

RESERVOIR LINK ENERGY BHD ("RLEB" OR "COMPANY")

- (I) **PROPOSED ACQUISITION OF 51% EQUITY INTEREST IN FOUNDER ENERGY SDN BHD ("FESB") FROM LEE SENG CHI FOR A PURCHASE CONSIDERATION OF RM21.169 MILLION TO BE SATISFIED VIA A COMBINATION OF CASH AND ISSUANCE OF NEW ORDINARY SHARES IN RLEB ("PROPOSED ACQUISITION"); AND**
- (II) **PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES TO INCLUDE RENEWABLE ENERGY ("RE") BUSINESS AND RELATED ACTIVITIES ("PROPOSED DIVERSIFICATION")**

(COLLECTIVELY, REFERRED AS "PROPOSALS")

*(RLEB and Lee Seng Chi shall hereinafter be referred to collectively as "**Parties**" and individually as "**Party**", where the context so requires).*

1. INTRODUCTION

On 12 April 2021, M&A Securities Sdn Bhd ("**M&A Securities**"), on behalf of the Board of Directors of RLEB ("**Board**") announced that the Company had entered into a conditional term sheet ("**Term Sheet**") with Lee Seng Chi for the purpose of the Proposed Acquisition.

M&A Securities, on behalf of the Board, is pleased to announce that RLEB had on 11 June 2021 entered into a conditional Shares Sale Agreement ("**SSA**") with Lee Seng Chi ("**Vendor**") to acquire such number of ordinary shares representing 51.0% equity interest in FESB, for a purchase consideration of RM21,169,080 to be fully satisfied via cash consideration of RM8,464,080 and allotment and issuance of 18,150,000 new ordinary shares in RLEB ("**RLEB Shares**") at an issue price of RM0.70 each to the Vendor.

In conjunction with the Proposed Acquisition, the Company proposes to diversify the existing principal activities of the Company and its subsidiaries ("**RLEB Group**" or "**Group**") to include RE business and related activities.

Details of the Proposals are set out in the ensuing sections below.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Acquisition

The Proposed Acquisition involves the acquisition by RLEB such number of ordinary shares ("**Sale Shares**"), representing 51.0% equity interest in FESB from the Vendor for a purchase consideration of RM21,169,080 ("**Purchase Consideration**"), subject to the terms and conditions of the SSA.

The Sale Shares to be acquired shall be free from all encumbrances and with all rights and benefits attaching thereto.

As at LPD, the issued share capital of FESB comprises 100,000 ordinary shares. The eventual number of ordinary shares to be acquired by RLEB under the Proposed Acquisition shall comprise 51,000 existing ordinary shares and such additional ordinary shares in FESB as may be issued to the Vendor pursuant to the transfer of the Identified Assets (as defined in Section 2.1.6) and Identified Business (as defined in Section 2.1.6) from Solar Bina Engineering Sdn Bhd ("**Solar Bina**") to FESB.

2.1.1 Mode of settlement of the Purchase Consideration

The Purchase Consideration is to be satisfied by RLEB in the following manner:

- (i) RM8,464,080 which is equivalent to 40% of the Purchase Consideration is to be settled in cash ("**Cash Consideration**") on the completion of the Proposed Acquisition which shall take place within 7 days from the date all of the Conditions Precedent (as defined in Section 3.1(i)(a)) are fulfilled or waived and the SSA becomes unconditional or such other time as RLEB and Vendor agree in writing ("**Completion Date**"); and
- (ii) RM12,705,000 which is equivalent to 60% of the Purchase Consideration is to be settled by issuance of 18,150,000 new RLEB Shares at an issue price of RM0.70 each ("**Shares Consideration**") to the Vendor, of which:
 - (a) 30% of the Shares Consideration which is equivalent to 5,445,000 RLEB Shares ("**Tranche 1 Shares Consideration**") shall be issued to the Vendor on the Completion Date; and
 - (b) the balance 70% of the Shares Consideration which is equivalent to 12,705,000 RLEB Shares ("**Tranche 2 Shares Consideration**") shall be issued to the Vendor upon the Target Company achieving the Profit Guarantee (as defined in Section 2.1.2(i)). The number of new RLEB Shares which is to be allotted pursuant to the Tranche 2 Shares Consideration shall be proportionately adjusted for any consolidation, stock splits, bonus issue and similar issuances of equity in RLEB that will affect the number of Tranche 2 Shares Consideration.

The Company has opted to partly settle the Purchase Consideration via the Shares Consideration to conserve its existing cash for future working capital requirements; and to minimise external financing and its associated financing cost. The Cash Consideration will be funded via a combination of internally-generated funds, bank borrowings and/or fundraising exercise, the proportions of which will be determined and announced later after taking into consideration the Group's gearing level, interest costs and cash reserves.

2.1.2 Basis and justification of the Purchase Consideration

The Purchase Consideration was arrived at based on a "willing buyer-willing seller" basis after taking into consideration the following:

- (i) The Vendor's guarantee that FESB shall achieve a minimum profit after tax ("**PAT**") of RM13,836,000 for the agreed period of 24 months from the 1st day of the succeeding calendar month from the Completion Date ("**Profit Guarantee Audit Period**") ("**Profit Guarantee**");
- (ii) The Company's strategic rationale for the Proposed Acquisition which is to diversify into the RE business and related activities in Malaysia to enhance its income base; and

- (iii) The future prospects of FESB vis-à-vis the RE industry in Malaysia, details of which are set out in Section 6.2.

