

**RESERVOIR LINK ENERGY BHD ("RLEB" OR "COMPANY")
EXECUTION OF TERM SHEET BETWEEN RLEB AND LEE SENG CHI**

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

1. INTRODUCTION

M&A Securities Sdn Bhd, on behalf of the Board of Directors of RLEB ("**Board**") wishes to announce that the Company had on 12 April 2021 entered into a conditional term sheet ("**Term Sheet**") with Lee Seng Chi ("**Vendor**").

The Term Sheet expresses the Parties' mutual intention to enter into a Shares Sale Agreement ("**SSA**") for the proposed acquisition by RLEB of such number of shares representing 51.0% equity interest in a new special purpose vehicle to be incorporated by the Vendor ("**Target Company**") for the purpose of the Parties' joint co-operation to undertake solar renewable energy projects in Malaysia ("**Proposed Acquisition**").

Pursuant to the Term Sheet, the Vendor will incorporate the Target Company and transfer the Identified Business and Identified Assets of Solar Bina Engineering Sdn Bhd ("**Solar Bina**") into the Target Company pursuant to the Proposed Acquisition. For the purpose herein, "Identified Business" means such part of business of Solar Bina to be mutually agreed between the Parties; and "Identified Assets" means assets including employees of Solar Bina as may be mutually agreed between the Parties.

2. INFORMATION OF THE VENDOR AND SOLAR BINA

Lee Seng Chi, is a Malaysian aged 38 and is presently the sole shareholder and Managing Director of Solar Bina.

The Vendor 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 Business (as defined below in Section 3(a) of this announcement).

Solar Bina was incorporated in Malaysia on 8 May 2015. Solar Bina is currently involved in the provision of implementation of solar photovoltaic ("**PV**") projects for (i) residential, commercial and industrial properties and (ii) large scale solar PV plants which includes (a) supply and installation of solar mounting system; and (b) other engineering works involving civil, structural, mechanical and electrical engineering works.

3. SALIENT TERMS OF THE TERM SHEET

The Term Sheet sets out the principal terms which have been agreed by the Parties pending formalisation of the SSA, details as follows:

(a)	Nature of business	<p>The Target Company is intended to be principally involved in the provision and implementation of solar PV projects for:</p> <ul style="list-style-type: none"> (i) residential, commercial and industrial properties; (ii) large scale solar PV plants which include: <ul style="list-style-type: none"> • supply and installation of solar mounting system; and • other engineering works involving civil, structural, mechanical and electrical engineering works. <p>("Business")</p>
(b)	Share capital of the Target Company	<p>The total issued share capital of the Target Company is intended to be RM100,000.00 comprising 100,000 ordinary shares which will be held by the Vendor solely.</p>
(c)	Nature of the transaction	<p>Acquisition of 51% equity interest in the Target Company comprising such number of ordinary shares equivalent to the foregoing percentage upon incorporation of the Target Company ("Sale Shares") by RLEB from the Vendor.</p>
(d)	Purchase Consideration	<p>RM21,169,080.00 based on the valuation of the Target Company of RM41,508,000.00, arrived at on a willing-buyer and willing-seller basis ("Purchase Consideration").</p> <p>The Purchase Consideration is to be settled in the following manner by RLEB:</p> <ul style="list-style-type: none"> (i) RM8,464,080.00 which is equivalent to 40% of the Purchase Consideration is to be settled in cash ("Cash Consideration") on the completion of the Proposed Acquisition ("Completion Date"); and (ii) RM12,705,000.00 which is equivalent to 60% of the Purchase Consideration is to be settled by issuance of 18,150,000 new ordinary shares in RLEB ("RLEB Shares") at an agreed issue price of RM0.70 each ("Shares Consideration") to the Vendor, of which: <ul style="list-style-type: none"> • 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 • 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 below in Section 3(e) of this announcement). 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.
(e)	Profit Guarantee	<p>The Vendor undertakes to RLEB that the Target Company shall achieve an aggregate profit after tax, subject always to normalisation of, amongst others, non-operational and non-recurring expenses that are beyond the Vendor's control ("PAT") of RM13,836,000.00 for the agreed period of 24 months from the Completion Date ("Profit Guarantee").</p> <p>The Profit Guarantee shall be determined based on a special or interim audit prepared in accordance with the Malaysian Financial Reporting Standards on the accounts of the Target Company by an independent auditor as may be jointly appointed by RLEB and the Vendor.</p> <p>In the event of shortfall in Profit Guarantee ("Shortfall"), the Vendor may top-up the Shortfall by payment of cash into the Target Company. In the event Profit Guarantee is not achieved and the Shortfall is not top-up by the Vendor, the Tranche 2 Shares Consideration shall not be paid. For the avoidance of doubt, there is no additional cash to be paid or new ordinary shares in RLEB to be issued to the Vendor, in the event the PAT is over and above the Profit Guarantee. For the further 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 as set out in Section 3(d) above i.e. to withhold allotment of the Tranche 2 Shares Consideration.</p>
(f)	Due diligence	The Vendor agrees to grant access to RLEB and its representatives to conduct due diligence on the Target Company, the Identified Assets, Identified Businesses and Identified Contracts (as defined below in Section 5(c) of this announcement) to be acquired by the Target Company from Solar Bina upon the execution of the Term Sheet. The due diligence shall be completed within 60 days from the date of the Term Sheet subject to further extension to be mutually agreed.
(g)	Board of Directors	RLEB shall be entitled to nominate the majority members of the board of directors of the Target Company on the Completion Date.

