

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action you should take, please consult your stockbroker, bank manager, solicitor, accountant, bank manager or other professional advisers immediately.

The Circular has been reviewed by M&A Securities Sdn Bhd, as the Adviser to Reservoir Link Energy Bhd ("RLEB") for the Proposals (as defined herein).

The approval of Bursa Malaysia Securities Berhad ("Bursa Securities") for the Proposals (as defined below) shall not be taken to indicate that Bursa Securities recommends the Proposals. Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**RESERVOIR LINK ENERGY BHD**  
(Registration No. 201401044508 (1120690-K))  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-**

- (I) PROPOSED ACQUISITION OF 51% EQUITY INTEREST IN FOUNDER ENERGY SDN BHD ("FESB") FROM LEE SENG CHI FOR A PURCHASE CONSIDERATION OF RM21,169,080 TO BE SATISFIED VIA A COMBINATION OF CASH OF RM8,464,080 AND ISSUANCE OF 18,150,000 NEW ORDINARY SHARES IN RLEB ("PROPOSED ACQUISITION"); AND**
- (II) PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF RLEB AND ITS SUBSIDIARIES TO INCLUDE RENEWABLE ENERGY BUSINESS AND RELATED ACTIVITIES ("PROPOSED DIVERSIFICATION")**

**(COLLECTIVELY, THE "PROPOSALS")**

**AND**

**NOTICE OF MEETING OF MEMBERS**

*Adviser*



**M&A SECURITIES SDN BHD**  
(Registration No. 197301001503 (15017-H))  
(A Wholly-Owned Subsidiary of Insas Berhad)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the meeting of members of our Company in respect of the abovementioned Proposals will be conducted entirely on fully virtual basis through live streaming and online remote voting via online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657) on Wednesday, 11 August 2021 at 10.00 a.m., together with the Form of Proxy are enclosed in this Circular.

A member entitled to attend and vote at the meeting of members is entitled to appoint a proxy or proxies to attend and vote on his behalf. The Form of Proxy must be lodged at the office of the Share Registrar of the Company, Boardroom Share Registrars Sdn Bhd at Ground Floor or at 11<sup>th</sup> Floor, Menara Symphony, No.5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or by electronic means via Boardroom Smart Investor portal at <https://investor.boardroomlimited.com> not less than 48 hours before the time set for holding the meeting of members or at any adjournment thereof (i.e. 9 August 2021 at 10.00 a.m.). The lodging of the Form of Proxy does not preclude a member from attending and voting in person at the meeting of members, should the member subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Monday, 9 August 2021 at 10.00 a.m.

Date and time of meeting of members : Wednesday, 11 August 2021 at 10.00 a.m. or at any adjournment thereof

**This Circular is dated 26 July 2021**

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## DEFINITIONS

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Unless where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:-

"5D-VWAMP"	: 5 days volume weighted average market price
"Announcement"	: Announcement dated 11 June 2021 pursuant to the Proposals
"Board"	: Board of Directors of the Company
"Bonus Issue of Warrants"	: Bonus issue of up to 71,250,000 Warrants on the basis of 1 Warrant for every 4 existing RLEB Shares, which was completed on 6 May 2021
"Bursa Securities"	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
"Cash Consideration"	: RM8,464,080 which is equivalent to 40% of the Purchase Consideration is to be settled in cash
"Circular"	: This circular to our shareholders dated 26 July 2021 in relation to the Proposals
"COVID-19"	: Novel coronavirus disease 2019
"Completion Date"	: 7 days after the Unconditional Date unless the Parties otherwise agree in writing
"Conditional Period"	: A period within 6 months from the date of the SSA or such other date the Parties may mutually agree in writing
"Conditions Precedent"	: The conditions precedent to the SSA as set out in Section 1(a) of Appendix I
"Consideration Shares"	: A total of 18,150,000 new RLEB Shares to be allotted and issued to the Vendor at an issue price of RM0.70 per RLEB Share
"EC"	: Energy Commission Malaysia
"EPCC"	: Engineering, procuring, construction and commissioning
"EPS"	: Earnings per share
"FESB"	: Founder Energy Sdn Bhd (Registration No. 202101013707 (1414006-X))
"FPE"	: Financial period ended
"FYE"	: Financial year ended
"Identified Assets"	: List of machinery and equipment to undertake the Identified Business including the Identified Employees of Solar Bina to be transferred to FESB pursuant to the Proposed Acquisition

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**DEFINITIONS** *(cont'd)*

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- "Identified Business" : The business of Solar Bina which is the provision and implementation of solar PV projects for:
- (i) residential, commercial and industrial properties;
  - (ii) LSSPV which include:
    - (a) supply and installation of solar mounting system; and
    - (b) other engineering works involving civil, structural, mechanical and electrical engineering works.

to be transferred to FESB pursuant to the Proposed Acquisition

- "Identified Employees" : A total of 32 employees of Solar Bina to be transferred to FESB pursuant to the Proposed Acquisition with the breakdown in accordance to position as follows:

<b>Position</b>	<b>Number of personnel</b>
Accounts	1
Admin	2
Assistant project manager	2
Assistant technical manager	1
Contract worker	6
Director	1
Personal driver	1
Project engineer	4
Sales executive	1
Sales manager	3
Senior site supervisor	1
Site safety supervisor	1
Site supervisor	7
Storekeeper	1

- "Malaysian Government" : Government of Malaysia
- "GW" : Gigawatt
- "IEA" : International Energy Agency
- "Listing Requirements" : ACE Market Listing Requirements of Bursa Securities
- "LPD" : 30 June 2021, being the latest practicable date prior to the printing of this Circular
- "LSS" : Large-scale solar programme
- "LSSPV" : Large-scale solar PV projects
- "LTD" : 10 June 2021, being the last trading day immediately prior to the signing of the SSA
- "M&A Securities" or "Adviser" : M&A Securities Sdn Bhd (Registration No. 197301001503 (15017-H))

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**DEFINITIONS** *(cont'd)*

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"MCO"	: Movement control order issued by the Malaysian Government under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
"MW"	: Megawatt
"MWp"	: Megawatt peak
"NA"	: Net assets
"NEM"	: Net energy metering
"PAT"	: Profit after taxation
"Party(ies)"	: RLEB and/or the Vendor, collectively or individually, where the context so requires
"PE Multiple"	: Price-to-earnings multiple
"Profit Guarantee"	: Vendor's guarantee that FESB shall achieve an PAT of RM13,836,000 for the Profit Guarantee Audit Period
"Profit Guarantee Audit Period"	: The agreed period of 24 months from the 1 <sup>st</sup> day of the succeeding calendar month from the Completion Date
"Proposals"	: Proposed Acquisition and Proposed Diversification, collectively
"Proposed Acquisition"	: Proposed acquisition by RLEB of the Sale Shares from the Vendor at the Purchase Consideration
"Proposed Diversification"	: Proposed diversification of the existing principal activities of RLEB Group to include RE business and related activities
"Purchase Consideration"	: The purchase consideration for the Sale Shares totalling RM21,169,080 to be fully satisfied via the Cash Consideration and Shares Consideration
"PV"	: Photovoltaic
"RE"	: Renewable energy
"RLEB" or "Company"	: Reservoir Link Energy Bhd (Registration No. 201401044508 (1120690-K))
"RLEB Group" or "Group"	: RLEB and its subsidiaries, collectively
"RLEB Share(s)" or "Share(s)"	: Ordinary share(s) in RLEB
"RM" and "sen"	: Ringgit Malaysia and sen, respectively
"RPVSP"	: Registered PV Service Provider, which is governed by SEDA
"Sale Shares"	: 51,000 ordinary shares representing 51.0% equity interest in FESB to be sold by the Vendor to RLEB pursuant to the Proposed Acquisition

