

MIRACH ENERGY LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200305397E)

**ENTRY INTO THE SHARE SALE AGREEMENT IN RELATION TO THE PROPOSED INVESTMENT
IN RELATION TO THE ACQUISITION OF 70% EQUITY INTEREST IN RCL KELSTAR SDN BHD**

Unless otherwise defined, all terms used herein shall bear the same meaning as in Mirach Energy Limited's (the "Company") circular dated 12 June 2018 ("Circular").

Further to the Company's announcements made on 13 February, 22 March, 6 June and 6 July 2018 and the Company's Circular in relation to the Proposed Investment, the Directors of the Company is pleased to announce that the Company's wholly-owned subsidiary, CPHL (HK) Limited ("**CPHL**") has on 18 July 2018 entered into a conditional share sale agreement (the "**SSA**") with Kho Ah Tee and Lee Lip Khang (the "**Vendors**"), in relation to the acquisition of an aggregate 700,000 ordinary shares ("**RCL Sale Shares**") of RCL Kelstar Sdn. Bhd. ("**RCL**") representing 70% equity interests in RCL.

1. THE PROPOSED INVESTMENT

- 1.1 RCL is a company that specialises in the business of timber and logging, cultivation, agriculture and plantation management and was set up as the special purpose vehicle for the Project.
- 1.2 There are two shareholders and two directors of RCL namely, Dato' Kho Ah Tee and Mr. Lee Lip Khang. Dato' Kho Ah Tee has more than 30 years' experience in logging, forest tree plantation and saw milling businesses and Mr Lee has more than 18 years' experience in forest tree plantation, investment development etc.
- 1.3 RCL has secured the right to jointly undertake the Project and the Proposed Investment provides the Company with the potential opportunity to participate in the Project.

For more details on the Proposed Investment, the Project and the background information of the Vendors, please refer to the Section 3.1 of the Circular.

2. PRINCIPAL TERMS OF THE SSA

Purchase Consideration

- 2.1 Pursuant to the SSA, the Vendors shall sell and CPHL shall purchase the RCL Sale Shares at aggregate investment value of RM21,000,000 (approximately S\$7,068,453) ("**Purchase Consideration**"). Payment of the Purchase Consideration shall be paid to the Vendors as follow:
 - (a) RM2,000,000.00 (approximately S\$673,186) by way of deposit shall be deemed paid upon execution of the SSA. Shareholders are to note that this refers to the Earnest Deposit and the amount of RM2,000,000.00 (approximately S\$673,186) shall be deemed paid upon execution of the SSA;
 - (b) RM1,500,000.00 (approximately S\$504,890) to each of the Vendors upon the execution of the SSA;
 - (c) RM3,500,000.00 (approximately S\$1,178,076) to each of the Vendors on or before the expiry of 30 days from the date of the SSA;

- (d) RM2,250,000.00 (approximately S\$757,334) to each of the Vendors on or before the expiry of 60 days from the date of the SSA; and
- (e) RM2,250,000.00 (approximately S\$757,334) to each of the Vendors on or before the expiry of 180 days from the date of the SSA.

2.2 The Purchase Consideration is arrived at after negotiations on arms' length basis, willing-buyer-willing-seller basis. In addition, the Board took into account (a) the prospects of the Project; (b) comparison with a comparable property in East Malaysia; (c) the financial position of RCL; and (d) the rationale set out in paragraph 3 of this announcement. As announced by the Company on 6 July 2018, the Company had completed valuation on approximately 5000 acres of the lands in the Project ("**Valued Lands**"). The valuation is undertaken by an independent valuer, Nasir, Sabaruddin & Associates Sdn Bhd, who was appointed by CPHL and they are, *inter alia*, a registered valuer in Malaysia.

For more details on the valuation, Shareholders can refer to the Company's announcement dated 6 July 2018.

Completion

2.3 It is provided in the SSA that the Vendors shall, immediately upon execution of the SSA, deliver or cause to be delivered certain documents necessary to effect the transfer of the RCL Sale Shares in favour of CPHL. Completion of the SSA occurs on the payment of the RCL Sale Shares in the manner as specified in paragraph 2.1 above or such other earlier date the Purchase Consideration is paid in full.

Default

2.4 It is provided in the SSA that in the event that the approvals for the Project is revoked or cancelled by the relevant authorities after the signing of the SSA (but not later than 26 July 2018) or the Vendors shall fail to, *inter alia*, comply with or breach any of the terms or warranties as set out in the SSA, CPHL shall have the right to terminate and rescind the SSA by issuing a notice of termination to the Vendors and:

- (a) the Vendors shall within thirty (30) days from the receipt of the said notice of termination, refund to CPHL all monies paid to them towards the Purchase Consideration interest free;
- (b) in the event that the RCL Sale Shares have been transferred in the name of the CPHL, CPHL shall forthwith re-transfer the same back to the names of the Vendors. All costs incurred for the re-transfer of the RCL Sale Shares shall be borne by the Vendors; and

thereafter, the SSA shall be deemed null and void and of no further force and effect and neither party hereto shall have any further claims against the other.