The Purchase Consideration represents an implied price-to-earnings multiple of 6.0 times, calculated based on the Purchase Consideration of RM21.169 million against RM3.528 million, being 51% of the annualised Profit Guarantee.

In relation to the Profit Guarantee, please refer to Section 3.3 for further details including RLEB's right to recourse if the Profit Guarantee is not met.

Premised on the above, the Board is of the view that the Purchase Consideration is fair.

2.1.3 Basis of determining the issue price of the Consideration Shares

The issue price of the Consideration Shares of RM0.70 each represents a discount of approximately 1.6% to the theoretical ex-all price of RLEB Shares of RM0.7115 calculated based on the 5-day volume weighted average market price ("**VWAMP**") of RLEB Shares up to and including 9 April 2021 (being the market day immediately preceding the date of the Term Sheet) of RM0.7319.

In relation to the theoretical ex-all price of RLEB Shares, the Company had on 1 April 2021 obtained its shareholders' approval for the proposed bonus issue of 71,250,000 free warrants ("**Warrants**") on the basis of 1 Warrant for every 4 existing RLEB Shares ("**Bonus Issue**"). Subsequently, on 5 April 2021 and 9 April 2021, the Company fixed the exercise price of the Warrants at RM0.63 each and the entitlement date of the Bonus Issue on 26 April 2021 respectively. The Shares Consideration will be issued after the entitlement date of the Bonus Issue and as such, will not be entitled to the Warrants.

The issue price of the Consideration Shares of RM0.70 each represents a premium of approximately 29.3% to the 5-day VWAMP of RLEB Shares up to and including 10 June 2021 ("**LPD**") (being the date preceding this announcement) of RM0.5413.

2.1.4 Ranking of the Consideration Shares

The Consideration Shares shall, upon allotment and issue, rank equally in all respects with the then existing RLEB Shares.

An application will be made to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities.

2.1.5 Profit Guarantee

The Vendor undertakes to RLEB that FESB shall achieve the Profit Guarantee for the Profit Guarantee Audit Period, subject to normalisation of, non-operational and non-recurring expenses that are beyond the Vendor's control.

The Board is of the view that the Profit Guarantee is realistic having considered the Vendor's track record in the RE industry via his wholly-owned Solar Bina Engineering Sdn Bhd ("**Solar Bina**"), and having conducted a review of the prospective order book of FESB to ascertain its earnings potential and taking into account the future prospects of FESB vis-à-vis the RE industry in Malaysia.

Please refer to Section 3 for the salient terms of the SSA which include the terms in relation to the Profit Guarantee.

2.1.6 Background information of FESB

FESB is a special purpose vehicle incorporated by the Vendor for the purpose of the Parties' joint co-operation to undertake solar RE projects in Malaysia following the execution of the Term Sheet.

FESB was incorporated on 13 April 2021 in Malaysia with the Vendor as its sole shareholder and sole Director. As at LPD, the issued share capital of FESB is RM100,000 comprising 100,000 ordinary shares.

Pursuant to the Proposed Acquisition, the Vendor will transfer the Identified Business and Identified Assets from Solar Bina into FESB.

The "Identified Business" means the business of Solar Bina which is the provision and implementation of solar photovoltaic ("**PV**") projects for:

- (i) residential, commercial and industrial properties;
- (ii) large scale solar PV plants ("**LSSPV**") which include:
 - (a) supply and installation of solar mounting system; and
 - (b) other engineering works involving civil, structural, mechanical and electrical engineering works.

The "Identified Assets" refers to a list of machinery and equipment to undertake the Identified Business including the identified employees of Solar Bina.

Please refer to Section 2.1.7 below for further information of the Vendor and Solar Bina.

Following the transfer of the Identified Business and Identified Assets from Solar Bina into FESB, FESB will be principally involved in the Identified Business.

2.1.7 Background information of the Vendor and Solar Bina

Lee Seng Chi, is a Malaysian aged 37 and is presently the sole shareholder and Managing Director of Solar Bina. As part of the Proposed Acquisition, Lee Seng Chi will enter into an executive service agreement with FESB for a minimum term of 5 years.

Lee Seng Chi graduated from Multimedia University, Malaysia with a Bachelor of Engineering in Electronic degree in 2006. He began his career with Texas Instruments Malaysia Sdn Bhd in 2006 as a Product Test Engineer where he was responsible for semiconductor chip product design & testing. In 2008, he was promoted to Senior Engineer. In 2010, he left the company and joined Micron (M) Sdn Bhd as Senior Sales & Marketing Engineer where he was assigned to its branch office in Philippines and was responsible for the Philippines market. He was promoted to Operation Manager in 2012, and was responsible for company's diversification into the solar industry for both Philippines and Malaysia in 2013. In 2015, he left the company and founded Solar Bina.

Solar Bina was incorporated in Malaysia on 8 May 2015. Solar Bina is involved in the Identified Business. Since its incorporation, Solar Bina has successfully completed 50 megawatt (“**MW**”) of solar rooftop projects and approximately 250MW of LSSPV projects.

