

2 July 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 1) THE COMPANY'S ANNOUNCEMENT ON 14 JUNE 2019 AND 2) THE COMPANY'S RESPONSE TO FURTHER QUERY FROM SGX-ST FOLLOWING ITS RESPONSE TO SGX-ST ON 17 JUNE 2019 ("17 JUNE RESPONSE")

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 14 June 2019 and the Company's 17 June Response:

(A) Payment of S\$2 million Advance Payment on behalf of PT OKIB

1. **In response to Query 3 in the 17 June Response, it was stated that payment request was made by RLC – whom in RLC made such request?**

Dara Rok Ing, Director of Rich-Link Construction Pte Ltd (**"RLC"**).

2. **In response to Query 4 in the 17 June Response, it was stated that 'KIB indeed had requested full injection of S\$21 million, notwithstanding that the sales proceeds were not fully utilized.' Please elaborate on what it means by 'notwithstanding that the sales proceeds were not fully utilized' and thereby explain why then is there a 'commercial exigency' which required the payment of the S\$2 million Advance Payment.**

KIB had on various occasions orally, and by email on 13 March 2019, requested full injection of S\$21 million, and as of 31 March 2019, the collected unutilized sales proceeds was 51.7 billion rupiah. Under Clause 7.4 of the shareholders agreement dated 12 August 2016 between shareholders of PT OKIB (**"Shareholders Agreement"**), the shareholders loan to be provided by Oxley Batam Pte Ltd (**"OBPL"**) of up to S\$21 million was to fund the construction cost of the Project and such loan is to be made available to PT OKIB as and when funding from PT OKIB is required, that is, when sale proceeds have been fully utilized to finance construction costs. The 'commercial exigency' which required the payment of the \$2 million advance payment is as explained in our response to Query 3 in our letter to SGX-ST dated 17 June 2019.

3. **What was the cash balance in PT OKIB as at 28 November 2018? Notwithstanding that RCH had paid S\$2million to RLC on behalf of PT OKIB due to reasons of commercial exigency, why**

were the monies not paid out from PT OKIB directly, should there be funds available in PT OKIB at the time in which RLC had requested for payment?

Cash balance in PT OKIB as at 31 October 2018: 51.9 billion rupiah (approximately S\$5.2 million based on illustrative exchange rate of S\$1:Rp10,000)

Cash balance in PT OKIB as at 30 November 2018: 51.2 billion rupiah (approximately S\$5.1 million based on illustrative exchange rate of S\$1:Rp10,000)

The cash balance available in PT OKIB were not used in the payment of S\$2 million to RLC because that was the management decision at the relevant time based on management's view of the commercial exigencies at that time.

- 4. For Non-Interested Directors, in view that (i) Mr Wang is the sole director and shareholder of RLC and (ii) Mr Wang is a Non-Executive Director of RCH, please explain whether Mr Wang's appointment as the President Director in PT OKIB and as the sole representative of RCH in PT OKIB is in the interest of RCH.**

The aforementioned query would not be applicable as Mr Wang was not the sole representative of RCH/OBPL to PT OKIB when the decision was made for payment of the S\$2 million Advance Payment. Pursuant to the Shareholders Agreement, OBPL is entitled to, and did appoint 2 representatives in PT OKIB. The other representative, Mr Oh, was still a representative of PT OKIB when the aforementioned decision was made. Furthermore, the daily operations of the construction project are managed by a separate project management team employed by RCH and not Mr Wang himself. This is because PT OKIB is effectively managed by RCH's management team, post-acquisition. As such, the Non-Interested Directors believe that Mr Wang's appointment as the President Director of PT OKIB and as one of the representatives in RCH/OBPL in PT OKIB do not prejudice the interest of RCH as Mr Wang's appointments were predominately for the purpose of ensuring that the interests of RCH is protected.

Nevertheless, as Mr Wang's appointment as President Director of PT OKIB has recently attracted queries/ issues, Mr Wang has offered to step down as a President Director to facilitate the resolution of these queries /issues.

