**RESERVOIR LINK ENERGY BERHAD**

Company No. : 201401044508 (1120690-K)

(Incorporated in Malaysia)

# Interim Financial Report
# For The Financial Period Ended
# 31 March 2020
# (1st Quarter)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2020

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current Year Quarter 31.03.2020 RM'000 | Preceding Year Corresponding Quarter 31.03.2019 RM'000 | Current Year -To-Date 31.03.2020 RM'000 | Preceding Year Corresponding Period 31.03.2019 RM'000 |
| REVENUE | 22,857 | N/A | 22,857 | N/A |
| COST OF SALES | (16,417) | N/A | (16,417) | N/A |
| **GROSS PROFIT** | **6,440** | **N/A** | **6,440** | **N/A** |
| OTHER INCOME | 613 | N/A | 613 | N/A |
| | 7,053 | N/A | 7,053 | N/A |
| ADMINISTRATIVE EXPENSES | (2,782) | N/A | (2,782) | N/A |
| **PROFIT FROM OPERATION** | **4,271** | **N/A** | **4,271** | **N/A** |
| FINANCE CHARGES | (224) | N/A | (224) | N/A |
| **NET PROFIT BEFORE TAXATION** | **4,047** | **N/A** | **4,047** | **N/A** |
| INCOME TAX EXPENSES | (1,161) | N/A | (1,161) | N/A |
| **NET PROFIT AFTER TAXATION** | **2,886** | **N/A** | **2,886** | **N/A** |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that will be reclassified subsequently to profit or loss | | | | |
| Foreign currency translation differences | 1 | N/A | 1 | N/A |
| **TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR** | **2,887** | **N/A** | **2,887** | **N/A** |
| **PROFIT AFTER TAXATION ATTRIBUTABLE TO:-** | | | | |
| Owners of the Group | **2,721** | N/A | **2,721** | N/A |
| Non-controlling interests | 165 | N/A | 165 | N/A |
| | **2,886** | **N/A** | **2,886** | **N/A** |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-** | | | | |
| Owners of the Group | **2,722** | N/A | **2,721** | N/A |
| Non-controlling interests | 165 | N/A | 165 | N/A |
| **EARNING PER SHARE (SEN)** | | | | |
| Basic: | 1.19 | N/A | 1.19 | N/A |
| Diluted: | 1.19 | N/A | 1.19 | N/A |

*Notes:*

*(a) The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Accountants' Report as disclosed in the Prospectus of the Company dated 25 June 2020 and the accompanying explanatory notes are an integral part of this interim financial report.*

*(b) No comparative figures for the preceding quarter and preceding year's corresponding period are presented as this is the first interim financial report on the consolidated results announced by the Company in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").*

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

| | Unaudited As At 31.03.2020 RM'000 | Unaudited As At 31.03.2019 RM'000 |
|---|---|---|
| **ASSETS** | | |
| NON CURRENT ASSETS | | |
| Property, plant and equipment | 19,900 | N/A |
| Investment properties | 5,253 | N/A |
| Other receivables | 162 | N/A |
| Deferred tax assets | 5,039 | N/A |
| | 30,354 | N/A |
| CURRENT ASSETS | | |
| Inventories | 18,616 | N/A |
| Trade receivables | 20,572 | N/A |
| Other receivables, deposits and prepayments | 7,810 | N/A |
| Short-term investments | 4,477 | N/A |
| Fixed deposits with licensed banks | 2,993 | N/A |
| Cash and bank balances | 3,407 | N/A |
| | 57,875 | N/A |
| **TOTAL ASSETS** | **88,229** | **N/A** |
| **EQUITY AND LIABILITIES** | | |
| EQUITY | | |
| Share capital | 22,787 | N/A |
| Foreign exchange translation reserve | 888 | N/A |
| Retained profits | 25,677 | N/A |
| Merger deficit | (15,779) | N/A |
| | 33,573 | N/A |
| Non-controlling interests | 87 | N/A |
| TOTAL EQUITY | **33,660** | **N/A** |
| NON-CURRENT LIABILITIES | | |
| Bank borrowings | 10,749 | N/A |
| Deferred tax liabilities | 268 | N/A |
| | **11,017** | **N/A** |
| CURRENT LIABILITIES | | |
| Bank borrowings | 1,674 | N/A |
| Trade payables | 19,243 | N/A |
| Other payables and accruals | 17,727 | N/A |
| Amount owing to related parties | 10 | N/A |
| Provision for taxation | 4,898 | N/A |
| | **43,552** | **N/A** |
| TOTAL LIABILITIES | **54,569** | **N/A** |
| TOTAL EQUITY AND LIABILITIES | **88,229** | **N/A** |
| **Net asset per share (RM)** | **0.15** | **N/A** |