Lee Seng Chi by virtue of him being the sole shareholder of Solar Bina owns the full right and title to the business and assets which are used in the operation of, or which otherwise relate to the Identified Business. Following the transfer of the Identified Business and Identified Assets, Solar Bina will cease all its business relating to the Identified Business.

2.1.8 Assumption of liabilities and estimated financial commitments

RLEB will not assume any additional liabilities, contingent liabilities or guarantees pursuant to the Proposed Acquisition. The existing liabilities of FESB will be settled in the ordinary course of business.

There is also no additional material financial commitment required from the Company to put the operations of FESB on-stream following the completion of the Proposed Acquisition as FESB will already be in operations following the transfer the Identified Business and Identified Assets of Solar Bina into FESB.

2.2 Proposed Diversification

RLEB is principally an investment holding company. Through its subsidiaries, the Group is primarily involved in the provision of oil and gas well related services, which include well perforation, leak repair, testing, wash and cement as well as wireline. The Group is also involved in the supply of improved oil recovery chemicals and provision of sand management solutions.

Upon completion of the Proposed Acquisition, FESB will be a 51%-owned subsidiary of RLEB. RLEB will be able to consolidate the financial results of FESB, which may result in more than 25% of the Group’s future net profit to be derived from FESB. This is derived from the audited consolidated PAT of RLEB Group for financial year ended (“**FYE**”) 31 December 2020 of RM11.783 million against RLEB’s share of the expected PAT of FESB of RM3.528 million (being RLEB’s share of the annualised Profit Guarantee).

Based on the foregoing, the Board proposes to seek approval from the shareholders of RLEB to diversify the Group’s existing businesses to include RE business and related activities. Notwithstanding the Proposed Diversification, the Group intends to continue with its existing business activities.

Key management

Upon completion of the Proposed Acquisition, Lee Seng Chi will spearhead the RE segment of RLEB together his key personnel from Solar Bina which are part of the Identified Business. The Board believes that these personnel have sufficient experience, management skills and attributes to develop and manage the Group’s RE segment. The profile of Lee Seng Chi is set out in Section 2.1.7.

3. SALIENT TERMS OF THE SSA

3.1 Conditions precedent

(i) Conditions

- (a) The Parties agree that the Proposed Acquisition is conditional upon the effective fulfilment of the following conditions precedent within 6 months from the date of the SSA ("**Conditional Period**"):
1. The approval-in-principle of Bursa Securities for the listing of and quotation for the Shares Consideration on the ACE Market of Bursa Securities.
 2. The approval of the shareholders of RLEB to amongst others:
 - (aa) to carry out the Proposed Acquisition; and
 - (bb) to issue and allot the Shares Consideration.
 3. Completion of the transfer or novation of the Identified Business and Identified Assets from Solar Bina to FESB.
 4. Consent from United Overseas Bank (Malaysia) Bhd ("**UOB**") and Affin Bank Berhad ("**Affin**") (collectively, "**Financiers**") for the transfer and/or novation of the Identified Assets and Identified Business from Solar Bina to FESB ("**Consent from Financiers**").
 5. The execution of a shareholders' agreement to govern the relationship of the Parties as shareholders of FESB.
 6. The execution of an executive service agreement between FESB and the Vendor which shall be for a minimum term of 5 years, in the form and substance as may be acceptable by RLEB.
- (collectively, the "**Conditions Precedent**")
- (b) The Parties undertake to procure the fulfilment of the Conditions Precedent that are applicable to them within the Conditional Period.
- (c) RLEB may at its sole discretion at any time waive in whole or in part and conditionally or unconditionally any of the Conditions Precedent.

(ii) Non-fulfilment of the Conditions Precedent

Subject to the terms as set out in the SSA, unless specifically waived by RLEB at its absolute discretion, if any of the Conditions Precedent are not fulfilled on or before the expiry of the Conditional Period, the SSA shall cease and determine. Thereafter, neither Party shall have any claims against the other for costs, damages, compensations or otherwise, save for any antecedent breach of any warranties, representation, undertaking and any of the terms of the SSA.

(iii) When agreement becomes unconditional

Upon receipt of written confirmation from RLEB or RLEB's solicitors that all the Conditions Precedents are fulfilled within the Conditional Period or waived by RLEB, as the case may be, the SSA will become unconditional.

(iv) Consent from Financiers

The Parties acknowledge that Solar Bina requires the Consent from Financiers pursuant to the respective credit facilities ("**Credit Facilities**") granted by the Financiers to Solar Bina which is one of the Conditions Precedent.

The Vendor warrants to RLEB that the outstanding amount under the Credit Facilities is less than the Cash Consideration and undertakes to obtain the Consent from Financiers within the Conditional Period. In the event the Vendor is unable to secure the Consent from Financiers within the Conditional Period, the Parties may proceed with the completion by the Vendor authorising RLEB to utilise part of the Cash Consideration which is equivalent to the amount owing by Solar Bina to the Financiers to fully settle and discharge the amount owing by Solar Bina under the Credit Facilities based on the written confirmation as may be provided by the Financiers and upon the payment of the amount owing under the Credit Facilities, RLEB will simultaneously pay the balance Cash Consideration, if any, to the Vendor.

