

RICH CAPITAL HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Registration No. 199801660M)

**RESPONSES TO THE SGX-ST'S QUERIES ON THE PROPOSED DISPOSAL OF 50% OF THE
ENTIRE ISSUED SHARE CAPITAL OF RICH CAPITAL REALTY PTE. LTD.**

The board of directors (the “**Board**” or the “**Directors**”) of Rich Capital Holdings Limited (the “**Company**” or “**RCH**” and, together with its subsidiaries, the “**Group**”) would like to announce the Company’s responses to queries raised by Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in respect of the Company’s announcement dated 21 January 2020 (the “**Previous Announcement**”) on the proposed disposal of 50% of the entire issued share capital of Rich Capital Realty Pte. Ltd. Unless otherwise defined or the context otherwise requires, capitalised terms in this announcement shall have the same meanings as ascribed to them in the Previous Announcements.

Query 1:

Given that the Group has three main projects, and is now entirely exiting the Peak Court project via the Proposed Disposal, does it materially affect the risk profile of the Group? Will shareholders’ approval be required? Please substantiate.

Company’s response:

As disclosed on page 7 of the annual report for the financial year ended 31 March 2019 (“**FY2019**”) under “Looking Ahead”, the Group has since been recalibrating its business strategy and evaluating various options to ensure its ability to meet ongoing funding requirement. The decision to exit from the Peak Court project is a decision that the Company has taken, given, among others, the Group’s current cash position as at this point of time, taking into account both the risks and benefits of continuing with the Peak Court project until completion.

With the proposed disposal of the Peak Court project, the Group will raise cash to mitigate the material uncertainty to operate as a going concern going forward noted by the Company’s auditors in the auditor’s report for FY2019 and the disposal will allow the Group to deploy part of the net proceeds to develop the Kim Chuan project and continue to work with the Group’s JV partner to resolve outstanding issues in the Batam project. After the proposed disposal, the Group will still continue to be engaged in the development of properties. Based on the above, the Company is of the view the proposed disposal does not materially change the risk profile of its core business in an adverse manner such that shareholder approval is required in the absence of triggering the relevant thresholds in Chapter 10 of the Catalist Rules.

Query 2

How much funds did the Group inject into the Peak Court project since it was won?

Company’s response:

Approximately S\$5.42 million as at end of November 2019 based on the Company’s management accounts.

Query 3

50% interest in RCR is valued at between S\$2.32m and S\$2.98m based on a summation method under the cost valuation approach which is used for investment companies or other types of assets or entities for which value is primarily a factor of the values of their holdings. As the Target is not directly income generating which makes the income approach inappropriate, the Valuer has adopted a market approach to cross-check the market value, with the implied Price-to-Book multiple of the Target ranges between 0.4x and 0.5x, which falls within the trading range of the identified comparables between 0.3x and 1.2x.

Is the AC satisfied with the valuation approach used to value 50% interest in RCR which in turn holds the Peak Court project? Please substantiate.

Company's response:

The Board has reviewed and is satisfied with the valuation report and is of the view that the disposal is in the best interest of the Company based on, among others, the following:

- (i) The disposal will strengthen the cash position of the Company;
- (ii) The disposal will allow the Company to realise a gain on disposal; and
- (iii) The valuation of the underlying real asset for the Peak Court project is S\$133.5 million, implying an equity value of approximately S\$4.3 million for a 15% stake in the underlying real estate without applying any discount.

In respect to the bases supporting the income approach being inappropriate as part of the valuation approach, which the Continuing Sponsor had queried the Company on 17 January 2020, the Valuer had responded to the Company as follows:

"We [Savills Valuation and Professional Services (S) Pte. Ltd.] wish to clarify that the Income Approach was not adopted in our valuation analysis as Rich Capital Realty is an investment holding company and it is not directly income-generating, in which case, the Cost Approach is the most appropriate valuation approach. Below are the paragraphs that we have taken reference from the International Valuation Standards in selecting the appropriate valuation approach:

- IVS 200 Businesses and Business Interests, Para 70.1 –
*"... the cost approach is sometimes applied in the valuation of businesses, particularly when:
(b) the **business is an investment or holding business**, in which cases the summation method is as described in IVS 105 Valuation Approaches and Methods, paras 70.8-70.9,..."*

Rich Capital Realty is an investment holding company, hence, cost approach should be applied.

- IVS 105 Valuation Approaches and Methods, Para 60.2 –
*"The **cost approach should be applied and afforded significant weight** under the following circumstances:
... (b) the **asset is not directly income-generating** and the unique nature of the asset makes using an income approach or market approach unfeasible"*

Rich Capital Realty is not directly income-generating as it does not produce any income, hence, cost approach should be applied.

- IVS 105 Valuation Approaches and Methods, Para 40.2 –

“The income approach should be applied and afforded significant weight under the following circumstances:

- (a) The income-producing ability of the asset is the critical element affecting value from a participant perspective, and/or*
- (b) Reasonable projections of the amount and timing of future income are available for the subject asset, but there are few, if any, relevant market comparables.”*

The above circumstances are not applicable to Rich Capital Realty, as it does not produce income and its value is mainly derived from its holdings of the 30% equity interest in TSRC. Hence, Income Approach is not applied.”

Query 4

What was the purpose and business value in tendering for the Peak Court project in the past? If the business is in developing and selling off of the units in the future, why is Rich Cap exiting the business now, without taking into account the potential and value in the successful tender of the Peak Court project?

Company’s response:

The acquisition of the 30% stake in the Peak Court project not only marked the Group’s maiden foray into the Singapore residential property sector after receiving shareholders’ approval at the Extraordinary General Meeting of shareholders held on 28 March 2018 to diverse into the property business, it also enabled the Company to diversify its revenue streams. As explained in our response to query (1) above, the decision to exit from the Peak Court project is decision which is in the best interest of the Company, given, among others, the Group’s current tight cash position. For the remaining two real estate projects that the Group is involved in, Kim Chuan is not a minority stake (unlike Peak Court) and the Batam project is a big project that is currently undergoing complications and which will not be easy to dispose of in part or in whole at its current status.

Query 5

In making the decision to tender for the Peak Court project back in May 2018, what were the business plans and financial projections submitted to the Board for approval? Do these business plans and financial projections still hold true? What has changed? Is Tuan Sing and Ipomoea still committed in investing in the Peak Court project?

Company’s response:

Since the inception of the Peak Court project, there have been 26 monthly client-consultants meetings chaired by the appointed architects. Such monthly meetings will continue until the project is completed. As one of the JV partners, RCR’s representative is entitled to attend such monthly meetings. From the minutes of these meetings and to the best of our knowledge, nothing has come to our attention that has caused the Company to be of the view that Tuan Sing and Ipomoea is not committed to completing the Peak Court project or there is any material change to the business plans of this JV or projected profits. However, the Company requires funding in the near term given its current cash position. Given that the Company’s shares are currently suspended, raising money through the issue of new shares is not a realistically available option. Accordingly, the sale of the Group’s stake in Peak Court is in the best interest of the Company to ensure that it has the cash to move forward.

BY ORDER OF THE BOARD
RICH CAPITAL HOLDINGS LIMITED

Giang Sovann
Interim Chairman and Independent Non-Executive Director

30 January 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg)