

## **DPS RESOURCES BERHAD (“DPS” OR “COMPANY”)**

### **PROPOSED JOINT VENTURE BETWEEN DPS ENERGY SDN BHD (“DPSE” OR THE “DEVELOPER”) A WHOLLY-OWNED SUBSIDIARY OF DPS AND MUTIARA MAHAJUTA SDN BHD (REPRESENTING A GROUP OF INDIVIDUAL LANDOWNERS) (“MUTIARA” OR THE “LANDOWNER”) FOR AGRO-TOURISM, CROPS, BIO-FARM, RENEWABLE ENERGY, SOLAR FARM AND AQUA-PHONICS IN THE STATE OF MELAKA (“PROPOSED JV”)**

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#### **1. INTRODUCTION**

The Board of Directors of DPS (“**Board**”) wishes to announce that DPSE, a wholly-owned subsidiary of DPS, had on 15 November 2023 entered into a Joint Venture Agreement (“**JVA**”) with Mutiara Mahajuta Sdn Bhd, a company limited in shares has been granted by the landowners of the land (the “**Individual Landowners**”) located in Mukim of Bukit Apit II, Daerah Alor Gajah, State of Melaka measuring in an area of approximately 190.09 acres. (“**Land**”) being the right to do the agro-tourism, crops, bio-farm, renewable energy, solar farm, aqua-phonics.

##### **1.1 Information on DPSE**

DPSE was incorporated on 4 October 2023 in Malaysia under Companies Act, 2016. DPSE is principally engaged in carrying on business of green energy and engineering works services provider with principal place of business at Lot 76 & 77, Kawasan Perindustrian Bukit Rambai, 75250 Melaka.

DPSE has an issued and paid-up share capital of RM10.00 comprising 10 ordinary shares. The directors of DPSE are Tan Sri (Dr) Sow Chin Chuan, Eugene Sow Chuan Sheng and Tay Wee Kee. DPS is the sole shareholder of DPSE.

##### **1.2 Information on Mutiara**

Mutiara was incorporated in Malaysia on 5 May 2021 under the Companies Act, 2016. Mutiara is principally engaged in activities of property development and contract services, with principal place of business at No. 5-1, Jalan Pokok Mangga, Pekan Klebang, 75200 Melaka.

Mutiara has an issued and paid-up share capital of RM1,500,000.00 comprising 1,500,000 ordinary shares. The directors of Mutiara are Datuk Omar Bin Yusof and Encik Abdul Razak Bin Manap.

#### **2. DETAILS OF THE PROPOSED JV**

##### **2.1 Mutiara’s Land Rights**

Mutiara has entered into collaborative agreements with the Individual Landowners for long-term 2 phase development of the Land (“**Project**”) for initial tenure of thirty (30) years (“**Initial Tenure**”), with an option to extend for an additional fifteen (15) years (“**Extended Tenure**”).

Under Phase I, Mutiara is granted the right to plant oil palm cultivation, rubber trees, fruit trees (“agro tourism”, “crops”, “bio-farm”, “renewable energy”, “solar farm”, “aqua-phonics”), high quality forest trees with higher yields (e.g. paulownia, euclaptus, etc.) and any other farms / crops suitable for the soil. Under Phase II, Mutiara is granted the right to develop a mixed development consisting of residential, commercial and/or industrial on the Land.

## 2.2 Details of the JVA

Both DPSE and Mutiara (collectively referred to as “the **Parties**”) are desirous of combining their skills, expertise, experience, capabilities and resources to do the agro-tourism, crops, bio-farm, renewable energy, solar farm, aqua-phonics. Accordingly, the Parties have agreed to set forth between themselves in regard to the unincorporated joint collaboration and development of the Project upon the terms and conditions as stipulated in the JVA.

## 2.3 Information of the Land

Details of the Land are as follows:

<b>Encumbrances</b>	: Free from encumbrances
<b>Aggregate land area</b>	: 190.09 acres
<b>Tenure</b>	: Malacca Customary Land / Leasehold Land (“ <b>MCL</b> ”) Land
<b>Existing use</b>	: Agriculture
<b>Proposed use</b>	: Agro-tourism, crops, bio-farm, renewable energy, solar farm, aqua-phonics
<b>Category of land use</b>	: Agriculture

## 2.4 Salient terms of the JVA

**Duration of the Project** : The parties have agreed that the Project on the said Land shall be carried out for a period of 21 – 25 years with DPSE shall have the liberty of the first right of refusal to continue with the solar farm or to the mix development. All the terms and conditions to be determined during the renewal stage and/or a separate agreement to be signed.

**Commencement** : Upon the execution of the JVA, within six (6) months DPSE to do all the necessary feasibility study including the survey of the lands, pre-consult of the relevant authorities on the licensing.

If within six (6) months the necessary preliminary works are unable to complete, an extension of time shall be given to DPSE to complete this works.

After conducting the feasibility study, if the feasibility study concludes that solar energy is not viable for the designated area, DPSE shall inform Mutiara by notice of termination within fourteen (14) days and the earnest deposit shall be non-refundable and no further claims against each other.

**Allocation of Profits / Landowners entitlement**

: Solar Energy

The Parties agreed that DPSE shall be responsible for undertaking the Project and/or the Business as the case may be. The Parties have also agreed that the revenue of the net profits shall be distributed between the Parties in the following proportion:-.

(i) **MUTIARA** shall be entitled to **Thirty-five per centum (35%)** of the total net profits which is collected for and on behalf of the Landowners. For the avoidance of doubt, Mutiara shall ensure all entitlement to the Landowner paid and received under this Agreement from DPSE, shall be forwarded accordingly and shall keep DPSE harmless against any claims, demands or legal proceedings, suits etc and DPSE shall not be held responsible for any arrangements made between the Mutiara and the Landowners. Mutiara shall undertake and irrevocably jointly severally guarantee to compensate DPSE should any claims, demands or legal proceedings, suits etc, be initiated by the Landowners for whatever reason not due to or caused by DPSE but due to Mutiara's breaches its obligations under this Agreement towards its Landlords, or failure, refusal, or neglect to forward the relevant entitlement to the Landowners. All the money paid to Mutiara under this Agreement shall constitute a good discharge for the DPSE of its obligations under this Agreement.

(ii) **DPSE** shall be entitled to **Sixty-five per centum (65%)** of the total net profits.

**Cost**

: (iii) All cost incurred in respect of the said Project including but not limited to the funding costs, premium payable to the Local Authorities, State Government, payments to the relevant Departments, machineries, diesel, workmen wages, transport charges, tax, including the Landowners entitlement etc shall form part of the operation cost and expenses of the said Project.

(iv) DPSE shall borne all cost incurred for the said Project and the costs incurred shall be deductible from the proceeds of sale of the said Project.

**Consideration**

: (a) In consideration of DPSE's participation in this joint venture exercise, DPSE shall pay the earnest deposit of RM200,000.00 to Mutiara upon the execution of the JVA.

## **2.5 Basis and justification for the Mutiara's Entitlement**

The Mutiara's Entitlement is justified after taking into consideration the following:

- (i)
- (ii) The MCL / leasehold status of the Land;
- (iii) The costs and returns of 21-25 years with DPSE shall have the liberty of the first right of refusal to continue on with the solar farm or to the mixed development.
- (iv) Future potential development value of Land after 30 years
- (v) The services rendered and/or to be rendered in relation to liaison with Individual Landowners and potential future Individual Landowner participants (to enlarge the Land); and
- (vi) The rationale as stated in Section 3 of this Announcement.

Based on the above, Board is of the view that the Landowner's Entitlement is deemed fair and reasonable.

## **2.6 Source of funding**

DPS intends to collaborate with potential partners and investors to fund the Project via with the combination of internally generated funds and/or bank borrowings, the exact quantum of which will be determined by the Board at a later stage depending on the cost of funding and cash requirements of its business operations.

## **2.7 Liabilities to be assumed**

Save for the obligations and liabilities in and arising from, pursuant to or in connection with the JVA, there are no other liabilities, including contingent liabilities and guarantees, to be assumed by DPS.

## **2.8 DPSE's roles and responsibilities**

- (i) DPSE shall be responsible to do the agro tourism, crops, bio-farm, renewable energy, solar farm, aqua-phonics.
- (ii) DPSE shall from time to time with the assistance Mutiara do all acts necessary to apply for, obtain and procure the approvals and licenses from the relevant authorities, as may be necessary for the Project.
- (iii) **DPSE** shall be entitled to collaborate with any potential partners/ investors or nominees to do this Project. DPSE and/or its potential partners / investors/ nominee(s) shall be responsible to the performance of the said Project works.
- (iv) In the event after six (6) months when the feasibility study is completed and the feasibility study shows that this project is viable, DPSE shall pay the deposit to Mutiara provided that the deposit amount shall not exceed RM20,000 per acre.

## **2.9 Mutiara's roles and responsibilities**

- (i) Mutiara shall contribute and surrender the said Land for the Project free from any encumbrances
- (ii) Mutiara shall be responsible to handle, to manage and to resolve all issues whatsoever, relating to the title or ownership issues of the said Land that may arise throughout the whole duration of the Project.

- (iii) Mutiara being the party to the agreement with the Landowners shall be responsible and to assist DPSE to do all necessary acts to apply for, obtain and procure the approvals and/or licenses from the relevant authorities from time to time, as may be necessary for the Project.
- (iv) Mutiara shall grant exclusive rights to DPSE in the performance of the said Project works.
- (v) Mutiara may assign or authorise to DPSE / DPSE's potential partners, investors, and/ or its nominees to assign any of Mutiara's rights, interest, benefits under the JVA or otherwise part with the possession of the whole or any part of the said Land in any manner whatsoever pursuant to the provisions of any statute, rule, order, regulation, or by-law applicable thereto and Integrated shall comply with the conditions thereof.

### **3. RATIONALE OF THE PROPOSED JV**

The Project is expected to gear up the future earnings and financial stability of the Company. The Project is strategically located and is accessible within 20 minutes to the Simpang Ampat Highway to Kuala Lumpur, 15 minutes' drive to Alor Gajah, 15 minutes' drive to Taman Cheng and 15-20 minutes' drive to Malacca Town. The land is also situated near the main road side with green environment and surrounded with natural landscape.

The total available land area in the vicinity is approximately 190.09 acres, of which the Group has secured approximately 190.09 acres to date.

As the Land will take many years to develop, the Parties are desirous of establishing sustainable green energy with aquaponics solar farm on the Land. The Land has good sunlight exposure and ready tapping points for setting up a solar, coupled with readily available connections to Malacca Town and PLUS Expressway. The Parties shall be combining their skills, expertise, experience, capabilities and resources to ensure a profitable Project.

The Proposed JV represents a strategic opportunity for the Group to increase its sustainable revenue. From an Environmental, Social and Governance ("ESG") perspective, the Project is expected to generate clean energy, create work and entrepreneurship opportunities, contribute to national food security and reduce the Group's carbon footprint. This planning is subject to the relevant authority approval.

Moving forward, DPS intends to seek further opportunities in the green energy business opportunities. Barring any unforeseen circumstances, the Board believes that the Proposed JV will potentially contribute positively to the Group's future earnings.

### **4. THE PROSPECTS AND RISK FACTORS OF THE PROPOSED JV**

#### **4.1 Outlook and Prospects**

##### **Malaysia Green Energy Market**

The Malaysia Renewable Energy Market size is expected to grow from 9.68 gigawatt in 2023 to 12.04 gigawatt by 2028, at a CAGR of 4.45% during the forecast period (2023-2028).

The spread of COVID-19 hurt the market because investments dropped and some regions had to

close down. Currently, the market has rebounded from pre-pandemic levels.

- During the period covered by the forecast, the market is likely to be driven by things like more investments and the country's efforts to switch from fossil fuels to renewable energy as a source of power. The government of Malaysia has also put in place policies and incentives to help solar energy grow, which is expected to drive the market even more.
- However, on the other hand, factors such as the rising adoption of alternate clean power sources, such as gas-fired power plants and nuclear energy projects, are likely to hinder the market's growth during the study period.
- Malaysia is aiming to install 9 GW of solar energy capacity by 2050. Therefore, the country's ambitious solar energy targets and business models such as solar leasing are expected to create significant opportunities in the near future.

