly attributable to the higher power generated by both plants during FYE 2021, resulting from better irradiance during FYE 2021 and the full-year power generation by LSE II Plant.

Notwithstanding the above, the improvement in revenue for the RE segment during FYE 2021 was offset by the following:

(i) decrease in our small hydropower plants' revenue of RM2.3 million, or 6.1%, to RM35.6 million for FYE 2021 (FYE 2020: RM37.9 million) was due to lower rainfall in FYE 2021 and thus recorded lower power generation during FYE 2021 as compared FYE 2020; and

(ii) the RE segment from Cambodia recorded marginally lower revenue, which decreased by RM1.0 million, or 1.8%, to RM54.3 million for FYE 2021 (FYE 2020: RM55.3 million), mainly due to the weakening of the foreign exchange rate for USD against RM for FYE 2021 as compared to FYE 2020. The average exchange rate for USD:RM weakened from USD1:RM4.2154 for FYE 2020 to USD1:RM4.1437 for FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our revenue increased by RM231.3 million, or 34.0%, to RM910.6 million for FYE 2022 (FYE 2021: RM679.3 million). The increase was mainly attributable to the increase in revenue from the non-RE segment, which increased by RM197.5 million, or 36.5%, to RM737.9 million for FYE 2022 (FYE 2021: RM540.4 million), as explained under the non-RE segment section below.

The non-RE segment contributed RM737.9 million, or 81.0%, of our revenue for FYE 2022 (FYE 2021: RM540.4 million or 79.5%), out of which RM399.1 million, or 54.1%, was capacity payment (FYE 2021: RM306.0 million, or 56.6%) and RM338.8 million, or 45.9%, was revenue from power generated by our two coal-fired power plants in Cambodia (FYE 2021: RM234.4 million, or 43.4%).

The overseas market continued to be our primary revenue contributor for FYE 2022, representing RM872.5 million, or 95.8%, of our revenue (FYE 2021: RM640.4 million or 94.2%).

The strengthening of the foreign exchange rate for USD against RM for FYE 2022 compared to FYE 2021 had also contributed positively to our revenue growth for FYE 2022. The average exchange rate for USD:RM strengthened from USD1:RM4.1437 for FYE 2021 to USD1:RM4.4002 for FYE 2022.

Non-RE

Revenue from the non-RE segment increased by RM197.5 million, or 36.5%, to RM737.9 million for FYE 2022 (FYE 2021: RM540.4 million), mainly due to the following:

(i) increase in our revenue from power generation had increased by RM104.4 million, or 44.5%, to RM338.8 million (FYE 2021: RM234.4 million). Coal price increases contributed to the increase in revenue from power generation as the cost-pass-through mechanism was used in computing revenue based on the PPA entered with EDC, in which the average Newcastle Coal Index monthly coal prices increased by 162.4% from USD137.28 per tonne for FYE 2021 to USD360.19 per tonne for FYE 2022;

(ii) higher power generated by the CEL II Plant for FYE 2022 mainly due to the full operations of this plant during FYE 2022 since it completed its fine-tuning in the first half of FYE 2021; and

(iii) the strengthening of the foreign exchange rate for USD against RM for FYE 2022 as compared to FYE 2021. The average exchange rate for USD:RM strengthened from USD1:RM4.1437 for FYE 2021 to USD1:RM4.4002 for FYE 2022.

RE

Our revenue from the RE segment for FYE 2022 was derived mainly from the overseas market, which recorded a total revenue of RM134.6 million, or 78.0%, of our revenue for the RE segment for FYE 2022 (FYE 2021: RM100.0 million or 72.0%).

Revenue from the RE segment increased by RM33.7 million, or 24.3%, to RM172.7 million for FYE 2022 (FYE 2021: RM139.0 million), mainly attributable to the following:

(i) the C&I Solar Projects recorded total revenue of RM34.2 million, or 19.8%, of the total revenue from the RE segment for FYE 2022 (FYE 2021: RM10.1 million, or 7.2% of the total revenue from the RE segment), representing an increase of RM24.1 million or 238.6%, as our Group expanded to undertake the C&I Solar Projects from our C&I sectors customers and government-owned or government-linked utilities companies across Southeast Asian countries, such as Singapore, Vietnam, Indonesia, Malaysia and Thailand for on-site solar PV system generation and installation, following the completion of the acquisition of the LYS Energy Group on 28 September 2021; and

(ii) revenue from our small hydropower plants in Vietnam increased by RM7.7 million, or 21.6%, to RM43.3 million for FYE 2022 (FYE 2021: RM35.6 million), mainly due to higher rainfall during FYE 2022 as compared to FYE 2021, thus recorded higher power generation during FYE 2022.

(ii) **Cost of sales, GP and GP margin**

Breakdown of cost of sales by cost component

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Material and consumable costs	143,597	49.6	199,557	54.6	330,240	62.7
Depreciation and amortisation	91,943	31.8	104,030	28.5	111,092	21.1
Staff-related costs	28,614	9.9	32,171	8.8	42,687	8.1
Repair and maintenance costs	11,172	3.9	11,048	3.0	16,015	3.0
Insurance expenses	4,426	1.5	7,558	2.1	9,562	1.8
Other expenses	9,511	3.3	11,170	3.0	17,328	3.3
Total cost of sales	**289,263**	**100.0**	**365,534**	**100.0**	**526,924**	**100.0**

Note:

* *Other expenses comprise mainly utility charges, licence fees paid to the authorities for our power plants located in respective countries, transportation charges, rental expenses, security charges and electricity charges.*

(a) Material and consumable costs

Material and consumable costs mainly comprise coal, diesel, limestone, consumables and tools, and which contributed 49.6%, 54.6% and 62.7% of our total cost of sales for FYEs 2020, 2021 and 2022, respectively.

Our coal-fired power plants in Cambodia were the main consumer to our material and consumable costs, which contributed 99.8%, 97.9%, and 97.0% of our total material and consumable costs for FYEs 2020, 2021 and 2022, respectively.

Material and consumable costs increased by RM56.0 million, or 39.0%, to RM199.6 million for FYE 2021 (FYE 2020: RM143.6 million). The increase was mainly attributable to the rise in material and consumable costs of RM52.1 million, or 36.4%, to RM195.4 million for FYE 2021 (FYE 2020: RM143.3 million) for our coal-fired power plants in Cambodia. The increase resulted from higher power generated during FYE 2021 and, thus, higher coal, limestone and consumable consumption by these plants. In addition, the increase in average Newcastle Coal Index's monthly coal prices of 127.1% from USD60.45 per tonne for FYE 2020 to USD137.28 per tonne for FYE 2021 also contributed to the rise in material and consumable costs for FYE 2021. During FYE 2021, we incurred RM3.9 million for material and consumable costs for our C&I Solar Projects undertaken by us since the last quarter of FYE 2021.

Our material and consumable costs increased by RM130.7 million, or 65.5%, to RM330.2 million for FYE 2022 (FYE 2021: RM199.6 million), mainly due to the average Newcastle Coal Index monthly coal prices which have increased further by 162.4% from USD137.28 per tonne for FYE 2021 to USD360.19 per tonne for FYE 2022. During FYE 2022, we incurred RM9.7 million for material and consumable costs for our C&I Solar Projects as compared to three months' costs incurred of RM3.9 million in FYE 2021 following the completion of the acquisition of the LYS Energy Group on 28 September 2021.

(b) Depreciation and amortisation

Depreciation and amortisation comprise depreciation for property, plant and equipment and right-of-use assets (leasehold land and building) directly used for our Utility-Scale power generation assets and power transmission assets, amortisation of intangible assets for our power purchase contracts and service concession agreements and it amounted to 31.8%, 28.5% and 21.1% of our total cost of sales for FYEs 2020, 2021 and 2022, respectively.

Our depreciation and amortisation increased by RM12.1 million or 13.2%, to RM104.0 million for FYE 2021 (FYE 2020: RM91.9 million). The increase was mainly attributable to full-year depreciation and amortisation effects resulting from the CEL II Plant of RM43.9 million (FYE 2020: RM31.5 million) and the LSE II Plant of RM5.5 million (FYE 2020: RM4.8 million), which were completed and commercialised in FYE 2020. The increase was offset slightly by the weakening of USD against RM during FYE 2021 from USD1:RM4.2154 for FYE 2020 to USD1:RM4.1437 for FYE 2021.

The increase in depreciation and amortisation by RM7.1 million or 6.8%, to RM111.1 million for FYE 2022 (FYE 2021: RM104.0 million) was mainly contributed by our coal-fired power plants in Cambodia, which had an increase in depreciation of RM6.2 million or 8.0%, to RM83.3 million for FYE 2022 (FYE 2021: RM77.1 million). This was mainly due to the strengthening of the foreign exchange rate for USD against RM for FYE 2022 as compared to FYE 2021, which had resulted in higher depreciation and amortisation being recorded upon translation of USD to RM. The average exchange rate for USD:RM strengthened from USD1:RM4.1437 for FYE 2021 to USD1:RM4.4002 for FYE 2022. In addition, the said increase was also contributed by the additions of plant and machinery for the purpose of preventive maintenance works which is normal for the operations of our coal-fired power plants.

(c) Staff-related costs

Staff-related costs for operation and maintenance and business development staff mainly comprise staff salaries, bonuses and allowances, staff welfare and statutory contributions, which contributed 9.9%, 8.8% and 8.1% of our total cost of sales for FYEs 2020, 2021 and 2022, respectively.

Our coal-fired power plants and transmission lines and substations in Cambodia were the main contributors to our staff-related costs, which collectively contributed 88.0%, 88.4% and 89.5% of our total staff-related costs for FYEs 2020, 2021 and 2022, respectively.

The increase in our staff-related costs of RM3.6 million, or 12.6%, to RM32.2 million for FYE 2021 (FYE 2020: RM28.6 million) was mainly due to the increase in staff-related costs of our employees at our coal-fired power plants and transmission lines and substations in Cambodia, of RM3.2 million or 12.7% to RM28.4 million for FYE 2021 (FYE 2020: RM25.2 million). The increase was mainly due to the additional personnel hired to undertake the O&M for the CEL II Plant in Cambodia and the full-year impact on staff-related costs incurred by the CEL II Plant during FYE 2021, in addition to the annual salary increments.

Our staff-related costs increased by RM10.5 million, or 32.6%, to RM42.7 million for FYE 2022 (FYE 2021: RM32.2 million), mainly attributable to annual salary increment for our employees and higher provision of bonuses. The increase was also due to the strengthening of the foreign exchange rate for USD against RM for FYE 2022 as compared to FYE 2021, in which the average exchange rate for USD:RM strengthened from USD1:RM4.1437 for FYE 2021 to USD1:RM4.4002 for FYE 2022.

(d) Repair and maintenance costs

Repair and maintenance costs mainly comprise costs incurred for the upkeep of plant, machinery and tools, motor vehicles and office equipment, which contributed 3.9%, 3.0% and 3.0% of our total cost of sales for FYEs 2020, 2021 and 2022, respectively.

The breakdown of repair and maintenance costs by the type of power assets for the Period Under Review are set out below:

	Audited					
Energy type	**FYE 2020**		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Non-RE						
Coal-fired power plants	9,752	87.3	9,590	86.8	14,339	89.5
RE						
Power transmission line asset	419	3.8	486	4.4	661	4.1
Hydropower plants	473	4.2	301	2.7	454	2.9
Solar PV power plants	528	4.7	669	6.1	562	3.5
Total repair and maintenance costs	**11,172**	**100.0**	**11,048**	**100.0**	**16,015**	**100.0**

Our coal-fired power plants in Cambodia incurred the largest amount of repair and maintenance costs totalling 87.3%, 86.8% and 89.5% of our total repair and maintenance costs for FYEs 2020, 2021 and 2022, respectively, arising from its scheduled repair and maintenance work to minimise the potential plant downtime.

Repair and maintenance costs was fairly consistent for FYE 2020 and FYE 2021, with a slight decrease of RM0.2 million, or 1.8%, to RM11.0 million for FYE 2021 (FYE 2020: RM11.2 million).

Our repair and maintenance costs increased by RM5.0 million, or 45.0%, to RM16.0 million for FYE 2022 (FYE 2021: RM11.0 million), mainly attributable to the strengthening of the foreign exchange rate for USD against RM for FYE 2022 as compared to FYE 2021, in which the average exchange rate for USD:RM strengthened from USD1:RM4.1437 for FYE 2021 to USD1:RM4.4002 for FYE 2022. In addition, the said increase was also contributed by the repair and maintenance costs incurred at the CEL Plant and CEL II Plant in Cambodia for their scheduled maintenance.

We outsource part of the repair and maintenance work to third party contractors. The payment terms vary for the outsourced services, depending on the contractors' requirements and the negotiation between the contractors and us. Generally, there are three types of payment terms:

(i) one-time payment;
(ii) multiple milestone payments, which may include an advance payment before the work starts, a payment after completion and/or a payment after the warranty period expires; and
(iii) regular scheduled payments over a period of time.

(e) Insurance expenses

Insurance expenses comprise mainly premiums for insuring our coal-fired power plants, small hydropower power plants, solar PV power plants and power transmission assets. Insurance expenses contributed 1.5%, 2.1% and 1.8% of our total cost of sales for FYEs 2020, 2021 and 2022, respectively.

Insurance expenses increased further by RM3.2 million, or 72.7%, to RM7.6 million for FYE 2021 (FYE 2020: RM4.4 million). The increase was mainly due to the full-year impact on the insurance expenses for our CEL II Plant along with the higher premium caused by the limited availability of insurers for the underwriting of coal-related assets, and the increment in the sum insured (after taking into consideration the replacement costs for the assets instead of net carrying amounts), have collectively contributed to the increase in insurance expenses by RM2.9 million to RM6.0 million for FYE 2021 (FYE 2020: RM3.1 million).

Our insurance expenses increased by RM2.0 million, or 26.5%, to RM9.6 million for FYE 2022 (FYE 2021: RM7.6 million), mainly attributable to the higher premium caused by the limited number of insurers for underwriting of coal-related assets.

(f) Other expenses

Other expenses mainly comprised utility charges, licence fees paid to the authorities for our power plants located in respective countries, transportation charges, rental expenses, security charges and other costs for the C&I Solar Projects which comprise mainly licence fees, technical fees and transportation costs. Other expenses contributed 3.3%, 3.0% and 3.3% of our total cost of sales for FYEs 2020, 2021 and 2022.

Other expenses increased by RM1.7 million, or 17.9%, to RM11.2 million for FYE 2021 (FYE 2020: RM9.5 million), mainly due to the following:

(i) increase in the electricity charges incurred for our coal-fired power plants for FYE 2021 of RM0.7 million to RM2.0 million for FYE 2021 (FYE 2020: RM1.3 million) was mainly due to the purchase of electricity during the repair and maintenance period in FYE 2021, which was rescheduled repair and maintenance activities from FYE 2020 to FYE 2021 due to COVID-19 pandemic. We were required to purchase electricity as no power was generated during the period when our coal-fired power plants were shut down for the repair and maintenance activities; and

(ii) expenses such as transportation costs, travelling expenses, technical fees and general expenses of RM0.5 million incurred for our C&I Solar Projects undertaken by us since the last quarter of FYE 2021 following the completion of the acquisition of the LYS Energy Group on 28 September 2021.

Our other expenses increased by RM6.1 million, or 54.5%, to RM17.3 million for FYE 2022 (FYE 2021: RM11.2 million), mainly due to the following

(i) increase in the electricity charges of RM2.9 million to RM4.9 million for FYE 2022 (FYE 2021: RM2.0 million). This was mainly due to the increased electricity consumption of our coal-fired power plants due to our CEL II Plant’s maintenance activities carried out during FYE 2022.

(ii) technical fees increased by RM2.2 million to RM2.6 million for FYE 2022 (FYE 2021: RM0.4 million), mainly due to higher licence fees for our coal-fired power plants and transmission line assets resulting from higher power generated and transmitted for FYE 2022. License fees are computed based on the power generated and power transmitted;

(iii) transport expenses increased by RM1.0 million to RM3.8 million for FYE 2022 (FYE 2021: RM2.8 million). The increase was mainly attributable to higher transportation costs incurred by the CEL Plant and the CEL II Plant resulting from the freight charges on overseas purchases of spare parts. In addition, this was also due to the full-year impact of the transportation costs incurred by LYS Energy Group for FYE 2022 as compared to the 3-month impact for FYE 2021; and

(iv) the strengthening of the foreign exchange rate for USD against RM for FYE 2022 compared to FYE 2021 had increased the expenses for USD-denominated expenses such as rental for trucks and transportation charges for FYE 2022. The average exchange rate for USD:RM strengthened from USD1:RM4.1437 for FYE 2021 to USD1: RM4.4002 for FYE 2022.

Breakdown of cost of sales by business segment

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
Type of energy	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Non-RE						
- Coal-fired power plants	250,975	86.8	321,314	87.9	471,674	89.5
RE						
- Power transmission line asset	4,765	1.6	5,152	1.4	6,591	1.3
- Hydropower plants	17,972	6.2	18,067	5.0	19,409	3.7
- Solar PV power plants	15,513	5.4	16,165	4.4	16,310	3.1
- C&I Solar Business	38	*	4,836	1.3	12,940	2.4
	38,288	13.2	44,220	12.1	55,250	10.5
Total cost of sales	**289,263**	**100.0**	**365,534**	**100.0**	**526,924**	**100.0**

Note:
* *Negligible.*

Our costs of sales for the Period Under Review were mainly attributable to our non-RE segment, which was the main contributor to our cost of sales for the Period Under Review, representing 86.8%, 87.9% and 89.5% of our total cost of sales for FYEs 2020, 2021 and 2022, incurred mainly from our coal-fired power plants in Cambodia, i.e. consumption of coal.

Breakdown of GP and GP margin by business segment

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	GP margin (%)	RM'000	GP margin (%)	RM'000	GP margin (%)
Non-RE						
- Coal-fired power plants	165,252	39.7	219,057	40.5	266,230	36.1
RE						
- Power transmission line asset	50,539	91.4	49,176	90.5	51,067	88.6
- Hydropower plants	19,917	52.6	17,540	49.3	23,927	55.2
- Solar PV power plants	20,650	57.1	22,814	58.5	21,252	56.6
- C&I Solar Business	(38)	*	5,218	51.9	21,213	62.1
	91,068	70.4	94,748	68.2	117,459	68.0
GP/GP margin	**256,320**	**47.0**	**313,805**	**46.2**	**383,689**	**42.1**

Note:

* *Negligible.*

Comparison between FYE 2020 and FYE 2021

Our cost of sales increased by RM76.2 million, or 26.3%, to RM365.5 million for FYE 2021 (FYE 2020: RM289.3 million), mainly due to the following:

(i) cost of sales for the non-RE segment increased by RM70.3 million, or 28.0%, to RM321.3 million for FYE 2021 (FYE 2020: RM251.0 million), mainly due to the rise in material and consumable costs for our coal-fired power plants in Cambodia, resulting from higher power generated during FYE 2021 and thus higher consumption of coal, limestone and water by these plants. Furthermore, the increase in average Newcastle Coal Index's monthly coal prices of 127.1% from USD60.45 per tonne for FYE 2020 to USD137.28 per tonne for FYE 2021 also contributed to the increased material and consumable costs for FYE 2021; and

(ii) construction costs and other related expenses of RM4.9 million for the C&I Solar Projects undertaken by our Group in the last quarter of FYE 2021, following the completion of the acquisition of the LYS Energy Group on 28 September 2021.