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**DEFINITIONS** *(cont'd)*

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“SEDA”	: Sustainable Energy Development Authority of Malaysia
“Shares Consideration”	: RM12,705,000 which is equivalent to 60% of the Purchase Consideration and which is to be settled by issuance of 18,150,000 new RLEB Shares at an issue price of RM0.70 each to the Vendor
“Shortfall”	: Shortfall in Profit Guarantee
“Solar Bina”	: Solar Bina Engineering Sdn Bhd (Registration No. 201501018317 (1143649-A))
“SSA”	: Conditional shares sale agreement dated 11 June 2021 entered into between RLEB and the Vendor in relation to the Proposed Acquisition
“Term Sheet”	: Conditional term sheet dated 12 April 2021 entered into between RLEB and the Vendor in relation to the Proposed Acquisition
“Tranche 1 Shares Consideration”	: 30% of the Shares Consideration which is equivalent to 5,445,000 Consideration Shares, being the first tranche of the Shares Consideration to be issued to the Vendor on the Completion Date
“Tranche 2 Shares Consideration”	: 70% of the Shares Consideration which is equivalent to 12,705,000 Consideration Shares, being the second tranche of the Shares Consideration to be issued to the Vendor, subject to the Profit Guarantee being achieved
“Unconditional Date”	: The date on which the last Condition Precedent is fulfilled, obtained or waived (as the case may be) within the Conditional Period
“Vendor”	: Lee Seng Chi
“Warrant(s)”	: 71,249,995 free warrant(s) issued pursuant to the Bonus Issue of Warrants

All references to our “Company” or “RLEB” in this Circular are to RLEB, references to our “Group” or “RLEB Group” are to our Company and its subsidiaries.

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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## EXECUTIVE SUMMARY

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**THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSALS. THE SHAREHOLDERS OF RLEB ARE ADVISED TO READ THE CIRCULAR AND ITS APPENDICES FOR FURTHER DETAILS AND NOT TO SOLELY RELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSALS BEFORE VOTING AT THE MEETING OF MEMBERS**

Our Board is recommending the shareholders of RLEB to vote **IN FAVOUR** of the resolutions in relation to the Proposals to be tabled at the forthcoming meeting of members to be convened.

<b>Key information</b>	<b>Description</b>	<b>Reference to Circular</b>
<b>Summary of the Proposals</b>	<p><b>1. Proposed Acquisition</b></p> <p>The Proposed Acquisition involves the acquisition by RLEB of the Sale Shares, representing 51.0% equity interest in FESB from the Vendor for the Purchase Consideration, subject to the terms and conditions of the SSA.</p> <p>The Purchase Consideration is to be satisfied by RLEB via a combination of cash of RM8,464,080 and issuance of 18,150,000 Consideration Shares at an issue price of RM0.70 each to the Vendor.</p> <p>The issue price of the Consideration Shares of RM0.70 each represents:</p> <p>(i) A discount of approximately 1.6% to the theoretical ex-all price of RLEB Shares (adjusting for the Bonus Issue of Warrants) of RM0.7115. The theoretical ex-all price is calculated based on the 5D-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 and accounting for the exercise price of the Warrants of RM0.63 per Warrant. Based on the foregoing, our Board, after considering that the issue price of the Consideration Shares is a close approximation to the market price of the RLEB Shares (after adjusting for the Bonus Issue of Warrants), takes the view that the discount of approximately 1.6% is reasonable; and</p> <p>(ii) A premium of approximately 29.3% to the 5D-VWAMP of RLEB Shares up to and including LTD of RM0.5413.</p>	<b>Section 2.1</b>

<b>Key information</b>	<b>Description</b>	<b>Reference to Circular</b>
	<b>2. Proposed Diversification</b>  In effort to expand our Group's revenue and profits as well as diversify our earning base, our Group intends to diversify our existing business to include RE business and related activities.  Our Board anticipates the RE business to potentially contribute 25% or more to the net profits of our Group moving forward, hence our Board proposes to seek the approval from shareholders for the Proposed Diversification pursuant to Rule 10.13(1) of the Listing Requirements.	<b>Section 2.2</b>
<b>Rationale</b>	<p>Our Board expects the Proposals to contribute positively to our Group based on the key rationale as set out below:</p> <ul style="list-style-type: none"><li>(i) It will enable our Group to venture into the RE industry and diversify our earnings base with an experienced partner;</li><li>(ii) It will enable our Group to consolidate FESB's financial results and is in line with our Group's plan to reduce dependency on our existing businesses; and</li><li>(iii) It will provide our Group with a good long-term viable business with growth opportunity.</li></ul> <p>Separately, the issuance of Consideration Shares as part settlement of the Purchase Consideration will enable our Group to conserve our cash resources.</p>	<b>Section 3</b>
<b>Risk factors</b>	<p>The potential risk factors of the Proposals are as follows:</p> <ul style="list-style-type: none"><li>(i) Our Group's business will be subject to risks inherent in the RE industry;</li><li>(ii) The completion of the Proposed Acquisition is conditional upon the fulfilment or waiver (as the case may be) of all the Conditions Precedent of the SSA;</li><li>(iii) 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;</li><li>(iv) The Profit Guarantee is based on various bases and assumptions deemed reasonable, but there is no assurance that it will be met;</li></ul>	<b>Section 5</b>

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**EXECUTIVE SUMMARY** *(cont'd)*

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<b>Key information</b>	<b>Description</b>	<b>Reference to Circular</b>
	<p>(v) The continued success of FESB is dependent on the experience, commitment and efforts of the key management of FESB as our Group has no prior experience in the RE business;</p> <p>(vi) FESB undertakes projects solely for solar PV, which faces competition from other alternate RE sources such as biogas, biomass, small hydropower and geothermal resources. Although the Malaysian Government has placed emphasis on solar energy via LSSPV programmes, there is no guarantee that such initiatives will persist;</p> <p>(vii) FESB may be affected by any adverse changes in the government policies and support mechanisms relating to the solar PV industry;</p> <p>(viii) FESB may lose its competitiveness if it fails to stay up to date with the latest technology, development or industry practices which will then adversely affect its business; and</p> <p>(ix) The RE sector such as solar energy is also inevitably affected by COVID-19 pandemic.</p>	
<b>Approvals required</b>	<p>The Proposals are subject to the following:</p> <p>(i) approval-in-principle of Bursa Securities for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities, which was obtained on 16 July 2021; and</p> <p>(ii) approval of the shareholders of RLEB at the forthcoming meeting of members of our Company.</p>	<b>Section 8</b>

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## RESERVOIR LINK ENERGY BHD

(Registration No. 201401044508 (1120690-K))  
(Incorporated in Malaysia)

### Registered Office:

E289 1<sup>st</sup> Floor  
Block E iCom Square  
Jalan Pending  
93450 Kuching  
Sarawak

26 July 2021

### Directors:

Datuk Tai Hee (*Non-Independent Non-Executive Chairman*)

Dato' Wan Hassan Bin Mohd Jamil (*Chief Executive Officer/Managing Director*)

Thien Chiet Chai (*Non-Independent Executive Director*)

Eric Lim Swee Khoon (*Independent Non-Executive Director*)

Siti Zurina binti Sabarudin (*Independent Non-Executive Director*)

Elain Binti Lockman (*Independent Non-Executive Director*)

Dear Shareholders,

### (I) PROPOSED ACQUISITION; AND (II) PROPOSED DIVERSIFICATION

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#### 1. INTRODUCTION

On 12 April 2021, M&A Securities, on behalf of our Board, announced that our Company had entered into the Term Sheet with Vendor for the purpose of the Proposed Acquisition.

