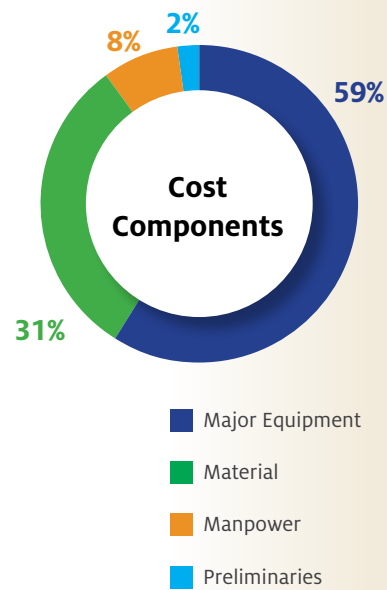


MANAGEMENT DISCUSSION AND ANALYSIS



SUSTAINABLE ENERGY SERVICES



• EPCC and Investment

Total Installed Solar Capacity to date

27.8 MWp

• EPCC District Cooling System

Total installed to date

44,250 RT



USM Engineering Campus, Penang

FY2022 remained a challenging year for the Sustainable Energy industry, which continued to grapple with supply chain bottlenecks, manpower shortages, and high solar panel prices. These impacts were the result of various after-effects from the COVID-19 pandemic as well as other global developments. The latter included rising raw material costs, trade and ongoing geopolitical conflicts.

Domestically, there was a delay in the rollout of renewable energy (RE) projects, especially large scale solar (LSS) farms, due to the aforementioned high prices of solar panels. This was an industry wide effect and consequently, the Energy Commission (EC) took decisive action to announce new measures to maintain the viability of LSS4 projects. Among the measures announced were extension of the duration of Power Purchase Agreements (PPA) by 4 years, from 21 years to 25 years.

Engineering, Procurement, Construction and Commissioning (EPCC) works on the LSS4 projects continue to proceed smoothly with

the Schedule Commercial Operation Date for both projects to be achieved by end FY2023. Both projects – the one in Kapar, Selangor and Kampar, Perak entail development of photovoltaic energy generating facilities, capable of producing 50 MWac of clean energy each.

On 20 July 2022, the division commenced construction of the District Cooling System (DCS) at the mixed development in South Quay Square, Sunway City Kuala Lumpur in collaboration with ENGIE South East Asia. The project is on track for completion in FY2024 and is the first DCS project within the Sunway Group's townships. The project will provide an energy efficient cooling solution and is aligned with the Sunway Group's continued focus on reducing carbon footprint and developing more sustainable townships.

During FY2022, the division completed the installation of solar PV panels at Universiti Sains Malaysia (USM) Engineering Campus in Penang, with a PPA duration of 20 years and an energy generating capacity of 4,325 kWp.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND PROSPECTS

FY2023 is expected to see more conducive operating conditions as supply chain bottlenecks and disruptions are resolved and prices of materials including solar panels stabilise.

The long term growth outlook for renewable energy remains strong driven by rising concern for climate change, sustainability, increased ESG focus, and as an alternative to rising fossil fuel prices.

Malaysia is targeting to achieve the national aspiration whereby renewable energy accounts for 31% of energy capacity by 2025 and 40% by 2035 through the implementation of the Malaysia Renewable Energy Roadmap (MyRER). This augurs well for the division and the RE industry as a whole. MyRER will provide much-needed impetus for the RE sector and should fuel new expansion opportunities.

In terms of strategic priorities, SunCon's Sustainable Energy division shall accelerate implementation of its LSS4 projects going forward while exploring other potentials within the clean energy sector. Among these include hydropower plants, hydrogen-based energy solutions and others.

Where suitable opportunities are available, the division will also look into growing its recurring income streams. The Build, Own, Operate and Transfer (BOOT) agreement signed with Sunway South Quay under the ENGIE DCS JV set up is one such example and this paves the way for similar tie-ups going forward.

These will progressively expand SunCon's portfolio and EPCC capabilities into new and high-growth sectors. The division also intends to actively participate in tenders called for EPCC projects, especially with the introduction of virtual PPAs.

Including the USM solar project, the division completed a total of 18 solar projects with a cumulative clean energy generating capacity of 17,866 kWp. Among the completed projects were the F&N Beverages Manufacturing and F&N Dairies Manufacturing Solar PV Systems (5,839 kWp and 3,757 kWp respectively), Sunway Putra Mall Solar PV System (182 kWp), Sunway Giza Solar PV System (505 kWp) and various other solar PV projects for residential, commercial and industrial facilities.

The division's ongoing projects are varying in sizes and power generating capacity. These include the Molnlycke Health Care Solar PV System (987 kWp), the Sunway International School, Sunway City Kuala Lumpur (505 kWp) and various others. All projects are expected to be completed and to receive their Scheduled Commercial Operation Date (SCOD) within FY2023. With this, the Sustainable Energy Division would have installed another 2,030 kWp of clean energy generation capability.



Sunway Giza Solar PV System