Our GP increased by RM57.5 million, or 22.4%, to RM313.8 million for FYE 2021 (FYE 2020: RM256.3 million). Our non-RE segment is the main contributor to our GP, which recorded an increase of RM53.8 million, or 32.6%, to RM219.1 million for FYE 2021 (FYE 2020: RM165.3 million). The RE segment recorded an increased GP of RM3.6 million, or 4.0%, to RM94.7 million for FYE 2021 (FYE 2020: RM91.1 million). The increase in our GP for both business segments was in line with the revenue growth for FYE 2021.

Our GP margin for FYE 2021 decreased to 46.2% (FYE 2020: 47.0%) due to a lower GP margin recorded for our RE segment, which decreased from 70.4% for FYE 2020 to 68.2% for FYE 2021. The decrease was mainly attributable to the following:

(i) lower revenue from our small hydropower plants, mainly due to lower rainfall in FYE 2021 that had resulted in lower power generated as compared to FYE 2020, while some cost of sales components had remained relatively consistent compared to FYE 2020, such as staff-related costs and depreciation and amortisation; and

(ii) the RE segment from Cambodia recorded lower revenue mainly due to the weakening of foreign exchange rate for USD against RM for FYE 2021 compared to FYE 2020. The average exchange rate for USD:RM weakened from USD1:RM4.2154 for FYE 2020 to USD1:RM4.1437 for FYE 2021. Thus, this has contributed to the decrease in the GP margin of the RE segment for FYE 2021.

The decrease in our GP margin in the RE segment was partially offset by a slight increase in our non-RE segment from 39.7% for FYE 2020 to 40.5% for FYE 2021, mainly due to the full-year operations of the CEL II Plant during FYE 2021 after the completion of the plant’s fine-tuning which involves equipment testing and commissioning of the plant in the first half of FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our cost of sales increased by RM161.4 million, or 44.2%, to RM526.9 million for FYE 2022 (FYE 2021: RM365.5 million), mainly due to the following:

(i) the increase in the cost of sales for the non-RE segment, which increased by RM150.4 million, or 46.8%, to RM471.7 million for FYE 2022 (FYE 2021: RM321.3 million). This was mainly due to the rise in material and consumable costs for our coal-fired power plants in Cambodia, coupled with the increase in average Newcastle Coal Index monthly coal prices by 162.4% from USD137.28 per tonne for FYE 2021 to USD360.19 per tonne for FYE 2022; and

(ii) higher construction costs and other related expenses of RM12.9 million incurred for the C&I Solar Projects undertaken by our Group resulting from the full 12-month impact for FYE 2022 as compared to the 3-month impact in FYE 2021 as the acquisition of the LYS Energy Group was on 28 September 2021.

Our GP increased by RM69.9 million, or 22.3%, to RM383.7 million for FYE 2022 (FYE 2021: RM313.8 million). Our non-RE segment is the main contributor to our GP for FYE 2022, which recorded an increase of RM47.1 million, or 21.5%, to RM266.2 million for FYE 2022 (FYE 2021: RM219.1 million). The RE segment recorded an increased GP of RM22.8 million, or 24.1%, to RM117.5 million for FYE 2022 (FYE 2021: RM94.7 million). The increase in GP was in tandem with the revenue growth from both business segments for FYE 2022.

Our GP margin for FYE 2022 decreased to 42.1% (FYE 2021: 46.2%) due to a lower GP margin for both business segments. Our non-RE segment recorded a lower GP margin, which decreased from 40.5% for FYE 2021 to 36.1% for FYE 2022. The decrease was mainly attributable to higher power generated by our CEL II Plant during FYE 2022, which yields a lower tariff than the CEL Plant.

The GP margin for the RE segment decreased slightly from 68.2% in FYE 2021 to 68.0% in FYE 2022. The decrease was mainly attributable to the lower GP margin from our power transmission line asset and solar PV power plants as a result of lower revenue recorded coupled with higher staff-related costs incurred during FYE 2022.

12. FINANCIAL INFORMATION

(iii) Other income

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Interest income from service concession agreement(1)	18,696	84.6	17,764	81.7	18,172	23.0
Interest income(2)	3,169	14.3	2,706	12.5	3,583	4.5
Fair value gain from derivatives(3)	-	-	-	-	56,190	71.0
Unrealised foreign exchange gain	149	0.7	-	-	-	-
Gain on disposal of property, plant and equipment	80	0.4	31	0.1	10	*
Others(4)	7	*	1,245	5.7	1,187	1.5
Total	**22,101**	**100.0**	**21,746**	**100.0**	**79,142**	**100.0**

Note:
* *Represents less than 0.1%*

(1) *Interest income recognised as a result of the unwinding of the discount on the amount receivable from EDC pursuant to the operation of CTL Transmission Line Asset. Under the IFRIC 12, our Group recognised the guaranteed fixed payment receivables from EDC during the concession period as other financial assets at amortised cost. The interest income is derived from the amortisation of the other financial assets using the effective interest rate method.*

(2) *Interest income mainly from deposits with licensed banks and a non-current trade receivables in which the amount owing is repayable by 60 monthly instalments and includes finance charges fixed at an effective interest rate of 10.0% per annum.*

(3) *We entered into interest rate swaps arrangement to hedge the interest rate risk in relation to the floating interest rate of term loans. The recognition of fair value gain/(loss) is derived solely from the recognition of the fair value gain resulting from the hedging of the floating interest rate under the MFRS 139 Financial Instruments: Recognition and Measurement, in which the impact of the fair changes would depend on the market interest rate fluctuation and reduction in term loans' nominal value due to scheduled term loan repayments. The fair value gain from derivative is derived when the market interest rate is higher than the interest rate hedged.*

(4) *Comprise mainly income from disposal of coal combustion waste, cash recovery from LILL prior to its strike off and insurance compensation for stolen/damaged cable and damaged machine parts.*

Comparison between FYE 2020 and FYE 2021

Our other income was fairly consistent for FYE 2020 and FYE 2021, with a slight decrease of RM0.4 million or 1.8%, to RM21.7 million for FYE 2021 (FYE 2020: RM22.1 million.

Comparison between FYE 2021 and FYE 2022

Our other income increased by RM57.4 million, or 264.5%, to RM79.1 million for FYE 2022 (FYE 2021: RM21.7 million) mainly due to the following:

(a) a fair value gain from derivatives of RM56.2 million for FYE 2022 (FYE 2021: RM Nil) as we entered into interest rate swaps arrangement to hedge against the interest rate risk in relation to the floating interest rate of term loans whereby the interest rates have increased during FYE 2022. The nominal value of the interest rate swaps as at 31 December 2022 is USD186.5 million (equivalent to RM818.7 million at the exchange rate of USD1: RM4.3900); and

(b) increase in interest income of RM0.9 million or 33.3% to RM3.6 million for FYE 2022 (FYE 2021: RM2.7 million). The increase is mainly due to higher deposits placed in financial institutions during FYE 2022. In addition, the said increase was also attributable to strengthening of USD against RM for FYE 2022 compared to FYE 2021, in which the average exchange rate for USD:RM strengthened from USD1:RM4.1437 for FYE 2021 to USD1:RM4.4002 for FYE 2022.

(iv) Administrative expenses

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Staff-related costs	12,642	38.7	15,382	32.4	35,742	39.5
Insurance	6,229	19.1	9,443	19.9	9,597	10.6
Professional fees	1,291	4.0	6,372	13.4	4,901	5.4
Depreciation and amortisation	3,486	10.7	5,790	12.2	9,448	10.4
Management fees	2,927	9.0	5,729	12.1	6,378	7.0
Corporate social responsibility contribution	2,665	8.2	503	1.1	961	1.1
Repair and maintenance	943	2.9	919	1.9	1,627	1.8
Travelling	453	1.4	315	0.7	1,084	1.2
Listing expenses	-	-	-	-	15,518	17.1
Others[(1)]	2,006	6.0	2,985	6.3	5,234	5.9
Total	**32,642**	**100.0**	**47,438**	**100.0**	**90,490**	**100.0**

Note:

(1) Mainly comprises entertainment, printing and stationery, registry, stamping fees, short term rental expenses or small value items, security charges, subscription, telephone expenses and technical fee.

Comparison between FYE 2020 and FYE 2021

Our administrative expenses increased by RM14.8 million, or 45.4%, to RM47.4 million for FYE 2021 (FYE 2020: RM32.6 million), mainly due to the following:

(a) increase in professional fees of RM5.1 million to RM6.4 million for FYE 2021 (FYE 2020: RM1.3 million), mainly attributable to business acquisition costs incurred for the acquisition of the LYS Energy Group, which was completed on 28 September 2021 and other ancillary costs incurred for the redemption of CEVD's bond in December 2021 which the proceed was used for the investment in 49.0% equity interest in CEVD, including mainly legal fees and stamp duty;

(b) increase in insurance expenses of RM3.2 million to RM9.4 million for FYE 2021 (FYE 2020: RM6.2 million), mainly attributable to full 12-month impact of the political risk insurance premiums resulting from the additional loans drawdown towards the end of FYE 2020;

(c) increase in management fees of RM2.8 million to RM5.7 million for FYE 2021 (FYE 2020: RM2.9 million), mainly attributable to an increase in headcount at the corporate level for assets management, for the ongoing corporate exercises undertaken by our Group and to cater for our business expansion. The management fee is charged quarterly based on time cost incurred with a mark-up rate;

(d) increase in staff-related cost of RM2.8 million to RM15.4 million for FYE 2021 (FYE 2020: RM12.6 million), mainly attributable to an increase in headcount for administrative staff arising from the acquisition of LYS Energy Group on 28 September 2021; and

(e) increase in depreciation and amortisation of intangible assets of RM2.3 million to RM5.8 million for FYE 2021 (FYE 2020: RM3.5 million), mainly attributable to the higher depreciation and amortisation arising from the acquisition of LYS Energy Group on 28 September 2021.

The abovementioned increases were partially offset by the decrease in donations made as part of our Group’s corporate social activities of RM2.2 million to RM0.5 million for FYE 2021 (FYE 2020: RM2.7 million), mainly due to charitable cash contributions to assist the government in its COVID-19 pandemic recovery.

Comparison between FYE 2021 and FYE 2022

Our administrative expenses increased by RM43.1 million, or 90.9%, to RM90.5 million for FYE 2022 (FYE 2021: RM47.4 million), mainly due to the following:

(i) increase in staff-related cost of RM20.3 million to RM35.7 million for FYE 2022 (FYE 2021: RM15.4 million) mainly attributable to the higher provision for bonuses for FYE 2022 and the full 12-month impact for FYE 2022 for administrative staff arising from the acquisition of LYS Energy Group on 28 September 2021; and

(ii) listing fees and expenses of RM15.5 million in FYE 2022 (FYE 2021: RM Nil) mainly due to professional fees incurred for listing exercise undertaken by our Group; and

(iii) increase in depreciation and amortisation of intangible assets of RM3.7 million to RM9.5 million for FYE 2022 (FYE 2021: RM5.8 million), mainly attributable to the full-year impact on the depreciation and amortisation of intangible assets for FYE 2022 as compared to the 3-month impact for FYE 2021 after the completion of the acquisition of LYS Energy Group on 28 September 2021.

(v) **Other operating expenses**

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Realised foreign exchange loss	135	11.3	284	23.0	267	1.1
Unrealised foreign exchange loss	-	-	50	4.0	1,426	5.8
Loss on disposal of a subsidiary company(1)	-	-	207	16.7	-	-
Bank charges/ commissions	923	77.0	589	47.5	958	3.8
Property, plant & equipment written off	4	0.3	3	0.2	^	*
Impairment of goodwill	-	-	-	-	21,984	89.2
Others(2)	137	11.4	105	8.6	-	-
Total	**1,199**	**100.0**	**1,238**	**100.0**	**24,635**	**100.0**

Note:
* *Represents less than 0.1%*
^ *Represents less than RM1,000*

(1) Arising from strike off of the cost of investment in LILL.

(2) Comprise mainly the machine repair costs incurred for two of our small hydropower plants, which were pending for insurance claims approval.

Comparison between FYE 2020 and FYE 2021

Our other operating expenses of RM1.2 million for FYE 2020 and FYE 2021 are fairly consistent. During FYE 2021, the realised foreign exchange loss increased by RM0.2 million, to RM0.3 million for FYE 2021 (FYE 2020: RM0.1 million), mainly due to the weakening of foreign exchange rate for USD against RM for FYE 2021 as compared to FYE 2020. The average exchange rate for USD:RM weakened from USD1:RM4.2154 for FYE 2020 to USD1:RM4.1437 for FYE 2021. In addition, there was loss on disposal of a subsidiary, LILL of RM0.2 million for FYE 2021 as we struck off the costs of investment in LILL (FYE 2020: RM Nil).

The above increases were partially offset by the decrease in bank charges/commission of RM0.3 million, or 33.3%, to RM0.6 million for FYE 2021 (FYE 2020: RM0.9 million) mainly due to higher bank charges incurred by LSE II in FYE 2020 resulting from the prepaid loan processing charges expensed off as a result of the refinancing of the related borrowings during FYE 2020.

Comparison between FYE 2021 and FYE 2022

Our other operating expenses increased by RM23.4 million to RM24.6 million for FYE 2022 (FYE 2021: RM1.2 million), mainly due to the following:

(a) impairment loss on goodwill arising from the acquisition of LYS Energy Group of RM22.0 million for FYE 2022 (FYE 2021: RM Nil), arose mainly from the following:

(i) some of the projects are delayed due to slower-than-expected post-COVID-19 economic recovery, rising raw material price and supply chain constraints; and

(ii) interest rates of most countries have been on an increasing trend which will have an adverse impact on the value of the goodwill due to an increase in the discount rate applied.

(b) increase in unrealised foreign exchange loss of RM1.4 million to RM1.5 million for FYE 2022 (FYE 2021: RM0.1 million) as a result of weakening of VND against SGD on the expenses paid on behalf by LYS Energy for its Vietnam operations.

(vi) Finance costs

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Interest expenses / profit on:						
- bank borrowings	47,123	51.0	54,936	56.8	77,805	61.2
- Sukuk Wakalah Bi Al-Istithmar	5,389	5.8	11,564	12.0	11,315	8.9
- related parties	11,657	12.6	8,264	8.6	7,350	5.8
- others	84	0.1	541	0.6	474	0.4
Legal and professional charges[(1)]	5,173	5.6	2,992	3.1	7,369	5.8
Interests charge for lease liabilities	10,434	11.3	12,441	12.9	13,449	10.6
Amortisation of upfront fees	8,732	9.4	3,855	4.0	2,302	1.8
Withholding tax[(2)]	3,875	4.2	2,048	2.1	6,988	5.5
Total	**92,467**	**100.0**	**96,641**	**100.0**	**127,052**	**100.0**

Note:

(1) Represent legal and professional fees and the related withholding tax incurred for loans.

(2) Withholding tax incurred on interest on offshore borrowings.

Comparison between FYE 2020 and FYE 2021

Our finance costs increased by RM4.1 million, or 4.4%, to RM96.6 million for FYE 2021 (FYE 2020: RM92.5 million), mainly attributable to:

(a) increase in interest expense on bank borrowings of RM7.8 million to RM54.9 million for FYE 2021 (FYE 2020: RM47.1 million), mainly due to additional term loan drawdown to repay the EPC contractor for our CEL II Plant and finance the acquisition of LYS Energy Group, and the full year effects on interest expenses resulting from the term loans drawdown during FYE 2020;

(b) increase in profit on Sukuk Wakalah Bi Al-Istithmar of RM6.2 million to RM11.6 million for FYE 2021 (FYE 2020: RM5.4 million), mainly due to full-year effects on profit resulting from the drawdown of Sukuk Wakalah Bi Al-Istithmar in July 2020; and

(c) increase in interest charge for lease liabilities of RM2.0 million to RM12.4 million for FYE 2021 (FYE 2020: RM10.4 million), mainly due to full-year effects on interest charges for the CEL II Plant following the cessation in capitalising interests expenses since May 2020.

The abovementioned increases were offset partially by the following:

(i) decrease in interest expenses paid to related parties of RM3.4 million to RM8.3 million for FYE 2021 (FYE 2020: RM11.7 million), mainly due to lower amounts due to related parties following the completion of the assignment of debt undertaken during FYE 2021 and also decrease in interest rates which were in line with the reduction in interest rate introduced by the government related to the COVID-19 aid for businesses;

(ii) decrease in amortisation of upfront fees of RM4.8 million to RM3.9 million for FYE 2021 (FYE 2020: RM8.7 million), mainly due to the upfront fees to be amortised over related term loans' tenures being expensed off upon the refinancing of the related borrowings of RM2.0 million during FYE 2020. In addition, the weakening of the foreign exchange rate for USD against RM for FYE 2021 compared to FYE 2020 also contributed to the decrease in the amortisation of upfront fees. The average exchange rate for USD:RM weakened from USD1: RM4.2154 for FYE 2020 to USD1: RM4.1437 for FYE 2021;

(iii) decrease in withholding tax of RM1.9 million to RM2.0 million for FYE 2021 (FYE 2020: RM3.9 million), mainly due to lower withholding tax for interest expenses, legal and professional fees and upfront fees during FYE 2021 resulting from the lesser drawdown of loans during FYE 2021; and

(iv) decrease in legal and professional fees of RM2.2 million to RM3.0 million for FYE 2021 (FYE 2020: RM5.2 million), mainly due to one-off legal and professional costs incurred for Sukuk Wakalah Bi Al-Istithmar during FYE 2020.

Comparison between FYE 2021 and FYE 2022

Our finance costs increased by RM30.5 million, or 31.6%, to RM127.1 million for FYE 2022 (FYE 2021: RM96.6 million), mainly due to:

(i) increase in interest expense on bank borrowings of RM22.9 million to RM77.8 million for FYE 2022 (FYE 2021: RM54.9 million), mainly due to an additional amount of term loan being drawndown for settlement of outstanding contractor costs for CEL II Plant and CEVD investment, as well as new bank loan obtained in September 2021 for the acquisition of LYS Energy Group. In addition, the said increase was also due to the increase in interest rates on bank borrowings for FYE 2022;

(ii) increase in withholding tax of RM5.0 million to RM7.0 million for FYE 2022 (FYE 2021: RM2.0 million) mainly due to withholding tax for interest expenses, legal and professional fees and upfront fees during FYE 2022 resulting from the additional drawdown of loans during FYE 2022. In addition, the said increase was also due to the strengthening of USD against RM during FYE 2022; and

(iii) increase in legal and professional fees of RM4.4 million to RM7.4 million for FYE 2022 (FYE 2021: RM3.0 million) mainly due to the legal and professional fees incurred for the drawdown of term loan for the settlement of CEVD investment, as well as new bank loan obtained in September 2021 for the acquisition of LYS Energy Group and the full-year impact for amortisation of the legal and professional fees incurred in FYE 2021. In addition, the said increase was also due to the strengthening of USD against RM during FYE 2022.