On 11 June 2021, M&A Securities, on behalf of our Board, announced that our Company had entered into the SSA with the Vendor for the Proposed Acquisition.

In conjunction with the Proposed Acquisition, our Company intends to diversify the existing principal activities of our Group to include RE business and related activities.

On 16 July 2021, M&A Securities, on behalf of our Board, announced that Bursa Securities had, vide its letter dated 16 July 2021, resolved to approve the listing of and quotation for the Consideration Shares to be issued pursuant to the Proposed Acquisition, subject to the following conditions:

No.	Conditions	Status of compliance
1.	RLEB and M&A Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Acquisition;	To be complied

<b>No.</b>	<b>Conditions</b>	<b>Status of compliance</b>
2.	RLEB and M&A Securities to inform Bursa Securities upon the completion of the Proposed Acquisition;	To be complied
3.	RLEB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is completed;	To be complied
4.	Compliance by RLEB with the public shareholding spread upon completion of the Proposed Acquisition. In this connection, M&A Securities is to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the Listing Requirements to Bursa Securities, prior to the allotment and issuance of the Consideration Shares;	To be complied
5.	RLEB to furnish Bursa Securities with a certified true copy of the resolutions passed by the shareholders in general meeting approving the Proposed Acquisition and Proposed Diversification; and	To be complied
6.	To incorporate Bursa Securities' comments in respect of the draft circular to shareholders.	Complied

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH DETAILS OF THE PROPOSALS, TO SET OUT OUR BOARD'S OPINION AND RECOMMENDATION IN RELATION TO THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT OUR COMPANY'S FORTHCOMING MEETING OF MEMBERS. THE NOTICE OF THE MEETING OF MEMBERS TOGETHER WITH THE FORM OF PROXY IS ENCLOSED WITH THIS CIRCULAR.**

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS AT THE FORTHCOMING MEETING OF MEMBERS.**

## **2. DETAILS OF THE PROPOSALS**

### **2.1 Proposed Acquisition**

The Proposed Acquisition involves the acquisition by RLEB of the Sale Shares, representing 51.0% equity interest in FESB from the Vendor for the 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.

#### **2.1.1 Mode of settlement of the Purchase Consideration**

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

- (i) Cash Consideration on the Completion Date; and

- (ii) Shares Consideration, of which:
  - (a) The Tranche 1 Shares Consideration shall be issued to the Vendor on the Completion Date; and
  - (b) The Tranche 2 Shares Consideration shall be issued to the Vendor upon FESB achieving the Profit Guarantee. The number of Consideration Shares 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 the Tranche 2 Shares Consideration. There will be no proposals announced which will give rise to any adjustments before the Unconditional Date.

Our 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 our 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) Profit Guarantee;
- (ii) Our Company's strategic rationale for the Proposed Acquisition which is to diversify into the RE business and related activities in Malaysia to enhance our income base, details of which are set out in Section 3; and
- (iii) The future prospects of FESB vis-à-vis the solar energy industry in Malaysia, details of which are set out in Section 4.2.

The Purchase Consideration represents an implied PE 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.

To substantiate the reasonableness of the Purchase Consideration, a comparative analysis was carried out to benchmark the PE Multiple implied by the Purchase Consideration against the PE multiple of selected comparable companies in similar industry and/ or business activities as FESB ("**Comparable Companies**"). The earnings multiple method of valuation is considered the most appropriate valuation method in ascribing the value of FESB as its operations is primarily in the supply of solar mounting system and provision of services for the installation of solar mounting system for solar PV projects.

The Comparable Companies are public listed companies in Malaysia involved in the provision and implementation of solar PV projects, which is broadly similar to FESB. Nonetheless, it is important to note that the Comparable Companies are by no means exhaustive and may differ from FESB in terms of, inter-alia, composition of business activities, scale of business operations, historical financial performance and track record, financial profiles, risk profile, future plans and prospects, capital structure and marketability of their securities. As such, it should be noted that any comparisons made with respect to the Comparable Companies are merely to provide a comparison to the implied valuation in order to assess the fairness of the Purchase Consideration.

The Comparable Companies and their principal activities are as follows:

<b>Comparable Companies</b>	<b>Principal activities</b>
Solarvest Holdings Berhad ("Solarvest")	Solarvest is principally a solar EPC contractor that specialises in solar PV systems for (i) residential, commercial and industrial properties and (ii) LSSPV plants. Its end-to-end solution covers the initial consultancy and feasibility to in-depth system designs and installation, procurement, project commissioning to project handover and supplemented by its operations and maintenance services that caters to all types of solar PV projects. In addition, it also owns a solar PV plant
Samaiden Group Berhad ("Samaiden")	Samaiden is principally involved in the EPC of solar PV systems and power plants. Its other business activities include provision of RE and environmental consulting services as well as operations and maintenance services
Pekat Group Berhad ("Pekat")	Pekat operates in 3 distinct business areas, namely (i) design, supply and installation of solar PV systems and power plants; (ii) supply and installation of earthing and lightning protection ("ELP") system for buildings, facilities and structures; and (iii) distribution of electrical products and accessories such as ELP products and accessories, solar PV related products, surge protection devices and aviation warning light systems

*(Source: Latest available audited annual report or prospectus of the Comparable Companies)*

The valuation statistics of the Comparable Companies using PE multiple are set out below:

<b>Name</b>	<b>Latest financial year</b>	<b><sup>(1)</sup>Market capitalisation (RM'000)</b>	<b>PAT (RM'000)</b>	<b><sup>(4)</sup>PE Multiple (times)</b>
Solarvest	31 March 2021	836,819	<sup>(2)</sup> 16,139	51.9
Samaiden	30 June 2020	319,200	7,229	44.2
Pekat	31 December 2020	<sup>(3)</sup> 206,390	13,576	15.2
			<b>Average</b>	<b>37.1</b>

*(Source: Bloomberg, latest available quarterly results or prospectus of the Comparable Companies)*

**Notes:**

- (1) Based on their closing price on LTD.
- (2) Based on its unaudited 12 months results.
- (3) Based on its issue/offer price pursuant to its initial public offering as its shares are not listed yet as at LTD.
- (4) Computed based on market capitalisation over PAT.

Based on the valuation statistics above, the implied PE multiple of FESB of 6.0 times is below the range of PE multiples accorded to the Comparable Companies of 15.2 to 51.9 times and is lower than the simple average PE multiple of 37.1 times.

Premised on the above, our Board is of the view that the Purchase Consideration from an earnings perspective is fair.

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

### **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. The theoretical ex-all price is calculated based on the 5D-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, and accounting for the exercise price of the Warrants of RM0.63 per Warrant. Based on the foregoing, our Board, after considering that the issue price of the Consideration Shares is a close approximation to the market price of the RLEB Shares (after adjusting for the Bonus Issue of Warrants), takes the view that the discount of approximately 1.6% is reasonable.

