

17 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 IN RELATION TO THE COMPANY'S ANNOUNCEMENT OF 4 JUNE 2019

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 provide the following information in response to the query from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in respect of the Company's announcement dated 4 June 2019 on the payment of approximately S\$2 million on behalf of its indirectly-owned subsidiary, PT Oxley Karya Indo Batam ("**PT OKIB**"):

Query 1 of the SGX-ST

Who are the key management and project leaders of the Project in PT OKIB? Who are in charge of finance?

Company's Response

Under the Shareholders Agreement dated 12 August 2016 (signed by the previous owner), Clause 10.1, OBPL is responsible for the overall management of the project, including but not limited to, "the construction, development, management, financial administration, and operation of the Project in conformity with Project Design within the Project Timeline, as well as the Required Development Licenses". Hence, PT OKIB is effectively managed by RCH's management team, post-acquisition.

As at 14 June 2019,

- (i) the key management of PT OKIB is Mr Kuek Tee Meng, in his capacity as the Executive Director, Finance ("**Mr Kuek**" or "**ED Finance**") of the Company, since his appointment on 3 January 2019. Mr Kuek was appointed after the cessation of the then Executive Director, Mr Oh SiKai ("**Mr Oh**") on 26 December 2018.

The directors of PT OKIB are Mr Wang Zhen Wen ("**Mr Wang**"), the non-independent non-executive chairman of the Company, Mr Oh and Winston Madjuki (KIB's representative). Mr Oh has resigned from RCH and a PT OKIB board resolution for his replacement was submitted to KIB for its approval in December 2018. As of the date of this response, PT OKIB has yet to receive KIB's approval for the proposed replacement. We have no further information available as to KIB's inaction to the proposed change in Mr Oh's replacement on the board of PT OKIB.

- (ii) the key project leader of the Project in PT OKIB is Mr Aldrin Tai ("**Mr Tai**"), who was appointed from 11 June 2018 to present, in his capacity as the Project Manager of the Company and Employer's Representative ("**ER**") for the Project; and
- (iii) the person in-charge of finance is Mr Kuek from the time of the Company's completion of the acquisition of OBPL and PT OKIB, then as Senior Finance Manager and currently as ED Finance. He is still currently in charge of the Group, PT OKIB and the Project's finance functions, which includes the authorisation of all payment out of and receipt of funds in PT OKIB.

For completeness, as at 28 November 2018 (being the date in which the Payment was made),

- (i) the key management of PT OKIB was Mr Oh, then Executive Director of the Company (15 August 2018 – 26 December 2018);

The directors of PT OKIB are Mr Wang, Mr Oh and Winston Madjukie (KIB's representative).

- (ii) the key project leaders of the Project in PT OKIB were Mr Kam Tin Seah ("**Mr Kam**"), the then Senior Manager of the Company and overall in-charge of the Project; and Mr Tai, Project Manager & ER for the Project. Mr Kam had ceased to be an employee of the Group on 30 April 2019; and
- (iii) the person in-charge of finance in PT OKIB was Mr Kuek, the then Senior Finance Manager of the Group.

Query 2 of the SGX-ST

RLC is beneficially owned by Mr Wang Zhen Wen ("**Mr Wang**"). Mr Wang is also 29.5% shareholder of Rich Capital, which is 80% shareholder of OBPL, which jointly owns PT OKIB. What is Mr Wang's role in (i) PT OKIB, and in (ii) RLC, with regards the Project?

Company's Response

- (i) Mr Wang is the president director of PT OKIB. The main duty of president director is to coordinate the activities of Board of Directors and is responsible for executive management of PT OKIB. As a non-resident director, Mr Wang cannot sign documents on behalf of PT OKIB, as such Mr Wang (the president director) is authorised to delegate such powers conferred on him as he deems appropriate. Mr Wang is authorised to make payment out of PT OKIB as he is one of the bank authorised signatories.