- 5. As per the legal letter dated 21 June 2019 received from KIB ("Letter"), please explain the Company's earlier disclosure in its announcement that the payment of Advance Payment was a lapse in internal controls and was made out of commercial exigencies against the Letter stating that KIB had not authorised the payment of the Advance Payment and approved the payment structure of the Advance Payment (as a loan from any shareholder of OKIB)**

The reference to a lapse in governance process in the announcement dated 4 June 2019 was in relation to not having obtained the advanced payment guarantee prior to making payment for the Advance Payment. It does not refer to the assertion made in the Letter that "KIB had not authorized the payment of the Advanced Payment or approved the payment structure". With regard to the Letter, the management wishes to highlight that KIB has agreed, under Article 7.2 of the Joint Operation Agreement and Clause 10.1(e) of Shareholders Agreement, that it shall not interfere with the supervision, direction and control of the development, construction, financial administration, operation and management of the construction project.

PT OKIB is presently in discussions with RLC for the repayment of the S\$2 million Advance Payment – please refer to our response to query 7 below.

6. **In light of the impending going concern issue raised by the auditors at the recent Audit Committee Meeting, what are the bases that the Company has not recalled the payment of the S\$2 million paid on behalf of PT OKIB which could potentially provide comfort to the working capital requirements of the Group?**

The Audit Committee meeting was held on 29 May 2019. The following day, on 30 May 2019, PT OKIB received a letter of undertaking from RLC that they would furnish, within 2 weeks, the advanced payment guarantee for the S\$2 million that had been disbursed.

In addition, the amount of payments certified by the Project Consultant for work done by RLC as at the date of this announcement has already substantially exceeded the Advance Payment of S\$2 million.

(B) Advance Payment Guarantee

Pursuant to the Advance Payment Guarantee, subsequent to the announcement of 14 June 2019,

7. **What is the status of the Advance Payment Guarantee proposed to be obtained from L&G Insurance Broker by RLC and to clarify whether both the proposal by RLC to offset the advance payment against the certified progress claims and shortened duration is in the interest of the PT OKIB?**

We have just been informed that there have been new developments within RLC and that RLC is working on a solution to repay the S\$2 million Advance Payment to the Company (which would then render the Advance Payment Guarantee unnecessary). RLC has therefore placed the Advance Payment Guarantee from L&G Insurance Broker on hold pending the same. PT OKIB will continuously be in communication with RLC on the progress of the repayment and provide an update in due course.

8. **Given that there is a written undertaking from RLC to provide the Advance Payment Guarantee by 13 June 2019, yet it is not received as of now, by which date will the Company take further actions to enforce such amounts so as to safeguard the interest of the Company?**

Please refer to our response to Query 7 above.

(C) Performance Bond

9. **In view of the last announcement made on 23 May 2019 in respect of the Performance Bond, please provide an update on whether the receipt of the Performance Bond by PT OKIB is forthcoming and explain the reason for the continued delay, and the next course of action to safeguard the interests of the Company.**

Since the previous announcement made on 23 May 2019, there has been some progress made by RLC in finding an Indonesian insurance company that is prepared to issue a Performance Bond in a form that complies with the Letter of Award. The Project Consultant has no objection to the Performance Bond being issued by the Indonesian insurance company. The Company is presently following up with RLC.

In order to safeguard the interests of the Company, the Company will be exercising its right under the terms of the Letter of Award to withhold payment to RLC for work done pending the receipt of the Performance Bond.

(D) Legal Advice

10. We understand that the Management has now identified a law firm in Indonesia, Soehendro Gautama SH. M. Hum. Please provide update their advice on:-
- (i) The inability of RLC to provide the Advance Payment Guarantee;
 - (ii) The inability of RLC to provide the Performance Bond; and
 - (iii) Legal implications on the Group, should the main constructor contract awarded to RLC be terminated in light of various breaches of the contract by RLC.

The management of the Company had previously identified an Indonesian law firm, Soehendro Gautama SH. M. Hum, but did not proceed to engage them. The Independent Directors are in the midst of identifying and engaging another Indonesian law firm.