In relation to the theoretical ex-all price of RLEB Shares, our Company had on 1 April 2021 obtained its shareholders' approval for the Bonus Issue of Warrants. Subsequently, on 5 April 2021 and 9 April 2021, our Company fixed the exercise price of the Warrants at RM0.63 each and the entitlement date of the Bonus Issue of Warrants on 26 April 2021 respectively. The Shares Consideration will be issued after the entitlement date of the Bonus Issue of Warrants and as such, will not be entitled to the Warrants. The Bonus Issue of Warrants was completed on 6 May 2021.

The issue price of the Consideration Shares of RM0.70 each represents a premium of approximately 29.3% to the 5D-VWAMP of RLEB Shares up to and including LTD 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.

Bursa Securities has vide its letter dated 16 July 2021 approved 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 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 FESB by an independent auditor as may be jointly appointed by the Parties.

Our 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, 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. Solar Bina will transfer the Identified Business and Identified Assets into FESB, which is a result of the Vendor's track record, and is indicative of the achievability of the Profit Guarantee.

Please refer to Appendix I 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.

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

FESB and Solar Bina will enter into a Business and Asset Transfer Agreement for the transfer of the Identified Business and Identified Assets from Solar Bina into FESB for an agreed sum to be determined based on the net asset value of the Identified Business and Identified Assets as at a mutually agreed date between FESB and Solar Bina, following which FESB will be principally involved in the Identified Business. The Business and Asset Transfer Agreement is expected to complete on the day of agreement ("**Effective Date**") and pursuant to the agreement, Solar Bina will indemnify and hold FESB harmless from any fines or penalties imposed by any governmental or regulatory authority or any claims from any third party with respect to the Identified Assets prior to the Effective Date.

### **2.1.7 Background information of the Vendor and Solar Bina**

Lee Seng Chi, is a Malaysian aged 38 and is presently the sole shareholder and Chief Executive Officer / Managing Director of FESB. 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. The directors of Solar Bina are Lee Seng Chi and Maliki bin Mohd.

Solar Bina was incorporated in Malaysia on 8 May 2015. Solar Bina is involved in the Identified Business, in particular the supply of solar mounting system and provision of services for the installation of solar mounting system. Since its incorporation, Solar Bina has successfully completed 50MW 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 by FESB in the ordinary course of business.

There is also no additional material financial commitment required from our 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 of the Identified Business and Identified Assets of Solar Bina into FESB.

### **2.2 Proposed Diversification**

We are principally an investment holding company. Through our subsidiaries, our 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. Our 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 our Group's future net profit to be derived from FESB. For illustrative purposes, this is based on the audited consolidated PAT of RLEB Group for 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, our Board proposes to seek approval from the shareholders of RLEB to diversify our Group's existing businesses to include RE business and related activities. The Proposed Diversification will not require any additional financial resources apart from those committed under the Proposed Acquisition. Notwithstanding the Proposed Diversification, our Group intends to continue with its existing business activities.

#### **Key management**

Our Group has no prior experience in the RE business, and has therefore required Lee Seng Chi to enter into an executive service agreement with FESB which is a Condition Precedent. Upon completion of the Proposed Acquisition, Lee Seng Chi, as the Chief Executive Officer / Managing Director of FESB will spearhead the RE segment of RLEB Group together with the identified key senior management from Solar Bina which are part of the Identified Business. Our Board believes that these personnel have sufficient experience, management skills and attributes to develop and manage the Group's RE segment via FESB. The profile of Lee Seng Chi is set out in Section 2.1.7, and the profiles of the key senior management are as follows:

**Yong Chen Loon, Ray**, is a Malaysian aged 33. He holds a Bachelor degree in Mechanical & Manufacturing Engineering from Sheffield Hallam University, Sheffield, United Kingdom obtained in 2 October 2009.

Upon graduation in 2009, he joined Syarikat Ong Yoke Lin Sdn Bhd, an air conditioning & mechanical ventilation contractor as Service Engineer, where he was in charge of the company's air conditioning and ventilation refurbishment projects, building service and maintenance. He was involved in project management in terms of costing, project scheduling, designing, commissioning and gained exposure in the design, built and commissioning for various types of air conditioning system including chillers, air handling unit, fan coil unit, split unit, chilled/condenser water pump and ventilation equipment.

In 2013, he left Syarikat Ong Yoke Lin Sdn Bhd and joined RG Solarits Sdn Bhd, a solar company involved in system design and project execution as Operation Manager. During his tenure there, he was first involved in solar installation for residential properties before moving on to commercial projects where he gained exposure in the solar installation of various types of commercial properties.

In 2015, he left RG Solarits Sdn Bhd and joined Solar Bina as Project Manager where he was involved in the engineering aspects of solar mounting structure design, extrusion and fabrication besides project management. He was also tasked with the development of new racking design and moulding to suit the different types of building roof.

As part of the Proposed Acquisition, he will join FESB as Project Manager where he will be involved in the engineering aspects of solar mounting structure design, extrusion and fabrication besides project management.

**Maliki Bin Mohd**, is a Malaysian aged 36. He graduated from German-Malaysian Institute, with a Diploma in Industrial Electronic majoring in Instrumentation and Control in 2005.

He began his career with Micron (M) Sdn Bhd in 2005 as Production Supervisor where he was in charge of production planning, handling and supervision of the entire production team. In 2009, he was transferred to the project management team where he was involved in sales & marketing, project coordination, planning and project execution.

He ventured into the solar industry in 2011 when he was assigned to Million Micron Precision Sdn Bhd ("**MMPSB**"), a subsidiary of Micron (M) Sdn Bhd as Sales & Project Manager where he was responsible for sales tender, project execution and project costing. During his tenure there, he secured the largest 8MW feed-in tariff project in Malacca and 5MW solar rooftop project for a Malaysian airport.

In 2015, he left MMPSB to join Solar Bina as Sales Manager. He has led the company to secure a 60MW solar project in 2017, one of the largest solar farm projects under LSS 1. To-date, he has accumulated experience in undertaking more than 300MW of solar projects.

As part of the Proposed Acquisition, he will join FESB as Sales Manager.

At this juncture, our Board plans to pursue the RE business with only the current workforce. Nevertheless, our Board will also, from time to time, review the capabilities and resources needed for the RE business. Should the need arises, our Board will recruit additional personnel with the relevant experience, qualification and skills to support the business needs.

### **3. RATIONALE OF THE PROPOSALS**

The Proposed Acquisition represents an opportunity for our Group to venture into the RE industry and diversify our earnings base with an experienced partner. The Proposed Acquisition will also enable our Group to consolidate FESB's financial results and is in line with our Group's plans to reduce dependency on our existing businesses. Our Group's revenue contribution was solely derived from the oil & gas well services. As such, to mitigate our reliance on oil & gas well services moving forward, our Board is of the view that the Proposed Diversification will provide us with additional income stream and earnings growth.

Our Board is optimistic that the Proposed Acquisition would contribute positively to our Group's earnings after taking into consideration amongst others, the Vendor's track record in the RE industry via his wholly-owned Solar Bina from which the Identified Business and Identified Assets will be transferred into FESB, the Profit Guarantee and the prospects of FESB in the RE industry.

Our Board believes that the Proposed Acquisition is an attractive business proposition largely due to the positive prospects of the RE industry in Malaysia as set out in Section 4.2 of this Circular. Thus, the Proposed Acquisition is expected to provide our Group with a good long-term viable business with growth opportunity.

