QUARTERLY UPDATE PURSUANT TO RULE 1313(2) OF THE SGX-ST LISTING MANUAL

1. BACKGROUND

Mirach Energy Limited (the “Company”, and together with its subsidiaries, the “Group”) was placed on the Watch-List pursuant to Rule 1311 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 3 December 2015.

In accordance to Rule 1313(2) of the SGX-ST Listing Manual, the Board of Directors of the Company would like to provide the following updates on the financial situation, its future direction as well as other material developments that may impact the Group’s position.

2. UPDATE ON FINANCIAL SITUATION

Total revenue for the Group reported was US$0.634 million for the period ended 30 June 2020. The revenues are generated from the property construction and development business, as well as timber logging activities and management services provided to agriculture business partners in Malaysia.

Subcontractor costs are derived from the cost of construction of property in Malaysia and infrastructure cost in relation to the agriculture business in Malaysia.

Total profit of US$0.154 million was earned in 1H2020 as compared to US$0.129 million in 1H2019. It was mainly due to the US$0.083 million decrease in subcontractor cost, US$0.408 million increase in other income, US$0.478 million decrease in other expenses and US$0.222 million decrease in income tax. These were offset mainly by the US$1.155 million decrease in revenue as well as the US$0.049 million increase in expected credit loss on trade receivables.

Revenue in 1H2020 fell by 65% as compared to 1H2019 mainly due to the drop in revenue from the management services provided in relation to the agriculture business in Malaysia. This was offset by the increase in timber logging revenue. There has also been a corresponding drop in the subcontractor cost in 1H2020 as a result of the drop in revenue from management services.

Other income in 1H2020 rose by 1,943% as compared to 1H2019 mainly due to net foreign exchange gain of US$0.366 million, as a result of the weakening of the SGD against HKD. There was also an interest income of US$ 0.024 million from the accretion of significant financing component recorded in 4Q2019. Depreciation in 1H2020 increased by 86% as compared to 1H2019 due to an addition to rights-of-use assets made in 3Q2019 and its corresponding depreciation being recorded in 1H2020 but not in 1H2019. In addition, other expenses in 1H2020 decreased by 74% as compared to the same period in 2019 mainly due to a drop in consultancy fees paid in relation to the agriculture business in Malaysia. There was also a net foreign exchange gain in 1H2020 that was recorded in the other income, as compared to the net foreign exchange loss in 1H2019 that was recorded in the other expenses.

Despite the 50% decrease in total profit before income tax in 1H2020 as compared to 1H2019, the income tax expense for 1H2020 has dropped by 83%. This is due to the drop in income tax expense in relation to the agriculture business in Malaysia, as a result of a lower net profit before tax generated. Furthermore, the net foreign exchange gain recorded in 1H2020 is also not taxable.

Due to the weakening of the USD against other currencies for the period ended 30 June 2020, there was a US$0.503 million loss on currency translation arising from presentation currency and consolidation compared to a gain of US$0.012 million in 1H2019.

As a result of the above description, a total comprehensive loss of US$0.349 million was incurred in 1H2020 as compared to a total comprehensive income of US$0.141 million that was generated in 1H2019.

The above cost and earnings analysis relate to the current financial period ended 30 June 2020.

Following is additional information relating to the financial year ended 31 December 2019:

The profit before income tax of US$4.698 million contains a non-recurrent other income of US$3.957 million, which resulted from an adjustment to payables and provisions in relation to the termination of oil and gas.

The non-current assets of the Group as at 30 June 2020 decreased by US$0.789 million as compared to 31 December 2019 mainly due to the US$0.733 million decrease in trade receivables which has been reclassified to current assets according to the due date. There was also a decrease in property, plant and equipment and right-of-use assets as a result of depreciation recorded in 1H2020. The decrease in deferred tax assets was due to the effects of foreign exchange translations during the period.