3.2 Termination of Agreement

(i) If a Party ("Defaulting Party**"):**

- (a) fails to proceed to completion despite the fulfilment of all the Conditions Precedent;
- (b) fails to carry out any obligation on its part under the SSA required for completion;
- (c) is in breach of any term or conditions of the SSA prior to the Completion Date; and/or
- (d) any of the warranties contained in the SSA are false, incorrect or incomplete such as to render the warranties misleading,

and the Defaulting Party fails to remedy such breach within 30 days after the other party ("**Non-Defaulting Party**") has given that Defaulting Party written notice of such breach, the Non-Defaulting Party may give written notice to the Defaulting Party:

- (a) terminating the SSA and claiming damages;
- (b) enforcing specific performance of the SSA against the Defaulting Party;
- (c) defer completion to a date not more than 30 days after Completion Date or such other date as may be agreed by the Parties in writing; or
- (d) proceed to completion so far as practicable (without prejudice to their rights under the SSA),

in addition to any other rights or remedies as may be available to the Non-Defaulting Party under the law and/or equity.

- (ii) In the event that the completion does not take place due to RLEB's failure to satisfy any or all of the Conditions Precedent to be fulfilled by RLEB, the Vendor shall be entitled to a sum equivalent to 1% of the Purchase Consideration as agreed liquidated damages, payable in cash and within 14 days from the date of expiry of the Conditional Period.
- (iii) In the event that the completion does not take place due to any failure to satisfy any or all the Conditions Precedent, each Party must return all documents, if any, delivered to it by the other Party or on behalf of the other Party, to the other Party. Thereafter, the SSA shall cease and terminate and no Party shall have any claims against the other save for:
 - (a) antecedent breach of any representations, undertakings; and/or
 - (b) as provided for in the SSA.
- (iv) Each Party shall bear its own costs and expenses with respect to the SSA in the event the SSA is terminated due to any failure to satisfy any or all the Conditions Precedent.

3.3 Profit Guarantee

- (i) In consideration of RLEB agreeing to purchase the Sale Shares in accordance with the terms of the SSA from the Vendor, the Vendor covenants with and undertakes to RLEB that FESB shall achieve the Profit Guarantee for the Profit Guarantee Audit Period subject to normalisation of, non-operational and non-recurring expenses that are beyond the Vendor's control.
- (ii) For the purpose of computation of the PAT and determination of the performance of the Profit Guarantee, the PAT shall be based on a special or interim audit on the accounts of FESB for the Profit Guarantee Audit Period which shall be prepared in accordance with the Malaysian Financial Reporting Standards audited by the independent auditors jointly appointed by RLEB and the Vendor which are registered with Audit Oversight Board (AOB) ("**Certified Accounts**"), which shall in the absence of manifest error be conclusive, final and binding. Upon request by the Vendor, the Parties may mutually agree for the Certified Accounts to be prepared at any time during and before the expiry of the Profit Guarantee Audit Period, whereupon the Certified Accounts shall be prepared for the period commencing from the Completion Date up to such date to be mutually agreed between the Parties and correspondingly, the definition of Profit Guarantee Audit Period shall be automatically amended to reflect such mutually agreed period. Upon issuance of the Certified Accounts for the new Profit Guarantee Audit Period, the subsequent provisions of this Section 3.4 shall apply, *mutatis mutandis*.
- (iii) In the event FESB achieves the Profit Guarantee based on the Certified Accounts, the Tranche 2 Shares Consideration shall be satisfied by RLEB by allotting and issuing the new ordinary shares in RLEB in the manner as set out in Section 2.1.1(ii)(b) within 14 business days from the date of the issuance of the Certified Accounts.
- (iv) In the event there is any shortfall in the Profit Guarantee based on the Certified Accounts ("**Shortfall**"), RLEB shall issue a written notice to the Vendor on the shortfall ("**Shortfall Notice**") and the Vendor shall have 14 business days from the date of the Shortfall Notice to top up the Shortfall in cash to FESB.

- (v) Where the Shortfall is not paid to FESB, the Tranche 2 Shares Consideration shall not be paid to the Vendor. For the avoidance of doubt, the Tranche 2 Shares Consideration shall not be paid in the event the Profit Guarantee is not achieved and the Shortfall is not paid to FESB by the Vendor. In the event the Vendor elects to pay the Shortfall, the Tranche 2 Shares Consideration shall be satisfied by RLEB in accordance with the terms of the SSA.
- (vi) The Tranche 2 Shares Consideration as may be received by the Vendor shall form part of the Purchase Consideration, and the Vendor shall only be entitled to up to the maximum amount of the Tranche 2 Shares Consideration, and no additional payment will be made by RLEB to the Vendor in the event the PAT of FESB for the Profit Guarantee Audit Period, is over and above the Profit Guarantee.

For the avoidance of doubt, the Shortfall shall not be treated as a debt due by the Vendor to RLEB whereupon RLEB's sole remedy in the event there is a Shortfall is to withhold the allotment of the Tranche 2 Shares Consideration. The provisions of Section 3.4 shall be applicable notwithstanding completion.