*Notes:*

*(a)* *The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the prospectus dated 25 June 2020 and the accompanying explanatory notes attached to this interim financial report.*

*(b)* *This is the first interim financial report announced in compliance with the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") ("**Bursa Securities**"). There are no comparative figures for the preceding quarter as no interim financial report was prepared for the comparative financial period concerned.*

*(c)* *Based on the Company's issued share capital of 227,874,000 ordinary shares as at the end of the financial period (after the Subdivision, Acquisitions and Transfer as disclosed in Note B6(a) to B6(c) but prior to the Public Issue of 57,126,000 ordinary shares as disclosed in Note B6(d)(i)).*

*N/A* *Not applicable*

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2020

| | Issued RM | Merger deficit RM | Foreign exchange translation Reserve RM | Retained earning RM | Non- controlling interest RM | Total RM |
|---|---|---|---|---|---|---|
| **Balance at 1.1.2020** | 7,008,100 | - | 887,069 | 22,955,718 | (77,924) | 30,772,963 |
| Contributions by and distribution to owners of the Company:- | | | | | | |
| - Issuance of ordinary shares | 22,787,300 | - | - | - | - | 22,787,300 |
| - Acquisition of subsidiaries in business combination under common control | (7,008,000) | (15,779,300) | - | - | - | (22,787,300) |
| Total transaction with owners | 15,779,300 | (15,779,300) | - | - | - | - |
| Profit after taxation for the financial year | - | - | - | 2,721,040 | 164,911 | 2,885,951 |
| Foreign exchange translation difference | - | - | 1,240 | - | - | 1,240 |
| **Balance at 31.03.2020** | **22,787,400** | **(15,779,300)** | **888,309** | **25,676,758** | **86,987** | **33,660,154** |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2020**

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|---|
| | | Current Year Quarter 31.03.2020 | Preceding Year Corresponding Quarter 31.03.2019[(b)] | Current Year -To-Date 31.03.2020 | Preceding Year Corresponding Period 31.03.2019[(b)] |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cash Flows from operating activities** | | | | | |
| Profit before tax | | 4,047 | N/A | 4,047 | N/A |
| Adjustments for: | | | | | |
| Depreciation of property, plant and equipment | | 576 | N/A | 576 | N/A |
| Depreciation of investment property | | 33 | N/A | 33 | N/A |
| Allowance for impairment losses on trade receivable | | 36 | N/A | 36 | N/A |
| Reversal of allowance for impairment losses on trade receivable | | (10) | N/A | (10) | N/A |
| Gain on disposal of property, plant and equipment | | (126) | N/A | (126) | N/A |
| Interest expenses | | 224 | N/A | 224 | N/A |
| Interest income | | (36) | N/A | (36) | N/A |
| Loss on unrealised loss on foreign exchange | | 73 | N/A | 73 | N/A |
| **Operating profit before working capital changes** | | **4,817** | **N/A** | **4,817** | **N/A** |
| Increase in inventories | | (7,326) | N/A | (7,326) | N/A |
| Increase in trade and other receivables | | (1,425) | N/A | (1,425) | N/A |
| Increase in trade and other payables | | 5,286 | N/A | 5,286 | N/A |
| Increase in non-related company | | 10 | N/A | 10 | N/A |
| Decrease in amount owing to directors | | (55) | N/A | (55) | N/A |
| **Cash from operations** | | **1,307** | **N/A** | **1,307** | **N/A** |
| Interest expenses paid | | (224) | N/A | (224) | N/A |
| Income tax paid | | (765) | N/A | (765) | N/A |
| **Net cash from operating activities** | | **318** | **N/A** | **318** | **N/A** |