(vii) Share of results of jointly controlled entities

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Share of results of jointly controlled entities	-	543	(28,303)

The share of results of jointly controlled entities for FYE 2021 arose from the share of results in YBSSPCL and SDCL under the equity method of accounting. HNG Capital acquired a 60.0% equity interest in LGRESB on 2 March 2021. HNG Capital had, on 15 March 2022, transferred the 60.0% of equity interest in LGRESB to Leader Energy. Following this, LGRESB became a subsidiary of Leader Energy. LGRESB's wholly-owned subsidiary, LGRECL, holds 60.0% of the equity interests in two Taiwan jointly controlled entities, YBSSPCL and SDCL. Both entities are involved in solar PV power generation and development.

On 23 December 2021, one of our Group's wholly-owned subsidiary, LEVPL has redeemed all its 100,455 unit of bonds issued by CEVD and our Group used the proceeds to acquire 49.0% equity interest in CEVD from BCGE, which resulted in CEVD being recognised as a jointly controlled entity of our Group. Accordingly, the share of results of CEVD was recognised from January 2022 onwards.

Our Group recorded the share of losses of jointly controlled entities of RM28.3 million for FYE 2022 as compared to the share of profit of RM0.5 million for FYE 2021, which was mainly attributable to the share of losses of YBSSPCL and CEVD of RM7.4 million and impairment losses on its investments in CEVD of RM20.9 million:

The share of losses of YBSSPCL and CEVD under the equity method of accounting during FYE 2022 are as follows:

(a) YBSSPCL recorded a loss after tax during FYE 2022 mainly due to impairment of construction-in-progress on a project we pursued previously but was suspended due to change of decision from the foreign government authorities on the said project; and

(b) CEVD recorded a loss after tax during FYE 2022 mainly due to finance costs incurred on loan drawdown at the end of FYE 2021 for construction of Phase 1 and Phase 2 of the Phu My 1 Plant and Phu My 3 Plant, respectively and the higher interest rate on the floating interest term loan as well as foreign exchange losses arising from the settlement of amount due to EPC contractor which was denominated in USD.

There was impairment loss on investment in jointly controlled entity, CEVD of RM20.9 million for FYE 2022 (FYE 2021: RM Nil), after determining that the following events and conditions represent indicators of impairment on its interest in CEVD:

(i) the delay in the CODs of Phase 2 of the Phu My 1 Plant and Phu My 3 Plant following the completion of construction of these plants in January 2022;

(ii) the final tariff rate of Phase 2 of the Phu My 1 Plant and Phu My 3 Plant have yet to be finalised with EVN as at LPD; and

(iii) interest rates have been on an increasing trend which will have an adverse impact on our Group's interest in CEVD due to an increase in the discount rate applied to determine our Group's interest in CEVD.

(viii) PBT, PBT margin, PAT and PAT margin

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
PBT (RM'000)	152,113	190,776	192,351
PBT margin (%)	27.9	28.1	21.1
PAT (RM'000)	166,084	175,357	177,197
PAT margin (%)	30.4	25.8	19.5

Comparison between FYE 2020 and FYE 2021

Our PBT increased by RM38.7 million, or 25.4%, to RM190.8 million for FYE 2021 (FYE 2020: RM152.1 million), mainly contributed by the growth in our GP of 22.4% for FYE 2021 and share of results of jointly controlled entities as explained in Sections 12.2.3(ii) and 12.2.3(vii) of this Prospectus. Thus, our PBT margin increased from 27.9% for FYE 2020 to 28.1% for FYE 2021, despite having recorded a lower GP margin for FYE 2021.

As a result, our PAT increased by RM9.3 million to RM175.4 million for FYE 2021 (FYE 2020: RM166.1 million), mainly due to our increased PBT for FYE 2021. The increase was offset partially by the income tax expense of RM15.4 million for FYE 2021, as explained in Section 12.2.3(ix) below. As a result, we recorded a lower PAT margin of 25.8% for FYE 2021 (FYE 2020: 30.4%).

Comparison between FYE 2021 and FYE 2022

We recorded an increase in PBT of RM1.6 million, or 0.8%, to RM192.4 million for FYE 2022 (FYE 2021: RM190.8 million), mainly contributed by our increased GP for FYE 2022 as explained in Section 12.2.3(ii) of this Prospectus. In addition, the increase in PBT was also attributable to the fair value gain from derivatives of RM56.2 million for FYE 2022 (FYE 2021: RM Nil) as we entered into interest rate swaps to hedge the interest rate risk in relation to the floating interest rate of the term loans with the nominal value of USD186.5 million as at 31 December 2022 (equivalent to RM818.7 million at exchange rate of USD1: RM4.39) whereby the interest rates have increased during FYE 2022.

However, the increase in GP was offset by the impairment losses arising from the following:

(i) investment in LYS Energy Group and CEVD, which amounted to RM22.0 million and RM20.9 million respectively; and

(ii) cost incurred of approximately RM3.2 million in a project where our Group was pursuing previously but was suspended due to change of decision from the foreign government authorities on the said project.

Without taking into account the total impairment losses of RM46.1 million as stated above, the PBT for FYE 2022 would have been RM238.5 million, representing an increase of 25.0% as compared to FYE 2021.

Our PBT margin decreased from 28.1% for FYE 2021 to 21.1% for FYE 2022, mainly attributable to a lower GP margin recorded for FYE 2022, as explained in Section 12.2.3(ii) of this Prospectus. The decrease was offset partially by the increase in other income resulting mainly from fair value gain on derivatives of RM56.2 million for FYE 2022, as explained in Section 12.2.3(iii) of this Prospectus.

We had a PAT of RM177.2 million for FYE 2022 (FYE 2021: RM175.4 million), mainly due to higher PBT and lower income tax expense of RM15.2 million recorded for FYE 2022, as explained in Section 12.2.3(ix) below. We had a lower PAT margin of 19.5% for FYE 2022 (FYE 2021: 25.8%).

(ix) Income tax benefit/(expense)

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Income tax benefit/(expense)	13,971	(15,419)	(15,154)
Effective tax rate (%)	N/A	8.1	7.9

N/A – Not applicable as it is in an income tax benefit position.

Three of our subsidiaries in Cambodia, i.e., CTL, CEL and CEL II have been granted Qualified Investment Project status by the Ministry of Finance, Cambodia, which entitled them to the full tax exemption for nine years upon commencement of their operations for the following periods:

(a) CTL : From 1 August 2013 to 31 July 2022

(b) CEL : From 2 December 2013 to 1 December 2022

(c) CEL II : From 15 April 2020 to 14 April 2029

The unabsorbed capital allowances and unabsorbed investment tax allowances of LSE and LSE II are available indefinitely for offsetting against future taxable profits, subject to no substantial change in shareholdings under the Income Tax Act, 1967 and guidelines issued by the tax authority.

Comparison between FYE 2020 and FYE 2021

Our Group recorded an income tax expense of RM15.4 million for FYE 2021 compared to an income tax benefit of RM14.0 million in FYE 2020. These income tax benefit in FYE 2020 mainly attributable to the recognition of deferred tax assets arising from the investment tax allowance from our CEL II Plant.

Our effective tax rate for FYE 2021 of 8.1% was lower than the statutory tax rate, mainly due to the net effects of the following:

(i) deferred tax expenses resulting from net origination and reversal of deferred tax for temporary differences arising from unused tax losses, unabsorbed allowances, accelerated capital allowances and property, plant and equipment of RM1.1 million in FYE 2021;

(ii) impact arising from lower tax rates in other countries compared to Malaysia's statutory tax rate of 24.0% of RM14.8 million;

(iii) tax exemption income under Qualified Investment Projects by the Ministry of Finance, Cambodia, for our CTL Transmission Line Asset, CEL Plant and CEL II Plant in Cambodia of RM28.6 million; and

(iv) certain expenses were not deductible for tax reporting purposes of RM33.2 million, comprised mainly of finance costs relating to borrowing to finance the construction of our power plants that were not deductible for tax reporting purposes; and

(v) income not subject to tax of RM21.5 million comprise mainly interest income from the service concession agreement, as this interest income was derived solely from the adoption of the IFRIC 12 and no actual interest income received was received.

Comparison between FYE 2021 and FYE 2022

Our Group recorded an income tax expense of RM15.2 million for FYE 2022 compared to an income tax expense of RM15.4 million in FYE 2021. Our effective tax rate for FYE 2022 of 7.9% was lower than the statutory tax rate, mainly due to the net effects of the following:

(i) deferred tax liabilities of RM25.7 million arising from the change in classification of our property, plant and equipment for tax reporting purposes, which resulted from longer useful lives of the related assets and lower tax annual depreciation rate;

(ii) deferred tax expenses resulting from net origination and reversal of deferred tax for temporary differences arising from unused tax losses, unabsorbed allowances, accelerated capital allowances and property, plant and equipment of RM4.4 million in FYE 2022;

(iii) tax exemption income under Qualified Investment Projects by the Ministry of Finance, Cambodia, for our CTL Transmission Line Asset, CEL Plant and CEL II Plant in Cambodia of RM36.9 million;

(iv) certain expenses were not deductible for tax reporting purposes of RM45.9 million, comprised mainly of financing costs relating to borrowing to finance the construction of our power plants, impairment of goodwill and listing expenses;

(v) income not subject to tax of RM12.0 million, comprise mainly fair value gain from derivatives and interest income from service concession agreement; and

(vi) impact arising from lower tax rates in other countries compared to Malaysia's statutory tax rate of 24.0% of RM11.3 million.

12.2.4 Review of cash flows

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Net cash from operating activities	671,235	296,819	286,527
Net cash used in investing activities	(564,344)	(96,830)	(119,222)
Net cash used in financing activities	(5,021)	(144,635)	(220,975)
Net increase in cash and cash equivalents	101,870	55,354	(53,670)

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Cash and cash equivalents at the beginning of the financial year	97,002	200,099	257,220
Effects of exchange rate changes on cash and cash equivalents	1,227	1,767	34,847
Cash and cash equivalents at the end of the financial year	**200,099**	**257,220**	**238,397**
Cash and cash equivalents at the end of the financial year comprise:			
Deposits with licensed banks	85,064	86,594	83,293
Cash on hand and at banks	115,035	170,626	155,104
	200,099	**257,220**	**238,397**

Save as disclosed in Section 7.27 of this Prospectus, there are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Group in the form of cash dividends, loans or advances, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenants.

<u>FYE 2020</u>

Net cash for operating activities

For FYE 2020, we recorded operating cash flow before working capital changes of RM319.7 million. Our net operating cash flow was RM671.2 million after adjusting for the following cash inflows:

(a) increase in trade and other payables of RM354.7 million, mainly due to higher sundry payables arising from the progress billings for the construction of the CEL II Plant, which was completed and commercialised in April 2020, and the retention sums to be settled based on the contract as agreed with the contractors;

(b) decrease in other financial assets of RM12.7 million mainly due to payments received from EDC for the 25-year PTA between CTL and EDC for the operation of CTL Transmission Line Asset; and

(c) decrease in trade and other receivables of RM2.2 million, mainly due to GST of RM4.7 million refunded during FYE 2020, partially offset by the increase in the prepayment of RM2.3 million attributed to prepaid insurance premiums for the CEL II Plant and LSE II Plant which were completed and commercialised during FYE 2020.

The above cash inflows were offset mainly by the cash outflow from the increase in inventories of RM16.8 million mainly due to the building up of inventories in both coal and spare parts for the operation of the CEL II Plant, which commenced operation in April 2020.

Net cash for investing activities

For FYE 2020, our Group recorded a net cash outflow of RM564.3 million from investing activities, mainly attributable to the net effects of the following:

(a) purchase of property, plant and equipment of RM410.3 million, mainly for the construction costs incurred for our CEL II Plant and LSE II Plant;

(b) subscription of 100,455 units of bonds issued by CEVD for a consideration of RM175.1 million (equivalent to VND1,004,550,000,000 or approximately USD43.6 million). The proceeds of the issuance of the bonds were used by CEVD solely for funding Phu My Plants in Vietnam, which CEVD had entered into three PPA with EVN in September 2019. The terms of the bonds are detailed in Note 19 of the Accountants' Report in Section 13 of this Prospectus. The bonds were fully redeemed in FYE 2021; and

(c) interest received of RM21.8 million mainly comprised interest income for the operation of CTL Transmission Line Asset.

Net cash for financing activities

For FYE 2020, our Group recorded a net cash outflow of RM5.0 million from financing activities, mainly due to the net effects of the following:

(a) drawdowns of Sukuk Wakalah of RM258.5 million to refinance the term loans for our LSE Plant and LSE II Plant;

(b) drawdowns of term loans totaling RM747.1 million for the following:

    (i) refinancing of CTL Transmission Line Assets' existing term loan with a non-recourse term loan of RM220.9 million in June 2020;

    (ii) refinancing of the CEL Plant's existing term loan of RM457.9 million in October 2020; and

    (iii) drawdown of RM68.3 million to part finance of construction costs of the CEL II Plant;

(c) drawdown of revolving credits of RM203.7 million for the purchase of coal and spare parts for our coal-fired power plant;

(d) repayment of term loans of RM554.4 million and revolving credit of RM189.0 million;

(e) cash outflows of RM340.7 million in respect of amounts due from/to related companies, mainly from the following:

    (i) cash outflows of RM206.1 million mainly from the full settlement of loans from LILL to finance the construction of the CEL Plant;

    (ii) net cash outflows of RM115.3 million mainly from advances to LEPL of RM240.2 million for its exploration of potential investment opportunities for our Utility-Scale Business across Southeast Asia and repayment to LEPL of RM65.0 million, which were offset mainly by the advances from LEPL of RM189.9 million to finance the subscription of bonds in CEVD; and

    (iii) cash outflows of RM19.3 million for repayment of advances from HNG Capital;

(f) finance costs paid of RM92.5 million as detailed in finance costs of Section 12.2.3(vi) of this Prospectus;

(g) lease liabilities of RM10.1 million were paid for leasing of our leasehold land, buildings and office premises for our Group's business operations

(h) payment of dividends to our shareholders of RM25.1 million; and

(i) payment of dividends to non-controlling interest of RM2.6 million.

FYE 2021

Net cash for operating activities

For FYE 2021, we recorded operating cash flow before working capital changes of RM374.5 million. Our net operating cash flow was RM296.8 million after adjusting for the following cash inflows:

(a) Increase in trade and other payables of RM55.7 million mainly due to the net effects of the following:

 (i) higher long-term payables of RM164.1 million arising mainly from the progress billings related to the construction of the CEL II Plant and the related retention sums to be settled based on the contract payment schedules agreed with the contractors;

 (ii) decrease in sundry payables of RM73.7 million, mainly due to settlement of engineering and procurement contractors; and

(b) decrease in operating financial assets of RM12.5 million mainly due to payments received from EDC for the 25-year PTA between CTL and EDC for the operation of CTL Transmission Line Asset.

The above cash inflows were offset partially by the following:

(a) increase in inventories of RM65.4 million was mainly due to the purchase of spare parts for our CEL II Plant to minimise interruption of our power plant operations and the increase in raw material, i.e. coal to cater for the expected growth in our output;

(b) increase in trade and other receivables of RM76.4 million was mainly due to the increase in trade receivables of RM71.5 million for FYE 2021. The increase resulted from higher invoiced values from higher coal prices towards the end of FYE 2021 which were used to compute the revenue based on the PPA entered with EDC. In addition, the completion of the acquisition of LYS Energy Group on 28 September 2021 for the expansion of our RE segment to include the C&I Solar Business, for which LYS Energy Group is granting longer credit terms than our Group's Utility-Scale Business. Further, the increase in the prepayment of RM8.2 million was attributed to the advances to suppliers for the purchase of coal and spare parts for our coal-fired plants and prepaid insurance premiums for the CTL Transmission Line Asset, CEL Plant and CEL II Plant; and

(c) income taxes of RM4.1 million were paid to the local tax authorities by our subsidiaries.

Net cash for investing activities

For FYE 2021, our Group recorded a net cash outflow of RM96.8 million from investing activities, mainly attributable to the net effects of the following:

(a) investment in 89,915,000 ordinary shares of CEVD representing 49.0% of the equity interests in CEVD, a jointly controlled entity, amounted to RM196.3 million by LEVPL using the proceeds from the redemption of bonds in CEVD;

(b) receipts from the redemption of the bonds of RM175.1 million in CEVD, our jointly controlled entity by LEVPL;

(c) net cash outflow arising from the acquisition of 100.0% equity interests in LYS Energy Group of RM81.7 million, offset by the cash inflows from the investment of 60.0% equity interests in LRGESB Group of RM5.7 million;

(d) interest received of RM21.7 million mainly comprised interest income for the operation of CTL Transmission Line Asset; and

(e) cash payments for the purchase of property, plant and equipment of RM19.0 million, comprised mainly of (i) plant, machinery and tools of RM8.0 million mainly for our CEL and CEL II Plants; and (ii) construction costs of RM11.0 million incurred for our C&I Solar Projects' solar PV power plants under the PPA model.

Net cash for financing activities

For FYE 2021, our Group recorded a net cash outflow of RM144.6 million from financing activities, mainly due to the net effects of the following:

(a) drawdown of term loans of RM75.8 million to part finance the acquisition of LYS Energy Group and RM33.8 million for payments to the EPC contractors of the CEL II Plant;

(b) drawdowns of revolving credits of RM136.3 million for the purchase of coal and spare parts for our coal-fired power plants;

(c) repayment of term loans of RM133.1 million, Sukuk Wakalah of RM4.9 million and revolving credit of RM105.6 million;

(d) finance costs paid of RM96.6 million as detailed in finance costs of Section 12.2.3(vi) of this Prospectus;

(e) payment of dividends to our shareholders of RM77.8 million;

(f) lease liabilities of RM10.8 million were paid for leasing of our leasehold land, buildings and office premises for our Group's business operations;

(g) payment of dividends to non-controlling interest of RM3.8 million; and

(h) net cash inflows for the amount due from/to related companies of RM42.2 million, mainly comprising the following:

    (i) net cash inflows of RM22.9 million mainly arising from the repayments from LEPL of RM64.1 million and the advances from LEPL of RM21.4 million to repay the term loans for the acquisition of LNTH, which were offset mainly by the repayments to LEPL of RM62.6 million; and

    (ii) net cash inflows of RM19.1 million from the advances from HNG Capital, mainly to part finance the purchase consideration for the acquisition of LYS Energy Group.

FYE 2022

Net cash for operating activities

For FYE 2022, we recorded operating cash flow before working capital changes of RM412.6 million and net operating cash inflows of RM286.5 million, after adjusting for the following cash inflows:

(a) decrease in trade and other receivables of RM65.6 million was mainly due to (aa) the decrease in trade receivables of RM56.0 million resulting from lower invoiced values billed to EDC for the CEL Plant and CEL II Plant towards the end of FYE 2022, which comprised mainly the capacity payment receivable; and (bb) decrease in prepayments of RM9.9 million to coal suppliers due to lower request for power generation from EDC during the year; and

(b) decrease in operating financial assets of RM14.1 million mainly due to payments received from EDC for the 25-year PTA between CTL and EDC for the operation of CTL Transmission Line Asset.

