SOLAR DISTRICT COOLING GROUP BERHAD ("SDCG" OR "THE COMPANY")

VARIATION OF THE UTILISATION OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING ("IPO") ("VARIATION")

1. INTRODUCTION

The Board of Directors of the SDCG ("**Board**") wishes to announce that it has deliberated and resolved to vary the unutilised proceeds raised from the IPO as disclosed in the Prospectus dated 28 August 2024 ("**IPO Prospectus**") that was issued in conjunction with the listing of and quotation for its entire enlarged issued capital on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 19 September 2024 ("**Listing**"). The Company had raised total gross proceeds of RM45.09 million from its IPO ("**IPO Proceeds**").

2. DETAILS OF THE VARIATION

As at the date of this announcement, the Company has utilised approximately RM35.33 million from the total IPO Proceeds, while the remaining unutilised balance amounts to RM9.76 million ("**Unutilised IPO Proceeds**").

After due deliberation, the Board has resolved to vary the Unutilised IPO Proceeds as set out below:

Details of utilisation[1]		Original proposed Utilisation RM'000	Actual Utilisation RM'000	Balance Unutilised RM'000	Variation RM'000	Revised utilisation of the Unutilised IPO Proceeds RM'000	Estimated utilisation timeframe upon Listing
(a)	Expansion of our Headquarters	1,900	58	1,842	(1,842)[2]	-	Within 24 Months
(b)	Tender bonds and/or performance bonds for future projects	5,000	5,000	-	-	-	Within 24 Months
(c)	Purchase of materials for BMS segment and solar thermal systems and energy saving services segment	18,700	12,127	6,573	(3,000)[3]	3,573	Within 36 Months
(d)	General working capital	12,673	12,673	-	6,189[4]	6,189	Within 36 Months
(e)	Capital expenditure	2,522	1,175	1,347	(1,347)[5]	-	Within 36 Months
(f)	Estimated listing expenses	4,300	4,300	-	-	-	Within 3 Months
Total		**45,095**	**35,333**	**9,762**	**-**	**9,762**	

Notes:

(1) Based on the allocation of IPO Proceeds as stated in the IPO Prospectus dated 28 August 2024.

(2) RM1.90 million was originally allocated for the expansion of the Group's Headquarters where it intends to increase the built-up area of its existing Headquarters, with RM0.06 million utilised for the appointment of professional consultant to perform a land survey and process the application of building plan approval. To-date, the expansion of SDCG's Headquarters is still pending the final building plan approval from Majlis Perbandaran Kajang. As at the date of this Announcement, although the Company has received conditional approval from Majlis Perbandaran Kajang, the final building plan approval is still required before the commencement of construction works. In view of the uncertain in timing for the receipt of the approval from Majlis Perbandaran Kajang as well as the commencement of construction, the Board has resolved to reallocate the RM1.84 million the proceeds to general working capital to support the Company's operation cashflow (refer to note (4) below). The construction of the expansion of the Group's Headquarters will be funded via internally generated funds and existing banking facilities once the said final approval has been obtained.

(3) RM18.70 million was originally allocated for the purchase of materials for BMS segment of RM14.70 million and purchase of materials for solar thermal systems and energy saving services segment of RM4.00 million. To-date, RM12.13 million has been utilised for the purchase of materials for these segments. The Board has resolved to reallocate RM3.00 million of the proceeds to general working capital to support the Group's operation cashflow (refer to note (4) below). The remaining RM3.57 million will continue to be utilised for the purchase of materials for both BMS segment and solar thermal systems and energy saving services segment.

(4) RM6.19 million have been reallocated to fund the general working capital requirements. The proceeds will be utilised to make payment to subcontractors in relation to: (i) the installation works for Variable Refrigerant Flow ("**VRF**") Project at an educational institution, which was awarded to the Group on 29 August 2025; and (ii) the installation works for the Railway Transit Stations ("**RTS**") Project at railway transit stations and its ancillary buildings, which was awarded to the Group on 15 July 2026.

The VRF Project is currently at its near completion stage and is expected to be completed by third quarter of 2026. Therefore, higher working capital is required to ensure smooth execution of the remaining works. Due to the nature of the Group's business, costs are generally incurred upfront before progress billing can be issued in accordance to the progress of the project.

In addition, the Company requires additional working capital for the newly awarded RTS Project to fund the payments to subcontractors for the execution of the said project, as costs are similarly incurred upfront prior to the issuance of progress billings. The reallocation of proceeds will enable the Group to meet the working capital requirements and ensure timely execution of both projects.

(5) RM2.52 million was originally allocated for the capital expenditure of which RM1.18 million has been utilised. The unutilised proceeds amounting to RM1.35 million was previously catered for the purchase of forklifts and pick-up trucks. Instead of making direct cash payments, as the Company intends to acquire the forklifts and pick-up trucks via hire purchase facilities in order to improve its cash liquidity management. Hence, the Board has resolved to reallocate the RM1.35 million to general working capital to support the Company's operational cash flow (refer to note (4) above).

3. RATIONALE FOR THE EXTENSION OF TIME

The Board is of the view that the Variation will enable the Group to optimise the utilisation of the IPO Proceeds, in line with the current operational needs, priorities and market opportunities as detailed in Section 2 of this announcement.

4. APPROVAL REQUIRED

The reallocation of IPO proceeds is not subject to any regulatory authorities or shareholders' approval as the total variation as a percentage of the total IPO Proceeds is below 25.0% in accordance with Rule 8.24 of the ACE Market Listing Requirements of Bursa Securities. Nevertheless, the Board shall continue to be vigilant and prudent in managing the IPO Proceeds and will continue to disclose the status of the use of the IPO Proceeds in the Company's quarterly results and annual report until it is fully utilised.

5. STATEMENT BY THE BOARD

The Board is of the opinion that the reallocation of IPO proceeds for the use of the IPO Proceeds will not have any adverse effect on the financial performance of SDCG and it is in the best interest of the Company.

This announcement is dated 30 July 2026.