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| | | | | |
|---|---|---|---|---|
| **Cash flows for investing activities** | | | | |
| Disposal of investment property | 1,225 | N/A | 1,225 | N/A |
| Purchase of property, plant and equipment | (1,284) | N/A | (1,284) | N/A |
| Increase in money market fund | (797) | N/A | (797) | N/A |
| Decrease in fixed deposits with licensed banks pledged to licensed banks | 589 | N/A | 589 | N/A |
| Interest income received | 36 | N/A | 36 | N/A |
| **Net cash for investing activities** | **(231)** | **N/A** | **(231)** | **N/A** |
| **Cash flows for financing activities** | | | | |
| Drawdown of credit cards facility | 26 | N/A | 26 | N/A |
| Drawdown of term loans | 1,050 | N/A | 1,050 | N/A |
| Repayment of term loans | (169) | N/A | (169) | N/A |
| **Net cash for financing activities** | **907** | **N/A** | **907** | **N/A** |
| **Net decrease in cash and cash equivalents** | **994** | **N/A** | **994** | **N/A** |
| Cash and cash equivalents at beginning of the financial period | 2,388 | N/A | 2,388 | N/A |
| Effect of foreign exchange translation | 25 | N/A | 25 | N/A |
| **Cash and cash equivalents at end of the financial period** | **3,407** | **N/A** | **3,407** | **N/A** |
| **Cash and cash equivalents comprise the followings:** | | | | |
| Fixed deposits with licensed banks | 2,976 | N/A | 2,976 | N/A |
| Cash and bank balances | 3,407 | N/A | 3,407 | N/A |
| Less: | | | | |
| Fixed deposits with licensed banks more than 3 months | (2,976) | N/A | (2,976) | N/A |
| | **3,407** | **N/A** | **3,407** | **N/A** |

*Notes:*

*(a) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the prospectus dated 25 June 2020 and the accompanying explanatory notes attached to this interim financial report.*

*(b) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding financial year's corresponding quarter and preceding financial year corresponding period as no interim financial report was prepared for the preceding financial year's corresponding quarter.*

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## PART A : EXPLANATORY NOTES PURSUANT TO MFRS 134, INTERIM FINANCIAL REPORTING

### A1. Basis of Preparation

The condensed consolidated interim financial report ("Interim Financial Report") of Reservoir Link Energy Berhad ("**RLEB**" or "**the Company**") and its subsidiaries ("**the Group**") are unaudited and have been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting and Rule 9.22 of the Listing Requirements of Bursa Securities.

This is the first Interim Financial Report on the Company's unaudited condensed consolidated financial results for the first quarter ended 31 March 2020 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year's corresponding period.

The Interim Financial Report is prepared based on the combined results of the Group assuming that the Group has existed on or before 31 March 2020 and should be read in conjunction with the Accountants' Report as disclosed in the prospectus of the Company dated 25 June 2020 and the accompanying notes attached to this Interim Financial Report.

### A2. Significant Accounting Policies

The significant accounting policies adopted in the preparation of this Interim Financial Report are consistent with those adopted as disclosed in the Accountants' Report in the prospectus dated 25 June 2020. The Group has adopted those standards, amendments and interpretations that have become effective and such adoptions do not have material impact on the financial position and performance of the Group.

1) New and revised MFRS, Amendments to MFRSs and IC interpretations adopted during the financial period.

| Standards | Effective date |
|---|---|
| MFRS 16 Leases | 1 January 2019 |
| IC Interpretation 23 Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to MFRS 9 Prepayment Features with Negative Compensation | 1 January 2019 |
| Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement | 1 January 2019 |
| Annual Improvements to MFRS Standards 2015 – 2017 Cycle | 1 January 2019 |
| Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures | 1 January 2019 |

2) Standards issued but not yet effective

At the date of authorisation for issue of this Interim Financial Report, the new and revised Standards and Amendments, which were in issue but not yet effective and have not been early adopted by the Group are as follow:-

| Standards | Effective date |
|---|---|
| MFRS 17 Insurance Contracts | 1 January 2021 |
| Amendments MFRS 3 Definition of a Business | 1 January 2020 |
| Amendments MFRS 101 and MFRS 108 Definition of a Material | 1 January 2020 |

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**A2. Significant Accounting Policies (Cont'd)**

3) Standards issued but not yet effective

| Standards | Effective date |
|---|---|
| Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Deferred |
| Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform | 1 January 2020 |
| Amendments to References to the Conceptual Framework in MFRS Standards | 1 January 2020 |

**A3. Auditors' Report**

The audited financial statements of the Group for the financial year ended 31 December 2019 was not subject to any qualification.

**A4. Seasonal or Cyclical Factors**

The business operations of the Group were not affected by seasonal or cyclical factors.

**A5. Material Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group during the current financial quarter under review.

**A6. Material Changes in Estimates**

There were no material changes in the estimates that have a material effect to the Group in the current financial quarter under review.

**A7. Debt and Equity Securities**

Save as disclosed in Note B6, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter and current financial period-to-date.

**A8. Dividend Paid**

No dividends were paid during the current financial quarter under review.