2.5 If CPHL shall default in the payment of the Purchase Consideration before the completion date, the Vendors shall be entitled to terminate the SSA by issuing a seven (7) days' notice to terminate to CPHL, whereupon the following provisions shall apply:

- (a) The deposit of RM2,000,000.00 (approximately S\$673,186) shall be forfeited as agreed liquidated damages;
- (b) All other monies paid towards the Purchase Consideration shall be refunded to CPHL interest free within thirty (30) days Provided That in the event that the RCL Sale Shares have been transferred in the name of the CPHL, CPHL shall forthwith re-transfer the same back to the names of the Vendors whereby all the costs incurred for the re-transfer of the RCL Sale Shares shall be borne by CPHL; and

thereafter, the SSA shall be deemed null and void and of no further force and effect and neither party hereto shall have any further claims against the other.

3. RATIONALE OF THE PROPOSED INVESTMENT

The Company proposes to participate in the Project with the intention to further strengthen its financial performance. The Proposed Investment is an investment in RCL whose business activities includes the rental and leasing of the land for agricultural purposes and the sale of agricultural crops (which is currently contemplated to be durians but is not limited to just durians) received by the Group from the business partners. RCL is not prohibited from leasing out the land to third parties.

The Proposed Investment is in line with the Company's strategy to return the Company, into profitability.

For more details on rationale, please refer to Section 3.4 of the Circular.

4. SHAREHOLDERS' MANDATE TO ENTER INTO THE PROPOSED INVESTMENT AND FUNDING

The aggregate investment value of RM21,000,000 (being the Earnest Deposit of RM2,000,000 and the Remaining Investment Sum of RM19,000,000, collectively the Purchase Consideration) is a major transaction under Rule 1014 of the SGX-ST listing manual. Accordingly, the Company had sought and obtained a mandate from its Shareholders at an extraordinary general meeting convened on the 27 June 2018 to, *inter alia*, undertake the Proposed Investment.

5. LISTING MANUAL COMPUTATIONS

- 5.1 For the purposes of Chapter 10 of the SGX-ST listing manual and based on the latest announced unaudited financial statements for the Company for the financial period ended 31 March 2018, the relative figures for the Proposed Investment are computed on the bases set out in Rule 1006(a) to (e) of the Listing Manual and are as follows:

Rule 1006	Basis	Relative Figures
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value. This basis is not applicable to an acquisition of assets.	Not Applicable
Rule 1006(b)	Net profit attributable to the assets acquired or disposed of, compared with the group's net profits.	(0.25)% ⁽¹⁾
Rule 1006(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	35.84% ⁽²⁾
Rule 1006(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable
Rule 1006(e)	Aggregate volume of proved and probable reserves to be disposed of compared with the group's proved and probable reserves	Not Applicable

Notes:

(1) Based on the unaudited financial statement of RCL as at 31 March 2018, there is a loss of RM(1,377) (approximately S\$(463)). Based on the unaudited financial statements for the Company for the financial period ended 31 March 2018, being the latest available announced consolidated accounts, the Group has a profit of US\$138,000 approximately S\$188,414. According, the computation of Rule 1006(b) is (0.25)% (S\$(463) / S\$188,414).

(2) Shareholders are to note that the computation of Rule 1006(c) is based on the Purchase Consideration of RM21,000,000 (approximately S\$7,068,453) divided by the market capitalisation of the Company as at 17 July 2018 being the market day preceding the date of the SSA, of approximately S\$19,722,417.

The market capitalisation of the Company of approximately S\$19,722,417 was determined by multiplying 198,814,685 total issued Shares of the Company (excluding treasury shares) by the weighted average price of approximately S\$0.0992 per Share on 17 July 2018, being the last market day preceding the date of the SSA.