The above cash inflows were offset partially by the following:

(a) decrease in trade and other payables of RM154.6 million mainly due to net effects of the following:

  (i) decrease in sundry non-current payables of RM216.2 million, mainly due to the settlement of the progress billings related to the construction of the CEL II Plant during FYE 2022 based on the contract payment schedules agreed with the contractors;

  (ii) decrease in trade payables of RM39.3 million, mainly due to lesser coal purchased towards the end of FYE 2022 resulting from lower power generated by the CEL Plant and CEL II Plant towards the end of FYE 2022; and

  (iii) increase in accruals of RM114.2 million mainly due to the accrual for costs of rectification of unsatisfactory works for the CEL II Plant;

(b) increase in inventories of RM42.1 million mainly due to (i) the increase in raw material inventory, i.e. coal, resulting from less coal consumption towards the end of FYE 2022 resulting from lower request for power generation from EDC towards the end of FYE 2022; (ii) the average Newcastle Coal Index monthly coal prices increased by 162.4% from USD137.28 per tonne for FYE 2021 to USD360.19 per tonne for FYE 2022 and appreciation in USD against RM during FYE 2022; and (iii) increase in spare parts for the CEL II Plant to minimise interruption of our powerplant operations; and

(c) income taxes of RM9.0 million were paid to the local tax authorities by our subsidiaries.

Net cash for investing activities

For FYE 2022, our Group recorded a net cash outflow of RM119.2 million from investing activities, mainly attributable to the net effects of the following:

(a) cash payment for the purchase of property, plant and equipment of RM75.3 million, comprised mainly of (i) plant, machinery and tools of RM7.2 million mainly for our CEL and CEL II Plants; and (ii) construction costs of RM66.5 million incurred for our C&I Solar Projects' solar PV power plants under the PPA model;

(b) capitalisation of additional costs of RM0.6 million incurred for our LSE Plant and LSE II Plant;

(c) interest received of RM22.9 million mainly comprised interest income for the operation of CTL Transmission Line Asset;

(d) subscription of additional shares capital in LGRESB by the non-controlling interest of RM8.8 million;

(e) placement of fixed deposits amounting to RM75.5 million; and

(f) dividend received from jointly controlled entities of RM0.5 million.

Net cash for financing activities

For FYE 2022, our Group recorded a net cash outflow of RM221.0 million from financing activities, mainly due to the following:

(a) drawdowns of term loans of RM361.7 million comprising the following:

(i) RM149.3 million for repayment of advances from a related company, LEPL, which was previously used to finance the acquisition of our Group's investment in CEVD;

(ii) RM198.1 million for payments to the EPC contractors of the CEL II Plant; and

(iii) RM14.3 million to part finance the C&I Solar Projects;

(b) drawdowns of revolving credits of RM332.1 million for the purchase of coal and spare parts for our coal-fired power plant;

(c) repayment of term loans of RM251.7 million, Sukuk Wakalah of RM9.9 million and revolving credit of RM311.9 million;

(d) finance costs paid of RM127.1 million as detailed in finance costs of Section 12.2.3(vi) of this Prospectus;

(e) payment of dividends to our shareholders of RM24.2 million;

(f) payment of dividends to non-controlling interests of RM4.8 million;

(g) lease liabilities of RM6.2 million were paid for leasing of our leasehold land, buildings and office premises for our Group's business operations;

(h) net cash outflows from the amount due from/to related companies of RM131.2 million mainly due to repayment of advances from LEPL of RM109.6 million and advances to CEVD of RM20.6 million for repayments to EPC contractors; and

(i) deposit of RM47.9 million pledged to a financial institution to secure a bank guarantee in favour of National Property Administration, Ministry of Finance of Taiwan for the exploration of potential solar project to be undertaken by YBSSPCL, one of our jointly controlled entity. As at the LPD, the bank guarantee has been returned and the said deposit has been refunded to our Group.

12.2.5 LIQUIDITY AND CAPITAL RESOURCES

12.2.5.1 Working capital

Our working capital is funded by a combination of internal and external sources of funds. Our internal sources of funds comprise cash generated from our operations and our cash and bank balances, while our external funds are mainly from credit terms granted by our suppliers and credit facilities from financial institutions, which comprise term loans and Sukuk Wakalah Bi Al-Istithmar to finance the construction of our power plants, transmission assets and C&I Solar Projects, and revolving credits to finance the purchase of coal and spare parts for our coal-fired power plants.

The decision to use either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and interest rates on borrowings. We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

Our Board has taken into consideration the following factors in determining whether our Group has sufficient working capital for the next 12 months from the date of this Prospectus:

(a) Our cash and cash equivalent of approximately RM188.0 million as at the LPD;

(b) Our expected cash flows to be generated from operations;

(c) Our total unutilised banking facilities of RM123.8 million as at the LPD;

(d) Total purchase consideration cost and/or project development cost for the new projects as set out in Section 7.6 of this Prospectus; and

(e) Our pro forma gearing level(1) of [●] times, based on our pro forma statements of financial position as at 31 December 2022 after the IPO and use of proceeds.

Note:
(1) Computed based on total borrowings (including amount due to related companies and lease liabilities) over total equity.

Accordingly, after taking into consideration the factors above, our Board is of the view that our Group has sufficient working capital for a period of 12 months from the date of this Prospectus.

12.2.6 BORROWINGS

All of our borrowings are secured, interest-bearing and denominated in RM, USD, SGD and VND. Our total outstanding borrowings (excluding lease liabilities and amount due to related companies) as at 31 December 2022 were RM1.9 billion, as set out below:

	Purpose	Effective interest rate %	As at 31 December 2022 RM'000
Non-current			
Secured:			
Sukuk Wakalah Bi Al-Istithmar(i)	- refinancing of the term loans for constructions of LSE Plant and LSE II Plant	3.3 – 5.3	228,756
Term loans(i) (ii)	- refinancing of the term loan for construction of CTL Transmission Line Asset		149,171
	- refinancing of the term loan for construction of CEL Plant		195,989
	- to part finance the construction of CEL II Plant		751,037
	- refinancing of the term loan for the construction costs of LNTH Plants	1.83 – 7.04	5,748
	- to part finance the acquisition of LYS Energy Group		51,934
	- to part finance the construction and working capital of C&I Solar Projects		48,614
	- to part finance the acquisition of CEVD		121,497
			1,552,746

	Purpose	Effective interest rate %	As at 31 December 2022 RM'000
Current			
Secured:			
Revolving credits and trust receipts[iii]	- for working capital purposes of CEL and CEL II	2.13 – 3.55	122,260
Sukuk Wakalah Bi Al-Istithmar[i]	- refinancing of the term loans for constructions of LSE Plant and LSE II Plant	3.3 – 5.3	15,000
Term loans[i] [ii]	- refinancing of the term loan for construction of CTL Transmission Line Asset	1.83 – 7.04	22,395
	- refinancing of the term loan for construction of CEL Plant		50,924
	- to part finance the construction of CEL II Plant		127,310
	- refinancing of the term loan for the construction costs of LNTH Plants		13,942
	- to part finance the acquisition of LYS Energy Group		15,980
	- to part finance the construction and working capital of C&I Solar Projects		2,982
	- to part finance the acquisition of CEVD		18,658
			389,451
Total borrowings[iv]			**1,942,197**

Note:

(i) The breakdown of recourse and non-recourse of term loans and Sukuk Wakalah is as follows:

	Audited		
	As at 31 December		
	2020	***2021***	***2022***
	RM'000	***RM'000***	***RM'000***
Current			
Term loan	*123,340*	*203,378*	*229,796*
Sukuk Wakalah	*-*	*-*	*-*
	123,340	*203,378*	*229,796*
Non-current			
Term loan	*971,717*	*994,250*	*1,174,819*
Sukuk Wakalah	*-*	*-*	*-*
	971,717	*994,250*	*1,174,819*
Total recourse financing	*1,095,057*	*1,197,628*	*1,404,615*
Current			
Term loan	*24,111*	*20,056*	*22,395*
Sukuk Wakalah	*5,000*	*10,000*	*15,000*
	29,111	*30,056*	*37,395*
Non-current			
Term loan	*176,332*	*162,773*	*149,171*
Sukuk Wakalah	*253,498*	*243,626*	*228,756*
	429,830	*406,399*	*377,927*
Total non-recourse financing	*458,941*	*436,455*	*415,322*

(ii) Includes (aa) USD-denominated term loans of RM1,504.9 million (equivalent to USD342.8 million, (bb) SGD-denominated term loan of RM37.2 million (equivalent to SGD11.8 million); and (cc) VDN-denominated term loan of RM19.7 million (equivalent to VND107,519.0 million). These borrowings will be settled via the cash flows generated by the respective entities' functional currencies.

(iii) Comprises USD-denominated revolving credits and trust receipts of approximately USD27.8 million. These borrowings will be settled via the cash flows generated by the respective entities' functional currencies.

(iv) The maturity of the borrowing as follows:

	As at 31 December 2022
	RM'000
Within one year	*389,451*
More than 1 year and less than 5 years	*995,839*
More than 5 years	*556,907*
	1,942,197

The key salient terms of term loans and Sukuk Wakalah are as follows:

- Gearing ratio of certain subsidiaries of our Group or HNG Capital Group shall not exceed the stipulated ratio;
- Debt service coverage ratio of certain subsidiaries of our Group or HNG Capital Group shall not be less than the stipulated ratio;
- Submission of financial statements and/or specified documents of certain subsidiaries of our Group within the stipulated time;
- Shareholders' fund of certain subsidiaries shall not be less than the stipulated amount;
- HNG Capital remains a Substantial Shareholder with the stipulated shareholding in certain subsidiaries of our Group; and
- Prior written consent is required from certain subsidiaries of our Group for dividend declaration and further financing to be obtained.

Detailed security information on our borrowings (excluding lease liabilities arising from right-of-use assets) is disclosed in Note 24 to the Accountants' Report in Section 13 of this Prospectus. Save as disclosed above, there are no other material restrictions on our committed banking facilities. We do not encounter any seasonality in our borrowings trend.

Our Group has the following bank guarantees as at 31 December 2022 of which all have been released as at the LPD:

(a) A bank guarantee of USD2.0 million (equivalent to RM8.8 million converted at the exchange rate of USD1:RM4.3900 as at 31 December 2022) was issued in favour of Diamond Power Limited pursuant to the business transfer agreement entered with Diamond Power Limited on 20 October 2022 for the acquisition of the 230kV Kampong Cham-Kratie Transmission System for a total purchase consideration of USD118.0 million; and

(b) One of our subsidiaries, namely LGRESB, which holds 60.0% equity interest in our jointly controlled entity, YBSSPCL, has provided a bank guarantee of USD10.2 million (equivalent to RM44.6 million converted at the exchange rate of USD1:RM4.3900 as at 31 December 2022) in favour of YBSSPCL to support its application for land use rights in relation to a solar project.

As at the LPD, we have bank guarantee facilities granted by financial institutions totalling RM33.4 million. The bank guarantees allow us to tender, execute and guarantee our deliverables to our clients for power plant projects.

The liabilities in respect of the bank guarantees will only crystallise and become payable following a call by the beneficiaries of guarantee. During the Period Under Review, we did not experience any call of the performance bonds issued to our customers.

As at the LPD, we did not have any borrowings that are non-interest bearing.

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout the Period Under Review and up to the LPD.

As at the LPD, our Group was not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect our financial position and results or business operations or the investments by holders of our securities.

12.2.7 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

We finance our operations mainly through a combination of internal and external sources of funds. Our internal sources of funds comprise cash generated from our operations and our cash and bank balances, while our external funds are mainly from credit terms granted by our suppliers and credit facilities from financial institutions, which comprise term loans and Sukuk Wakalah Bi Al-Istithmar to finance the construction of our power plants and transmission assets, revolving credits to finance the purchase of coal and hire purchase to finance the purchase of motor vehicles.

In addition to the above, our Group used interest rate swap to hedge the interest rate risks in relation to the floating interest rates of our term loans. Please refer to Note 23 to the Accountants' Report in Section 13 of this Prospectus for further details on the interest rate swaps entered during the Period Under Review.

As at the LPD, we have outstanding interest rate swap to hedge the interest rate risk in relation to the floating interest rate of the term loan with a nominal value of USD174.9 million (equivalent to RM779.8 million based on the exchange rate USD1:RM4.4585 as at 28 April 2023).

Save for our Sukuk Wakalah Bi Al-Istithmar and a term loan which carry fixed interest/profit rates, other borrowings bear variable interest rates based on the bank's base lending rate plus or minus a margin rate, which varies depending on the different types of bank facilities.

The main objective of our capital management is to ensure sustainable shareholders' equity to ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain our debt-to-equity ratio at an optimal level based on our business development funding requirements and prevailing economic conditions.

12.2.8 MATERIAL INVESTMENT AND MATERIAL DIVESTITURES

We have undertaken material investments and material divestitures for the Period Under Review and up to the LPD as follows:

(a) Material investments:

	At costs			
	FYE 2020	**FYE 2021**	**FYE 2022**	**From 1 January 2023 and up to LPD(7)**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Investments				
Classified under property, plant and equipment				
Land and buildings	(1)840	293	508	29
Plant, machinery and tools(2)	8,170	7,125	7,199	1,134
Furniture, fixtures, fittings, equipment and renovation	560	317	749	764
Motor vehicles	298	281	353	182
Construction-in-progress	(3)(4)400,442	(3)(4)11,019	(3)(4)66,525	(4)5,242
Classified under right-of-use				
Land, buildings and office premises	2,114	-	223	674
Classified under intangible assets				
Computer software	163	(6)2,389	3	9
Service concession agreements	687	-	612	290
Total(5)	**413,274**	**21,424**	**76,172**	**8,324**

Note:

(1) The additions for land and building during 2020 were mainly the building extension and improvement costs of our CEL Plant in Cambodia.

(2) Plant, machinery and tools acquired during the Period Under Review comprised mainly of the preventive maintenance costs incurred for our CEL Plant and CEL II Plant in Cambodia.

(3) The construction-in-progress costs incurred during FYE 2020 were mainly for our CEL II Plant in Cambodia and LSE II Plant in Malaysia, which were completed in April 2020 and February 2020, respectively. The construction-in-progress costs incurred during FYE 2021 and FYE 2022 were mainly for the costs incurred for our C&I Solar Projects in Taiwan and countries across Southeast Asia, mostly Singapore, Vietnam, Thailand, and Malaysia.

(4) The breakdown of construction-in-progress costs by geographical is as follows:

	At costs			
	FYE 2020	***FYE 2021***	***FYE 2022***	***From 1 January 2023 and up to LPD(6)***
	RM'000	***RM'000***	***RM'000***	***RM'000***
Malaysia	*3,235*	*2,008*	*19,655*	*3,309*
Cambodia	*397,207*	*1,077*	*263*	*-*
Indonesia	*-*	*1,794*	*5,367*	*575*
Singapore	*-*	*5,922*	*16,567*	*843*
Taiwan	*-*	*-*	*8,662*	*204*
Thailand	*-*	*218*	*2,866*	*-*
Vietnam	*-*	*-*	*13,145*	*311*
Total	***400,442***	***11,019***	***66,525***	***5,242***

(5) The breakdown by geographical is as follows:

	At costs			
	FYE 2020	***FYE 2021***	***FYE 2022***	***From 1 January 2023 and up to LPD(6)***
	RM'000	***RM'000***	***RM'000***	***RM'000***
Malaysia	*4,200*	*2,061*	*20,279*	*5,036*
Cambodia	*408,543*	*10,468*	*8,707*	*1,313*
Indonesia	*-*	*1,794*	*5,472*	*575*
Singapore	*-*	*6,065*	*16,644*	*843*
Taiwan	*-*	*24*	*8,668*	*204*
Thailand	*-*	*219*	*2,871*	*-*
Vietnam	*531*	*793*	*13,531*	*353*
Total	***413,274***	***21,424***	***76,172***	***8,324***

(6) The computer software incurred during FYE 2021 was mainly for the purchase of a centralised maintenance monitoring system for our coal-fired power plants.

(7) This does not include transmission line assets acquired in March 2023, which are accounted as other financial assets pursuant to IFRIC 12.

The above material capital investment was financed via our internally generated funds and borrowings. Our ability to obtain financing and to make timely repayments of our debt obligations are subject to various uncertainties, including our future results of operations, financial condition and cash flows, the condition of the Malaysian and the global economy and the markets for our products and services, the cost of financing, the condition of financial markets and the willingness of banks to provide financing facilities to us.

(b) Material divestitures

For the Period Under Review and up to the LPD, we have not undertaken any material divestitures.

12.2.9 MATERIAL CAPITAL COMMITMENTS

As at the LPD, our Group's material commitments for capital expenditure (being contracted and estimated capital expenditure) are as follows:

	RM'000
Capital expenditure approved and contracted for:	
Construction costs for the C&I Solar Projects	54,715

We plan to meet our capital commitments through internally generated funds and borrowings.

Save as disclosed above, as at the LPD, we do not have any other material capital commitments incurred or known to be incurred by us that may have a material impact on our financial results.

12.2.10 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

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

As at the LPD, our Group does not have any material contingent liabilities, which upon becoming enforceable, may have a material effect on our business, financial results or position.

12.2.11 OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that are reasonable likely to have a material effect on our business, financial performance and financial position.

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12.2.12 KEY FINANCIAL RATIOS

The key financial ratios of our Group for the Period Under Review are as follows:

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
Trade receivables turnover (days)[(1)]	28	40	33
Trade payables turnover (days)[(2)]	28	40	26
Inventory turnover (days)[(3)]	98	120	124
Current ratio (times)[(4)]	0.8	1.2	1.1
Gearing ratio (times)[(5)]	3.4	2.5	2.1
Net gearing ratio (times)[(6)]	3.1	2.2	1.8

Note:

(1) Computed based on the average trade receivables (excluding non-current trade receivables) divided by revenue for the year, multiplied by 365 days for each financial year.

The non-current trade receivables of RM4.5 million and RM1.3 million as at 31 December 2021 and 31 December 2022, respectively, have been excluded from the computation of trade receivables turnover periods for FYE 2021 and FYE 2022 as the amounts are not receivable within the normal credit terms granted to our customer and is receivable over 60 monthly instalments pursuant to the agreement with the relevant customer. Thus, the inclusion of the aforesaid amount would distort the analysis of the trade receivables turnover periods. If the non-current trade receivables are included in the computation, the trade receivables turnover periods for FYE 2021 and FYE 2022 will be 41 days and 34 days, respectively.

(2) Computed based on the average trade payables (including retention sum payable to the EPC contractors) as at year-end divided by cost of sales for the respective years, multiplied by 365 days for each financial year.

The retention sum payable to the EPC contractors is not payable within the normal credit terms granted by our EPC contractors as these amounts will be payable upon the completion of contractual obligations by the EPC contractors and also the expiry of the warranty period. If the retention sums of RM6.4 million are excluded from the computation, the trade payable turnover periods for FYEs 2020, 2021 and 2022 would be 24 days, 33 days and 21 days, respectively.

(3) Computed based on inventory as at year-end divided by the total cost of sales for the respective years, multiplied by 365 days for each financial year.

(4) Computed based on current assets divided by current liabilities as at the end of each financial year.

(5) Computed based on total interest-bearing borrowings, amount due to related companies and lease liabilities divided by the total equity of our Group as at the end of each financial year.