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## A9. Segmental Reporting

The Group's segment information for the current financial period ended 31 March is as follows:

**Analysis of revenue by business segments**

| Revenue | INDIVIDUAL QUARTER 31.03.2020 | | CUMULATIVE QUARTER 31.03.2019 | |
|---|---|---|---|---|
| | RM'000 | % | RM'000 | % |
| **O&G Well Services** | **22,630** | **99.01%** | **N/A** | **N/A** |
| Well leak repair | 3,424 | 14.98% | N/A | N/A |
| Well perforation | 9,468 | 41.42% | N/A | N/A |
| Well testing | 8 | 0.03% | N/A | N/A |
| Wash and cement | 7,495 | 32.79% | N/A | N/A |
| Wireline services | 289 | 1.27% | N/A | N/A |
| O&G production enhancement | 1,946 | 8.51% | N/A | N/A |
| **Other Services** | **227** | **0.99%** | **N/A** | **N/A** |
| **Total** | **22,857** | **100%** | **N/A** | **N/A** |

| GP | INDIVIDUAL QUARTER 31.03.2020 | | CUMULATIVE QUARTER 31.03.2019 | |
|---|---|---|---|---|
| | RM'000 | % | RM'000 | % |
| **O&G Well Services** | **6,400** | **99.37%** | **N/A** | **N/A** |
| Well leak repair | 1,812 | 28.13% | N/A | N/A |
| Well perforation | 3,747 | 58.17% | N/A | N/A |
| Well testing | (388) | (6.02%) | N/A | N/A |
| Wash and cement | 469 | 7.28% | N/A | N/A |
| Wireline services | (92) | (1.42%) | N/A | N/A |
| O&G production enhancement | 852 | 13.23% | N/A | N/A |
| **Other Services** | **40** | **0.63%** | **N/A** | **N/A** |
| **Total** | **6,440** | **100.00%** | **N/A** | **N/A** |

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## A10. Significant Related Party Transactions

There were no significant related party transactions during the current financial quarter and current financial year-to-date.

## A11. Capital Commitments

| | Unaudited As at 31.03.2020 RM'000 | Unaudited As at 31.03.2019 RM'000 |
|---|---|---|
| **Approved and contracted for:** | | |
| Purchase of well testing equipment | 2,063 | N/A |
| **Approved but not contracted for:** | | |
| Purchase of well testing equipment | 10,013 | N/A |

*Note:*

*(1) No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities.*

*N/A Not applicable*

## A12. Contingent Assets and Liabilities

The Group's contingent liabilities were as follow:

| | As at 31.03.2020 RM'000 | As at 31.03.2019 RM'000 |
|---|---|---|
| Bank guarantee for performance | 6,668 | N/A |
| Bank guarantee for tenancy agreement | 70 | N/A |
| Letter of credit for purchase of well testing equipment | 1,696 | N/A |
| | **8,434** | **N/A** |

*Notes:*

*(1) There were no contingent assets of a material nature to be disclosed at the end of the financial period.*

*(2) No comparative figures for the preceding year's corresponding quarter is available as this is the first interim financial report announced in compliance with the Listing Requirements of Bursa Securities.*

*N/A Not applicable*

## A13. Changes in Composition of the Group

Save as disclosed in Note B6, there were no changes in the composition of the Group during the current financial quarter and financial period-to-date under review.

## A14. Significant Events after the Reporting Period

Save as disclosed in Note B6, "Status of Corporate Proposals", there were no other significant events subsequent to the end of the current quarter and financial period-to-date under review that have not been reflected in this Interim Financial Report.

## A15. Fair value of Financial Liabilities

There were no gains or losses arising from fair value changes of the Group's financial liabilities for the current financial period under review.

**PART B : ADDITIONAL INFORMATION REQUIRED BY ACE MARKET LISTING REQUIREMENTS**

**B1. Review of Performance**

Current and cumulative quarter (3 months):

The financial result which ended on the 31 March 2020 is the first quarter financial reporting for the Group.

The Group recorded revenue of RM22.51 million for the current quarter and cumulative financial quarter ended 31 March 2020.

The Group's revenue was principally derived from well perforation services, wash & cement services and well leak repair services segments for approximately 90.6% of the total revenue for the current quarter and cumulative financial quarter ended 31 March 2020.

Overall, the Group registered profit before tax of RM3.97 million in the current and cumulative financial quarter under review.

**B2. Comparison with Immediate Preceding Quarter's Results**

There are no comparative figures for the preceding quarter available as this is the first Interim Financial Report for the first quarter ended 31 March 2020 announcement in compliance with the Listing Requirements.

**B3. Commentary on Prospects**

The Covid-19 pandemic impacted many industries including the oil and gas industry. In an effort to curb the spread of the pandemic, unprecedented measures such as mobility and travel restrictions were taken by many countries. This has resulted in massive decline of economic activities leading to significant decline in demand for energy consumption and consequently the drastic drop in oil prices. As a result of economic uncertainties and the low oil prices, many of the global oil majors are pressured to cut back on their capital expenditure and operating expenses.