5.2 As at 31 March 2018, the net tangible assets of RCL is RM918,274 (approximately S\$309,085).

5.3 Shareholders can refer to paragraph 6 below for the financial effects of the Proposed Investment.

6. FINANCIAL EFFECTS OF THE PROPOSED INVESTMENT

6.1 Financial Effects

For illustrative purposes only and based on the audited consolidated financial statements of the Company for the financial year ended 31 December 2017, the financial effects of the Proposed Investment on the Company is set out below. The financial effect of the Proposed Investment has been prepared based on the assumptions that:

- (a) there are additional expenses for the Proposed Investment;
- (b) the financial effect on the consolidated net tangible asset per Share is computed based on the assumption that the Proposed Investment is completed on 31 December 2017;
- (c) the financial effect on the loss per Share is computed based on the assumption that the Proposed Investment is completed on 1 January 2017;
- (d) the computations are based on audited financial statements of RCL for the financial year ended 30 June 2017;
- (e) the Project has not commenced; and
- (f) no debt financing obtained for the Proposed Investment.⁽¹⁾

Note:

(1) On the basis on the matters disclosed in section 3.1.5 of the Circular under the heading "Group's business plans", the Board currently believes that the proceeds from the felled trees and the revenue streams described in the abovesaid section will be sufficient to fund the working capital requirements of the Proposed Investment. However, as disclosed in Section 3.5.1 of the Circular, there is a potential shortfall of approximately S\$829,693 that is required to settle in full the Remaining Investment Sum. The Company intends to explore various options including borrowings to raise the shortfall amount required to settle in full the Remaining Investment Sum.

Net Tangible Assets ("NTA")

Assuming the Proposed Investment had been effected as at 31 December 2017, the financial effect on the NTA is as follows:

	Before the Proposed Investment	After the Proposed Investment ⁽¹⁾
NTA	S\$(6,116,620)	S\$(12,968,389) ⁽²⁾⁽³⁾
No. of shares (excluding treasury shares)	198,814,685 ⁽⁴⁾	198,814,685
NTA per share (Singapore cents)	(3.08)	(6.52) ⁽²⁾

Notes:

- (1) The computation is based on the aggregate Purchase Consideration of RM21,000,000 (being approximately S\$7,068,453).
- (2) Shareholders are to note the Proposed Investment relates to CPHL undertaking the Project. The Purchase Consideration of RM21,000,000 (approximately S\$7,068,453) is arrived at having regard to the factors set out in paragraph 2.2 above. The above financial effects computations are based on the financial statements of RCL for the financial year ended 30 June 2017 and Shareholders are to note that the Project has not commenced.
- (3) The computation of S\$(12,968,389) is based on the NTA of the Company as at 31 December 2017 (being US\$(4,480,000) (approximately S\$(6,116,620)) and after deducting goodwill of S\$6,851,769 generated from the Proposed Investment. The goodwill refers to the difference between the Purchase Consideration of RM21,000,000 (approximately S\$7,068,453) paid and the Company's share of 70% equity interests in RCL as at 30 June 2017 of RM643,756 (approximately S\$216,684).
- (4) Shareholders are to note that the total number of shares of the Company had increased from 142,814,685 to 198,814,685 following the completion of the placement exercise as announced by the Company on 6 July 2018.

Loss per Share ("LPS")

Assuming the Proposed Investment had been effected on 1 January 2017, the financial effect on the Company's LPS is as follows:

	Before the Proposed Investment	After the Proposed Investment ⁽¹⁾
Net loss attributable to Shareholders	S\$(12,997,818)	S\$(12,997,818) ⁽²⁾⁽³⁾
Weighted average number of shares used (excluding treasury shares) ⁽⁶⁾	198,814,685 ⁽⁴⁾	198,814,685
Basic LPS (Singapore cents)	(6.54)	(6.54) ⁽²⁾

Notes:

- (1) The computation is based on the aggregate Purchase Consideration of RM21,000,000 (being approximately S\$7,068,453).
- (2) Shareholders are to note the Proposed Investment relates to CPHL undertaking the Project. The Purchase Consideration of RM21,000,000 (approximately S\$7,068,453) is arrived at having regard to the factors set out in paragraph 2.2 above. The above financial effects computations are based on the financial statements of RCL for the financial year ended 30 June 2017 and Shareholders are to note that the Project has not commenced.
- (3) The loss per share of (6.54) Singapore cents is computed based on the loss attributable to equity holders of the Company incurred for the financial year ended 31 December 2017 (being US\$9,520,000 (approximately S\$12,997,818)).

- (4) Shareholders are to note that the total number of shares of the Company had increased from 142,814,685 to 198,814,685 following the completion of the placement exercise as announced by the Company on 6 July 2018.

General Note: Exchange rate of USD/SGD 1.365317 has been applied due to the Company's reporting currency in USD.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Investment other than through their shareholding interests in the Company

8. SERVICE CONTRACT

No person is proposed to be appointed to the Board in connection with the Proposed Investment and accordingly, no service contract in relation thereto will be entered into between the Company and any such person.

9. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the SSA will be made available for inspection at the registered office of the Company at 96 Robinson Road, #17-01 SIF Building, Singapore 068899 during normal business hours for a period of three (3) months from the date of this announcement.

Shareholders are advised to exercise caution in dealing with the securities of the Company and Shareholders who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

By Order of the Board

Mr Chan Shut Li, William
Executive Chairman and Chief Executive Officer
18 July 2018