Premised on the above and also the positive outlook of the solar industry, as set out in Section 4.2 of this Circular, our Board believes that the diversification into RE industry, has favourable growth prospects and will be beneficial to our Group's future prospects buoyed by the growth in demand of RE when compared to other business ventures.

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

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

## **4. INDUSTRY OVERVIEW AND PROSPECTS**

### **4.1 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)*

Reinforced by the reopening of the economy in phases, growth is expected to improve gradually during the second half of the year, cushioning the significant contraction in the first half. Thus, Malaysia's gross domestic product is expected to contract by 4.5% in 2020, before rebounding between 6.5% and 7.5% in 2021.

*(Source: Economic Outlook 2021, Ministry of Finance Malaysia)*

## **4.2 Overview and prospects of the solar 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 38<sup>th</sup> 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. 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 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 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 was 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 29<sup>th</sup> 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:

<b>Initiative/Categories</b>	<b>Quota Allocation (MW)</b>	<b>Quota Opening Date</b>
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 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 RE.

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 totaling 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 198GW 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)*

### **4.3 Prospects of FESB**

Premised on the outlook of the RE industry as set out in Section 4.2, our 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 Malaysian Government's commitment.

Our Group plans to continue growing the business of FESB for the foreseeable future. As mentioned in Section 4.2 above, the LSS@MenTARI offers 1,000MW of solar quota from which FESB is looking to secure new projects. FESB did not participate directly in the bidding process for LSS@MenTARI but intends to secure EPCC contracts through tenders with project owners. The timeframe and any additional financial resources will be determined upon such time when projects are awarded to FESB. In addition to that, FESB is also continuously seeking new projects from the NEM initiatives introduced by the Malaysian Government. Based on the foregoing, our Group is optimistic of FESB's growth prospects in the solar PV industry.

*(Source: Management of RLEB)*

## **5. RISK FACTORS**

The non-exhaustive risk factors in relation to the Proposals are set out below. There can be no assurance that any changes in relation to the risk factors as described below will not have a material adverse effect on the business, operations and financial performance of the our Group.

### **5.1 Risks relating to the Proposals**

#### **5.1.1 Business diversification risk**

Pursuant to the Proposed Diversification, our Group's business is now subject to risks inherent in the RE industry. These include but not limited to, adverse changes in supply and demand conditions, outbreaks of diseases, fire or other natural disasters, adverse climate conditions, downturns in the global, regional and/ or national economies, changes in law and tax regulations, cost of equipment, availability of technical expertise, availability of financing and the existence of other alternatives in the RE industry.

There can be no assurance that our Group may be able to successfully mitigate the various risks inherent in the RE industry, and if unable to do so, the business operation and financial performance of our Group may be adversely affected. Nevertheless, our Group seeks to limit these risks, through, inter alia, conduct a periodic review of our business operations as well as implement prudent financial management to improve efficiency and ensure proper due diligence are implemented during the period between planning, construction and eventual delivery of projects.

#### **5.1.2 Transaction risk**

The completion of the Proposed Acquisition is conditional upon the fulfilment or the waiver (as the case may be) of all the Conditions Precedent of the SSA. There can be no assurance that such conditions will be satisfied within the timeframe stipulated in the SSA. In the event that the Conditions Precedents are not satisfied, the SSA will be terminated and the Proposed Acquisition will not be completed.

However, our Group 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.

#### **5.1.3 Investment risk**

The Proposed Acquisition is expected to be beneficial to our 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, our 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.

#### **5.1.4 Achievability of Profit Guarantee**

The Profit Guarantee is based on various bases and assumptions which our 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.

### **5.2 Risks relating to the operations of FESB**

#### **5.2.1 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 our 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. Our Group will adopt appropriate approaches, including incentives, remuneration packages as well as maintaining strong rapport and good relationships with them. Our Group will also identify key management with satisfactory performance and provide adequate remuneration package, which is in line with their effort made to retain their services. Although we plan to introduce the foregoing 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 key management of FESB to generate positive returns in FESB. However, to mitigate dependency on these key management over the long term, our Group plans to gradually introduce new staff to manage the RE business over the course of the existing key management's service agreement tenure.

#### **5.2.2 Competition risk with alternate RE**

FESB principally engages in projects for solar PV only, which face competition from other alternate RE such as biogas, biomass, small hydropower and geothermal resources. Such alternate RE may compete in terms of their power generation capacity and the pricing for initial installation and subsequent operations and maintenance. Although currently the Government has placed emphasis on solar energy via LSSPV programmes to encourage private sector to construct solar PV plant, there is no guarantee that moving forward, such initiatives will persist.

To mitigate the above risk, our Group will endeavor to take proactive measure to remain competitive in this business amongst others, constantly keeping abreast with the latest market conditions and news in order to maintain a competitive edge in terms of cost competitiveness and operational efficiency.

If alternative RE sources are able to offer a better viability prospects, FESB may lose the project as it has no technical expertise and knowledge on other alternate RE. Our Group will keep abreast with the latest regulations, policies and news to evaluate the viability of solar RE or the potential of pursuing alternate RE businesses.

### **5.2.3 We are dependent on government policies, incentives and supportive regulatory framework**

FESB is involved in the solar PV industry, which is subject to various laws, regulations and policies set by the government authorities relating to RE. While the Malaysian Government has set policies and support mechanisms for the RE industry, such policies and support may be modified or changed in the future.

We may be affected by any adverse changes in the government policies and support mechanisms relating to the solar PV industry. Introduction of new policies and/or reduction/elimination of support mechanisms may adversely affect the prospects of the solar PV industry.

Our Group seeks to limit the impact of such risk in its diversification by continuously monitor the changing regulatory environment and adopting business strategies in response to major developments in regulatory environments, as and when they arise in the future.

### **5.2.4 We are subject to changes in technology in the solar industry**

The RE industry is characterised by evolving technology standards that require improved features, such as more efficient power generation and improved aesthetics.

As a solar industry player, FESB must be abreast with the latest trend and technology in the solar industry so that it can propose the most cost effective and efficient solutions to its clients. FESB may lose its competitiveness if it fails to stay up to date with the latest technology which will then adversely affect its business.

To reduce the above risk, our Group will constantly keep abreast with the latest technologies available. Such market insights would take into consideration when our Group develops or upgrade the solutions to cater for market demand.

### **5.2.5 Implications of COVID-19 on FESB's business**

The recent outbreak of COVID-19 has negatively impacted economic conditions globally. As part of its efforts to tackle the COVID-19 pandemic, the Malaysian Government announced that all government and private premises except for those involved in essential services are to remain closed during the period that the MCO takes effect.

The RE sector such as solar energy is also inevitably affected by this pandemic, as a result of global supply constraints for PV modules and cells which will cause inevitable delay to the completion of RE projects. The extent of the impact of COVID-19 on our FESB's RE business (which will contribute to the results of our Group only upon completion of the Proposed Diversification) will depend on the length of time required for the recovery of the economic environment of globally.

Notwithstanding the above, our Board will continue to monitor the status and progress of COVID-19 and shall endeavour, to the extent possible, to review the performance and progress of our Group's operations and financial performance as well as introduce measures to minimise our operating costs where required.

## 6. EFFECTS OF THE PROPOSALS

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

### 6.1 Share capital

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

	<b>No. of RLEB Shares</b>	<b>Issued share capital</b>
Issued share capital as at LPD	285,000,000	45,082,060
To be issued pursuant to the Proposed Acquisition		
• On Completion Date <sup>(1)</sup>	5,445,000	3,811,500
• Upon meeting Profit Guarantee <sup>(2)</sup>	12,705,000	8,893,500
<b>Enlarged issued share capital</b>	<b>303,150,000</b>	<b>57,787,060</b>

#### Notes:

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

(2) After issuance of Tranche 2 Shares Consideration.