In Malaysia, Movement Control Order (MCO) was implemented on 18 March 2020. Although the oil and gas industry is deemed an essential service, we face operational issue due to the 14 days quarantine requirement for works at certain locations in addition to the reduced flight frequency between East and West Malaysia as a result of the travel restriction. Petronas had announced in May 2020 that it planned to reduce its capital expenditure by 21% and operating expenditure by 12% compared to what it had previously budgeted for 2020. Against these backdrops, a reduction in spending could reduce demand for the services provided by our Group and consequently may have an adverse effect on our financial performance.

In Mauritania, in order to contain the Covid-19 pandemic, the Government of Mauritania closed its borders to travel into and out of the country effective from 17 March 2020 rendering crew change not possible to be carried out. Consequently, our client, PC Mauritania 1 Pty Ltd (PCM1PL), declared force majeure on our contract on 29 March 2020 followed by the suspension of the contract from 28 April 2020 until further notice. The contract was approximately 20% completed at the time of suspension. This suspension will adversely affect our business activities and financial performance in Mauritania in the current financial year as we do not have any indication as to when travel restrictions will be lifted by the authority.

**B3. Commentary on Prospects (Cont'd)**

The adverse impact of the suspension was mitigated by the following factors:

1. As part of the suspension, PCM1PL agreed to pay us the following:

   (a) an upfront payment of USD2.27 million which is 40% of the remaining value of one (1) of the subsisting work order (excluding manpower) and we have received this payment in May 2020.

   (b) A sum of USD10,000 per month as rental payment for a warehouse and explosive bunker that we are renting in Mauritania to store our inventories for the contract, for the duration of the suspension period. Furthermore, this amount is sufficient to cover all the rental expenses for these premises.

2. As at 31 December 2019, we had received the mobilisation fees of RM19.86 million which is to be recognised as revenue progressively against work done. As at the currently reporting quarter, we have recognised RM3.51 million as revenue and the balance of RM16.35 million will be recognised progressively against the remaining work, which we expect to resume after PC Mauritania 1 Pty Ltd lifts its suspension of the contract.

On contract front, we had managed to secure 4 new call out contracts for the first 5 months of the current financial year up to May 2020 as follow:

1. 2 call out contracts for well perforation from Vestigo Petroleum Sdn Bhd (Vestigo) and Repsol Oil and Gas Malaysia Limited (Repsol). The contract from Vestigo is valid until September 2023 while the Repsol's contract duration is 2 years from May 2020 with an option to extend for another year.

2. 1 call out contract for wireline services from Vestigo in February for the provision of slickline equipment and services for a period of 4 months.

3. 1 call out contract for well leak repair from Japan Vietnam Petroleum Company Ltd in April for 1 year with an option to extend for another year.

During the same 5 months period, we had also secured extension for 3 call-out contracts. The well leak repair contracts from ExxonMobil Exploration & Production Malaysia Inc. and Repsol were extended for 2 years and 1 year to expire in April 2022 and May 2021 respectively. Our well perforation contract with Roc Oil (Sarawak) Sdn Bhd was extended for another year and will expire in August 2021.

Nevertheless, the aforesaid call out contracts do not provide any assurance of future revenue as we are only called to provide the services as and when they are required by the customers and there is no guarantee that the customers will issue work orders to us during the contract duration period.

Although we were not materially affected in this reporting quarter, we are cautious of the challenges ahead posed by the Covid-19 pandemic. The Group is committed to take proactive and appropriate measures to remain resilient during this unprecedented time and at the same time implementing our business strategies cautiously to sustain our growth.

**B4. Profit Forecast**

The Group does not issue any profit forecast during the current financial quarter under review.

## B5. Income Tax Expenses

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | Current Year Quarter 31.03.2020 RM'000 | Preceding Year Corresponding Quarter 31.03.2019 RM'000 | Current Year -To-Date 31.03.2020 RM'000 | Preceding Year Corresponding Period 31.03.2019 RM'000 |
| Income tax | 1,161 | N/A | 1,161 | N/A |
| Deferred tax | - | N/A | - | N/A |
| | 1,161 | N/A | 1,161 | N/A |
| Effective tax rate | 28.7% | N/A | 28.7% | N/A |

*Notes:*

*(1) Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the current period.*

*(2) The Effective tax rate ("ETR") is computed by dividing tax expense by profit before tax for the financial period. The ETR of the Group for the current period were lower than the statutory tax rate mainly due to tax effects from the utilisation of capital allowances and tax losses enjoyed by its subsidiaries.*

*(3) No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the first interim financial report announced in compliance with the Listing Requirements.*

*N/A Not applicable*

## B6. Status of Corporate Proposals

On 25 June 2020, the Company issued its prospectus in relation to the public issue of 57,126,000 new ordinary shares at an issue price of RM0.41 per share in conjunction with the Company's listing on the ACE Market of Bursa Securities. The listing exercise is still pending completion as the Company's enlarged share capital of 285,000,000 shares is expected to be listed on 15 July 2020.