4. RATIONALE OF THE PROPOSALS

The Proposed Acquisition represents an opportunity for the Group to venture into the RE industry and diversify its earnings base with an experienced partner. The Proposed Acquisition will also enable the Group to consolidate FESB's financial results and is in line with the Group's plans to reduce dependency on its existing businesses.

The Board is optimistic that the Proposed Acquisition would contribute positively to the Group's earnings after taking into consideration amongst others, the Vendor's track record in the RE industry via his wholly-owned Solar Bina, the Profit Guarantee and the prospects of FESB.

The Board believes that the Proposed Acquisition is an attractive business proposition due largely to the positive prospects of the RE industry in Malaysia. Thus, the Proposed Acquisition is expected to provide the Group with a good long-term viable business with growth opportunity.

In addition, the Board is of the view that the issuance of Consideration Shares as part settlement of the Purchase Consideration will enable the Group to conserve its cash resources and thereby provide greater flexibility to utilise its cash resources to fund the Group's existing and/or new businesses.

The Proposed Diversification will expand the Group's core business to include the RE business and related activities, and is in line with the Group's objective to seek new business opportunities and additional income source from the RE business.

5. EFFECTS OF THE PROPOSALS

The Proposed Diversification will not have any effect on the issued share capital, substantial shareholders' shareholdings, net asset ("NA") and gearing, earnings and convertible securities of the Company.

5.1 Issued share capital

The pro forma effects of the Proposed Acquisition on the issued share capital of RLEB are as follows:

	No. of RLEB Shares '000	Issued share capital RM'000
Issued share capital as at LPD	285,000	45,082
To be issued pursuant to the Proposed Acquisition		
• On Completion Date ⁽¹⁾	5,445	3,812
• Upon meeting Profit Guarantee ⁽²⁾	12,705	8,893
Enlarged issued share capital	303,150	57,787

Notes:

⁽¹⁾ After payment of Cash Consideration and issuance of Tranche 1 Shares Consideration.

⁽²⁾ After issuance of Tranche 2 Shares Consideration.

5.2 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Acquisition on the shareholdings of the substantial shareholders are as follows:

Substantial share- holders	As at LPD				After Proposed Acquisition							
	<-----Direct----->		<-----Indirect----->		⁽⁴⁾ On Completion Date				⁽⁵⁾ Upon meeting Profit Guarantee			
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Reservoir Link Holdings Sdn Bhd	105,000,000	36.84	-	-	105,000,000	36.15	-	-	105,000,000	34.64	-	-
Dato' Wan Hassan Bin Mohd Jamil	10,608,605	3.72	⁽¹⁾ 105,000,000	36.84	10,608,605	3.65	⁽¹⁾ 105,000,000	36.15	10,608,605	3.50	⁽¹⁾ 105,000,000	34.64
Mad Haimi Bin Abu Hassan	2,626,335	0.92	⁽¹⁾ 105,000,000	36.84	2,626,335	0.90	⁽¹⁾ 105,000,000	36.15	2,626,335	0.87	⁽¹⁾ 105,000,000	34.64
Thien Chiet Chai	17,665,035	6.20	⁽¹⁾ 105,000,000	36.84	27,278,235	6.08	⁽¹⁾ 105,000,000	36.15	27,278,235	5.83	⁽¹⁾ 105,000,000	34.64
Pansar Berhad	29,323,503	10.29	-	-	29,323,503	10.10	-	-	29,323,503	9.67	-	-
Pan Sarawak Holdings Sdn Bhd	-	-	⁽²⁾ 29,323,503	10.29	-	-	⁽²⁾ 29,323,503	10.10	-	-	⁽²⁾ 29,323,503	9.67
Tai Sing Chii & Sons Sdn Bhd	-	-	⁽²⁾ 29,323,503	10.29	-	-	⁽²⁾ 29,323,503	10.10	-	-	⁽²⁾ 29,323,503	9.67
Inplaced Capital Sdn Bhd	-	-	⁽²⁾ 29,323,503	10.29	-	-	⁽²⁾ 29,323,503	10.10	-	-	⁽²⁾ 29,323,503	9.67
Puan Sri Datin Sri Ling Lah Kiong	-	-	⁽²⁾ 29,323,503	10.29	-	-	⁽²⁾ 29,323,503	10.10	-	-	⁽²⁾ 29,323,503	9.67

Substantial share- holders	As at LPD				After Proposed Acquisition							
	<-----Direct----->		<-----Indirect----->		⁽⁴⁾ On Completion Date				⁽⁵⁾ Upon meeting Profit Guarantee			
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dato' James Tai Cheong @ Tai Chiong	-	-	⁽²⁾ 29,323,503	10.29	-	-	⁽²⁾ 29,323,503	10.10	-	-	⁽²⁾ 29,323,503	9.67
Datuk Tai Hee	500,000	0.18	⁽³⁾ 29,333,503	10.29	500,000	0.17	⁽³⁾ 29,333,503	10.10	500,000	0.16	⁽³⁾ 29,333,503	9.68
David Tai Wei	-	-	⁽²⁾ 29,323,503	10.29	-	-	⁽²⁾ 29,323,503	10.10	-	-	⁽²⁾ 29,323,503	9.67

Notes:

- (1) Deemed interested by virtue of his substantial shareholding in Reservoir Link Holdings Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
- (2) Deemed interested by virtue of its/his/her indirect substantial shareholding in Pansar Berhad.
- (3) Deemed interested by virtue of his indirect substantial shareholding in Pansar Berhad and shares held by his spouse.
- (4) After payment of Cash Consideration and issuance of Tranche 1 Shares Consideration.
- (5) After issuance of Tranche 2 Shares Consideration.