4. FINANCIAL EFFECTS

The Term Sheet by itself will not have any material effect on the Company for the financial year ending 31 December 2021. However, the Proposed Acquisition when completed is expected to contribute positively to the future financial performance of the Company.

The consideration for the Proposed Acquisition will be satisfied via a combination of the Cash Consideration and Shares Consideration.

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.

The issue price of RLEB Shares under the Shares Consideration of RM0.70 per share 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 of RLEB Shares up to and including 9 April 2021 (being the date preceding the Term Sheet date) 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 effects of the Proposed Acquisition on the share capital, net asset, shareholding structure and earnings of the Company can only be determined upon the execution of the definitive agreements.

5. APPROVALS REQUIRED

No approval is required from RLEB's shareholders to enter into the Term Sheet. However, the SSA will only be entered into upon completion of due diligence and the satisfaction by the Board on the results of the due diligence and independent valuation provided on the Target Company including the independent review of the profit forecast of the Target Company.

The completion of the SSA will be subject to the following conditions precedent being fulfilled or waived by RLEB by no later than 6 months from the date of the SSA or such other date as may be mutually agreed in writing ("**Conditional Period**"):

- (a) the approval-in-principle of Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the listing of and quotation for the Shares Consideration on the ACE Market of Bursa Securities;
- (b) the approval of the shareholders of RLEB to amongst others:
 - (i) carry out the Proposed Acquisition, if required; and
 - (ii) issue and allot the Shares Consideration pursuant to the Proposed Acquisition;

- (c) completion of the transfer of the Identified Business and Identified Assets of Solar Bina including the novation of identified business and commercial contracts or agreements as may be identified to the Target Company (collectively, the "**Identified Contracts**");
- (d) such other consents or approvals as may be necessary from any governmental or regulatory body or competent authority, financiers, brand principals or third-party having jurisdiction over the sale of the Sale Shares which are mutually agreed on by the Parties, having been granted, waived or obtained;
- (e) the execution of a shareholders' agreement between the Vendor and RLEB to govern the relationship of the parties as shareholders of the Target Company;
- (f) the Vendor has entered into a service agreement with the Target Company in form and substance as may be acceptable by RLEB; and
- (g) such other conditions precedent as RLEB may deem necessary based on the results of the due diligence inquiry on the Target Company, which shall be subject to mutual agreement between the Parties prior to the Parties' entry into the SSA.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' AND/OR PERSONS CONNECTED WITH A DIRECTOR OR MAJOR SHARHOLDER'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 Term Sheet.

7. STATEMENT BY THE BOARD OF DIRECTORS

The Board is of the opinion that entering into the Term Sheet is in the best interest of the Company.

8. ADVISER

M&A Securities Sdn Bhd has been appointed as Principal Adviser to RLEB for the Proposed Acquisition.

A detailed announcement on the Proposed Acquisition in compliance with the ACE Market Listing Requirements will be made upon execution of the definitive agreement(s).

The Term Sheet is available for inspection at the registered office of RLEB at 2nd Floor, Lot 144, Jalan Petanak, 93100 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 12 April 2021.