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$0.643 million for the period ended 30 September 2020. The revenues are generated from 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. Consultancy fees relate to the agriculture business in Malaysia.

Total loss of US$0.415 million was incurred in 9M2020 as compared to total profit of US$0.548 million earned in 9M2019. It was mainly due to the US$2.235 million decrease in revenue, US$0.047 million increase in depreciation, US$0.050 million increase in expected credit loss on trade receivables. These were offset mainly by the US$0.141 million decrease in subcontractor costs and consultancy fees, US$0.235 million increase in other income, US$0.425 million decrease in other expenses and the US$0.452 million decrease in income tax.

Revenue in 9M2020 fell by 78% as compared to 9M2019 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 costs and consultancy fees in 9M2020 as a result of the drop in revenue from management services.

Other income in 9M2020 rose by 940% as compared to 9M2019 mainly due to net foreign exchange gain of US$0.182 million, as a result of the weakening of the MYR against HKD. There was also an interest income of US$0.036 million in 9M2020 from the accretion of significant financing component that was recorded in 4Q2019. Depreciation in 9M2020 increased by 51% as compared to 9M2019 mainly due to an addition to rights-of-use assets made in 3Q2019 and its corresponding depreciation being recorded for the full period of 9M2020 but only for a 1-month period in 9M2019. In addition, other expenses in 9M2020 decreased by 59% as compared to the same period in 2019 mainly due to a drop in other consultancy fees paid in relation to the agriculture business in Malaysia. There was also a net foreign exchange gain in 9M2020 that was recorded in the other income, as compared to the net foreign exchange loss in 9M2019 that was recorded in the other expenses.

There was a 96% decrease in income tax expense, which is in line with the decrease in profit before income tax in 9M2019 to a loss before income tax in 9M2020.

Due to the weakening of the USD against other currencies for the period ended 30 September 2020, there was a US$0.237 million loss on currency translation arising from presentation currency and consolidation compared to US$0.148 million in 9M2019.

As a result of the above description, a total comprehensive loss of US$0.652 million was incurred in 9M2020 as compared to a total comprehensive income of US$0.400 million that was generated in 9M2019.

The above cost and earnings analysis relate to the current financial period ended 30 September 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 September 2020 decreased by US$0.070 million as compared to 31 December 2019 due 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 US$1.036 million decrease in deposits, that has been reclassified to right-of-use assets, as the Use Permit for the first block of concession land in Malaysia was obtained in 19 July 2020. An additional $0.644 million has also been reclassified from prepayments (in current assets) to right-of-use assets, as the lease accounting for the first block of concession land has commenced upon obtaining the Use Permit.

The current assets of the Group as at 30 September 2020 increased by US$0.827 million as compared to 31 December 2019. This was mainly due to the $0.644 million has also been reclassified from prepayments (in current assets) to right-of-use assets, as explained above. There was also a US$0.473 million decrease in cash and cash equivalents during the period, that was offset by a US$0.328 million increase in trade and other receivables mainly from the construction segment due to the final billing being issued for the first construction project in West Malaysia.

The current liabilities of the Group as at 30 September 2020 decreased by US$0.316 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 9M2020 as a result of the COVID-19 outbreak, as well as payments made in 9M2020 to government authorities in relation to the agriculture business in Malaysia that had previously been accrued as at 31 December 2019. There was also a slightly decrease in lease liabilities due to lease payments made in 9M2020. Included in the trade and other payables is an amount of approximately US$1.083 million (RM4.500 million) relating to the final tranche of consideration payable to the vendors of RCL Kelstar Sdn. Bhd.. With reference to the Company’s announcement made on 5 March 2020, this final tranche of payment was to be settled via a proposed placement of new ordinary shares in the share capital of the Company. However, settlement via a proposed placement will not proceed due to the Company’s current delisting process.

The non-current liabilities of the Group as at 30 September 2020 increased by US$0.071 million as compared to 31 December 2019. This was mainly due to the US$0.097 million increase in lease liabilities as the lease accounting for the first block of concession land has commenced upon obtaining the use permit.

As a result of the above description, the net current assets of the Group decreased by US$0.511 million and net assets of the Group decreased by US$0.652 million as at 30 September 2020, as compared to 31 December 2019.

Cash generated from operating activities was US$0.260 million for 9M2020.

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 September 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 and the final settlement amount shall be completed by the fourth quarter of 2020.

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 in 2019. No cost will be incurred by the Group as a result of this cancellation.

Agriculture Business

As at 30 September 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. Despite Malaysia being in Recovery Movement Control Order ("RMCO") since July, RCL's operations were further affected due to the Malaysian government imposing Conditional Movement Control Order ("CMCO") again since 14th October 2020 in selected states, as a result of the increasing number of COVID-19 cases.

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

In November 2020, RCL received an email request from one business partner to terminate one cooperation agreement. RCL is currently in negotiations with this business partner to find a mutually agreeable resolution.

Management Services Business

The Group's wholly-owned subsidiary Mirach HP Management Pte. Ltd. ("MHPM") provides business and management consultancy services.

Oil and Gas Business

As at 30 September 2020, the Group still retained minority ownership (9%) of the Gunung Kampung Minyak Ltd ("GKM") Oil Field in Indonesia.

The Group has received a letter of intent from the majority shareholder of GKM on 10 November 2020, informing us on their decision to dissolve the GKM KSO contract and wind up GKM, to which the Group agrees with. According to the letter, due to the oil prices remaining extremely low as well as the low production volume as a result of COVID-19, GKM was not able to fulfil the firm commitment to Pertamina on time and will be subjected to the relevant procedures governed by the terms and conditions in the KSO agreement. Therefore, given the existing and unpredictable future financial and operational difficulties that GKM is facing, the majority shareholder of GKM has decided to cease its operations. The Group will continue to monitor the development and will update the shareholders when there is further information.

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$0.020 million share of loss and a US$0.088 million share of profit from Hu Bei ZeGang in 3Q2020 and 9M2020 respectively.

Others

The Company has, on 4 September 2020, received from the SGX-ST a notification of delisting. Details relating to the notification of delisting may be found in the Company's announcements dated 5 September 2020 and 2 October 2020.

The Company is currently working on an exit offer and will update the shareholders when there is further information.

On behalf of the Board of Directors

Chan Shut Li, William
Chairman of the Board

12 November 2020