PT OKIB is effectively managed by the management team from RCH, guided and bound by the Shareholders Agreement dated 12 August 2016 signed between OBPL (under the previous owner, Oxley Holdings Limited) and KIB. Reserve matters to be decided by shareholders of PT OKIB include, *inter alia*, contracts or binding legal agreement exceeding US\$5 million; disposal or acquisition or lease of business or asset exceeding US\$500,000; borrowings, providing of securities, sale and disposition of material property of the Project.

The other two directors of PT OKIB as at the date of this response are Mr Oh and Winston Madjukie (KIB's representative). Mr Oh has resigned from RCH and his replacement in PT OKIB

is subject to KIB's consent in a board resolution submitted to KIB, which PT OKIB has yet to receive. In that proposed resolution, Mr Kuek has been nominated as the replacement for Mr. Oh.

- (ii) Mr Wang is the sole director and 100% shareholder in RLC. Notwithstanding that he leads the management team of RLC, he is not involved directly in the Project. The Project's operations are managed by the rest of RLC's management. Mr Wang does not have the authorisation for RLC to issue invoices and to bill PT OKIB for work done at the Project.

Query 3 of the SGX-ST

Given that the Letter of Award provides that the Advance Payment Guarantee is to be made prior to the Advance Payment, were there anyone in PT OKIB monitoring the payment of the Advance Payment Guarantee by RLC to PT OKIB?

Company's Response

Yes, the project and finance team were responsible for monitoring the payment of the Advance Payment Guarantee. (see Query 4 for details).

The payment by the Company to RLC in November 2018 was reviewed and approved as follows:-

- (i) upon receipt of the payment request from RLC ("**Payment Request**"), Project Manager & ER reviewed the request and passed on such request to Mr Oh, the then Executive Director for approval;
- (ii) Once the Executive Director had approved of the Payment Request, the Payment Request was passed on to the Finance Department for payment verification and preparation;
- (iii) The payment voucher and cheque were then prepared by the Account Executive;
- (iv) The then Senior Finance Manager, Mr Kuek, verified the amount based on payment request that checked by ER and approved by ED; and
- (v) Subsequently, the payment voucher was approved by Mr Oh.

However, due to oversight, the non-receipt of the Advance Payment Guarantee was overlooked. By way of background, under the previous management and ownership of PT OKIB, the project was already delayed for some time. The management of the Company ("**Management**") therefore agreed to release payment in order to enable the main contractor (i.e. RLC) to immediately commence site preparation, mobilisation, setting up of office and organise the project team to setup site activities and site presence to regain public confidence ahead of the Grand Launch for sales on 8 December 2018, for which in the Management's view, is in the best interest of the Company and the Project. It is also an industry practice in Indonesia to giving advance payment to a contractor at the initial stage of construction.

Query 4 of the SGX-ST

The announcement stated that on 28 November 2018, RLC requested for the Advance Payment of S\$2.0 million from PT OKIB pursuant to Clause 5 of the Letter of Award, even though it had not provided the Advance Payment Guarantee. The Company paid out the Payment to RLC on behalf of PT OKIB on 28 November 2018.

- (a) Why did the Company make the Payment of S\$2.0 million to RLC on behalf of PT OKIB?
- (b) Whom in the Company processed and approved the Payment to be made to RLC?

Company's Response

- (a) With regards to the cash injection into PT OKIB, the Company is obligated to provide funding for the Project (through its underlying intermediate companies). Under Clause 7.2 of the Shareholders Agreement dated 12 August 2016, OBPL (which is an 80% indirect subsidiary of the Company, and a 50% shareholder of PT OKIB) is required to provide a non-interest-bearing shareholders loan of up to S\$ 21.0 million to PT OKIB to fund the project. This is evidenced by the wordings in the payment voucher, "partial advance payment of quasi-equity loan – OCC Project in Batam" as well as all accounting records of PT OKIB, OBPL, and RCH. As at 28 November 2018 (being the date immediately before the Payment was made), the cash injection into PT OKIB stood at an approximately S\$11.0 million.

