

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

- ENTRY INTO MEMORANDUM OF UNDERSTANDING
- PROPOSED DIVERSIFICATION TO EXPAND THE GROUP'S CORE
BUSINESSES

1. INTRODUCTION

The Board of Directors (the "**Directors**") of Mirach Energy Limited (the "**Company**", and together with its subsidiaries, the "**Group**") announces the following:

- (a) the Company's wholly-owned subsidiary, CPHL (HK) Limited ("**CPHL**") has on 8 February 2018 entered into a memorandum of understanding (the "**MOU**") with RCL Kelstar Sdn. Bhd. ("**RCL**") to enable CPHL to have the opportunity to potentially acquire a 70% equity interest in RCL and participate in the Project (as described in paragraph 2.2 below) ("**Proposed Investment**"); and
- (b) the Group proposes to diversify and expand its core businesses to include, the Proposed New Business (as defined in paragraph 5.2 below) (the "**Proposed Diversification**").

2. THE PROPOSED INVESTMENT AND MOU

- 2.1 RCL is a company that specialises in the business of timber and logging, cultivation, agriculture and plantation management.
- 2.2 RCL has secured the right to jointly undertake the development of a multi storey project in Malaysia with the Kelantan State Economic Development Corporation ("**Project**"). The Proposed Investment provides the Company with the potential opportunity to participate in the Project. For more details on the rationale, please refer to paragraph 3 of this announcement.
- 2.3 Pursuant to the MOU, CPHL will on signing of the MOU, furnish RM2,000,000 (approximately S\$675,938) as a refundable deposit ("**Earnest Deposit**"). In consideration of the payment of the Earnest Deposit by CPHL to RCL, RCL agrees and irrevocably undertakes to ensure that its shareholders shall not, before the Completion Date or Extended Completion Date (as defined in paragraph 2.4 below), negotiate or enter into any agreement(s) or arrangement(s) with any third party(ies) regarding the Project in any manner whatsoever without the express knowledge and consent of CPHL, failing which RCL shall be liable to pay CPHL an amount double of the total Earnest Deposit as agreed liquidated damages.
- 2.4 It is provided in the MOU that RCL shall issue relevant number of new shares and or cause its then existing shareholders to be the vendors for the sale of the relevant number of shares to CPHL such that CPHL acquires a 70% equity interest in RCL and the relevant parties shall endeavour to finalise the terms and conditions of the Formal Agreements (as defined below) and execute the same on or before three (3) months from the date of the MOU ("**Completion Date**"). In

the event that the parties are unable or fail to execute the Formal Agreements (as defined below) on or before the Completion Date, the MOU shall automatically be extended for a further period of one (1) month from the Completion Date ("**Extended Completion Date**"). "**Formal Agreements**" means the formal and definite contract, share sale agreement (with the existing shareholders of RCL) and/or the issuance of new shares, shareholders agreement and or any other relevant agreement(s).

- 2.5 Payment of aggregate investment sum amounting to RM19,000,000 (approximately S\$6,421,412) ("**Remaining Investment Sum**") in the following tranches will be made upon satisfaction of the Conditions Precedent (as defined in paragraph 2.7 below) and the due diligence (as provided in paragraph 2.6 below):
- (i) RM3,000,000 upon the execution and completion of, the Formal Agreements resulting in the acquisition of 70% interest in RCL;
 - (ii) RM3,000,000 on the expiry of one (1) month from the date of the execution of the Formal Agreements;
 - (iii) RM5,000,000 on the expiry of two (2) months from the date of the execution of the Formal Agreements; and
 - (iv) RM8,000,000 on the expiry of three (3) months from the date of the execution of the Formal Agreements.
- 2.6 CPHL will proceed with the due diligence exercise to determine the feasibility of the Project upon execution of the MOU.
- 2.7 The MOU is subjected to the following conditions precedent ("**Conditions Precedent**"):
- (a) RCL shall and undertakes to obtain and secure the approved plans for the Project in its favour and the execution of a joint venture agreement with the relevant authorities within three (3) months from the date of the MOU; and
 - (b) The relevant shareholders' approval required by the Company for the Proposed Investment on or before three (3) months from the date of this MOU.