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## 6.2 Substantial shareholders' shareholdings

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

Substantial share-holders	As at LPD				After Proposed Acquisition						
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->				
	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	(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	(1)105,000,000	34.64	
Thien Chiet Chai	16,255,035	5.70	(1)105,000,000	36.84	16,255,035	5.60	(1)105,000,000	36.15	(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
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	(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
Eric Lim Swee Khoon	200,000	0.07	-	-	200,000	0.07	-	-	200,000	0.07	-
Siti Zurina Binti Sarudin	138,400	0.05	-	-	138,400	0.05	-	-	138,400	0.05	-
Lee Seng Chi	-	-	-	-	5,445,000	1.87	-	-	18,150,000	5.98	-
Public shareholders	120,348,122	42.23	-	-	120,348,122	41.44	-	-	120,348,122	39.70	-

### 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.

<sup>(5)</sup> After issuance of Tranche 2 Shares Consideration.

Premised on the above, we are expected to comply with the public spread requirement after the completion of the Proposals.

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### 6.3 NA and gearing

The pro forma effects of the Proposed Acquisition on the consolidated NA and gearing of our RLEB Group based on its latest audited financial statements as at FYE 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	
		After Tranche 1 Shares Consideration	After Tranche 2 Shares Consideration
		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	<sup>(1)</sup> 32,078	45,914
<b>Equity attributable to owners of the Company</b>	<b>62,767</b>	<b>66,079</b>	<b>88,808</b>
Non-controlling interest	(55)	(55)	(6,835)
<b>Total equity</b>	<b>62,712</b>	<b>66,024</b>	<b>81,973</b>
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	<sup>(2)</sup> 8,535	8,535
Gearing ratio (times)	0.14	0.13	0.10

#### Notes:

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

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## 6.4 Earnings and EPS

For illustrative purposes only, assuming the Proposals were completed from the onset of our FYE 31 December 2020, the pro forma effects of the Proposals on the consolidated results and EPS of our Group are as follows:

	FYE 31 December 2020	After Proposed Acquisition	
		After Tranche 1 Shares Consideration	After Tranche 2 Shares Consideration
		RM'000	
PAT of RLEB Group <sup>(1)</sup>	11,783	11,783	11,783
Accounting for effects of the Proposals:			
• Estimated expenses for the Proposals	-	(500)	(500)
• PAT of FESB <sup>(2)</sup>	-	6,918	6,918
Pro forma net profit for the financial year	11,783	18,201	18,201
Less: Minority interest	-	(3,390)	(3,390)
<b>PAT after minority interest</b>	<b>11,783</b>	<b>14,811</b>	<b>14,811</b>
No. of Shares ('000)	285,000	<sup>(3)</sup> 290,445	<sup>(4)</sup> 303,150
EPS (sen)	4.13	5.10	4.89

### Notes:

- (1) Based on the latest audited consolidated financial statements of RLEB Group for FYE 31 December 2020.
- (2) Being the annualised Profit Guarantee.
- (3) After the issuance of the 5,445,000 Tranche 1 Shares Consideration.
- (4) After the issuance of the 12,705,000 Tranche 2 Shares Consideration.

Overall, the Proposals are expected to contribute positively to the long-term future earnings of our Group. However, our EPS may be correspondingly diluted as a result of the increase in the number of shares arising from the Consideration Shares to be issued.

## 6.5 Convertible securities

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

## 6.6 Dividend

We currently do not have a dividend policy. Any dividend payment will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

## 7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of RLEB Shares as traded on Bursa Securities since its listing on the ACE Market are as follows:

	<b>High</b>	<b>Low</b>
	<b>RM</b>	<b>RM</b>
<b>2020</b>		
July	0.779	0.453
August	0.518	0.404
September	0.429	0.320
October	0.409	0.296
November	0.542	0.301
December	0.591	0.450
<b>2021</b>		
January	0.490	0.400
February	0.660	0.435
March	0.725	0.58
April	0.855	0.635
May	0.710	0.465
June	0.600	0.475
Last transacted market price on LTD		0.545
Last transacted market price on LPD		0.545

*(Source: M&A Securities)*

## 8. APPROVALS REQUIRED/OBTAINED

The Proposals are subject to the following:

- (i) approval-in-principle of Bursa Securities, which was obtained on 16 July 2021, 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 the forthcoming meeting of members of our Company.

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. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Rule 10.02(g) of the 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.

## **10. DIRECTORS' STATEMENT AND RECOMMENDATION**

Our Board having considered all aspects of the Proposals (including but not limited to the terms of SSA, the rationale and financial effects of the Proposals) is of the opinion that the Proposals are in the best interest of our Company. As such, our Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming meeting of members of our Company.

## **11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

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

## **12. TENTATIVE TIMETABLE**

Barring any unforeseen circumstances and subject to all relevant approvals obtained, the Proposals are expected to be completed by the fourth quarter of 2021.

The tentative timetable is as follows:

<b>Tentative timeline</b>	<b>Events</b>
11 August 2021	Meeting of members to approve the Proposals
Early October 2021	Unconditional Date of the SSA
Mid October 2021	Listing of the Tranche 1 Shares Consideration/ Completion of the SSA

## **13. OUTSTANDING CORPORATE EXERCISE ANNOUNCED BUT PENDING IMPLEMENTATION**

Save for the Proposals, there are no other corporate exercise announced but pending implementation.

## **14. MEETING OF MEMBERS**

The meeting of members, the notice of which is enclosed together with this Circular, will be conducted entirely on a fully virtual basis through live streaming and online remote voting at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657) on 11 August 2021 at 10.00 a.m., for the purpose of considering and, if thought fit, passing the resolutions so as to give effect to the Proposals.

If you are unable to attend and vote in person at the meeting of members, you may complete and return the relevant Form of Proxy in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of the Share Registrar of the Company, Boardroom Share Registrars Sdn Bhd at Ground Floor or 11<sup>th</sup> Floor, Menara Symphony, No.5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or by electronic means via Boardroom Smart Investor portal at <https://investor.boardroomlimited.com> not less than 48 hours before the time set for holding the meeting of members or at any adjournment thereof (i.e. 9 August 2021 at 10.00 a.m.). The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting of members should you subsequently wish to do so.

**15. FURTHER INFORMATION**

You are advised to refer to the appendix set out in this Circular for further information.

Please refer to the attached appendices for further information.

Yours faithfully,  
for and on behalf of the Board of Directors,  
**RESERVOIR LINK ENERGY BHD**

**DATUK TAI HEE**  
Non-Independent Non-Executive Chairman

**SALIENT TERMS OF THE SSA**

**1. Conditions precedent**

**(a) Conditions**

(i) 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.

Note: As the Proposals are inter-conditional, shareholders' approval for the Proposed Diversification is required as Conditions Precedent.

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**")

- (ii) The Parties undertake to procure the fulfilment of the Conditions Precedent that are applicable to them within the Conditional Period.
- (iii) RLEB may at its sole discretion at any time waive in whole or in part and conditionally or unconditionally any of the Conditions Precedent.