5.3 Net asset ("NA") and gearing

The pro forma effects of the Proposed Acquisition on the consolidated NA and gearing of RLEB Group based on its latest audited financial statements for as at 31 December 2020 and assuming that the Proposed Acquisition had been completed on 31 December 2020 is as follows:

	As at 31 December 2020	After Proposed Acquisition	
		(1) On Completion Date	(2) Upon meeting Profit Guarantee
	RM'000		
Share capital	45,082	48,894	57,787
Foreign exchange translation reserve	886	886	886
Merger deficit	(15,779)	(15,779)	(15,779)
Retained earnings	32,578	(3)32,078	45,914
Equity attributable to owners of the Company	62,767	66,079	88,808
Non-controlling interest	(55)	(55)	(6,835)
Total equity	62,712	66,024	81,973
Number of shares in issue ('000)	285,000	290,445	303,150
NA per ordinary share (RM)	0.22	0.23	0.27
Borrowings (RM)	8,535	(4)8,535	8,535
Gearing ratio (times)	0.14	0.13	0.10

Notes:

- (1) After payment of Cash Consideration and issuance of Tranche 1 Shares Consideration.
- (2) After issuance of Tranche 2 Shares Consideration.
- (3) After deducting estimated expenses of RM500,000 in relation to the Proposed Acquisition.
- (4) Based on the assumption that the Cash Consideration will be funded entirely through internally-generated funds.

5.4 Earnings and earnings per share ("EPS")

The Proposed Acquisition is not expected to have any immediate effect on the earnings of RLEB Group for FYE 31 December 2021 as it is only expected to be completed in fourth quarter of 2021. However, the Proposed Acquisition is expected to contribute positively to the future earnings of RLEB Group.

However, the EPS of RLEB Group may be diluted correspondingly as a result of the issuance of the Consideration Shares.

5.5 Convertible securities

The Proposed Acquisition is not expected to have any effect on the outstanding 71,249,995 Warrants.

6. INDUSTRY OVERVIEW AND PROSPECTS

6.1 Overview and prospects of the Malaysian economy

The Malaysian economy registered a smaller decline of 0.5% in the first quarter (4Q 2020: -3.4%). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for electronic & electrical ("**E&E**") products. Growth was also supported by the continued policy measures. The imposition of the Second Movement Control Order (MCO 2.0) and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March, economic activity gradually picked up. All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector spending and strong growth in trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a growth of 2.7% (4Q 2020: -1.5%).

At the April World Economic Outlook, the International Monetary Fund revised its projection of global growth in 2021 from 5.5% to 6.0%. This upward revision was driven by larger fiscal measures in several major economies and continued progress in the vaccination rollout, which will facilitate the easing of containment measures especially in the second half of the year.

The Malaysian economy is on the recovery path supported by better external and domestic demand. Despite the recent re-imposition of containment measures, the impact on growth would be less severe than that experienced in 2020, as almost all economic sectors are allowed to operate. Overall, the growth recovery will benefit from better global demand, increased public and private sector expenditure as well as continued policy support. This will also be reflected in the recovery in labour market conditions, especially in the gradual improvement in hiring activity. Higher production from existing and new manufacturing facilities, particularly in the E&E and primary-related subsectors, as well as oil and gas facilities will provide further impetus to growth. The roll-out of the domestic COVID-19 vaccine programme will also lift sentiments and contribute towards recovery in economic activity. Nevertheless, the pace of recovery will be uneven across economic sectors.

(Source: Bank Negara Malaysia Quarterly Bulletin 1Q 2021)

6.2 Overview and prospects of the solar PV industry in Malaysia

As Malaysia pursues its sustainable development agenda as stipulated by the United Nations, Malaysia's commitment to the energy transition agenda has been recognised globally. The Energy Transition Index 2019, published by the World Economic Forum, placed Malaysia at the 38th placing among 115 countries being reviewed. Among the developing and emerging Asia region, Malaysia is ranked the highest. As part of the Association of Southeast Asian Nations ("**ASEAN**") block, Malaysia is committed in its contribution to the RE targets set by ASEAN. Sustainability Energy Development Authority Malaysia ("**SEDA**") presently chairs the ASEAN Renewable Energy Sub-Sector Network in promoting further deployment of RE in the ASEAN region via the ASEAN Plan of Action for Energy Cooperation.

Solar as RE resource has a great potential in Malaysia. Malaysia's geographical location and the availability of sunshine throughout the year make economic sense to continue to nurture the solar PV sector as one of the RE resources in the country. Out of the many available RE resources like biogas, biomass and hydro, solar may have the biggest advantage in Malaysia.

It is clean and easier to install. That Malaysia at present, have 4.1 million buildings with solar PV rooftop potential tips the scale in favour of solar further. As property development sector prospers, more of such real estate will be available for rooftop solar PV installations.