In conjunction with and as an integral part of the Company's listing on the ACE Market of Bursa Securities, the Company undertook a listing scheme which involved the following which are inter-conditional among each other:

### (a) Subdivision

The Company undertook a subdivision of one (1) existing ordinary share each in RLEB into five (5) new ordinary shares. The Subdivision resulted in the ordinary shares of the Company to increase from 200 ordinary shares to 1,000 ordinary shares. The issued share capital of the Company remains as RM100. The Subdivision was completed on 10 March 2020.

### (b) Acquisitions

#### (i) Acquisition of RLSB

The Company had entered into a conditional sale and purchase agreement dated 26 June 2019 with Dato' Wan Hassan Bin Mohd Jamil, Mad Haimi Bin Abu Hassan, Thien Chiet Chai, Pansar and Dato' Richard Wee Liang Huat @ Richard Wee Liang Chiat ("**Vendors of RLSB**") to acquire the entire issued share capital of RLSB comprising 888,888 ordinary shares for a purchase consideration of RM22,787,300, satisfied wholly by the issuance of 227,873,000 new ordinary shares. The purchase consideration of RLSB was based on the adjusted audited NTA of RLSB as at 31 December 2018 of RM22,787,392, after adjusting for the gain on disposal of an associate company, namely Amsito Worldwide (BVI) Ltd, as set out below:-

**B6. Status of Corporate Proposals (Cont'd)**

**(b) Acquisitions (Cont'd)**

**(i) Acquisition of RLSB (Cont'd)**

| | RM |
|---|---|
| Audited NTA of RLSB as at 31 December 2018 | 21,727,241 |
| Gain on disposal of an associate company, Amsito Worldwide (BVI) Ltd on 15 May 2019 | 1,060,151 |
| Adjusted audited NTA of RLSB as at 31 December 2018 | 22,787,392 |

The shareholdings of the Vendors of RLSB in the Company pursuant to the Acquisition of RLSB are as follows:

| Shareholders | No. of Ordinary Shares Held in RLSB | Equity Interest % | Purchase Consideration RM | No. of RLEB Ordinary Shares Issued |
|---|---|---|---|---|
| Dato' Wan Hassan Bin Mohd Jamil | 277,332 | 31.20 | 7,109,610 | 71,096,105 |
| Mad Haimi Bin Abu Hassan | 208,000 | 23.40 | 5,332,234 | 53,322,335 |
| Thien Chiet Chai | 208,000 | 23.40 | 5,332,234 | 53,322,335 |
| Pansar Berhad | 177,778 | 20.00 | 4,557,470 | 45,574,703 |
| Dato' Richard Wee Liang Huat @ Richard Wee Liang Chiat | 17,778 | 2.00 | 455,752 | 4,557,522 |
| **Total** | **888,888** | **100.00** | **22,787,300** | **227,873,000** |

The Acquisition of RLSB was completed on 16 March 2020.

The Acquisition of RLSB resulted in the Company's issued share capital being increased from 1,000 ordinary shares to 227,874,000 ordinary shares.

The new ordinary shares issued pursuant to the Acquisition of RLSB ranked pari passu in all respect with the Company's existing ordinary shares, except that the new ordinary shares will not be entitled to any dividends, rights, allotment or other distributions declared, made or paid prior to the date of allotment and issuance of the said ordinary shares.

**(ii) Acquisition of Amsito Oilwell Services (Malaysia) Sdn Bhd ("Amsito")**

The Company had entered into a conditional sale and purchase agreement dated 26 June 2019 with RLSB to acquire 100.0% of the issued share capital of Amsito comprising 1,000,000 ordinary shares and 5,000,000 Cumulative Redeemable Convertible Preference Shares ("**CRCPS**") for a cash consideration of RM2. The purchase consideration of Amsito was based on the audited net tangible loss of Amsito as at 31 December 2018 of RM1,462,709 and was satisfied via internally generated funds. Further, on 30 December 2019, the Company had entered into a supplemental agreement with Reservoir Link Sdn Bhd ("**RLSB**") in relation to the variation of shares of Amsito, namely the acquisition of Amsito's 5,000,000 CRCPS to be changed to the acquisition of 5,000,000 CRNCPS, together with all of its existing rights and obligations. The Acquisition of Amsito was completed on 13 March 2020.