(Source: *Press Release Malaysia Renewable Energy Market Size*, <https://www.mordorintelligence.com/industry-reports/malaysia-renewable-energy-market/market-size>)

### **Melaka Green Energy Market**

The state government is committed to intensifying efforts to promote the use of green energy among its people, said state Housing, Local Government, Drainage, Climate Change and Disaster Management Committee chairman Datuk Rais Yasin. He said this was in line with the federal government's commitment as announced under Budget 2024 by Prime Minister Datuk Seri Anwar Ibrahim yesterday regarding climate change and green technology.

Rais said various initiatives implemented at both the federal and state levels to preserve green technology, including allocating funds, would greatly benefit the community.

"For example, the Net Energy Metering (NEM) project will be continued until the end of 2024. So, through the Green Technology Corporation, I will ensure that this programme is implemented efficiently. In the meantime, we will double efforts to encourage homeowners to switch to using solar energy in their homes," he added.

(Source: *Press Release Bernama*, 14 October 2023, <http://energy.bernama.com/news.php?id=2234975>)

#### **4.2.1 Feasibility of the Group's Solar**

The potential risks are that the solar energy to Sustainable Energy Development Authority (SEDA) Malaysia may be outpriced by its competitors or may be too low to generate sustainable earnings for the Group. Further, the Parties may also face implementation risks (eg. supply chain disruptions, price volatility, foreign exchange swings etc.) once the bid has been won which is in the past. Now, under the current Madani Government have announced that the supplier of the green energy is allowed to see their customers through TNB

To mitigate these risks, the Group shall collaborate with selected engineering, procurement, construction and commissioning (EPCC) partner(s) which possess the required technical expertise and track record on long-term basis to ensure success of the Project.

#### **4.2.3 Inherent risk**

Once the Group exercises the option to activate this Project, this Project would subject the Group to risks inherent in the renewable green energy. Nonetheless,

the Group will take measures to mitigate the above potential downside risks by closely monitoring progress of the project, in order to minimize impact to the Group.

## **5. FINANCIAL EFFECTS OF THE PROPOSED JV**

### **5.1 Issued share capital and substantial shareholders' shareholdings**

The Proposed JV will not have any effect on the issued share capital and substantial shareholders' shareholdings in the Company as it will not involve any issuance of new shares.

### **5.2 Earnings and earnings per share**

The Group is expected to benefit from potential growth in the future which will contribute positively to the earnings and EPS of the Group in the future financial years as and when the green energy is sold.

### **5.3 Net asset ("NA") per share and gearing**

Barring any unforeseen circumstances, the Proposed JV is expected not to have any immediate material effect on the NA and gearing of the Group.

However, the future NA and/or gearing of the Group will depend on the manner of funding for the Project and/or other future development projects, if any, as well as the future profit contribution arising from the Project and/or such other future development projects, as and when developed.

## **6. APPROVAL REQUIRED**

The Proposed JV is in the ordinary course of business of DPS and its subsidiaries and the settlement of the Landowner's Entitlement does not involve the issuance of new DPS Shares to the Mutiara or Individual Landowners.

Hence, the Proposed JV is not subject to the approval of the shareholders of DPS.

## **7. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

None of the Directors and/or major shareholders and persons connected with the Directors and/or major shareholders of the Company have any direct or indirect interest in the Proposed JV.

## **8. STATEMENT BY THE BOARD OF DIRECTORS**

The Board of Directors of DPS, after having considered the relevant aspects of the Proposed JV to which includes but not limited to the terms of the Proposed JV, rationale and prospects, is of the opinion that the Proposed JV is in the best interest of the Company.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the JVA dated 15 November 2023 are available for inspection at the registered office of the Company at Unit No. EL-11-01, Amcorp Business Suite, Menara Melawangi, Pusat Perdagangan Amcorp, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor, during normal business hours from Mondays to Fridays (except for public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 15 November 2023.