The current assets of the Group as at 30 June 2020 decreased by US$0.085 million as compared to 31 December 2019. This was mainly due to the drop in prepayments made in relation to the agriculture business, as well as a decrease in cash and cash equivalents during the period.

The current liabilities of the Group as at 30 June 2020 decreased by US$0.403 million as compared to 31 December 2019. This was mainly due to lower accruals being made in relation to the agriculture business in Malaysia as there was a reduction in the business operations in 1Q2020 as a result of the COVID-19 outbreak. There was also a slightly decrease in lease liabilities due to lease payments made in 1H2020.

The non-current liabilities of the Group as at 30 June 2020 decreased by US$0.122 million due to the drop in lease liabilities as a result of lease payments made in 1H2020, as well as a drop in other payables, that was due to the effects of foreign exchange translations during the quarter.

As a result of the above description, the net current assets and net assets of the Group as at 30 June 2020 increased by US$0.318 million and decreased by US$0.349 million respectively, as compared to 31 December 2019.

Cash used in operating activities was US$0.001 million for 1H2020.

For more details on the results and financial position of the Group, please refer to the Company’s results announcement for the period ended 30 June 2020.

3. UPDATE ON FUTURE DIRECTION

Property and Construction Business

The first construction project in West Malaysia was delayed in 2019 for a considerable amount of time due to a restructuring exercise by the project's developer and PMSB has been in discussion with the relevant parties towards a recovery plan since 2019. The discussions were also delayed due to the Movement Control Order ("MCO") which was imposed by the government of Malaysia on 18 March 2020 as a result of the Coronavirus outbreak. On 25 August 2020, PMSB signed a final settlement agreement with the developer.

Due to the unexpected continuous delay of the second construction project, PMSB held discussions with the developer and both parties have mutually agreed to cancel the Partnership Agreement in relation to the development of individual residential unit of townhouses in West Malaysia. No cost will be incurred by the Group as a result of this cancellation.

Agriculture Business

As at 30 June 2020, RCL Kelstar Sdn. Bhd. ("RCL") has entered into five separate cooperation agreements with business partners, for the purpose of developing a multi crop agriculture development project on approximately 2,750 acres or 50% of the concession land. The cooperation allows the business partners to engage in the planting, cultivation and harvesting of approved plant species.

RCL will provide services and work with the business partners to facilitate the operations and development of the agriculture land and in turn collect management fees from these business partners.

The COVID-19 outbreak resulted in certain operational delays in the Agricultural Business in 1H2020 due to the precautionary and control measures that have been and continue to be implemented in Mainland China and Malaysia, where RCL's customers and operations are located in. However, as Malaysia has entered into the Recovery Movement Control Order ("RMCO") phase since 1 July 2020, RCL is currently fully operational and anticipates business to gradually pick up.

Additionally, RCL has completed the logging activities and successfully obtained the Use Permit on 19 July 2020, for the first block of concession land.

Management Services Business

The Group's wholly-owned subsidiary Mirach HP Management Pte. Ltd. ("MHPM") provides business and management consultancy services. MHPM is currently working with partners in Malaysia to provide marketing and sales consultancy for their business development, and hopes to acquire more human resource along the way to further develop its business.

Oil and Gas Business

Currently, the Group still retains minority ownership (9%) of the Gunung Kampung Minyak Ltd Oil Field in Indonesia.

E-commerce Business

As part of the Group's plans to diversity into the online trading business, the Group acquired full equity interest in Smart Life International Investment Group Co., Limited ("Smart Life"), in Hong Kong in 2019.

Smart Life then acquired a 30% equity interest in Hu Bei ZeGang, a company which specialises in e-commerce, trading of agriculture products and construction material etc. as well as provision of internet information services. The Group recorded a US$0.109 million share of profit from Hu Bei ZeGang in 1H2020.

On behalf of the Board of Directors

Chan Shut Li, William
Chairman of the Board

18 September 2020