(6) Computed based on the net borrowings (i.e., total borrowings less cash and bank balances) divided by total equity as at each financial year. The net gearing ratios are presented to demonstrate the net indebtedness and the financial position of our Group at each financial year.

12.2.13 Trade receivables turnover

Our average trade receivables' turnover period (in days) for the Period Under Review is stated as below:

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Opening trade receivables (current)	42,322	41,411	108,383
Closing trade receivables (current)	41,411	108,383	55,646
Average trade receivables (current)	41,867	74,897	82,015
Revenue	545,583	679,339	910,613
Trade receivables turnover period (days)[(1)]	28	40	33

Note:

(1) Computed based on the average trade receivables (excluding non-current trade receivables) divided by revenue for the year, multiplied by 365 days for each financial year.

The non-current trade receivables of RM4.5 million and RM1.3 million as at 31 December 2021 and 31 December 2022, respectively, have been excluded from the computation of trade receivables turnover periods for FYE 2021 and FYE 2022 as the amounts are not receivable within the normal credit terms granted to our customer and is receivable over 60 monthly instalments pursuant to the agreement with the relevant customer. Thus, the inclusion of the aforesaid amounts would distort the analysis of the trade receivables turnover periods. If the non-current trade receivables are included in the computation, the trade receivable turnover period for FYE 2021 and FYE 2022 will be 41 days and 34 days, respectively.

The credit periods granted by our Group ranged from 30 to 75 days (2021: 30 to 75 days and 2020: 30 to 60 days) from the date of our invoice. Amounts for which we grant credit are recognised at their original invoice amounts, representing their fair values on initial recognition. Our payment terms for each customer differ, depending on our assessment of their creditworthiness based on our credit policies.

Our Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that our Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, our Group applies a simplified approach in calculating ECLs. Therefore, our Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Our Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Our average trade receivables turnover period for FYEs 2020, 2021 and 2022 was 28 days, 40 days and 33 days, respectively, and are within our trade terms period. Therefore, our Group is not subject to a significant concentration of credit risk.

Our average trade receivables turnover period increased to 40 days for FYE 2021, mainly attributable to the increase in trade receivables for FYE 2021 resulting from higher invoiced values billed to EDC for the CEL Plant and CEL II Plant due to higher coal prices towards end of FYE 2021. The average Newcastle Coal Index's monthly coal prices increased by 127.1% from USD60.45 per tonne for FYE 2020 to USD137.28 per tonne for FYE 2021. In addition, the completion of the acquisition of LYS Energy Group on 28 September 2021 for its C&I Solar Projects, which granted longer credit terms than our Utility-Scale Business, i.e. 30 to 75 days.

Our average trade receivables turnover period for FYE 2022 decreased to 33 days, mainly attributable to lower invoiced values billed to EDC for the CEL Plant and CEL II Plant towards the end of FYE 2022, which comprised mainly the capacity payment receivable.

Our Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of our Group's trade receivables (current portion) for the Period Under Review are as follows:

	Audited					
	As at					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
By country						
Cambodia	35,368	85.4	93,249	86.0	41,656	74.9
Malaysia	2,929	7.1	2,995	2.8	2,701	4.9
Vietnam	3,114	7.5	4,356	4.0	4,176	7.5
Singapore	-	-	7,783	7.2	7,100	12.7
Thailand	-	-	-	-	13	*
	41,411	**100.0**	**108,383**	**100.0**	**(1)55,646**	**100.0**

For the Period Under Review, approximately 85.4%, 86.0% and 74.9% of our trade receivables (current) as at 31 December 2020, 31 December 2021, and 31 December 2022 were due from one major customer located in Cambodia, which generally will be collected within 30-40 days.

Note:

* *Represents less than 0.1%.*

(1) *The non-current trade receivables of RM4.5 million and RM1.3 million as at 31 December 2021 and 31 December 2022, respectively have been excluded from the trade receivables ageing analysis as the amounts are not receivable within the normal credit terms granted to our customer and is receivable over 60 monthly instalments pursuant to the agreement with the relevant customer. Thus, the inclusion of the aforesaid amount would distort the analysis of the trade receivables turnover periods.*

12. FINANCIAL INFORMATION

The ageing analysis of our trade receivables (current) as at 31 December 2022 was as follows:

	Trade receivables as at 31 December 2022 (Audited)		Collection from 1 January 2023 to the LPD	Balance trade receivables as at the LPD
	RM'000	Percentage of trade receivables	RM'000	RM'000
	(a)	(a)/total of (a)	(b)	(c) = (a)-(b)
Neither past due nor impaired	53,726	96.5	53,437	289
Past due but not impaired:				
- 1 to 30 days	919	1.7	913	6
- 31 to 60 days	580	1.0	514	66
- 61 to 90 days	334	0.6	290	44
- 91 to 120 days	52	0.1	48	4
- over 121 days	35	0.1	-	35
	1,920	3.5	1,765	155
	[(1)]55,646	**100.0**	**55,202**	**444**

As at LPD, RM55.2 million, or 99.2%, of our trade receivables as at 31 December 2022 have been collected. The remaining balance of RM0.4 million have yet to be collected as at the LPD, mainly due to slower payments from some of our C&I Customers and we have progressively received partial payments.

We are of the view that we are able to collect the majority of the outstanding amount as it is our business practice to continue trade with these customers upon receiving the outstanding payments.

There was no allowance for impairment on trade receivables and bad debts written off recognised during the Period Under Review. We are of the view that there was no allowance for impairment on trade receivables and bad debts written off as at the LPD.

Note:

(1) The non-current trade receivables of RM1.3 million as at 31 December 2022, has been excluded from the trade receivables ageing analysis as the amounts are not receivable within the normal credit terms granted to our customer and is receivable over 60 monthly instalments pursuant to the agreement with the relevant customer. Thus, the inclusion of the aforesaid amount would distort the analysis of the trade receivables turnover periods.

12.2.14 Trade payables turnover

Our average trade payables turnover period (in days) for the Period Under Review is as follows:

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Opening trade payables	22,320	22,670	56,800
Closing trade payables	22,670	56,800	17,479
Average trade payables	22,495	39,735	37,140
Cost of goods sold	289,263	365,534	526,924
Average trade payables turnover period (days)[(1)]	28	40	26

Note:

(1) Computed based on an average of the opening and closing trade payables (including retention sum payable to the EPC contractors) for the financial year divided by total cost of sales during the financial year, multiplied by the number of days in the financial year.

The retention sum of RM6.4 million as at the end of each respective financial year payable to the EPC contractors is not payable within the normal credit terms granted by our EPC contractors as these amounts will be payable upon fulfilment of the contractual obligations by the EPC contractors and also the expiry of the warranty period. If the retention sums are excluded from the computation, the trade payable turnover period for FYEs 2020, 2021 and 2022 will be 24 days, 33 days and 21 days, respectively.

The credit terms granted to our Group by our suppliers ranged from 30 to 60 days. We will pay the suppliers as they fall due to maintaining good relationships with our suppliers.

Our average trade payables turnover period for FYE 2020, 2021 and 2022 were 28 days, 40 days and 26 days, respectively, which were within the normal credit terms granted by our suppliers.

Our average trade payables turnover period for FYE 2021 increased to 40 days (FYE 2020: 28 days), mainly attributable to the increase in trade payables for FYE 2021 arising from the completion of the acquisition of LYS Energy Group, in which the settlement of the trade payables by LYS Energy Group is generally between 30 days to 50 days.

Our trade payables turnover period for FYE 2022 has decreased to 26 days (FYE 2021: 40 days), mainly due to lesser coal purchased towards the end of FYE 2022 resulting from lower power generated by the CEL Plant and CEL II Plant towards the end of FYE 2022, due to lower request for power generation from EDC towards the end of FYE 2022.

The ageing analysis of our trade payables as at 31 December 2022 was as follows:

	Trade payables as at 31 December 2022 (Audited)		Payment from 1 January 2023 to the LPD	Balance trade payables as at the LPD
	RM'000	Percentage of trade payables (%)	RM'000	RM'000
	(a)	(a)/total of (a)	(b)	(c) = (a)-(b)
Within credit period	8,805	50.4	6,889	1,916
Exceeding credit period:				
- 1 to 30 days	935	5.3	935	-
- 31 to 60 days	139	0.8	138	1
- 61 to 90 days	935	5.3	707	228
- 91 to 120 days	265	1.5	186	79
- over 121 days	6,400	36.6	-	6,400
	8,674	49.6	1,966	6,708
	17,479	**100.0**	**8,855**	**8,624**

As at 31 December 2022, our total trade payables were RM17.5 million, with RM8.7 million, or 49.6%, of our trade payables exceeding the normal credit period.

As at the LPD, we had outstanding trade payables of RM8.6 million, representing 49.3% of our trade payables as at 31 December 2022.

Trade payables more than 120 days which are still outstanding as at the LPD comprise mainly the retention sum of RM6.4 million payable to an EPC contractor of our LSE Plant. The retention sum would be payable upon the fulfilment of EPC's remaining contractual obligations. In September 2023, the EPC contractor had fulfilled the remaining contractual obligations which included closed circuit television installation at the LSE Plant. The retention sum of RM6.4 million is expected to be paid to the EPC contractor by the end of FYE 2023.

As at the LPD, there was no matter in dispute in respect of our trade payables and no material legal proceedings to demand for payment have been initiated by our suppliers against us.

12.2.15 Inventory turnover

Our inventories comprise raw materials and consumables. Our average inventory turnover period (in days) for the Period Under Review is set out below:

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Opening inventories	69,983	85,537	154,054
Closing inventories	85,537	154,054	204,505
Average inventories	77,760	119,796	179,280
Cost of goods sold	289,263	365,534	526,924
Average inventory turnover period (days)	98	120	124

Our inventories consist of various raw materials, consumables and spare parts that we purchased from our suppliers, such as coals, limestone and spare parts for our power plants.

The breakdown of our inventories for the Period Under Review are set out below:

	Audited		
	As at 31 December		
	2020	2021	2022
	RM'000	RM'000	RM'000
At cost:			
Consumables	44,616	59,796	74,690
At net realisable value:			
Raw materials	43,448	96,226	144,391
Provision for moisture loss	(2,527)	(1,968)	(14,576)
	40,921	94,258	129,815
	85,537	**154,054**	**204,505**

Our average inventory turnover for FYE 2020, 2021 and 2022 was 98 days, 120 days and 124 days, respectively.

Our average inventory turnover increased from 98 days in FYE 2020 to 120 days in FYE 2021, mainly due to the purchase of spare parts for our CEL II Plant to minimise interruption of our powerplant operations and the increase in raw material, i.e. coal to cater for the expected growth in our output.

Our average inventory turnover further increased to 124 days for FYE 2022, mainly due to the following:

(a) increase in raw material inventory, i.e. coal resulting from less coal consumption towards the end of FYE 2022 resulting from lower request for power generation from EDC towards the end of FYE 2022, and the average Newcastle Coal Index monthly coal prices increased by 162.4% from USD137.28 per tonne for FYE 2021 to USD360.19 per tonne for FYE 2022 and appreciation in USD against RM during FYE 2022; and

(b) increase in spare parts for the CEL II Plant to minimise interruption of our powerplant operations.

Our CEL Plant and CEL II Plant use coal to generate power. To procure coal for its operations, each of CEL and CEL II had entered into a four-year CSTA with a long-term coal supplier in August 2020. The term of each CSTA is from 2 December 2020 to 1 December 2024 and may be extended on such terms as mutually agreed and with the approval of EDC.

Under their respective CSTA, (i) CEL is required to purchase an annual minimum of 250,000 tonnes and not more than 480,000 tonnes of coal, and (ii) CEL II is required to purchase an annual minimum of 275,000 tonnes and not more than 690,000 tonnes of coal, in each case, which meets the specified coal quality.

CEL and CEL II shall pay for coal purchased under the respective CSTA at a price (in USD) which is determined based on various components, including references to the Newcastle Coal Index and the MGO/BWDI (Singapore) Bunkerworld Index. The long-term coal supplier bears the costs for insuring the coal shipment.

Our Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The cost and net realisable value of inventories are reviewed annually to reflect the accurate valuation in the consolidated financial statements. The realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available and inherently involves estimates regarding the future expected realisable value.

During the Period Under Review, our Group had written down inventories in the consolidated statements of profit or loss as below:

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Provision for moisture loss[(1)]	2,572	-	12,530
Reversal of provision for moisture loss	-	[(2)](649)	-

Note:

(1) Provision moisture loss was mainly due to the provision for coal moisture loss after considering the external stockpile survey report.

(2) The reversal of provision for moisture loss was mainly due to overprovision for coal moisture loss after considering the external stockpile survey report.

Adequate inventories written down/off have been made, and we are of the view that there are no further material inventories written down/off as at the LPD.

12.2.16 Current ratio

A summary of our current ratio for the Period Under Review is as follows:

	Audited		
	As at 31 December		
	2020	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**
Current assets	820,738	559,173	690,310
Current liabilities	1,001,908	458,932	617,466
Net current (liabilities)/ assets	(181,170)	100,241	72,844
Current ratio (times)	0.8	1.2	1.1

Our current ratio ranged from 0.8 times to 1.2 times for the Period Under Review.

Our current ratio increased from 0.8 times as at 31 December 2020 to 1.2 times as at 31 December 2021, mainly due to the following:

(a) increase in inventories of RM68.5 million as a result of the purchase of spare parts for our CEL II Plant to minimise interruption of our powerplant operations and the increase in raw material, i.e. coal to cater for the expected growth in output;

(b) improved bank balances of approximately RM57.1 million, attributable to the increase in internally generated funds from our business operations;

(c) decrease in trade and other payables of RM675.6 million, mainly due to the following:

(i) amounts due to related companies decreased by RM578.9 million, mainly resulting from the internal novation of debts exercise undertaken by our Group during FYE 2021 as detailed in Note 33(b) to the Accountants' Report in Section 13 of this Prospectus; and

(ii) decrease in sundry payables of RM73.7 million, mainly due to settlement of engineering and procurement contractors.

The abovementioned factors for the increase in the current ratio was offset by the following:

(a) decrease in trade and other receivables of RM388.3 million, mainly due to the net effects of the following:

(i) decrease in the amount due from related companies of RM462.7 million resulting from the internal novation of debts exercise undertaken by our Group during FYE 2021 as detailed in Note 33(b) to the Accountants' Report in Section 13 of this Prospectus, and our Group had fully settled the amount due to LEPL during FYE 2021;

(ii) increase in trade receivables of RM67.0 million resulting from higher invoiced values from higher coal prices towards the end of FYE 2021 used in computing revenue based on the PPA entered with EDC. In addition, the completion of the acquisition of LYS Energy Group on 28 September 2021 for our C&I Solar Projects, which granted longer credit terms than our Group's Utility-Scale Business, also contributed to the increase in trade receivables; and

(b) increase in the prepayment of RM8.2 million was attributed to the advances to suppliers for the purchase of coal and spare parts for our coal-fired plants and prepaid insurance premiums for the CTL Transmission Line Asset, CEL Plant and CEL II Plant;

(c) term loans increased by RM76.0 million, mainly due to term loan drawdowns of RM33.8 million for payments to the EPC contractors of the CEL II Plant, and RM75.8 million to finance the acquisition of LYS Energy Group, offset by the scheduled term loans repayments; and

(d) increase in revolving credits of RM51.6 million due to drawdowns of revolving credits of RM136.3 million for the purchase of coal and spare parts for our coal-fired power plants, offset by the related repayments during FYE 2021.

We maintained our current ratio at 1.1 times as at 31 December 2022 (31 December 2021: 1.2 times). The decline in the current ratio as at 31 December 2022 was mainly due to the following:

(a) increase in trade and other payables of RM89.4 million, mainly due to the net effects of following:

(i) increase in accruals of RM114.2 million, mainly due to the accruals for rectification on unsatisfactory works for the CEL II Plant; and

(ii) decrease in trade payable of RM39.3 million, mainly due to lesser coal purchased towards the end of FYE 2022 resulting from lower power generated by the CEL Plant and CEL II Plant towards the end of FYE 2022.

(b) increase in revolving credits of RM25.5 million due to drawdowns of revolving credits of RM332.1 million for the purchase of coal and spare parts for our coal-fired power plants, offset by the related repayments during FYE 2022; and

(c) increase in term loans of RM28.8 million due to drawdowns of term loans of RM149.3 million for repayment of advances from a related company, LEPL, which was previously used to finance the acquisition of our Group's investment in CEVD, RM198.1 million for payments to the EPC contractors of the CEL II Plant and RM14.3 million to part finance the C&I Solar Projects, offset by the related repayments during FYE 2022.

The abovementioned factors for the decline in current ratio was offset by the following:

(a) increase in cash and bank balances of approximately RM56.7 million, attributable to the increase in internally generated funds from our business operations; and

(b) increase in inventories of RM50.5 million mainly due to (i) the increase in raw material inventory, i.e. coal resulting from less coal consumption towards the end of FYE 2022 resulting from lower request for power generation from EDC towards the end of FYE 2022; (ii) the average Newcastle Coal Index monthly coal prices increased by 162.4% from USD137.28 per tonne for FYE 2021 to USD360.19 per tonne for FYE 2022 and appreciation in USD against RM during FYE 2022; and (iii) increase in spare parts for the CEL II Plant to minimise interruption of our powerplant operations.

Despite our current ratio being less than 1 time as at 31 December 2020, it has improved to 1.2 times and 1.1 times as at 31 December 2021 and 31 December 2022, respectively. This indicates that our Group can meet our current obligations as our current assets, such as inventories and trade receivables, which can be readily converted into cash, together with our cash and bank balances, are enough to meet immediate current liabilities.

12.2.17 Gearing ratio

Our gearing ratio throughout the Period Under Review is as follows:

	Audited		
	As at 31 December		
	2020	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**
Amount due to related companies	649,349	189,749	90,526
Borrowings	1,599,165	1,730,877	1,942,197
Lease liabilities	119,915	126,715	137,644
Total borrowings	**2,368,429**	**2,047,341**	**2,170,367**
Less:			
Cash and bank balances	200,099	257,220	313,923
Net borrowings	**2,168,330**	**1,790,121**	**1,856,444**
Total equity	692,670	827,801	1,023,572
Gearing ratio (times) (1)	3.4	2.5	2.1
Net gearing ratio (times) (2)	3.1	2.2	1.8

Note:

(1) Computed based on total interest-bearing borrowings, amount due to related companies and lease liabilities divided by total equity as at the end of each financial year.

(2) Computed based on the net borrowings (i.e: total borrowings less cash and bank balances) divided by total equity as at each financial year. The net gearing ratios are presented to demonstrate the net indebtedness and the financial position of our Group at each financial year.

Our gearing ratio ranged from 2.1 times to 3.4 times throughout the Period Under Review. Our high gearing ratio was attributable to the capital structure for the power industry being capital intensive.

Our gearing ratio decreased from 3.4 times as at 31 December 2020 to 2.5 times as at 31 December 2021, mainly due to the following:

(a) increase in total equity by RM135.1 million mainly attributed to the increase in our Group's retained earnings that resulted from the net profits and other comprehensive income recorded for FYE 2021; and

(b) decrease in borrowings (comprising borrowings, lease liabilities and amounts due to related companies) mainly due to:

    (i) the lower amount due to related companies as at end of FYE 2021 which was due to the completion of our Group's internal novation of debts exercise during FYE 2021 that involved the amount due from LEPL being offset with the amount due to LEPL as at FYE 2020. The internal novation of debts exercise during FYE 2021 was undertaken in preparation of the Pre-IPO Restructuring; and

    (ii) the repayments for term loans of RM133.1 million, Sukuk Wakalah of RM4.9 million and revolving credit of RM105.6 million during FYE 2021.