**B6. Status of Corporate Proposals (Cont'd)**

**(b) Acquisitions (Cont'd)**

**(iii) Acquisition of Reservoir Link (Labuan) Ltd ("RL Labuan")**

The Company had entered into a conditional sale and purchase agreement dated 26 June 2019 with RLSB to acquire 100.0% of the issued share capital of RL Labuan comprising 100 ordinary shares for a cash consideration of RM109,000. The purchase consideration of RL Labuan was based on the audited net tangible assets ("**NTA**") of RL Labuan as at 31 December 2018 of USD26,151 (equivalent to approximately RM108,225.91 based on the exchange rate of USD1=RM4.1385 as at 31 December 2018) and was satisfied via internally generated funds. The Acquisition of RL Labuan was completed on 28 February 2020.

**(iv) Acquisition of 60% Reservoir Link Solutions Sdn Bhd ("RL Solutions")**

The Company had entered into a conditional sale and purchase agreement dated 26 June 2019 with RLSB to acquire 60% of the issued share capital of RL Solutions comprising 60,000 ordinary shares for a cash consideration of RM2. The purchase consideration of RL Solutions was based on the audited net tangible loss of RL Solutions as at 31 December 2018 of RM281,971 and was satisfied via internally generated funds. The Acquisition of RL Solutions was completed on 13 March 2020.

**(c) Transfer**

Following the Subdivision and Acquisitions, the following shareholders transferred certain portion of their respective ordinary shares in RLEB to Reservoir Link Holdings Sdn Bhd ("**RL Holdings**"), an investment holding company:

| | After the Subdivision and Acquisitions | | Transfer | | After the Subdivision, Acquisitions and Transfer | |
|---|---|---|---|---|---|---|
| **Shareholders** | **No. of RLEB ordinary shares** | **#%** | **No. of RLEB ordinary shares** | **#%** | **No. of RLEB ordinary shares** | **#%** |
| Dato' Wan Hassan Bin Mohd Jamil | 71,096,605 | 31.20 | (52,500,000) | (23.04) | 18,596,605 | 8.16 |
| Mad Haimi Bin Abu Hassan | 53,322,335 | 23.40 | (47,250,000) | (20.74) | 6,072,335 | 2.66 |
| Thien Chiet Chai | 53,322,835 | 23.40 | (5,250,000) | (2.30) | 48,072,835 | 21.10 |
| RL Holdings | - | - | 105,000,000 | 46.08 | 105,000,000 | 46.08 |
| **Total** | **177,741,775** | **78.00** | **-** | **-** | **177,741,775** | **78.00** |

*Note:*

*# Based on the issued share capital of 227,874,000 ordinary shares after the Subdivision and Acquisitions.*

The Transfer was completed 27 March 2020.

## B6. Status of Corporate Proposals (Cont'd)

### (d) Initial Public Offering

(i) The Public Issue of 57,126,000 ordinary shares at the IPO Price representing approximately 20.04% of the enlarged issued share capital of the Company at an issue price of RM0.41 per share ("**IPO Price**") to be allocated in the following manner:

- 14,250,000 new ordinary shares available for application by the Malaysian Public;
- 4,000,000 new ordinary shares available for application by the eligible directors, employees and business associates of RLEB and its subsidiaries; and
- 38,876,000 new ordinary shares available for private placement to selected investors.

(ii) Offer for sale of 31,000,000 ordinary shares in RLEB at the IPO Price comprising:

- 2,500,000 ordinary shares available for private placement to selected investors; and
- 28,500,000 ordinary shares available for application by way of placement to Bumiputera investors approved by the Ministry of International Trade and Industry.

### (e) Listing

The Company's entire enlarged issued share capital of RM45,061,324 comprising of 285,000,000 ordinary shares will be listed on the ACE Market of Bursa Securities on 15 July 2020.

