

4 June 2019

Singapore Exchange Securities Trading Limited

11 North Buona Vista Drive
#06-07 The Metropolis Tower 2
Singapore 138589

Attention: Gladys Tay / Jenn Ho
Listing Compliance

Dear Sir,

RESPONSE TO QUERY FROM SGX-ST ON THE RECEIPT OF LETTER FROM JOINT VENTURE PARTNER OF AN INDIRECT SUBSIDIARY AND UPDATE ON STATUS OF DEVELOPMENT OF BATAM DEVELOPMENT PROJECT

The Board of directors (the “**Board**” or the “**Directors**”) of Rich Capital Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) would like to provide the following information in response to query from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in respect of the Company’s announcement dated 17 May 2019 on the receipt of letter from joint venture partner of an indirect subsidiary and update on status of development of Batam Development Project:

Query 1 of the SGX-ST

Please provide us with the document in which KIB raised concerns with regards to the above on 13 May 2019.

Company’s Response

Please refer to the attached.

Query 2 of the SGX-ST

Further, in the circular dated 13 July 2018 for EGM held on 30 July 2018, under section 4 on the IPT Mandate, it was stated that RLC is defined as one of the Mandated Interested Persons, while one of the classes of Mandated Transactions include the appointing of a Mandated Interested Person as main contractor for property development projects undertaken by the Group.

Under para 4.5.1(a) it was stated that to ensure that Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders, at the commencement of each property development project, the Group will appoint an Independent Project Team (defined in the circular). And in the event that the Independent Project Team recommends the award of the main contractor contract to a Mandated Interested Person, the Company will seek the prior approval of the AC before awarding the contract to the Mandated Interested Person. Such approval from the AC will be subject to several conditions as well.

Please provide details as to the Company’s adherence to the conditions stated in the circular.

Company's Response

PT Oxley Karya Indo Batam ("**OKIB**"), the joint venture company responsible for the development of the Project, is a company incorporated in Indonesia. Its shareholders are Oxley Batam Pte Ltd ("**OBPL**") and PT Karya Indo Batam ("**KIB**") who each hold the shares in OKIB in equal proportions. OBPL is in turn 80% owned by a subsidiary of the Company, Rich Batam Pte. Ltd. ("**RBPL**"). The board of directors of OKIB consists of two directors appointed by OBPL, and one director appointed by KIB. The Project initially started as a joint development between Oxley Holdings Limited ("**Oxley**") and KIB. The Company acquired a 40% stake in the Project when RBPL completed the acquisition of 80% of the shares in OBPL from Oxley International Holdings Pte. Ltd. (a subsidiary of Oxley) on 18 May 2018 (the "**Acquisition**").

(a) The Tender Process

Prior to the aforementioned Acquisition, OKIB had already started sourcing for a main contractor through a closed tender and invited eight contractors to tender for the main contract works for the Project ("**Initial Tender**"). Only four contractors submitted their tenders. Rich-Link Construction Pte. Ltd. ("**RLC**"), an associate of the Company's Non-Independent Non-Executive Chairman, Mr Wang ZhenWen ("**Mr. Wang**"), was one of the four contractors which submitted a tender offer. A multi-disciplinary team consist of architects, structural engineers, mechanical & electrical engineers and quantity surveyors from Surbana Jurong Consultants Pte. Ltd. ("**SJC**"), an independent professional project consultant was engaged by OKIB to manage the tendering process. At the close of the Initial Tender, SJC provided its recommendation on 14 May 2018 to award the main contractor works to an Indonesian contractor primarily because the Indonesian contractor had submitted the lowest tender offer. However, no award was given to any contractor thereafter due to the on-going acquisition of OBPL which was completed on 18 May 2018.

Following the completion of the Acquisition, the Company took over control of the Project. In line with the Acquisition, the Company recruited a number of persons who were independent of the tenderers to work on the development of the Project, the marketing strategy as well as on the final selection of the suitable main contractor, including working closely with SJC as the third party professional consultants (the employees of the Company together with SJC, the "**Independent Project Team**"). In accordance with the terms stated in the Paragraph 4.5 (Methods and Procedures for the Mandated Transactions) of the circular dated 13 July 2018 (such terms being the "**IPT Mandate Process**", and such circular being the "**IPT Mandate Circular**"), the tender process was managed by the Independent Project Team.

Upon taking over the Project, the Company decided to continue to position this development as one that would be undertaken by a Singapore-based developer and main contractor in order to increase the branding of the Project as well as confidence that the construction of the Project will be completed as scheduled. Furthermore, the Company was of the view that that it would be more prudent to award the main contract works to Singapore-based contractors to ensure the due performance of the contract (including delivery of the end product to the customer according to the agreed time, cost and quality). As a result, to be consistent with the marketing strategy and public representations to buyers, on 1 June 2018, the then Executive Director of the Company, Soong Kar Leong, who is independent to RLC, requested SJC to invite only the three Singaporean-based contractors which had participated in the Initial Tender to submit revised tender offers for the Project (the "**Revised Tenders**"). Upon receipt of the Revised Tenders and further assessment and evaluation, SJC provided a post-supplementary

tender report containing a schedule of tenders which showed that RLC had submitted the lowest price for the tender offer. Accordingly, the employees who were part of the Independent Project Team recommended the award of the contract to RLC being the lowest tenderer.

(b) Approval by the AC

Thereafter, in accordance with the IPT Mandate Process, the Company sought and received the approval of the AC prior to approving the award of the contract to RLC by OKIB. In coming to its decision, the AC noted that the conditions as stipulated in Paragraph 4.5.1(a) (Methods and Procedures) of the IPT Mandate Circular were complied with:

- (i) the entire tender process had been managed by the Independent Project Team;
- (ii) each member of the Independent Project Team had declared themselves to be independent from any tenderer;
- (iii) a tender evaluation report had been prepared by the Independent Project Team detailing its review of the tenders received, including summaries and comparison of cost breakdown, recent track record, the size of the construction team, the qualifications of the key construction team members, duration and payment milestones;
- (iv) the tender evaluation report included quotations from at least two (2) unrelated third-parties;
- (v) the overall terms of the contract to be awarded was not more favourable to RLC as compared to that which would be awarded to the unrelated third parties; and
- (vi) RLC holds the necessary qualifications and licences to act as a main contractor.

Further, the AC also took note of the post-supplementary tender report issued by SJC, and that the recommendation to award the contract to RLC was based on the lowest tender offer. At all times, Mr. Wang had abstained from the AC's deliberations and was neither present nor did he participate in the decision-making process.

In addition, OKIB had also convened an extraordinary general meeting of its shareholders for the appointment of the main contractor and obtained approval via a written resolution of all its shareholders, including KIB, prior to awarding the main contract works to RLC.

Considering the above, the Company is of the view that it has complied with the IPT Mandate Process.

BY ORDER OF THE BOARD
RICH CAPITAL HOLDINGS LIMITED

Kuek Tee Meng
Executive Director, Finance