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$0.326 million for the period ended 31 March 2020. The revenues are generated from management services provided to agriculture business partners in Malaysia, timber logging activities as well as the property construction and development business.

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 profit of US$0.395 million was earned in 1Q2020 as compared to US$0.159 million in 1Q2019. It was mainly due to the US$0.153 million decrease in subcontractor cost, US$0.525 million increase in other income, US$0.241 million decrease in other expenses and US$0.132 million decrease in income tax. These were offset mainly by the US$0.748 million decrease in revenue as well as the US$0.050 million increase in expected credit loss on trade receivables.

Revenue in 1Q2020 fell by 70% as compared to 1Q2019 mainly due to the drop in revenue from the management services provided in relation to the agriculture business in Malaysia as well as from the property construction and development services. This was offset by the increase in timber logging revenue. There has also been a corresponding drop in the subcontractor cost in 1Q2020 as a result of the drop in revenue from management services and property construction and development services.

Other income in 1Q2020 rose by 2,283% as compared to 1Q2019 mainly due to net foreign exchange gain of US$0.545 million, as a result of the weakening of the SGD against HKD. Depreciation in 1Q2020 increased by 86% as compared to 1Q2019 due to an addition to rights-of-use assets made in 3Q2019 and its corresponding depreciation being recorded in 1Q2020 but not in 1Q2019. In addition, other expenses in 1Q2020 decreased by 72% 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 1Q2020 that was recorded in the other income, as compared to the net foreign exchange loss in 1Q2019 that was recorded in the other expenses.

Despite the 32% increase in total profit before income tax in 1Q2020 as compared to 1Q2019, the income tax expense for 1Q2020 has dropped by 80%. 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 1Q2020 is also not taxable.

Due to the weakening of the USD against other currencies for the period ended 31 March 2020, there was a US$0.683 million loss on currency translation arising from presentation currency and consolidation compared to a gain of US$0.016 million in 1Q2019.

As a result of the above description, a total comprehensive loss of US$0.288 million was incurred in 1Q2020 as compared to total comprehensive income of US$0.175 million that was generated in the 1Q2019.

The non-current assets of the Group as at 31 March 2020 decreased by US$0.080 million as compared to 31 December 2019 mainly due to the decrease in property, plant and equipment and right-of-use assets as a result of depreciation recorded in 1Q2020. There was also a decrease in deferred tax assets and trade receivables due to the effects of foreign exchange translations during the quarter.

The current assets of the Group as at 31 March 2020 decreased by US$0.808 million as compared to 31 December 2019. This was mainly due to the settlements of trade receivables received from customers of the agriculture business in Malaysia. There has also been a drop in prepayments made in relation to the agriculture business. This was slightly offset by the increase in cash and cash equivalents.

The current liabilities of the Group as at 31 March 2020 decreased by US$0.477 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.

The non-current liabilities of the Group as at 31 March 2020 decreased by US$0.123 million due to the drop in lease liabilities as a result of lease payments made in 1Q2020, 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 31 March 2020 decreased by US$0.331 million and decreased by US$0.288 million respectively, as compared to 31 December 2019.

Cash flows generated from operating activities was US$0.254 million for 1Q2020.

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 March 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 31 March 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 1Q2020 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$38,000 share of profit from Hu Bei ZeGang in 1Q2020.

On behalf of the Board of Directors

Chan Shut Li, William
Chairman of the Board

11 September 2020