    The decrease in borrowings for FYE 2021 was offset by the following:

    (i) drawdown of the term loans of (aa) RM75.8 million to part finance the acquisition of LYS Energy Group; (bb) RM33.8 million for payments to the EPC contractors of the CEL II Plant; and

    (ii) the drawdown of revolving credits of RM136.3 million for the purchase of coal and spare parts for our coal-fired power plants.

Our Group's gearing ratio decreased further from 2.5 times as at 31 December 2021 to 2.1 times as at 31 December 2022 mainly as a result of the increase in total equity whilst the borrowings remained relatively at the same level, as set out below:

(a) increase in total equity by RM195.8 million mainly attributed to increased retained earnings that resulted from net profits and other comprehensive income recorded for FYE 2022, and the increased share capital resulted from the Pre-IPO Restructuring completed during FYE 2022; and

(b) there was also an increase in borrowings, mainly contributed by the following:

    (i) drawdowns of revolving credits of RM332.1 million for the purchase of coal and spare parts for our coal-fired power plants, offset by the related repayments during FYE 2022; and

    (ii) drawdown of term loan of RM149.3 million for repayment of advances from a related company, LEPL, which was previously used to finance the acquisition of our Group's investment in CEVD, RM198.1 million for payments to the EPC contractors of the CEL II Plant and RM14.3 million to part finance the C&I Solar Projects.

    The increase in borrowings is offset by the repayments for term loans of RM251.7 million, Sukuk Wakalah of RM9.9 million and revolving credit of RM311.9 million.

12.2.18 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

We are subject to the risks of government, economic, fiscal or monetary policies, where any unfavourable change may materially affect our business operations, financial performance and prospects.

For the Period Under Review, our results were not materially adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies. For information on any government, economic, fiscal or monetary policies or factors which could materially affect our operations, please refer to Section 9 of this Prospectus.

12.2.19 IMPACT OF INFLATION

The availability and prices of coal supplies in the global coal markets may be affected by various factors such as changes in their global supply and demand, the state of the global economy, inflationary pressures, environmental regulations, sustainability initiatives, tariffs, natural disasters, weather conditions and governmental bans.

During the Period Under Review, our financial performance was not materially affected by inflation. However, there is no assurance that our financial performance will not be adversely affected by inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in tariffs.

12.2.20 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR OPERATIONS

(a) Impact of foreign exchange rates

We have business operations in Southeast Asian countries such as Malaysia, Cambodia, Vietnam, Thailand, Singapore and Indonesia as well as Taiwan. Our exposure to foreign exchange rate fluctuations emanates from the following:

(i) *Foreign currency transactions*

We generate revenue in various currencies through our local and foreign subsidiaries, including RM, USD, VND, SGD, IDR and THB.

The majority of our liability exposures in foreign currencies for our Utility-Scale Business are naturally hedged (i.e. repaid with revenue received in the same currencies), with the remaining limited exposure from certain isolated purchases of equipment (e.g. PV modules), spare parts and/or services from overseas with prices quoted in foreign currencies.

Our C&I Solar Business has some liabilities exposure, but the amount is relatively immaterial. In addition, we also have potential exposures from the repatriation of dividends in foreign currencies from our foreign operations with non-USD functional currencies back to our Group.

Due to the mismatch of our foreign operations' revenues/receipts and costs/payments and the timing difference between revenue recognition and actual receipts and between cost recognition and actual payments, we are subject to foreign exchange rate fluctuations. There can be no assurance that the mismatch above will not increase in the future, resulting in more foreign exchange transactional risks.

(ii) *Foreign operations*

Our Group's functional currency is USD, and our reporting currency is in RM post Listing. The revenue and expenses are denominated in foreign currencies for our foreign operations. Fluctuations in the exchange rate between RM and the other foreign currencies may not have a material impact on our foreign currencies' denominated cash flows, but they may have an impact on our reported financial condition due to the translation of the foreign currencies to the reporting currency in RM. As tabulated below, for FYE 2020, FYE 2021 and FYE 2022, approximately 93.3%, 94.2%, 95.8% of our revenue respectively was generated in currencies other than RM. Accordingly, unfavourable fluctuations in currency exchange rates may have an adverse impact on the translation of foreign currency-denominated amounts into RM.

Our proportions of sales and purchases transactions denominated in local and foreign currencies are as follows:

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Sales denominated in:						
(i) RM	36,163	6.7	38,980	5.8	38,077	4.2
(ii) SGD	-	-	4,358	0.6	26,986	3.0
(iii) USD	471,531	86.4	594,699	87.5	795,562	87.3
(iv) THB	-	-	54	*	-	-
(v) VND	37,889	6.9	38,519	5.7	46,125	5.1
(vi) IDR	-	-	2,729	0.4	3,863	0.4
	545,583	**100.0**	**679,339**	**100.0**	**910,613**	**100.0**
Purchases denominated in:						
(i) RM	1,840	1.1	2,385	1.1	2,378	0.7
(ii) USD	159,670	98.2	218,698	98.0	349,933	95.0
(iii) VND	1,024	0.7	863	0.4	1,041	0.3
(iv) SGD	-	-	1,189	0.5	14,818	4.0
	162,534	**100.0**	**223,135**	**100.0**	**368,170**	**100.0**

Note:

* *Representing less than 0.1%.*

Most of our Group's transactions act as a natural hedge as most of its sales, purchases, assets and liabilities are denominated in the respective entity' functional currency. We generally match the currency in which the funding is required and in which revenues are generated for payment as described under Section 12.2.20(a)(i) of this Prospectus. For the remaining exposure to foreign exchange risk, our Group does not undertake any hedging transaction nor apply any hedge accounting for such foreign currency-denominated sales, purchases and borrowings.

The net unhedged financial assets and financial liabilities of our Group that are not denominated in Group's functional currency are as follows:

	Audited					
	As at 31 December					
	2020		2021		2022	
	RM'000	%	RM'000	%	RM'000	%
Trade and other receivables denominated in:						
(i) USD	512,304	97.9	113,203	81.3	76,894	51.4
(ii) MYR	7,742	1.5	5,014	3.6	5,174	3.4
(iii) SGD	-	-	16,511	11.9	14,232	9.5
(iv) VND	3,291	0.6	4,464	3.2	4,286	2.9
(v) NTD	-	-	38	*	49,122	32.8
(vi) THB	-	-	-	-	13	*
	523,337	**100.0**	**139,230**	**100.0**	**149,721**	**100.0**

	Audited					
	As at 31 December					
	2020		2021		2022	
	RM'000	%	RM'000	%	RM'000	%
Cash and bank balances denominated in:						
(i) USD	139,876	69.9	171,752	66.8	225,194	71.7
(ii) MYR	46,336	23.2	55,875	21.7	57,406	18.3
(iii) SGD	-	-	23,950	9.3	16,652	5.3
(iv) VND	13,887	6.9	4,960	1.9	9,390	3.0
(v) NTD	-	-	683	0.3	5,021	1.6
(vi) IDR	-	-	-	-	55	*
(vii) THB	-	-	-	-	205	0.1
	200,099	**100.0**	**257,220**	**100.0**	**313,923**	**100.0**

	Audited					
	As at 31 December					
	2020		2021		2022	
	RM'000	%	RM'000	%	RM'000	%
Borrowings denominated in:						
(i) MYR	258,524	16.2	253,804	14.7	258,183	13.3
(ii) USD	1,278,293	79.9	1,388,819	80.2	1,627,153	83.8
(iii) SGD	-	-	54,811	3.2	37,169	1.9
(iv) VND	62,348	3.9	33,443	1.9	19,692	1.0
	1,599,165	**100.0**	**1,730,877**	**100.0**	**1,942,197**	**100.0**

	Audited					
	As at 31 December					
	2020		2021		2022	
	RM'000	%	RM'000	%	RM'000	%
Trade and other payables denominated in:						
(i) MYR	78,311	6.6	200,882	25.3	86,066	15.0
(ii) USD	857,667	72.4	563,047	71.0	463,597	81.1
(iii) SGD	-	-	25,209	3.2	14,388	2.5
(iv) VND	249,454	21.0	3,363	0.4	4,593	0.8
(v) NTD	-	-	738	0.1	195	*
(vi) IDR	-	-	-	-	3,141	0.6
(vii) THB	-	-	-	-	13	*
	1,185,432	**100.0**	**793,239**	**100.0**	**571,993**	**100.0**

** Less than 0.1%.*

During the Period Under Review, our gains and losses from foreign exchange fluctuations are as follows:

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Realised loss on foreign exchange	135	284	267
Unrealised (gain)/loss on foreign exchange	(149)	50	1,426
Net (gain)/loss	**(14)**	**334**	**1,693**

Currently, we do not hedge our foreign exchange exposure as the majority of our liabilities exposure in foreign currencies are naturally hedged, but we may want to hedge them in future if our liabilities exposure in foreign currencies in excess of available natural hedge grows significantly. Hence, we are exposed to foreign exchange fluctuation to the extent that our liabilities exposure in foreign currencies are not naturally matched in the same foreign currencies. Any significant unfavourable fluctuation in these foreign currencies could adversely affect our business, financial condition, operation results, and cash flows.

(b) Impact of interest rates

We are involved in a capital-intensive industry and we may rely substantially on borrowings from financial institutions and capital markets to finance the development of power projects, the operations of power assets and the acquisition of power assets and projects. All of our borrowings are interest-bearing. Any increase in interest rates in countries where we have exposure would affect our financial performance. As at 31 December 2022, our Group had total borrowings (excluding lease liabilities and amount due to related companies) of RM1.9 billion, of which RM851.7 million is based on floating rates.

In addition, our business may also be negatively affected if our suppliers or customers are unable to perform their contractual obligations with us due to tighter debt capital and/or credit markets resulting from a slowdown in the global economy. Any of these developments (i.e., our failure to secure financing at favourable terms and/or our suppliers or customers defaulting on their contractual obligations) could materially and adversely affect our business (including prospects), financial condition, results of operations, cash flows and prospects.

Risks relating to our exposure to unfavourable interest rate fluctuations which may materially affect our operations are set out in Section 9.1.10 of this Prospectus.

Interest rate risk is the risk that the fair value or future cash flows of our Group's financial instruments will fluctuate because of changes in market interest rates. Our Group's exposure to interest rate risk arises mainly from loans and borrowings. Loans and borrowings at floating rates expose our Group to cash flow interest rate risk.

Our Group's policy is to manage its interest cost using a mix of fixed and floating rate debts. At the reporting date, approximately 56.0% (2021: 42.0%; 2020: 29.0%) of our Group's borrowings were at fixed rates of interest.

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. Our interest coverage ratio for FYE 2020 to 2022 were as follows:

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
Interest coverage ratio (times)[(1)]	2.4	2.7	2.3

Note:
(1) Computed based on EBIT divided by finance costs.

Our interest coverage ratios range from 2.3 times to 2.7 times from FYE 2020, 2021 and FYE 2022 indicate that our Group has been able to generate sufficient profits before interest and tax to meet our interest-serving obligations.

Our Group had used interest rate swap to hedge the interest rate risks in relation to the floating interest rates of our term loans as at 31 December 2022. Please refer to Notes 23(a) and (b) of the Accountants' Report as set out in Section 13 of this Prospectus for the information on interest rate swap.

For FYE 2022, there was fair value gain from derivatives of RM56.2 million as we entered into interest rate swaps to hedge the interest rate risk in relation to the floating interest rate of term loans whereby the interest rates have increased during FYE 2022. The recognition of fair value gain/(loss) from derivatives derives solely from the recognition of the fair value gain resulting from the hedging of the floating interest rate under the MFRS 139 Financial Instruments: Recognition and Measurement, in which the impact of the fair changes would depend on the market interest rate fluctuation and reduction in term loans' nominal value due to scheduled term loan repayments overtime.

As at the LPD, we had outstanding interest rate swap contracts of USD174.9 million (equivalent to RM779.8 million based on the exchange rate USD1:RM4.4585 as at 28 April 2023).

Save for our sukuk Wakalah Bi Al-Istithmar and a term loan which carry fixed interest/profit rates, other borrowings bear variable interest rates based on the bank's base lending rate plus or minus a margin rate, which varies depending on the different types of bank facilities.

Our financial results for the Period Under Review were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of our borrowings and our finance costs for to finance the construction of power plants and for our Group's working capital requirements, which may have an adverse effect on the performance of our Group.

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(c) Impact of commodity prices

Our Group's principal material used in our operations is coal, which our Group purchases for the operation of the CEL Plant and the CEL II Plant. Coal is an important fuel for electricity, it is considered more closely related to input materials for power generation than the power market itself. Coal is a commodity and hence, its price fluctuates according to Newcastle Coal Index.

For FYEs 2020, 2021 and 2022, total purchase of coal amounted to RM134.3 million, RM228.6 million and RM370.7 million, accounting for 46.4%, 62.5% and 70.4% of our total cost of sales, respectively.

We experienced a significant increase in coal prices during the Period Under Review. The average Newcastle Coal Index for coal prices increased from USD60.45 per tonne for FYE 2020 to USD333.21 per tonne for FYE 2022. As our revenue generated from the non-RE segment is computed using the cost-pass-through mechanism based on the PPA entered with the offtaker, there was no material impact on our financial performance due to the fluctuations in coal prices.

12.2.21 ORDER BOOK

As at the LPD, we had secured a total order book amounting to RM43.2 million. Out of which, RM14.2 million of the secured order book have been billed as at the LPD and RM29.0 million have not been billed. Our Utility-Scale Business does not have an order book and the order book disclosed below are solely for the C&I Solar Business.

	Total order book as at the LPD	**Billed as at the LPD**	**Unbilled amount as at the LPD**
	RM'000	**RM'000**	**RM'000**
EPC contracts	43,195	14,190	[(1)]29,005

Note:

(1) The remaining order books of RM29.0 million are expected to be billed for the financial year ending 31 December 2023.

12.2.22 TREND INFORMATION

As at LPD, our financial performance, position and operations were not affected by any of the following:

(a) 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 and operations, save as disclosed in Sections 7, 8, 9 and 12.2 of this Prospectus;

(b) Material commitments for capital expenditure save as disclosed in Section 12.2.9 of this Prospectus;

(c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 9 and 12.2 of this Prospectus and the exposure to impairment losses arising from acquisitions and project development as set out in Section 12.2.2(viii) of this Prospectus;

(d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our revenue and/or profit as disclosed in Section 12.2, business and industry overview, as set out in Sections 7 and 8, and business strategies and future plans as set out in Section 7.5 of this Prospectus;

(e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical consolidated financial statements not indicative of the future financial performance and position, save as disclosed in Sections 9 and 12 of this Prospectus; and

(f) 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 liquidity and capital resources, save as disclosed in Sections 7, 9 and 12 of this Prospectus.

However, our Board foresees certain risk factors set out in Section 9 of this Prospectus, that may affect our future financial condition and results of operations.

Nevertheless, our Board is optimistic about the future prospects of our Group given our competitive strengths as set out in Section 7.4 of this Prospectus, the outlook of the power generation and transmission industry as set out in the IMR Report in Section 8 of this Prospectus and our commitment to implement the business strategies and future plans as set out in Section 7.5 of this Prospectus.

12.2.23 SIGNIFICANT CHANGES

Save as disclosed elsewhere in the Prospectus, no significant changes have occurred since 31 December 2022 and up to the LPD which may have a material effect on our financial position and results of operations.

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12.3 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 30 April 2023 and after adjusting for the effects of the IPO, Listing and use of proceeds from the Public Issue as set out in Section 4 of this Prospectus.

The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 30 April 2023 and is provided for illustrative purpose only.

	Unaudited	**Pro forma I**
	As at 30 April 2023	**After our IPO, Listing and use of proceeds**
	RM'000	**RM'000**
Capitalisation		
Equity attributable to owner of our Company	(1)1,054,071	[●]
Non-controlling interests	52,024	52,024
Total equity	**1,106,095**	**[●]**
Indebtedness		
Current		
Secured and guaranteed		
Term loans	186,753	186,753
Revolving credit	95,328	95,328
Sukuk Wakalah Bi Al-Istithmar	15,000	15,000
Unsecured and unguaranteed		
Lease liabilities for right-of-use assets	1,482	1,482
Non-current		
Secured and guaranteed		
Term loans	1,877,472	[●]
Sukuk Wakalah Bi Al-Istithmar	230,000	230,000
Unsecured and unguaranteed		
Lease liabilities for right-of-use assets	134,833	134,833
Bank guarantees(2)	100	100
Total indebtedness	**2,540,968**	**[●]**
Total capitalisation and indebtedness	**3,647,063**	**[●]**

Note:

(1) Included in equity attributable to owner of our Company is share capital amounting to RM694,803,103.

(2) Bank guarantees primarily issued for new projects development.

12.4 DIVIDEND POLICY

Our Group presently does not have any formal dividend policy and the declaration of dividends and other distribution are subject to the discretion of our Board. It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business. Our Group intends to have a fixed dividend policy with a targeted payout ratio of 20.0% of our annual PAT attributable to the owner of our Company from financial year ending 2024 onwards.

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our subsidiaries, present and future. The payment of dividends by our subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations and capital expenditures, as well as other factors that their respective boards of directors deem relevant. Save for certain restrictive covenants from our credit facilities, which our subsidiaries are subject to, there is no other dividend restriction imposed on our subsidiaries as at the LPD.

The dividends paid by our Cambodia subsidiaries may be taxed in Cambodia for withholding tax at a rate not exceeding 10.0% of the gross amount of the dividends. According to the prevailing double tax agreement between Cambodia, Singapore and Malaysia, dividend payments paid to our Company will be subject to a withholding tax. Our Cambodia subsidiaries have an obligation to withhold the tax of dividends distribution at source and pay to the tax authority.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(a) the level of cash, level of indebtedness and retained earnings;

(b) required and expected interest expense, cash flows, profits, return on equity and retained earnings;

(c) our expected results of operations and future level of operations;

(d) our projected levels of capital expenditure and other investment plans; and

(e) the prior consent from our lenders, applicable laws, license and contractual obligations, if any.

12. FINANCIAL INFORMATION

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board, and will depend on factors stated above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the Act, our Company, in a general meeting, may from time to time approve dividend or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(a) our Company is, or would after the payment be unable to pay its liabilities as they become due; or

(b) the realisable value of our Company's assets would thereby be less than its liabilities.

For the Period Under Review, our Group declared and paid the following dividends to shareholders of the respective subsidiaries:

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Dividends declared and paid to shareholders of the respective subsidiaries	25,100	77,821	24,180
PAT attributable to the owner of the parent	163,122	172,704	173,551
Dividend payout ratio (%)[(1)]	15.4	45.1	13.9

Note:

(1) Computed as dividends paid to shareholders (excluding dividend paid to non-controlling interest) divided by PAT attributable to the owner of the parent.