If the Conditions Precedent are not satisfied by RCL or obtained by CPHL or that the Formal Agreements are not executed by the parties on or before the Completion Date or the Extended Completion Date, the Earnest Deposit Sum shall be refunded to CPHL (within fourteen (14) days) and the MOU shall be deemed lapsed and of no further effect. In addition, upon failing to pay the Earnest deposit as aforesaid, a late interest of 10% per annum will be payable by RCL to CPHL.

- 2.8 Further, Dato' Kho Ah Tee and Lee Lip Khang have executed joint and several personal guarantees as security to CPHL for the payment of, *inter alia*, the Earnest Deposit.

3. Rationale for the Proposed Investment

The Company had on 5 July 2017 announced that the Company intends to diversify its core business into the property and construction business as part of the Company's strategy to return the Company to profitability.

In addition to the two low cost housing projects in Malaysia as announced by the Company on 28 August and 1 November 2017, respectively, the Company is entering into this Project with the intention to further strengthen its financial performance.

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

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

If the Proposed Investment materialises, 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) may potentially be a major transaction under Rule 1014 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") listing manual. Accordingly, the Company intends to seek a mandate from the Shareholders at a general meeting to be convened to enter into the Proposed Investment.

The Earnest Deposit is paid from the Group's internal resources and the Remaining Investment Sum will be funded by the Group's internal resources and external funding (which may include borrowings).

5. THE PROPOSED DIVERSIFICATION

5.1 The Group's current core businesses are namely, oil exploration and oilfield development, oilfield services and property and construction business.

5.2 The Board proposes to diversify the Group's core businesses to carry on the following activities, as and when the appropriate opportunities arise

- (a) investments in real property ("**Property**"), investments in Property-related businesses, entities or assets where the term Property-related includes but is not limited to the business activities as described in (b), (c) and (d) below;
- (b) trading of Property which includes the acquisition and sale of Property;
- (c) the rental and leasing of Property; and
- (d) Property management.

(collectively, referred to as the "**Proposed New Business**")

5.3 Rationale for the Proposed Diversification

The Company believes that the Proposed Diversification into the Proposed New Business will provide benefits to the Group and the Proposed New Business is in line with the Company's strategy to return the Company, into profitability. The Proposed Investment is a Proposed New Business and the Proposed Investment represents the Group's first potential foray into the Proposed New Business.

The Company believes in the opportunities available in the Proposed New Business which will ultimately enhance Shareholders' value.

Shareholders' approval of the Proposed Diversification will allow the Group, in its ordinary course of business, to enter into major transactions relating to the Proposed New Business and which will not compromise the risk profile of the Group, in an efficient and timely manner without the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential major transactions in relation to the Proposed New Business arise.

6. 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 and Proposed Diversification other than through their shareholding interests in the Company

7. Extraordinary General Meeting

The Company will be seeking Shareholders' approval for (i) a mandate to enter into the Proposed Investment; and (ii) the Proposed Diversification.

Accordingly, an extraordinary general meeting ("**EGM**") will be convened by the Company to seek the shareholders' approval, notice of which will be announced in due course subject to clearance from the SGX-ST of the Circular (as defined below). A circular containing, *inter alia*, the relevant information on the Proposed Investment and Proposed Diversification (the "**Circular**") will be despatched to Shareholders in due course.

Shareholders are advised to exercise caution in dealing with the securities of the Company as there is no certainty or assurance that the Company will, after completing its review, proceed with the Proposed Investment and/or the Proposed Diversification. Shareholders who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

Further announcements in relation to the Proposed Investment and the Proposed Diversification will be made as and when appropriate.

By Order of the Board

Mr Chan Shut Li, William
Executive Chairman and Chief Executive Officer
13 February 2018