

Independent Auditor's report to the Members of Rich Capital Holdings Limited

Report on the Audit of the Financial Statements

Disclaimer of opinion

We were engaged to audit the financial statements of Rich Capital Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group, and the statement of financial position of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Goodwill on acquisition of Oxley Batam Pte. Ltd. and its joint venture

Our audit reports dated 11 September 2019 on the financial statements for the previous financial years ended 31 March 2019 contained a qualified opinion on the goodwill on acquisition of Oxley Batam Pte. Ltd ("OB") and its joint venture.

On 18 May 2018, the Company announced the completion of the acquisition of an 80% equity interest in OB by its wholly-owned subsidiary, Rich Batam Private Limited ("Rich Batam") from a wholly-owned subsidiary of Oxley Holdings Limited ("OHL"). OB in turn has a 50% equity interest in PT Oxley Karya Indo Batam ("PT OKIB"), which is the property developer of the Group's Oxley Convention City ("OCC") Project in Batam. The consideration paid to OHL comprises of (a) a sum of \$4, representing the consideration for the sale of the ordinary share in OB; and (b) a sum of \$10,393,467, representing the consideration for the novation of a loan from OHL to Rich Batam.

Management has evaluated its investment in PT OKIB to be a joint venture in accordance with SFRS(I) 11 – Joint Arrangements on the basis that the shareholders' agreement stipulates that the parties to the joint arrangements have rights over the net assets of PT OKIB.

Arising from the acquisition, management recorded a goodwill of \$1.66 million in the Group's carrying amount of its investment in PT OKIB as at 31 March 2019, which arose primarily from the fair value adjustment on the land parcel with an estimated land area of approximately 20,000 square metres pursuant to a purchase price allocation exercise conducted by the Company's appointed external valuer.

Due to the ongoing disputes with the joint venture partner, we were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the fair value adjustment of the land parcel and accordingly, we were unable to determine if the goodwill of \$1.66 million on acquisition of OB and PT OKIB is appropriately stated, including if any impairment is required.

As at 31 March 2020, there was no new audit evidence furnished by management to ascertain the carrying value of goodwill on acquisition of OB and its joint venture.

Independent Auditor's report to the Members of Rich Capital Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

2. Valuation of mining rights/ Recoverable amount of the cost of investment in a subsidiary

(i) Valuation of mining rights

Our audit reports dated 9 July 2018 and 11 September 2019 on the financial statements for the previous financial years ended 31 March 2018 and 2019 respectively contained a qualified opinion due to (i) the valuation of the mining rights; and (ii) the recoverable amount of the cost of investment in a subsidiary.

The Company, through Summit Light Ventures Ltd ("Summit Light"), is the sole legal owner of certain mining rights in respect of the Birthday Mine located in Western Australia. As at 31 March 2018, management carried out an impairment assessment on the mining rights (also known as "cash-generating-unit or CGU") since there were indicators of impairment due to delays in the exploration and evaluation activities in respect of the mining rights. Following management's assessment, a full impairment loss on the remaining carrying value of the mining rights amounting to \$1.78 million was recorded in the statement of comprehensive income for the financial year ended 31 March 2018 based on the value-in-use of the CGU.

SFRS(I) 1-36 Impairment of Assets states that the recoverable amount of the CGU is based on the higher of its fair value less costs of disposal and value-in-use. We have concluded that the use of the value-in-use methodology to determine the recoverable amount of the CGU as at 31 March 2018 was not appropriate because management did not intend to incur further costs in the exploration works for the mining rights and future cash flows would not be expected to be derived from the CGU from continuing use and in the absence of information from management on the fair value of the mining rights, we were not able to obtain sufficient appropriate audit evidence to ascertain whether the mining rights are measured appropriately in accordance with SFRS(I) 1-36.

(ii) Recoverable amount of the cost of investment in a subsidiary

In the previous financial years ended 31 March 2018 and 31 March 2019, management recorded a full impairment loss on the investment in Summit Light amounting to \$1.94 million. The recoverable amount of the Company's investment in Summit Light is dependent on the measurement basis of the mining rights as described in the preceding paragraph since Summit Light is the sole legal owner of the mining rights. In the absence of information from management on the fair value of the mining rights, we were not able to obtain sufficient appropriate audit evidence to ascertain whether the recoverable amount of the investment in Summit Light was measured appropriately in accordance with SFRS(I) 1-36 as at 31 March 2018.

As at the date of this report, there are two forfeiture applications by third parties affecting the mining rights. The Group has engaged lawyers to represent it at the forfeiture application hearing.

As at 31 March 2020, there was no new audit evidence furnished by management to support the fair value of the mining rights as well as the recoverable amount of the investment in Summit Light.

Independent Auditor's report to the Members of Rich Capital Holdings Limited (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

3. Unaudited financial information of significant joint venture

The Group accounts for its investment in joint venture in PT OKIB using the equity method. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss include its share of the investee's profit or loss and the investor's other comprehensive income or loss includes its share of the investee's other comprehensive income or loss. Losses of the investee in excess of the investor's interest in the investee are not recognised except to the extent that the investor has an obligation.

We understand that for the purpose of consolidating Rich Batam and its subsidiaries, management obtained the management accounts of PT OKIB for the year ended 31 March 2020 and used these accounts to equity account for PT OKIB in the consolidated financial statements of the Group.

We were not able to obtain sufficient appropriate audit evidence on the accounts of PT OKIB due to the dispute between the shareholders of PT OKIB and a component audit of PT OKIB could not be carried out for the purposes of the consolidated financial statements of the Group.

Because of the limitation in the scope of our work, we are unable to determine if the share of losses of PT OKIB and the carrying value of PT OKIB are appropriately stated for the year ended 31 March 2020 and at 31 March 2020 respectively.

4. Legal issue faced by joint venture

A legal claim for unliquidated damages was commenced by PT Karya Indo Batam ("PT KIB"), the joint venture partner of PT OKIB against the Company and OB for their conduct in relation to the Batam Project.

There are no specific amounts of damages sought for in the statement of claim filed against the Company and OB. The lawyers for the Company are unable to quantify the financial impact to the Company and OB. We are unable to obtain sufficient appropriate audit evidence on the amount of the liability arising, or to quantify if the provision for contingent liability is appropriately stated in the accompanying financial statements, or whether the Company and the Group are able to pay their debts as and when they fall due and the going concern basis of preparation of financial statements as a result.

5. Recoverable amount of the cost of investment in a subsidiary and joint venture

The carrying values at 31 March 2020 of the Company's investment in subsidiary, Rich Batam, and the Group's investment in a joint venture amounted to \$10,537,000 and \$12,780,000 respectively. At 31 March 2020, there were indicators of impairment in the subsidiary. Because of the various issues stated above, an impairment assessment could not be performed. In the absence of any alternative evidence available to us, we were unable to obtain sufficient appropriate evidence to determine carrying values of the subsidiary and joint venture recorded in the accounts of the Company and of the Group are appropriately stated.

Independent Auditor's report to the Members of Rich Capital Holdings Limited (Cont'd)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing ("SSAs") and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we had fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

Except for the matters described in the basis for Disclaimer Opinion section of the report, the accounting records required by the Act to be kept by the Company and its subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ang Soh Mui.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,

12 September 2020