The above dividends were funded by internally generated funds sourced from our operations. The dividends paid will not affect the execution and implementation of our future plans or business strategies.

There was no dividend declared and paid subsequent to the FYE 2022 up to the LPD. Our Company does not intend to declare further dividends prior to our Listing.

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12.5 REPORTING ACCOUNTANTS' LETTER ON THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

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Ernst & Young PLT
Registration No: 202006000003 (LLP0022760-LCA) & AF 0039
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Reporting Accountants' Report on the Pro Forma Consolidated Statements of Financial Information as at 31 December 2022

[Prepared for inclusion in the Prospectus dated XXX]

202101022179 (1422479-U)

The Board of Directors
Leader Energy Holding Berhad
(Incorporated in Malaysia)
Unit 30-01, Level 30,
Tower A, Vertical Business Suite,
Avenue 3, Bangsar South,
No.8, Jalan Kerinchi,
59200 Kuala Lumpur.

Dear Sirs,

PRO FORMA FINANCIAL INFORMATION
INITIAL PUBLIC OFFERING AND PROPOSED LISTING OF 3,550,000,000 SHARES OF LEADER ENERGY HOLDING BERHAD ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD

We have completed our assurance engagement to report on the compilation of the pro forma financial information of Leader Energy Holding Berhad ("the Company") prepared by the Board of Directors of the Company ("the Directors"). The pro forma financial information consists of the pro forma consolidated statements of financial position as at 31 December 2022, the pro forma consolidated statement of comprehensive income for the year ended 31 December 2022, the pro forma consolidated statement of cash flow for the year ended 31 December 2022, and the related notes (which we have stamped for the purpose of identification). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia and described in Note 1 of the pro forma financial information.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the events and transactions as set out in the notes on the Company's financial information as at 31 December 2022 as if the transaction had taken place as at 31 December 2022 in relation to the pro forma consolidated statements of financial position and 1 January 2022 in relation to the pro forma consolidated statement of comprehensive income and the pro forma consolidated statement of cash flow. As part of this process, information about the financial position and financial performance has been extracted by the Directors from the relevant financial statements for the financial year ended 31 December 2022, on which audit reports have been published.

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(Incorporated in Malaysia)

The Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria.

Our quality control management and independence

Our firm applies Malaysian Approved Standard on Quality Management, ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements and accordingly, the firm is required to design, implement and operate maintains a system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our responsibilities

Our responsibility is to express an opinion, as required by the Securities Commission Malaysia, about whether the pro forma financial information has been compiled, in all material respect, by the Directors on the basis of the applicable criteria.

We conducted our engagement in accordance with the *International Standard in Assurance Engagement (ISAE) 3420, Assurance Engagements 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 Directors have compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information. In providing this opinion, we do not accept any responsibility for such reports or opinion beyond that owed to those to whom those reports, or opinions were addressed by us at the dates of their issue.

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Leader Energy Holding Berhad
(Incorporated in Malaysia)

Our responsibilities (contd.)

The purpose of the pro forma financial information included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects 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 financial information have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the applicable criteria.

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Leader Energy Holding Berhad
(Incorporated in Malaysia)

Other matters

This letter is issued for the sole purpose of complying with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia in connection with the Proposed Listing. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposed Listing described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction, including the sale of securities other than the Proposed Listing.

Yours faithfully,

Ernst & Young PLT	Lee Ai Chung
202006000003 (LLP0022760-LCA) & AF 0039	No. 03265/04/2025 J
Chartered Accountants	Chartered Accountant

Penang, Malaysia
[Date]

Leader Energy Holding Berhad
(Incorporated in Malaysia)

Pro forma consolidated statements of financial position

The pro forma consolidated statements of financial position of Leader Energy Holding Berhad ("Leader Energy" or "the Company") and its subsidiaries and jointly controlled entities ("Leader Energy Group" or "the Group") as at 31 December 2022 as set out below have been prepared for illustrative purposes only, to show the effects of the events and transactions referred to in the notes to the pro forma consolidated statements of financial position as if they had been taken place on 31 December 2022. The pro forma consolidated statements of financial position should be read in conjunction with the notes to the pro forma consolidated statements of financial position.

	Note	Audited as at 31.12.2022 RM'000	Pro Forma 1 After completed subsequent events (including completion of material acquisitions) RM'000	Pro Forma 2 After effects of Pro Forma 1 and listing exercise RM'000
Assets				
Non-current assets				
Property, plant and equipment		2,114,264	2,287,022	2,287,022
Right of use asset		102,169	102,169	102,169
Intangible assets		283,187	377,241	377,241
Investment in jointly controlled entities		177,144	177,144	177,144
Other receivables		2,413	3,448	3,448
Operating financial assets		334,027	841,624	841,624
Deferred tax assets		49,405	49,405	49,405
Derivative financial instruments		47,685	47,685	47,685
		3,110,294	3,885,738	3,885,738
Current assets				
Inventories		204,505	204,505	204,505
Trade and other receivables		147,308	157,092	157,092
Operating financial assets		15,086	25,510	25,510
Derivative financial instruments		9,488	9,488	9,488
Cash and bank balances	3(a)	313,923	311,174	[•]
		690,310	707,769	[•]

Leader Energy Holding Berhad
(Incorporated in Malaysia)

Pro forma consolidated statements of financial position (contd.)

	Note	Audited at 31.12.2022 RM'000	Pro Forma 1 After completed subsequent events (including completion of material acquisitions) RM'000	Pro Forma 2 After effects of Pro Forma 1 and listing exercise RM'000
Total assets		3,800,604	4,593,507	[•]
Equity and liabilities				
Current liabilities				
Borrowings	3(b)	389,451	409,994	409,994
Lease liabilities		1,517	1,517	1,517
Trade and other payables		214,135	216,655	[•]
Income tax payable		12,363	12,363	12,363
		617,466	640,529	[•]
Net current assets		72,844	67,240	[•]
Non-current liabilities				
Borrowings	3(c)	1,552,746	2,168,124	[•]
Lease liabilities		136,127	136,127	136,127
Trade and other payables		357,858	490,794	490,794
Deferred tax liabilities		112,835	134,361	134,361
		2,159,566	2,929,406	[•]
Total liabilities		2,777,032	3,569,935	[•]
Net assets		1,023,572	1,023,572	[•]

Leader Energy Holding Berhad
(Incorporated in Malaysia)

Pro forma consolidated statements of financial position (contd.)

	Note	Audited at 31.12.2022 RM'000	Pro Forma 1 After completed subsequent events (including completion of material acquisitions) RM'000	Pro Forma 2 After effects of Pro Forma 1 and the listing exercise RM'000
Equity attributable to owners of the parent				
Share capital	3(d)	694,803	694,803	[•]
Equity reserve		(670,447)	(670,447)	(670,447)
Net share capital		24,356	24,356	[•]
Other reserves		(22,020)	(22,020)	(22,020)
Retained earnings		973,663	973,663	[•]
		975,999	975,999	[•]
Non-controlling interests		47,573	47,573	47,573
Total equity		1,023,572	1,023,572	[•]
Total equity and liabilities		3,800,604	4,593,507	[•]
Supplementary information				
No of ordinary shares ('000)		694,803	2,800,000	3,550,000
Net assets per share attributable to owners of the Company (RM)		1.40	0.35	[•]

Leader Energy Holding Berhad
(Incorporated in Malaysia)

Pro forma consolidated statement of comprehensive income for the financial year ended 31 December 2022

The pro forma consolidated statement of comprehensive income ("SOCI") for the financial year ended 31 December 2022 has been prepared for illustrative purposes only to show the effects on the audited consolidated SOCI of the Group for the financial year ended 31 December 2022 based on the assumption that the acquisition of Vinh Hao 6 Joint Stock Company ("VHJSC") as set out in Note 4 had been completed on 1 January 2022. The pro forma consolidated SOCI should be read in conjunction with Note 4.

	Audited 1.1.2022 to 31.12.2022 RM'000	Adjustments RM'000	Pro Forma 1.1.2022 to 31.12.2022 RM'000
Revenue	910,613	28,069	938,682
Cost of sales	(526,924)	(14,500)	(541,424)
Gross profit	383,689	13,569	397,258
Other item of income			
Other income	79,142	1,034	80,176
Other items of expense			
Administrative expenses	(90,490)	(5,386)	(95,876)
Other operating expenses	(24,635)	(66)	(24,701)
Finance costs	(127,052)	(18,101)	(145,153)
Share of results of jointly controlled entities	(28,303)	-	(28,303)
Profit/(Loss) before tax	192,351	(8,950)	183,401
Income tax (expense)/benefit	(15,154)	1,269	(13,885)
Profit/(Loss), net of tax	177,197	(7,681)	169,516
Profit/(Loss) attributable to:			
Owner of the Company	173,551	(7,681)	165,870
Non-controlling interests	3,646	-	3,646
	177,197	(7,681)	169,516

Leader Energy Holding Berhad
(Incorporated in Malaysia)

Pro forma consolidated statement of comprehensive income for the financial year ended 31 December 2022 (contd.)

	Audited 1.1.2022 to 31.12.2022 RM'000	Adjustments RM'000	Pro Forma 1.1.2022 to 31.12.2022 RM'000
Profit/(Loss), net of tax	177,197	(7,681)	169,516
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations	42,759	395	43,154
Fair value adjustment on derivatives	(210)	-	(210)
Total comprehensive income/(expense) for the year	219,746	(7,286)	212,460
Total comprehensive income/(expense) attributable to:			
Owner of the Company	215,085	(7,286)	207,799
Non-controlling interests	4,661	-	4,661
	219,746	(7,286)	212,460

Supplementary information:

Earnings per share	Audited 1.1.2022 to 31.12.2022 RM'000	Pro Forma 1.1.2022 to 31.12.2022 RM'000
Profit attributable to owner of the Company	173,551	165,870
No of ordinary shares (in thousands)		
- Before subdivision and public issue	694,803	694,803
- After subdivision	2,800,000	2,800,000
- After subdivision and public issue	3,550,000	3,550,000
Basic and diluted, profit attributable to ordinary equity holder of the Company (RM)		
- Before subdivision and public issue	0.25	0.24
- After subdivision	0.06	0.06
- After subdivision and public issue	0.05	0.05

Leader Energy Holding Berhad
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Pro forma consolidated statement of cash flows

The pro forma consolidated statement of cash flows ("SOCF") for the financial year ended 31 December 2022 has been prepared for illustrative purposes only to show the effects on the audited consolidated SOCF of the Group for the financial year ended 31 December 2022 based on the assumption that the acquisition of VHJSC as set out in Note 5 had been completed on 1 January 2022. The pro forma consolidated SOCF should be read in conjunction with Note 5.

	Audited 1.1.2022 to 31.12.2022 RM'000	**Adjustments RM'000**	**Pro Forma 1.1.2022 to 31.12.2022 RM'000**
Operating activities			
Profit/(Loss) before tax	192,351	(8,950)	183,401
Adjustments for:			
Amortisation of intangible assets	15,192	4,265	19,457
Finance costs	127,052	17,909	144,961
Interest income	(22,942)	(385)	(23,327)
Unrealised foreign exchange loss	1,426	171	1,597
Fair value gain from derivatives	(56,190)	-	(56,190)
Property, plant and equipment			
- depreciation	100,321	10,603	110,924
- gain on disposal	(10)	-	(10)
Depreciation of right-of-use assets	5,114	-	5,114
Impairment of goodwill	21,983	-	21,983
Share of results of jointly controlled entities	28,303	-	28,303
Operating cash flows before changes in working capital	412,600	23,613	436,213
Changes in working capital			
(Increase)/decrease in inventories	(42,130)	1	(42,129)
Decrease/(Increase) in trade and other receivables	65,553	(844)	64,709
Decrease in other financial assets	14,141	-	14,141
Increase in trade and other payables	(154,623)	(133)	(154,756)
Cash flows generated from operations	295,541	22,637	318,178
Tax paid	(9,014)	-	(9,014)
Net cash generated from operating activities	286,527	22,637	309,164

Leader Energy Holding Berhad
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Pro forma consolidated statement of cash flows (contd.)

	Audited 1.1.2022 to 31.12.2022 RM'000	Adjustments RM'000	Pro Forma 1.1.2022 to 31.12.2022 RM'000
Investing activities			
Net cash outflow on acquisition of subsidiaries	-	(137,566)	(137,566)
Purchase of property, plant and equipment	(75,334)	(277)	(75,611)
Purchase of intangible assets	(615)	-	(615)
Interest income from receivables	22,942	385	23,327
Dividend received from jointly controlled entities	498	-	498
Proceeds from disposal of:			
- property, plant and equipment	48	-	48
- debt instruments	-	5,193	5,193
Placement of fixed deposits (with maturity more than three months)	(75,526)	-	(75,526)
Proceed from additional share capital acquired by non-controlling interest	8,765	-	8,765
Net cash used in investing activities	(119,222)	(132,265)	(251,487)
Financing activities			
(Repayment of advances to)/advances received from related company	(131,151)	(456)	(131,607)
Drawdown of bank loans	693,813	127,310	821,123
Repayment of bank loans	(573,544)	(5,611)	(579,155)
Bank guarantee pledged to financial institution	(47,873)	-	(47,873)
Finance costs paid	(127,052)	(17,909)	(144,961)
Repayment of lease liabilities	(6,204)	-	(6,204)
Dividends paid to shareholders	(24,180)	-	(24,180)
Dividends paid to non-controlling interest	(4,784)	-	(4,784)
Net cash used in financing activities	(220,975)	103,334	(117,641)
Net decrease in cash and cash equivalents	(53,670)	(6,294)	(59,964)
Effects of exchange rate changes on cash and cash equivalents	34,847	15,684	50,531
Cash and cash equivalents as at 1 January	257,220	7,832	265,052
Cash and cash equivalents as at 31 December	238,397	17,222	255,619

Leader Energy Holding Berhad
(Incorporated in Malaysia)

Pro forma consolidated statement of cash flows (contd.)

	Audited 1.1.2022 to 31.12.2022 RM'000	Adjustments RM'000	Pro Forma 1.1.2022 to 31.12.2022 RM'000
Cash on hand and at banks	155,104	17,222	172,326
Deposits with licensed banks	158,819	-	158,819
	313,923	17,222	331,145
Less: Deposits with maturity more than three months	(75,526)	-	(75,526)
Total cash and cash equivalents	238,397	17,222	255,619

Notes to the pro forma consolidated statements of financial information

Introduction

Leader Energy is planning for initial public offering ("Proposed IPO") comprising an offer for sale of existing ordinary shares in the Company ("Shares") ("Offer for Sale") of up to 250,000,000 shares and a public issue of new Shares ("Public Issue") of 750,000,000 shares, in conjunction with the proposed listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Proposed Listing").

To facilitate the Proposed IPO and Proposed Listing, Leader Energy had undertaken the pre-IPO restructuring involving the acquisitions of companies from HNG Capital Sdn. Bhd. ("HNG Capital") and LEPL Pte. Ltd. ("LEPL"). LEPL is a wholly-owned subsidiary of HNG Capital ("Pre-IPO Restructuring").

Pursuant to the Pre-IPO Restructuring, the Company had entered into Share Sale Agreements to acquire the following:

On 28 February 2022 from LEPL
- Leader Energy (Vietnam) Pte. Ltd., its subsidiary and jointly controlled entity;
- Leader Infrastructure II Limited;
- Leader Infrastructure Pte Ltd and its subsidiaries; and
- Leader Transmission (Cambodia) Co., Ltd. and its subsidiary

On 28 February 2022 from HNG Capital
- Leader GUH Renewable Energy Sdn. Bhd., its subsidiaries and jointly controlled entities
- Leader Solar Sdn. Bhd.

On 2 September 2022 from HNG Capital
- Leader Energy Sdn. Bhd. and its subsidiaries

The Pre-IPO Restructuring has been completed and all the subsidiaries acquired in the Pre-IPO Restructuring have been consolidated in Leader Energy Group during the financial year ended 31 December 2022.

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Notes to the pro forma consolidated statements of financial information (contd.)

Introduction (contd.)

Completed material transactions

Pursuant to Paragraphs 9.18, 9.19 and 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC") (Prospectus Guidelines"), the effects of the following material transactions that occurred during the period from the beginning of the most recent completed financial year (which is 31 December 2022) to the latest practicable date (which is 30 April 2023, "LPD") have been included in the pro forma consolidated statements of financial position:

a) subdivision of 694,803,103 existing Shares into 2,800,000,000 Shares ("Subdivision of Shares");

b) acquisition of Cambodian Transmission II Co., Ltd ("CTL II")'s 125km of 230kV double circuit transmission line in Cambodia ("CTL II Transmission Line Asset"); and

c) acquisition of Vinh Hao 6 Joint Stock Company ("VHJSC")

Paragraph 9.19(a) of the Prospectus Guidelines states that a corporation must prepare a pro forma statement of comprehensive income and cash flows, including pro forma earnings per share, where the corporation had acquired or disposed a material entity or business, or entered into any agreement to acquire or dispose any material entity or business during the period from the beginning of the most recent completed financial year to the latest practicable date.

Accordingly, only the acquisition of VHJSC is illustrated in the pro forma consolidated SOCI and SOCF, as the acquisition of CTL II Transmission Line Asset is an acquisition of assets and concession right and not an acquisition of an entity or business (i.e. the acquisition of CTL II Transmission Line Asset does not fall within the ambit of the Malaysian Financial Reporting Standards 3 - Business Combinations ("MFRS 3")). For avoidance of doubt, the pro forma SOCI and SOCF only include the effects relating to the acquisition of VHJSC, and do not include the effects relating to the acquisition of CTL II Transmission Line Asset. The Subdivision of Shares and the Proposed Listing do not have any effects on the pro forma SOCI and SOCF.

Other acquisitions and disposals completed since 1 January 2023 until LPD were not illustrated in the pro forma consolidated financial information as these were deemed not to be material pursuant to paragraph 9.21 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines.

1. Basis of preparation

The pro forma consolidated financial information of Leader Energy Group have been prepared for illustration purposes only to show the effects of the transactions in connection with the Proposed IPO and Proposed Listing and should not be relied upon for any other purposes.

Leader Energy Holding Berhad
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Notes to the pro forma consolidated statements of financial information (contd.)

1. Basis of preparation (contd.)

The pro forma consolidated financial information of Leader Energy Group consists of the following:

a) The pro forma consolidated statements of financial position of Leader Energy Group as at 31 December 2022;

b) The pro forma consolidated SOCI of Leader Energy Group for the year ended 31 December 2022; and

c) The pro forma consolidated SOCF of Leader Energy Group for the year ended 31 December 2022.

The applicable criteria supporting the pro forma consolidated financial information are as described below. The pro forma consolidated financial information of Leader Energy Group are prepared in accordance with the requirements of the Prospectus Guidelines issued by the SC ("Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The pro forma consolidated financial information, for which the Board of Directors of Company is solely responsible, have been properly compiled using the audited consolidated financial statements for the year ended 31 December 2022, which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and the International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of the financial statements and the accounting policies of the Group, adjusted for the events and transactions described in Note 2. The audited consolidated financial statements for the year ended 31 December 2022 were not subject to any qualification, modification or disclaimer of opinion.