**(b) 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.

**(c) 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.

**(d) 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.

**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.

Note: The Vendor is mainly required to fulfil the Condition Precedent relating to external parties obtaining the Consent from Financiers, which still allows for completion under Clause 1(d) in the event of non-fulfilment whereas the other Conditions Precedent to be fulfilled by the Vendor are within the Vendor's control. Additionally, the Purchaser was also not required to pay any deposit for the Proposed Acquisition. As such, no specific provisions nor penalties were sought in relation to the Vendor's non-fulfilment of Conditions Precedent.

- (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. 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.
- (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.

## **APPENDIX I**

- (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.

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## FURTHER INFORMATION ON FESB

### 1. BUSINESS OVERVIEW OF FESB

FESB is a special purpose vehicle incorporated by the Vendor in Malaysia on 13 April 2021 for the purpose of the Parties' joint co-operation to undertake solar RE projects in Malaysia following the execution of the Term Sheet.

As at LPD, FESB's issued share capital is RM100,000 comprising 100,000 ordinary shares, all of which are held by Lee Seng Chi, who is also its Chief Executive Officer / Managing Director and sole Director. There are no outstanding warrants, options, convertible securities or uncalled capital in FESB. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of consideration for any allotment.

Pursuant to the Proposed Acquisition, Lee Seng Chi, the sole shareholder of Solar Bina will transfer the Identified Business and Identified Assets to FESB which was incorporated for the purpose of the Proposed Acquisition. FESB and Solar Bina will enter into a Business and Asset Transfer Agreement for the transfer of the Identified Business and Identified Assets from Solar Bina into FESB for an agreed sum to be determined based on the net asset value of the Identified Business and Identified Assets as at a mutually agreed date between FESB and Solar Bina. As such, FESB will be principally involved in the Identified Business, more specifically in the supply of solar mounting system and provision of services for the installation of solar mounting system. A solar mounting system employs solar photovoltaic panels installed on the ground and roof in large scale solar PV farms or solar parks, smaller scale commercial solar PV power plants, and residential or commercial solar PV projects respectively.

Solar Bina is the appointed distributor of Xiamen Solar First Energy Technology Co. Ltd ("**Xiamen Solar**") and owns the distribution rights of solar mounting system manufactured in Malaysia under a distribution agreement signed between Xiamen Solar and Solar Bina on 1 January 2020 ("**Distribution Agreement**") for a term of 5 years from the date of the Distribution Agreement which may be automatically renewed for a term of 1 year by mutual agreement not later than 3 months prior to the expiry of the Distribution Agreement. Xiamen Solar is currently the sole supplier of solar mounting systems to FESB. On 1 June 2021, FESB, Solar Bina and Xiamen Solar entered into a novation agreement for the novation of all the rights and obligations of Solar Bina under the Distribution Agreement to FESB.

FESB commenced business operations on 15 April 2021, and its principal market is in Malaysia only. As at LPD, Solar Bina's on-going projects in relation to the Identified Business, which is to be transferred into FESB, is as follows:

<b>Date of contract</b>	<b>Project awarder</b>	<b>Scope of works</b>	<b>Contract value (RM'000)</b>	<b>Expected commencement date/ Completion date</b>
12 May 2021	Solar Bina	Supply and delivery of aluminium ground mounting structure	20,498	August 2021 / September 2021
7 May 2021	Mattan Engineering Sdn Bhd	Sub-contract works of alternative current work installation in respect of the design, engineering and construction, installation and commissioning works of rooftop PV solar energy system for Hartalega NGC Sdn Bhd	1,039	31 May 2021 / 30 July 2021

14 April 2021	Samaiden Sdn Bhd	Sub-contract works for part WP3 - piling, mechanical and photovoltaic installation works in respect of the development of a 100MWAC large scale solar PV plant over the land held under PN257319, Lot 9089, Mukim Beriah, Daerah Kerian, Perak Darul Ridzuan	2,772	15 April 2021 / 29 July 2021
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As at LPD, FESB does not have any subsidiary or associated company.

The key assets to be transferred to FESB under the Identified Assets mainly comprise 12 units of solar ramming machines, age ranging from 1 year and 4 months to 4 years and 1 month, which are used in the Identified Business.

## **2. MATERIAL CONTRACTS**

Save as disclosed below, as at LPD, FESB has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the 2 years immediately preceding the date of this Circular:

- (i) Novation agreement dated 1 June 2021 between Solar Bina, Xiamen Solar and FESB for the novation of all the rights and obligations of Solar Bina under the Distribution Agreement to FESB.

## **3. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at LPD, FESB is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Director of FESB has no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of FESB.

## **4. MATERIAL COMMITMENTS**

As at LPD, there are no material commitments incurred or known to be incurred by FESB that is likely to have an impact on FESB's profits or NA upon becoming enforceable.

## **5. CONTINGENT LIABILITIES**

As at LPD, there are no contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have an impact on FESB's profits or NA.

**FURTHER INFORMATION**

**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by our Board, and the Directors collectively individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement misleading.

**2. CONSENTS AND DECLARATION OF CONFLICT OF INTERESTS**

**Consent**

M&A Securities has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereon in the form and context in which they appear in this Circular.

**Conflict of interest**

M&A Securities is not aware of any conflict of interest that exists or is likely to exist in its capacity as the Adviser to RLEB in relation to the Proposals.

**3. MATERIAL LITIGATION**

As at LPD, neither RLEB nor its subsidiaries are engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and to the best of our Board's knowledge and belief, our Board is not aware of any proceeding, pending or threatened against the RLEB Group or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the RLEB Group.

**4. MATERIAL COMMITMENTS**

As at LPD, save as disclosed below, there are no material commitments incurred or known to be incurred by our Group that is likely to have an impact on our profits or NA upon becoming enforceable:

	<u>RM'000</u>
<b>Approved and contracted for:</b>	
Purchase of well testing equipment	<u>2,660</u>
<b>Approved but not contracted for:</b>	
Purchase of well testing equipment	<u>2,471</u>

**5. CONTINGENT LIABILITIES**

As at LPD, save as disclosed below, there are no contingent liabilities, incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material impact on the ability of our Group to meet its obligations as and when they fall due.

	<u>RM'000</u>
Bank guarantee relating to performance guarantee provided to our Group's customers	6,793
Bank guarantee for tenancy agreement	<u>86</u>
	<u><b>6,879</b></u>

The bank guarantees are given to our subsidiaries namely Reservoir Link Sdn Bhd and Reservoir Link Solutions Sdn Bhd.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at E289 1<sup>st</sup> Floor, Block E iCom Square, Jalan Pending, 93450 Kuching, Sarawak during normal business hours (except public holidays) from the date of this Circular up to and including the date of the meeting of members:

- (i) Constitution of our Company and FESB;
- (ii) Audited consolidated financial statements of our Group for FYE 31 December 2019 and 2020 and the latest unaudited consolidated financial statements of our Group for the 3 months FPE 31 March 2021;
- (iii) Letter of consent and declaration of conflict of interest as referred to in Section 2 of this Appendix; and
- (iv) The SSA and the material contracts referred to in Section 2 of Appendix II.