As such, SEDA will continue with its promotional and awareness campaigns on Net Energy Metering ("**NEM**") to attract more Malaysians to be participants. Dialogue sessions are also frequently organised by SEDA to further promote awareness on NEM among the stakeholders. Plans are in the pipeline to use the mainstream media as a platform to embark upon an integrated NEM awareness campaign.

(Source: Chairman Message, Sustainable Energy Malaysia, Volume 4 Issue 9, August 2020, published by SEDA)

The Malaysian Government has introduced the NEM scheme in November 2016 with quota allocation of 500MW up to year 2020 to encourage Malaysia's RE uptake. The concept of NEM is that the energy produced from the solar PV installation will be consumed first, and any excess will be exported to Tenaga Nasional Berhad ("**TNB**") at prevailing displaced cost.

As an effort to encourage the NEM uptake, the NEM 2.0 was introduced on 1 January 2019, and the true NEM concept was adopted, where it allows excess solar PV generated energy to be exported back to the grid on a "one-on-one" offset basis. The NEM scheme were executed by the Ministry of Energy and Natural Resources ("**KeTSA**"), regulated by the Energy Commission ("**EC**"), with SEDA as the Implementing Agency (IA). The 500MW quota under the NEM 2.0 has been fully subscribed by 31 December 2020.

Due to overwhelming response from the PV industry and in an effort to boost the usage of solar energy, the Energy and Natural Resources Minister via a press statement by KeTSA on 29th December 2020 has introduced the new Net Energy Metering 3.0 programme ("**NEM 3.0**") to provide more opportunities to electricity consumers to install solar PV systems on the roofs of their premises to save on their electricity bill. The NEM 3.0 will be in effect from 2021 to 2023 and the total quota allocation is up to 500MW. The NEM 3.0 will be divided into the following three (3) new initiatives/categories:

Initiative/Categories	Quota Allocation (MW)	Quota Opening Date
NEM Rakyat Programme	100MW	1 February 2021 – 31 December 2023
NEM GoMEn Programme (Government Ministries and Entities)	100MW	1 February 2021 – 31 December 2023
NOVA Programme (Net Offset Virtual Aggregation)	300MW	1 April 2021 – 31 December 2023

(Source: <http://www.seda.gov.my/reportal/nem/>)

The Ministry of Energy and Natural Resources via the EC has opened a competitive bidding process for Large Scale Solar ("**LSS**") programme by Malaysia Electricity Industry to Attract Renewable Energy Investment ("**LSS@MenTARI**") which started on 31 May 2020.

Under LSS@MenTARI, some 1,000MW of solar quota is offered through the bidding process, and is open to fully-owned local companies or with at least 75 percent local shareholding for companies listed on Bursa Securities.

The quota offered under LSS@MenTARI is the biggest under the LSS programme - during LSS-1 some 370MW solar were offered, LSS-2 (520MW), and for LSS-3 (500MW). These moves are aimed at reviving as well as stimulating the economy that is affected by the COVID-19 pandemic.

The LSS@MenTARI is aimed to accelerate the development of the nation's electricity supply industry especially for renewable energy.

The Ministry of Energy and Natural Resources had set the maximum bidding capacity from each developer at 50MW compared with 100MW previously to give more opportunities for industry players to participate in the bidding process. The Ministry of Energy and Natural Resources expects the LSS@MenTARI programme to attract investments totalling RM4 billion and generate 12,000 job opportunities as 1MW of solar can create 12 jobs.

The power plants under the LSS@MenTARI programme are expected to start operating latest by 31 December 2023, as the development of each plant would take up to 18 months.

(Source: Article "Ministry to offer 1,000MW solar quota under LSS@MenTARI programme", 28 May 2020, <https://www.mida.gov.my/mida-news/ministry-to-offer-1000mw-solar-quota-under-email-protected-programme/>)

The Malaysia power generation engineering, procurement and construction market is expected to grow at a compounded annual growth rate of more than 4.0% throughout 2020-2025. In the market, Malaysia's power infrastructure has been dominated by thermal sources, despite the positive growth potential for renewables. More than 80% of the electricity generation in the country came from thermal stations in 2018. Committed generation and transmission projects in Peninsular Malaysia, increasing government measures to increase public-private partnership and private financing in the RE sector, along with regional grid connectivity under the ASEAN Power Grid, are the major drivers that are expected to propel the power generation engineering, procurement and construction market in the country. However, increasing fuel price for the power sector is likely to remain one of the major challenges for the Malaysian power industry in the years ahead.

The RE sector is expected to witness significant growth during the forecast period due to favourable government support. The LSSPV plants are expected to create significant opportunities for the power generation engineering, procurement and construction market in the future.

(Source: Malaysia Power Generation EPC Market – Growth, Trends and Forecasts (2020 – 2025) by Mordor Intelligence, <https://www.mordorintelligence.com/industry-reports/malaysia-power-generation-epc-market>)

According to the International Energy Agency's ("IEA") Renewables 2020 report, the IEA forecasted that the year 2020 will see the net renewable electricity capacity adding some 4% more than what it did in 2019 under the main case scenario. In other words, the world may see over 198 gigawatt ("GW") of renewable capacity installed in year 2020.