With the said S\$2.0 million injection, OBPL's total investment in PT OKIB has increased to approximately S\$13.0 million, including share capital of Rp64.5 billion (approximately S\$6.6 million) and shareholders' loan of Rp67.6 billion (approximately S\$6.4 million), both in the form of cash contribution.

KIB indeed had requested full injection of S\$21.0 million, notwithstanding that the sales proceeds were not fully utilised. The S\$2 million payment was therefore made under this circumstance and directly to RLC instead of through PT OKIB, as a commercial exigency as explained before, under Query 3.

- (b) The payment by the Company to RLC in November 2018 was reviewed and approved as follows:-
 - (i) upon receipt of the payment request from RLC ("**Payment Request**"), Project Manager & ER reviewed the request and passed on such request to Mr Oh, the then Executive Director for approval;
 - (ii) Once the Executive Director had approved of the Payment Request, the Payment Request was passed on to the Finance Department for payment verification and preparation;
 - (iii) The payment voucher and cheque were then prepared by the Account Executive;
 - (iv) The then Senior Finance Manager, Mr Kuek, verified the amount based on payment request that checked by ER and approved by ED; and
 - (v) Subsequently, the payment voucher was approved by Mr Oh.

As for the internal lapse in terms the non-receipt of Advance Payment Guarantee before releasing advance payment, the Company has since taken action to rectify it. To this extent, PT OKIB had received a written undertaking from RLC that the Advance Payment Guarantee will be provided by RLC by 13 June 2019. The update on the Advance Payment Guarantee was announced on 14 June 2019.

Query 5 of the SGX-ST

The announcement stated that as at 30 April 2019, the independent professional consultant engaged for the Project, has recommended that the value of work executed, material, Plant and Goods delivered amounted to Rp 47,149,053,864 (equivalent to approximately S\$4.7 million based on an illustrative exchange rate of S\$1: Rp 10,000) which shall be payable to RLC.

Whilst the Advance Payment Guarantee has not been received by PT OKIB as at 28 November 2018, Payment of S\$2.0 million to RLC on behalf of PT OKIB was made. How much was the value of work executed as at 28 November 2018?

Company's Response

The payment made to RLC on 28 November 2018 was an advance payment provided for specifically under Clause 5 of the Letter of Award. The intention of such advance payment is to provide cashflow for the contractor in advance, to enable the contractor to kick-start the works. This is to be distinguished from the normal progress payment, which is dependent on the amount of works carried out by the contractor.

The 1st recommendation by the independent professional consultant in respect of the value of work executed was for the period from 13 November 2018 (being the date of commencement of main construction) to 31 December 2018 and was issued as the interim certification no. 1 dated 10 January 2019 ("**Recommendation No. 1**"). Under the Recommendation No. 1, the value of works executed and materials, plants & goods delivered up to 31 December 2018 was Rp21,373,929,804 (equivalent to approximately S\$ 2.1 million, based on an illustrative exchange rate of S\$1: Rp 10,000). The residual value of works done after deducting back charges which represents the net amount owing to RLC stood at an approximately Rp21.0 billion (equivalent to approximately S\$2.1 million, based on an illustrative exchange rate of S\$1: Rp 10,000).

To clarify, in relation to the independent professional consultant's interim certification no. 5 dated 15 May 2019 for the value of works executed and materials, plants & goods delivered by RLC up to 30 April 2019 was RP47,149,053,864 (equivalent to approximately S\$4.7 million based on an illustrative exchange rate of S\$1: Rp 10,000). The residual value of works done after deducting back charges and payments made directly by PT OKIB to third party subcontractors which represents the net amount owing to RLC stood at approximately Rp39.1 billion (equivalent to approximately S\$3.9 million based on an illustrative exchange rate of S\$1: Rp 10,000).

FOR & ON BEHALF OF THE BOARD
RICH CAPITAL HOLDINGS LIMITED

Giang Sovann

Independent Non-Executive Director