

UPDATES TO SHAREHOLDERS ON THE INDEPENDENT THIRD PARTY OPINION

Mirach Energy Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the earlier announcements made by the Company on 30 August 2020 (“**30 Aug Announcement**”) and on 31 August 2020, respectively. Unless otherwise defined, all capitalised terms herein shall have the same meanings ascribed to them in the 30 Aug Announcement.

1. Background

- 1.1 The Board of directors (“**Board**”) refers to the 30 Aug Announcement relating to the Disclaimer of Opinion in the Independent Auditors’ Report in relation to the Company and Group’s Financial Statements for FY2019 as well as the Independent Auditors’ Report (extract) attached in the Company’s announcement made on the 31 August 2020.
- 1.2 As disclosed in the 30 Aug Announcement, the AC had appointed an independent accounting firm (“**Independent Firm**”) to provide an Independent Third Party Opinion on the appropriateness of accounting positions and judgement applied by the management to recognise revenue by its subsidiary, RCL Kelstar Sdn. Bhd. (“**RCL**”), and the Group for the financial year ended 31 December 2018 and 2019.
- 1.3 Shareholders are advised to read the Independent Auditors’ Report as set out in the Company’s announcement made on 31 August 2020 in conjunction with this announcement.

2. The Independent Firm had made a presentation to the Company and the Board is noted that:

- 2.1 In relation to the Cooperation Agreement and the Purchase Orders (“Relevant Agreements”) that RCL has entered into with business partners (in relation to the agricultural project in Malaysia), the Independent Firm opined that, inter alia, the Relevant Agreements are partially in scope of the accounting standard SFRS(I) 15 *Revenue From Contracts with Customers* and partially in scope of SFRS(I) 16 *Leases*.
- 2.2 Notwithstanding the relevant agreements are to be viewed as a single combined contract in the context of SFRS(I) 15 *Revenue From Contracts with Customers* as having common commercial objective, the performance obligations should however, still to be accounted for as separate and distinct performance obligations and revenue should be recognised as and when each of the performance obligations has been satisfied in accordance with SFRS(I) 15 *Revenue From Contracts with Customers*.

The term ‘performance obligations’ refers to the separate obligations set out in the purchase orders entered into between RCL and each business partners, which is made up of the following promised goods and services:

- (i) lease of agricultural land;
 - (ii) sale of technical reports;
 - (iii) management and advisory service; and
 - (iv) construction of road, plantation building projects, other amenities and infrastructure for logging activities.
- 2.3 In relation to the measurement of revenue and allocation of the transaction prices to the various distinct performance obligations, in accordance with SFRS(I) 15 *Revenue From Contracts with Customers*, the Independent Firm has recommended that an independent professional valuation (to be undertaken based on certain criterion to be confirmed by the auditor of the Company) of the transaction price and the standalone selling price for the lease of agriculture land notwithstanding the fact that the business model of RCL is unique and there are relatively few comparable information available in the public domain.
- 2.4 In addition, the Independent Firm had presented, inter alia, an illustration model (based on assumptions) to show the effects of varying the standalone selling prices on the allocation of the transaction prices to performance obligations and the timing of revenue recognition.
- 2.5 The Independent Firm further stated that the final accounting treatment to be adopted and the financial effects for revenue recognition should be determined by Management and agreed with the Company's auditor for future audit.

3. Cautionary Statement

Shareholders and potential investors of the Company are advised to read this announcement in conjunction with the Company's previous announcements (in particular, the 30 Aug Announcement and the Company's announcement dated 5 September 2020) as well as the FY2019 annual report carefully and are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take, should consult their legal, financial, tax or other professional advisers.

By Order of the Board

Mr. Chan Shut Li, William
Executive Chairman

1 October 2020