(E) Use of Proceeds from Placement and Rights Issue

It was announced in 2018 that there has been a Placement for S\$2.24m and Rights Issue of S\$24.55m.

11. Please provide an overview of the use of proceeds raised.

Use of Net Proceeds	Allocation of Net Proceeds (\$ million)	Net Proceeds utilised (\$ million)	Unutilised Net Proceeds (\$ million)
Proposed Acquisition	0.56	0.56 ⁽¹⁾	-
Working capital purposes	1.68	1.68 ⁽²⁾	-
Total Net Proceeds	2.24	2.24	-

Notes:

1. The net proceeds had been applied towards the acquisition of the Kim Chuan and its related expenses.
2. S\$1.68 million was utilised for expenses relating to the operations of the Group under general and administrative expenses.

Source: Company announcement dated 10 August 2018

Use of Proceeds

As at the date of this announcement, the net proceeds from the Rights Issue had been utilised as follow:-

Use of Proceeds	Allocation of Net Proceeds (\$\$ million)	Amount utilized (\$\$ million)	Unutilised Net Proceeds (\$\$ million)
Offsetting the Outstanding Loan	2.95	2.95	-
Funding part of the purchase consideration of the Kim Chuan Acquisition and its associated costs	1.60	1.60	-
Funding the Future Proposed Acquisitions and their associated costs	18.93	18.93 ⁽¹⁾	-
Working Capital purposes	1.07	1.07 ⁽²⁾	-
Net Proceeds	24.55	24.55	-
Net Proceeds (after Offsetting Outstanding Loan)	21.60	21.60	-

Notes:

- (1) The net proceeds had been applied towards the acquisition of Oxley Batam, Peak Court joint venture and their related expenses.
- (2) S\$1.07 million was utilized for expenses relating to legal, professional, listing fees and related administrative expenses.

The above use of proceeds is in accordance with the intended use of proceeds as stated in the announcement dated 10 August 2018.

Source: 1H2019 Results Announcement

- 12. Given the ongoing audit for FY19 (FYE 31 Mar 2019), can the AC please confirm the going concern of the Company and Group now, to justify continued trading.**

The field audit work has already been completed and the draft audited accounts show a positive working capital of S\$11.2 million and a net assets value attributable to the shareholders of S\$20.4 million as at 31 March 2019.

At the meeting with the external auditors, they expressed concern if the Company is able to show a positive cashflow to meet cashflow requirements for the next 12 months and requested that the management provide better evidence of the Company's projection of its ability to meet cashflow requirements. Since the discussion with the external auditors, the audit committee has been following up with the management on the various initiatives to enhance its cashflow. As there is no certainty as of this date that these initiatives will materialize soon, the audit committee is unable to confirm at this time whether the Company will be a going concern.

(F) General

Taking into account lack of clarity over the payment of S\$2 million Advance Payment, its terms and authorizations, the abrupt resignation of Mr Kuek, the Executive Director of RCH and key management of OKIB, and resignation of overall in-charge of Project in OKIB Mr Kam Tin Seah on 30 April 2019, as well as various letters and answers to be provided to JV partner KIB,

- 13. What are AC's views as to clarity of state of affairs of the Company which will allow for continued trading come the end of trading halt this Wednesday, 26 June 2019?**

The AC is of the view that the Company is not able to obtain sufficient clarity of the state of affairs to allow for continued trading by 26 June 2019 (please see Announcement made on 27 June 2019).

- 14. AC should consider and propose the appropriate scope of Independent Review ("IR") to be conducted, as well as the timeline envisaged. Please note that SGX RegCo would like to clear the scope, the terms of reference and the appointment of the IR. The IR should report concurrently to the IDs (where appropriate), Sponsor and SGX RegCo.**

The AC, prior to this query, has already contacted an accounting firm with regard to conducting an Independent Review and will propose in due course the appointment of the IR, scope and terms of reference, and timelines.

**FOR & ON BEHALF OF THE BOARD
RICH CAPITAL HOLDINGS LIMITED**

Giang Sovann
Independent Non-Executive Director