Under accelerated case conditions, it is noted that the renewable capacity additions might reach almost 234MW in 2020 depending on the ongoing uncertainties caused by the COVID-19 crisis.

The report expects renewables will achieve a record expansion in 2021, with almost 218GW becoming operational, a 10% increase from 2020. The rebound is attributed to two factors, namely the commissioning of delayed projects; and growth in markets where the pre-pandemic project pipeline was robust.

(Source: Sustainable Energy Malaysia, Volume 4 Issue 10, published by SEDA)

6.3 Prospects of FESB

Premised on the outlook of the RE industry as set out in Section 6.2, the Group believes that the growth prospects for the solar PV industry in Malaysia is optimistic as the Malaysian Government is committed to support the growth of solar PV industry by setting a target for electricity generated from RE at 20% of all power generated by 2025. Tax incentives aimed at boosting the Malaysian green economy which was tabled in the Budget 2020 were also in line with the Government's commitment.

As mentioned in Section 6.2 above, the LSS@MenTARI will offer 1,000MW of solar quota from which FESB is looking to secure its projects. In addition to that, FESB is also continuously seeking new projects from the NEM initiatives introduced by the Government. Based on the foregoing, the Group is optimistic of FESB's growth prospects in the solar PV industry.

(Source: Management of RLEB)

7. RISK FACTORS

7.1 Transaction risk

The completion of the Proposed Acquisition is conditional upon the Conditions Precedent being satisfied. There can be no assurance that such Conditions Precedent will be satisfied within Conditional Period. In the event that the Condition Precedents cannot be satisfied or the Conditional Period is not extended, the SSA will be terminated and the Proposed Acquisition will not be completed.

However, RLEB will take and continue to take all reasonable steps to ensure satisfaction and/or waiver, as the case maybe, to ensure completion of the Proposed Acquisition.

7.2 Investment risk

The Proposed Acquisition is expected to be beneficial to RLEB Group. However, there is no guarantee that the anticipated benefits from the Proposed Acquisition will be realised or that RLEB will be able to generate sufficient returns from the Proposed Acquisition to offset its cost of investment.

Nevertheless, the Board endeavours to mitigate such risk by adopting prudent investment strategies and conducting the relevant assessment and review prior to making its investment decision. Furthermore, the Vendor has also provided the Profit Guarantee as part of the terms of the Proposed Acquisition as stipulated in the SSA.

7.3 Dependency on key management of FESB

The continued success of FESB is dependent on the experience, commitment and efforts of the key management of FESB as RLEB Group has no prior experience in the RE business. The loss of services of any of the key management of FESB without any suitable and timely replacement may adversely affect the continued ability of FESB to operate and compete successfully. Although RLEB plans to introduce the necessary internal precautionary measures to mitigate/limit these risks, there is no assurance that such measures will be sufficient.

To safeguard the continuity of business, Lee Seng Chi will enter into an executive service agreement with FESB for a minimum term of 5 years. Moving forward, RLEB will continue to leverage on the experience and expertise of Lee Seng Chi and the management of FESB to generate positive returns in FESB.

7.4 Achievability of Profit Guarantee

The Profit Guarantee is based on various bases and assumptions which the Board deemed reasonable, but nevertheless is subject to certain uncertainties and contingencies, which are often outside the control of RLEB Group. There can be no assurance that the Profit Guarantee will be met.

However, the Profit Guarantee is secured by the Tranche 2 Shares Consideration such that if FESB does not achieve the Profit Guarantee within the Profit Guarantee Audit Period and the Shortfall is not top-up by the Vendor, the entire Tranche 2 Shares Consideration will not be paid to the Vendor.

8. APPROVALS REQUIRED

The Proposals are subject to the following:

- (i) approval-in-principle of Bursa Securities for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities; and
- (ii) approval of the shareholders of RLEB for the Proposals at an extraordinary general meeting to be convened.

The Proposals are not conditional upon any other corporate exercises undertaken or to be undertaken by RLEB. The Proposed Acquisition and Proposed Diversification are inter-conditional to each other.

9. DIRECTORS' AND MAJOR SHAREHOLDERS' AND/OR PERSONS CONNECTED WITH A DIRECTOR OR MAJOR SHAREHOLDER'S INTERESTS

None of the directors, major shareholders, chief executive of the Company and/or persons connected with them have any interest, direct or indirect, in the Proposals.

10. STATEMENT BY THE BOARD

The Board having considered all aspects of the Proposals is of the opinion that the Proposals are in the best interest of the Company.

11. ADVISER

M&A Securities has been appointed as Principal Adviser to RLEB for the Proposals.

12. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) of the ACE Market Listing Requirements of Bursa Securities is 33.7%, calculated based on the Purchase Consideration divided by the latest audited consolidated NA of RLEB as at 31 December 2020.

13. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisition is expected to be completed by the fourth quarter of 2021.

14. DOCUMENT AVAILABLE FOR INSPECTION

The SSA is available for inspection at the registered office of RLEB at E289, 1st Floor, Block E, iCom Square, Jalan Pending ,93450 Kuching, Sarawak during normal business hours on Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 11 June 2021.