The pro forma consolidated statements of financial position, consolidated SOCI and consolidated SOCF of Leader Energy Group together with the related notes thereon, have been prepared solely to illustrate the impact of the completed material transactions, Proposed IPO and Proposed Listing. For the purpose of the pro forma consolidated statements of financial position as at 31 December 2022, the completed material transactions, Proposed IPO and Proposed Listing are assumed to have been completed as at 31 December 2022. For the purpose of the pro forma consolidated SOCI and SOCF for the year ended 31 December 2022, the completed material transactions are assumed to have been completed as at 1 January 2022. Such information, because of its hypothetical nature, may not be reflective of the actual financial position of Company. Furthermore, such information does not purport to predict the future consolidated statements of financial position or financial performance of the Group.

The pro forma consolidated statement of comprehensive income and pro forma consolidated statement of cash flows are to be read separately from the pro forma consolidated statements of financial position as the assumptions applied to each of the pro forma statements are different as set out in the notes below.

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Notes to the pro forma consolidated statements of financial information (contd.)

2. Adjustments to the pro forma consolidated statements of financial position

The pro forma consolidated statements of financial position illustrate the effects of the following events or transactions:

2.1 Pro Forma 1 – After completed subsequent events (including completion of material acquisitions)

Pro Forma 1 incorporates the effects of the following subsequent events (including completion of material acquisitions stated in "Introduction") that have been completed after 31 December 2022 up to the LPD of these pro forma consolidated statements of financial position.

There is no financial impact on the pro forma consolidated statements of financial position arising from Subdivision of Shares as set out in "Introduction".

(i) Acquisition of CTL II Transmission Line Asset

On 20 October 2022, CTL II, a wholly-owned subsidiary of Leader Transmission Limited had entered into a business transfer agreement ("BTA") with Diamond Power Limited ("Vendor") to acquire CTL II Transmission Line Asset. The BTA was completed on 22 March 2023.

Under the BTA, the Vendor novated the Power Transmission Agreement ("PTA") with Electricite Du Cambodge ("EDC") to CTL II. The PTA has a remaining concession period of 20 years as at 31 December 2022 and the transmission line will be returned to EDC at the end of the concession period. CTL II will be responsible to operate and maintain the transmission line in accordance with the PTA with guaranteed fixed payments from EDC.

As there are no employees who were transferred to CTL II pursuant to the BTA, there was no substantive process which was acquired. Consequently, this transaction does not meet the definition of a business in accordance with MFRS 3 Business Combinations and has been accounted for as an acquisition of an asset.

The total purchase consideration of the CTL II Transmission Line Asset of USD118.0 million (RM518.0 million equivalent based on 31 December 2022 closing exchange rate of USD1:RM4.3900) was funded by a combination of bank borrowings, shareholder loans and internally generated funds. The estimated transaction costs for the acquisition is approximately RM0.4 million. The financial assets arising from this acquisition are stated net of the estimated transaction costs.

Leader Energy Holding Berhad
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Notes to the pro forma consolidated statements of financial information (contd.)

2. Adjustments to the pro forma consolidated statements of financial position (contd.)

2.1 Pro Forma 1 – After completed subsequent events (including completion of material acquisitions) (contd.)

(i) Acquisition of CTL II Transmission Line Asset (contd.)

The bank borrowings of USD90.0 million (RM395.1 million equivalent based on 31 December 2022 closing exchange rate of USD1:RM4.3900) will be repaid using the proceeds to be raised from the Public Issue as illustrated in Pro Forma 2. The estimated transaction costs for the bank borrowing is approximately RM7.0 million. These transaction costs are included as part of the carrying amount of the bank borrowings arising from this transaction.

Below are the assumed breakdown of financial position resulting from the material acquisition that is included in the Pro Forma 1.

Description	**Amount RM'000**
Operating financial assets – non-current(1)	507,597
Operating financial assets – current(1)	10,424
Cash and bank balances(2)	(10,360)
Trade and other payables – non-current(3)	(119,497)
Borrowing – non-current(4)	(388,164)

Note:
(1) Being assets and concession rights acquired
(2) Being portion of purchase consideration to be paid using working capital
(3) Being long-term shareholder's loan, bears interest of 6.4% and not expected to be repayable within the next 12 months
(4) Being 18-months tenure borrowing net of transaction cost classified as non-current liability. The Group intends to repay these borrowings using the proceeds from IPO

(ii) Acquisition of VHJSC

Leader Energy (Vietnam) Pte. Ltd. ("LEVPL") which is a wholly-owned subsidiary of Leader Energy as the buyer, and ACWA Power Vietnam Renewables Pte. Ltd. ("ACWA"), FECON Power Joint Stock Company ("FECON JSC") and FECON Corporation ("FECON Corp") as the sellers as well as Leader Energy as LEVPL's guarantor and ACWA Power Global Services Ltd. as ACWA's guarantor, had entered into a share purchase agreement ("SPA") for the acquisition of VHJSC on 20 October 2022. The acquisition was completed on 27 April 2023.

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Notes to the pro forma consolidated statements of financial information (contd.)

2. Adjustments to the pro forma consolidated statements of financial position (contd.)

2.1 Pro Forma 1 – After completed subsequent events (including completion of material acquisitions) (contd.)

(ii) Acquisition of VHJSC (contd.)

The total purchase considerations of VHJSC acquisition are:

(a) USD19.2 million (RM85.6 million equivalent based on 27 April 2023 middle exchange rate of USD1:RM4.4590) in respect of the 60% ordinary shares of VHJSC held by ACWA; and

(b) VND299.5 billion (RM56.9 million equivalent based on 27 April 2023 middle exchange rate of VND100:RM0.0190) in respect of the 40% ordinary shares of VHJSC held by FECON JSC and FECON Corp.

The purchase considerations above are calculated based on the exchange rate on the date of acquisition (i.e. 27 April 2023). However, for the purpose of illustration, the pro forma adjustments are calculated based on 31 December 2022 closing exchange rate. Accordingly, the purchase considerations illustrated are assumed to be RM136.9 million.

The purchase consideration was funded by internally generated funds of USD2.2 million (RM9.6 million equivalent based on 31 December 2022 closing exchange rate of USD1:RM4.3900) and a new bank borrowing of USD29.0 million (RM127.3 million equivalent based on 31 December 2022 closing exchange rate of USD1:RM4.3900). The classification of the new bank borrowing is split between current which amounts to USD2.9 million (RM12.7 million equivalent based on 31 December 2022 closing exchange rate of USD1:RM4.3900) and non-current which amounts to USD26.1 million (RM114.6 million equivalent based on 31 December 2022 closing exchange rate of USD1:RM4.3900).

For purposes of illustration in the pro forma consolidated statements of financial position, it is assumed that the Company completed the acquisition of 100% equity interest in VHJSC for a total consideration of USD31.2 million (RM136.9 million equivalent based on 31 December 2022 closing exchange rate of USD1:RM4.3900).

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Notes to the pro forma consolidated statements of financial information (contd.)

2. Adjustments to the pro forma consolidated statements of financial position (contd.)

2.1 Pro Forma 1 – After subsequent events (including completion of material acquisitions) (contd.)

(ii) Acquisition of VHJSC (contd.)

The fair value of VHJSC's assets and liabilities as at the assumed date of acquisition (i.e. 31 December 2022) are assumed to be as follows:

	RM'000
Property, plant and equipment	172,758
Power purchase contract (intangible assets)	72,528
Other non-current assets	1,035
Trade and other receivables	9,784
Cash and bank balances	17,222
Borrowings (current)	(7,812)
Borrowings (non-current)	(112,635)
Trade and other payables (non-current)	(13,439)
Trade and other payables (current)	(2,520)
Deferred tax liabilities	(21,526)
Net identified assets acquired	115,395
Goodwill (intangible assets)	21,526
Purchase consideration	136,921

Pursuant to MFRS 3 Business Combinations, the Group has up to 12 months to identify and measure all assets acquired and liabilities assumed including any intangibles and goodwill arising from the acquisition. The Group has not completed this assessment of purchase price allocation as at the date of this report. The Group has engaged an external valuer to perform the purchase price allocation and this exercise is still on-going as at the date of this report.

For illustrative purpose only, except for the intangible asset arising from a power purchase contract as shown above, the fair values of the other assets and liabilities of VHJSC are assumed to be the same as the carrying value of the identifiable assets and liabilities stated in the audited financial statements of VHJSC as at 31 December 2022. The fair value of the intangible asset is estimated by the Directors based on the discounted cash flows method. For the purpose of this pro forma financial information, in determining the fair value of the power purchase contract, the estimated future cash flows of the power purchase contract was discounted at an assumed discount rate of 13% as at 31 December 2022. The other key assumptions used in the preparation of the said estimated future cash flows include the expected net energy output based on energy yield exceedance probability of 75% as well as a degradation factor of 0.5% per year.

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Notes to the pro forma consolidated statements of financial information (contd.)

2. Adjustments to the pro forma consolidated statements of financial position (contd.)

2.1 Pro Forma 1 – After completed subsequent events (including completion of material acquisitions) (contd.)

(ii) Acquisition of VHJSC (contd.)

The preliminary fair value of the intangible asset is based on limited information and key assumptions derived from publicly available information, market research, internal assumptions and historical analysis. The final determination of the purchase price allocation, fair values and identifiable assets and liabilities, and the resulting goodwill/bargain purchase may differ significantly from those reflected in these pro forma consolidated statements of financial position of Leader Energy Group.

The estimated transaction costs for the acquisition of VHJSC of approximately RM0.6 million is recognised as an expense in the profit or loss.

The estimated transaction costs for the bank borrowing is approximately RM1.2 million. These transaction costs are included as part of the carrying amount of the bank borrowings arising from this transaction.

2.2 Pro Forma 2 – After Pro Forma 1 and listing exercise

(i) IPO

The IPO entails the initial public offering of up to 1,000,000,000 Shares which comprise the following:

(a) the public issue of 750,000,000 new Shares (“Issue Shares”) at an indicative price of RM[•] per Issue Share; and

(b) the offer for sale by HNG Capital of up to 250,000,000 Shares (“Offer Shares”) at an indicative price of RM[•] per Offer Share.

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Notes to the pro forma consolidated statements of financial information (contd.)

2. Adjustments to the pro forma consolidated statements of financial position (contd.)

2.2 Pro Forma 2 – After Pro Forma 1 and listing exercise (contd.)

(ii) Use of proceeds

The total gross proceeds from the Public Issue of RM[•] is expected to be utilised as follows:

Details of proposed use of proceeds	**Estimated timeframe for use from the date of the Proposed Listing**	**RM'000**	**% of total proceeds from the Proposed Public Issue**
(i) Funding for acquisition of brownfield RE projects and development cost of greenfield RE projects	Within 36 months	(1)[•]	[•]
(ii) Repayment of borrowings	Within 6 months	(2)[•]	[•]
- *Repayment of bridging loan for the acquisition of CTL II Transmission Line Asset which was completed on 22 March 2023*	*Within 6 months*	[•]	[•]
- *Repayment of other loans*	*Within 6 months*	[•]	[•]
(iii) Working capital	Within 24 months	(3)[•]	[•]
(iv) Estimated listing expenses	Within 3 months	(4)[•]	[•]
Total		[•]	[•]

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Notes to the pro forma consolidated statements of financial information (contd.)

2. Adjustments to the pro forma consolidated statements of financial position (contd.)

2.2 Pro Forma 2 – After Pro Forma 1 and listing exercise (contd.)

(ii) Use of proceeds (contd.)

Note:

(1) New Investment

The Company plans to allocate RM[•] million or [•]% of the IPO proceeds to acquire brownfield renewable energy ("RE") plants and/or assets as well as to fund the development cost of its greenfield RE projects. This intention is part of the future plans of the Group to expand its portfolio assets in the RE. As at the LPD, the Group has yet to identify these projects for the proposed use of proceeds and the projects are intended to be identified after the Listing.

(2) Bridging loan repayment for newly acquired assets in the financial year ended 2023

The Company intends to use [•]% of the IPO proceeds from Issue Shares to make full repayment for bridging loans obtained from external financiers amounting to USD[•] million (RM[•] million equivalent based on the 31 March 2023 closing exchange rate of USD1:RM4.4170) for the newly acquired assets in the financial year ended 2023.

The borrowings are subject to the prevailing foreign exchange rate as well as drawdown and repayment from time to time. As such, the outstanding amount of these borrowings at the point of repayment may differ from the amount stated above.

The Company intends to use [•]% of the IPO proceeds from Issue Shares to make full repayment of 2 of the Group's outstanding loans obtained from external financiers amounting to USD[•] million (RM[•]million equivalent based on the 31 March 2023 closing exchange rate of USD1:RM4.4170) for the acquisition and construction of new renewable energy projects.

The borrowings are subject to the prevailing foreign exchange rate as well as drawdown and repayment from time to time. As such, the outstanding amount of these borrowings at the point of repayment may differ from the amount stated above.

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Notes to the pro forma consolidated statements of financial information (contd.)

2. Adjustments to the pro forma consolidated statements of financial position (contd.)

2.2 Pro Forma 2 – After Pro Forma 1 and listing exercise (contd.)

(ii) Use of proceeds (contd.)

Note (contd.):

(3) Working capital

The Company intends to use RM[•] million or [•]% of the IPO proceeds to fund the working capital requirements of the Group.

(4) Estimated listing expenses

The estimated listing expenses comprise the following:

Expenses		**RM'000**
(a)	Professional fees	[•]
(b)	Fees payable to authorities	[•]
(c)	Brokerage fee, underwriting commission and placement fees	[•]
(d)	Other fees and expenses relating to IPO and Listing and contingencies	[•]
	Total	[•]

A total of RM[•] million of the estimated listing expenses is assumed to be directly attributable to the Public Issue and as such, will be debited against the share capital of the Company and the expenses of RM[•] million is expensed off to profit or loss.

3. Effects on the pro forma consolidated statements of financial position

(a) Movement in cash and bank balances

	RM'000
Balance as at 31 December 2022	313,923
Effect of Pro Forma 1	
- Material acquisition – VHJSC acquisition	7,611
- Material acquisition – acquisition of CTL II Transmission Line Asset	(10,360)
Pro Forma 1	311,174
Effect of Pro Forma 2	
- Proceeds from IPO	[•]
- Utilisation of proceeds – Estimated listing expenses	[•]
- Utilisation of proceeds – Repayment of borrowings	[•]
Pro Forma 2	[•]

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Notes to the pro forma consolidated statements of financial information (contd.)

3. Effects on the pro forma consolidated statements of financial position (contd.)

(b) Movement in borrowings (current)

	RM'000
Balance as at 31 December 2022	389,451
Effect of Pro Forma 1	
- Material acquisitions – VHJSC acquisition	20,543
Pro Forma 1/Pro Forma 2	409,994

(c) Movement in borrowings (non-current)

	RM'000
Balance as at 31 December 2022	1,552,746
Effect of Pro Forma 1	
- Material acquisitions – VHJSC acquisition	227,214
- Material acquisitions – acquisition of CTL II Transmission Line Asset	388,164
Pro Forma 1	2,168,124
Effect of Pro Forma 2	
- Utilisation of proceeds - Repayment of borrowings	[•]
Pro Forma 2	[•]

(d) Movement in share capital

	RM'000
Balance as at 31 December 2022/Pro Forma 1	694,803
Effect of Pro Forma 2	
- Proceeds from IPO	[•]
- Utilisation of proceeds – Estimated listing expenses	[•]
Pro Forma 2	[•]

4. Pro forma consolidated statement of comprehensive income

For illustrative purposes, the pro forma consolidated SOCI has been prepared based on the following assumptions:

(1) The VHJSC acquisition had been completed on 1 January 2022, of which the purchase consideration of USD31.2 million is equivalent to RM129.9 million (based on 1 January 2022 exchange rate of USD1:RM4.165).

(2) VHJSC's results have been consolidated based on its audited financial statements for the financial year ended 31 December 2022. The statutory auditors of VHJSC for the financial year ended 31 December 2022 is Ernst & Young Vietnam Limited.

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Notes to the pro forma consolidated statements of financial information (contd.)

4. Pro forma consolidated statement of comprehensive income (contd.)

For illustrative purposes, the pro forma consolidated SOCI has been prepared based on the following assumptions: (contd.)

(3) For purpose of the pro forma consolidated SOCI, amortisation of intangible assets of RM4.3 million relating to the power purchase contract of RM72.5 million and its tax effect have been included as part of the pro forma adjustment.

(4) The finance costs arising from the borrowings assumed to have been drawn down on 1 January 2022 to finance the acquisition of VHJSC have been included in the pro forma consolidated SOCI.

Adjustment in arriving at the pro forma consolidated SOCI

The adjustments to the pro forma consolidated SOCI relates to consolidation of the financial results of VHJSC for the year ended 31 December 2022.

(a) Acquisition of VHJSC

The adjustments in relation to the consolidation of the financial results of VHJSC for the financial year ended 31 December 2022 arising from the assumption that the acquisition had been completed on 1 January 2022 are as follows:

	RM'000
Revenue	28,069
Cost of sales	(14,500)
Other incomes	1,034
Administrative expenses	(5,386)
Other operating expenses	(66)
Finance costs	(18,101)
Income tax benefit	1,269

(b) Financing and transaction costs of VHJSC

Finance cost of USD1.1 million (RM4.8 million equivalent based on 31 December 2022 average exchange rate of USD1:RM4.4002) has been illustrated in the pro forma SOCI assuming that the borrowings for the acquisition of VHJSC was drawn down on 1 January 2022. The borrowings are assumed to be repayable in semi-annually instalments over a 7-year period and bear interest at a variable rate of 1.95% above cost of funds.

Total transaction cost of USD0.1 million (RM0.6 million equivalent based on 31 December 2022 average exchange rate of USD1:RM4.4002) for the business combination of VHJSC has been included in the pro forma adjustments within administrative expenses.

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Notes to the pro forma consolidated statements of financial information (contd.)

5. Pro forma consolidated statement of cash flows

For illustrative purposes, the pro forma consolidated SOCF has been prepared based on the following assumptions:

(1) The acquisition of VHJSC as disclosed in Note 2.2.2 has been completed on 1 January 2022, of which the purchase consideration of USD31.2 million is equivalent to RM129.9 million (based on 1 January 2022 exchange rate of USD1:RM4.165).

(2) VHJSC's results have been consolidated based on its audited financial statements for the financial year ended 31 December 2022, after adjustments to align to the accounting policies of the Group.

(3) For the purpose of the pro forma consolidated SOCF, amortisation of intangible assets of RM4.3 million relating to the power purchase contract of RM72.5 million and its tax effect have been included as part of the pro forma adjustment.

(4) The finance costs arising from borrowings assumed to have been drawn down on 1 January 2022 to finance the acquisition of VHJSC have been included in the pro forma consolidated SOCF.

Adjustments in arriving at the pro forma consolidated SOCF

(a) The adjustments to the pro forma consolidated SOCF relate to the consolidation of the cash flows of VHJSC for the financial year ended 31 December 2022.

(b) The drawdown of borrowings in the Group's audited consolidated SOCF for the financial year ended 31 December 2022 of USD29.0 million (RM127.3 million equivalent is based on the 31 December 2022 closing exchange rate of USD1:RM4.3900). The borrowings are assumed to be repayable in semi-annually instalments over a 7-year period and bear interest at a variable rate of 1.95% above cost of funds.