## B7. Utilisation of Proceeds Raised from the IPO

The gross proceeds raised from the IPO of RM23.42 million are intended to be utilised in the following manner:

| No. | Purpose | Proposed utilisation RM'000 | Actual utilisation RM'000 | Estimated timeframe for utilisation (from the date of Listing) |
|---|---|---|---|---|
| 1 | Repayment of bank borrowings | 5,000 | N/A | Within 6 months |
| 2 | Estimated listing expenses | 3,500 | N/A | Immediate |
| 3 | Capital expenditure | 10,000 | N/A | Within 24 months |
| 4 | Working capital | 4,922 | N/A | Within 12 months |
| | | **23,422** | **N/A** | |

*Notes:*

*(1) The utilisation of proceeds as disclosed above should be read in conjunction with the prospectus dated 25 June 2020.*

*(2) As at the date of this Interim Financial Report, the listing exercise of the Company is pending completion. Hence, there is no utilisation of proceeds by the Company yet.*

*N/A Not applicable*

## B8. Bank Borrowings

| | Unaudited As At 31.03.2020 RM'000 | Unaudited As at 31.03.2019 RM'000 |
|---|---|---|
| **Secured** | | |
| Current liabilities: | | |
| Term loans | 1,536 | N/A |
| | 1,536 | N/A |
| Non-current liability: | | |
| Term loans | 10,543 | N/A |
| **Non-secured** | | |
| Current liabilities: | | |
| Credit cards | 58 | N/A |
| Term loans | 79 | N/A |
| | 137 | N/A |
| Non-current liability: | | |
| Term loans | 206 | N/A |
| **Total borrowings:** | | |
| Credit cards | 58 | N/A |
| Term loans | 12,364 | N/A |
| | **12,422** | **N/A** |

*Note:*

*(1) No comparative figures for the preceding year's corresponding quarter is available as this is the first Interim Financial Report announced in compliance with the Listing Requirements.*

*N/A Not applicable*

## B9. Material Litigation

The Group has filed two (2) separately writ and statement of claim, through RLSB and Amsito, against Uzma Engineering Sdn Bhd (UESB) on 15 May 2020 for an amount of approximately RM0.74 million and RM0.07 million respectively. UESB filed the Memorandum of Appearance on 1 June 2020 for both the cases and they shall their Statement of Defence on or before 19.06.2020 which is the date fixed for case management.

## B10. Dividend Proposed

There were no dividends proposed for the current quarter under review.

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## B11. Earnings per Share ("EPS")

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | Current Year Quarter 31.03.2020 | Preceding Year Corresponding Quarter 31.03.2019 | Current Year -To-Date 31.03.2020 | Preceding Year Corresponding Period 31.03.2019 |
| | RM | RM | RM | RM |
| (Loss)/Profit after taxation attributable to owners of the Company (RM'000) | 2,721 | N/A | 2,721 | N/A |
| Weighted average number of ordinary shares in issue ('000) | 227,873 | N/A | 227,873 | N/A |
| Basic EPS attributable to equity holders of the Company (sen) [(1)] | 1.19 | N/A | 1,19 | N/A |
| Diluted EPS (sen) | 1.19 | N/A | 1.19 | N/A |

*Notes:*

*(1)* *In calculation of EPS for the financial period ended 31 March 2020, it is assumed that 227,873,000 ordinary shares were in issue after the Subdivision, Acquisition and Transfer referred to in Note B6 of the Interim Financial Report.*

*(2)* *The diluted EPS is equal to the basic EPS as the Company does not have any convertible options as at the end of the reporting period.*

*(3)* *No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the first interim financial report announced in compliance with the Listing Requirements.*

*N/A* *Not applicable*

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## B12. Profit before Tax

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | Current Year Quarter 31.03.2020 | Preceding Year Corresponding Quarter 31.03.2019 | Current Year -To-Date 31.03.2020 | Preceding Year Corresponding Period 31.03.2019 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **Profit before tax is arrived at after charging/(crediting):** | | | | |
| Auditors' remuneration | | N/A | | N/A |
| - under provision in prior year | 8 | N/A | 8 | N/A |
| - current year | 0 | N/A | 0 | N/A |
| Depreciation of property, plant and equipment | 576 | N/A | 576 | N/A |
| Depreciation of investment properties | 33 | N/A | 33 | N/A |
| Gain on disposal of property, plant and equipment | (126) | N/A | (126) | N/A |
| Interest expenses | 224 | N/A | 224 | N/A |
| Interest income | (36) | N/A | (36) | N/A |
| Listing expenses | 68 | N/A | 68 | N/A |
| Realised loss on foreign exchange | 301 | N/A | 301 | N/A |
| Realised gain on foreign exchange | 206 | N/A | 206 | N/A |
| Short term lease expenses | 24 | N/A | 24 | N/A |
| Rental income | (66) | N/A | (66) | N/A |
| Unrealised loss on foreign exchange | 73 | N/A | 73 | N/A |

*Note:*

*(1) No comparative figures for the preceding year's corresponding quarter and period-to-date is available as this is the first Interim Financial Report announced in compliance with the Listing Requirements of Bursa Securities.*

*N/A Not applicable*

## B13. Derivative Financial Instruments

The Group has not entered into any derivatives as at the date of this interim financial report.

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