MIRACH ENERGY LIMITED
(COMPANY NO.200305397E)

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$3.711 million for the financial year ended 31 December 2018. The revenues are generated from the property construction and development business, as well as management services provided to agriculture business partners in Malaysia.

Subcontractor costs are derived from the cost of construction of property in Malaysia and the consultancy fees relate to the agriculture business in Malaysia. Staff costs in 2018 were lowered by 12% as compared to 2017 mainly due to the cessation of KM Oil Field in 2017.

The non-current assets of the Group as at 31 December 2018 increased by US$11.121 million as compared to 31 December 2017 mainly due to the increase in deposits in relation to the acquisition for RCL Kelstar Sdn. Bhd., as well as the increase in bearer plant from the operations of the agriculture business.

The current assets of the Group as at 31 December 2018 increased by US$1.881 million as compared to 31 December 2017. This was mainly due to the increase in trade and other receivables and prepaid expenses in relation to the agriculture business.

Amounts due from an associate and contract deposit decreased by US$1.340 million and US$1.500 million respectively as at 31 December 2018 as compared to 31 December 2017, due to an agreed offsetting of the two amounts.

Trade and other payables increased by US$1.547 million as at 31 December 2018 compared with 31 December 2017. This was mainly due to increase in payables in relation to the agriculture business operations.

Deferred revenue increased by US$6.170 million as at 31 December 2018 compared to 31 December 2017 arising from the consideration of trees received as part of three cooperation agreements signed. The revenue has been deferred as the land use rights have yet to be obtained.

Cash used in operating activities was US$1.815 million for FY2018.

For more details on the results and financial position of the Group, please refer to the Company’s results announcement for the period ended 31 December 2018.

3. UPDATE ON FUTURE DIRECTION

Property and Construction Business

In 2017, the Group set up a joint venture company, Premier Mirach Sdn Bhd ("PMSB") in Malaysia. The joint venture company is in partnership with PRG Construction Sdn Bhd, a wholly-owned subsidiary of PRG Holdings Berhad which is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad. As of 31 December 2018, the construction activity for the first housing project situated in the Malaysia State of Perak is at 14.4% completion and has generated US$0.732 million revenue for the Group. PMSB expects to complete the project in April 2020, with progressive billings to continue in the next twelve months. The second construction project has not commenced due to ongoing discussions with the developer.

Agriculture Business

On 18 July 2018, the Group signed a Share Sale Agreement to acquire a 70% equity interest in RCL Kelstar Sdn. Bhd ("RCL") allowing us to participate in an agriculture project in Malaysia.

RCL was set up to manage the development of a multi-storey agricultural project ("Project") in Malaysia in cooperation with the Kelantan State Economic Development Corporation ("KSEDC"). KSEDC has been granted a fifty-year land concession of approximately 5,500 acres. RCL has in turn secured the rights to jointly undertake the Project together with KSEDC. RCL is in the midst of obtaining the necessary approvals and permits, including logging permits, to commence logging and land clearing activities.

As at 31 December 2018, RCL has entered into cooperation agreements with three separate parties, for the cultivating and selling of durian plants on approximately 30% of the concession land. Pre-development and management fees are levied by RCL for the services rendered to these three parties. As of 31 December 2018, the pre-development and management services obligations provided to the three parties have generated RM11.615 million (approximately US$2.877 million) of revenue for the Group, and RCL will continue to bill the three parties as RCL fulfils its obligations in the next twelve months. As part of its business development initiatives, RCL will source for other partners to cultivate the land separately in order to diversify its supplier risks and generate more revenue in the next twelve months.

Management Services Business

On 28 March 2018, the Group formed a wholly-owned subsidiary Mirach HP Management Pte. Ltd. ("MHPM") to provide business and management consultancy services. MHPM has commenced business activity in 2Q2018 and plans to develop further in its business and management consultancy services in the next twelve months.

Oil and Gas Business

Due to the weak economic climate in the Indonesian Oil Exploration sector, the Group ceased operations and surrendered the KM Oil Field in 2017, following the termination of the KSO agreement. The Group still retains minority ownership of Gunung Kampung Minyak Ltd in Indonesia.

On behalf of the Board of Directors
Chan Shut Li, William
Chairman of the Board

25 February 2019