## **RESERVOIR LINK ENERGY BHD**

(Registration No. 201401044508 (1120690-K))  
(Incorporated in Malaysia)

### **NOTICE OF MEETING OF MEMBERS**

**NOTICE IS HEREBY GIVEN** that the meeting of members of Reservoir Link Energy Bhd ("**RLEB**" or "**the Company**") will be conducted entirely on a fully virtual basis through live streaming and online remote voting via online meeting platform at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657) on Wednesday, 11 August 2021 at 10.00 a.m., for the purpose of considering and if thought fit, passing with or without modifications the following resolutions:

#### **ORDINARY RESOLUTION 1**

#### **PROPOSED ACQUISITION OF 51% EQUITY INTEREST IN FOUNDER ENERGY SDN BHD ("FESB") FROM LEE SENG CHI ("VENDOR") 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")**

**"THAT** subject to the passing of Ordinary Resolution 2 and the approvals of all relevant authorities and/or persons being obtained, approval be and is hereby given for RLEB to acquire such number of ordinary shares representing 51% 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, subject to and upon such terms and conditions as set out in the conditional share sale agreement dated 11 June 2021 entered into between the Company and the Vendor ("**SSA**") for the Proposed Acquisition.

**THAT**, approval be and is hereby given to the Directors of the Company to issue and allot 18,150,000 new RLEB Shares at an issue price of RM0.70 each ("**Consideration Shares**") credited as fully paid-up upon such terms and conditions as set out in the SSA.

**THAT**, such Consideration Shares shall, upon issuance and allotment, rank equally in all respects with the existing RLEB Shares, except that the Consideration Shares shall not be entitled to any dividends, rights, allotments and/or any other forms of distributions, which may be declared, made or paid, for which the entitlement date is prior to the date of issuance and allotment of the Consideration Shares.

**AND THAT** the Directors of the Company be and are authorised to do all acts, deeds and things and execute all documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Acquisition with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Acquisition."

## ORDINARY RESOLUTION 2

### PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF THE COMPANY AND ITS SUBSIDIARIES TO INCLUDE RENEWABLE ENERGY BUSINESS AND RELATED ACTIVITIES ("PROPOSED DIVERSIFICATION")

"**THAT**, subject to the passing of Ordinary Resolution 1, the provisions of the Constitution of the Company, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Listing Requirements**") and the approvals of all relevant authorities (if any), approval be and is hereby given to the Company to diversify the existing principal activities of RLEB Group to include renewable energy business and related activities, which might reasonably be expected to result in:

(i) the diversion of 25% or more of the net assets of the Company to an operation which differs widely from those operations previously carried on by the Company; or

(ii) the contribution from such an operation of 25% or more of the net profits of the Company,

pursuant to Rule 10.13 of the Listing Requirements.

**AND THAT** the Directors of the Company be and are authorised to do all acts, deeds and things and execute all documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Diversification with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Diversification."

#### BY ORDER OF THE BOARD

**PAULINE KON SUK KHIM (SSM Practicing Certificate No. 202008001607)  
(MAICSA Member No.: 7014905)**

Company Secretary

Kuala Lumpur  
26 July 2021

#### Notes:

- (i) *As part of the safety measures to curb the spread of the Coronavirus outbreak, the Company will conduct the meeting of members entirely on a fully virtual basis through live streaming and online remote voting at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657). **Please read these Notes carefully and follow the Procedures in the Administrative Guide for the Meeting of Members in order to participate remotely.***
- (ii) *The Securities Commission Malaysia had on 16 July 2021, revised the Guidance Note and Frequently Asked Questions ("FAQ") on the conduct of General Meetings for Listed Issuers which was originally issued on 18 April 2020 ("the Revised Guidance Note and FAQ") to require all meeting participants of a fully virtual general meeting including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online. Physical gatherings no matter how small are prohibited. According to the Revised Guidance Note and FAQ, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 provided that the online platform is located in Malaysia..*
- (iii) *In respect of deposited securities, only members whose names appear on the Record of Depositors on 4 August 2021 (meeting of members Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his (her) behalf.*

- (iv) A member [other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991] entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.
- (v) Where a member appoints two (2) proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) shareholdings to be represented by each proxy.
- (vi) Where a member of the Company is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- (vii) Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it is entitled to appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where an Authorised Nominee appoints two (2) proxies to attend and vote at the meeting of members, the proportion of shareholdings to be represented by each proxy must be specified in the proxy form, failing which, the appointment shall be invalid.
- (viii) The proxy form shall be in writing, executed by or on behalf of the appointer or his (her) attorney duly authorised in writing or, if the appointer is a corporation, either be executed under its common seal or by its duly authorised attorney or officer.
- (ix) The proxy form and the power of attorney or other authority, if any, under which it is signed or a duly notarised copy of that power or authority must be deposited to the Company's Share Registrar office at Ground Floor or 11<sup>th</sup> Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor or by electronic means via Boardroom Smart Investor portal at <https://investor.boardroomlimited.com> not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof. **Please follow the procedures as stipulated in the Administrative Details for the Meeting in order to register, participate and vote virtually.** Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the meeting of members or adjourned meeting of members.
- (x) Pursuant to Rule 8.29A(1) of the ACE Market Listing Requirements of Bursa Securities, all the resolutions set out in the Notice of the meeting of members will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

#### **Personal Data Privacy:**

By submitting proxy form(s) appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the meeting of members and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the meeting of members (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the meeting of members (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



**RESERVOIR LINK ENERGY BHD**

(Registration No. 201401044508 (1120690-K))  
(Incorporated in Malaysia)

**FORM OF PROXY**

No. of shares held	CDS Account no.
Telephone no.	Email address

\*I/We \_\_\_\_\_ NRIC/Passport no./Registration no. \_\_\_\_\_  
of \_\_\_\_\_  
being a \*member/members of RESERVOIR LINK ENERGY BHD, hereby appoint:

(1) Name of proxy : \_\_\_\_\_ NRIC/Passport no. : \_\_\_\_\_  
Address : \_\_\_\_\_

Email address : \_\_\_\_\_ Telephone no. : \_\_\_\_\_

(2) Name of proxy : \_\_\_\_\_ NRIC/Passport no. : \_\_\_\_\_  
Address : \_\_\_\_\_

Email address : \_\_\_\_\_ Telephone no. : \_\_\_\_\_

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the meeting of members of the Company to be conducted entirely on fully virtual basis through live streaming and online remote voting at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC - D6A357657) on Wednesday, 11 August 2021 at 10.00 a.m. and at any adjournment thereof in respect of my/our shareholding in the manner indicated below:

Please indicate with a "x" in the spaces provided whether you wish your votes to be cast for or against the resolution. In the absence of specific instructions, your proxy will vote or abstain as he/she thinks fit.

No.	Ordinary Resolution	For	Against
1.	Proposed Acquisition		
2.	Proposed Diversification		



Dated this \_\_\_\_ day of \_\_\_\_\_ 2021

**For appointment of two proxies, percentage of shareholdings to be represented by the proxies:**

	No. of shares	Percentage (%)
Proxy 1		
Proxy 2		
<b>Total</b>		<b>100</b>

\_\_\_\_\_  
Signature/Seal

*\* Strike out whichever is not applicable*

**Notes:**

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- (iv) *A member [other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991] entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.*
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(x) Pursuant to Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Securities, all the resolutions set out in the Notice of the meeting of members will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

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Fold this flap for sealing

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AFFIX  
STAMP

**BOARDROOM SHARE REGISTRARS SDN BHD  
THE SHARE REGISTRAR OF**

**RESERVOIR LINK ENERGY BHD**  
(Registration No. 201401044508 (1120690-K))  
(Incorporated in Malaysia)

Ground Floor or 11<sup>th</sup> Floor, Menara Symphony  
No.5, Jalan Prof. Khoo Kay Kim  
Seksyen 13  
46200 Petaling Jaya  
Selangor Darul Ehsan

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