

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

**RESPONSE TO SGX-ST'S QUERIES ON TRANSFER OF SHARES BY JOINT VENTURE
PARTNER, BANK ACCOUNTS OF JOINT VENTURE AND LEGAL ACTION BY JOINT
VENTURE PARTNER AGAINST JOINT VENTURE**

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Rich Capital Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to PT Oxley Karya Indo Batam (“**PT OKIB**”), the joint venture between indirect subsidiary, Oxley Batam Pte. Ltd. (“**OBPL**”), and PT Karya Indo Batam (“**PT KIB**”) for the project at the Oxley Convention City, Batam (the “**Project**”) and

- (1) Its response to SGX queries on 28 May 2020 relating to, *inter alia*, the approval process for payments from PT OKIB's bank accounts (the “**Previous Response**”),
- (2) Its announcement on 21 August 2020 relating to the developments leading up to the transfer by PT KIB of its entire 50% shareholding in PT OKIB to an entity known as PT Batam Citi Moto Karya (the “**21 August Announcement**”),
- (3) Its announcement on 11 September 2020 relating to the cessation of the Company's banking tokens for PT OKIB's Maybank Accounts, the unauthorised debit from PT OKIB's BCA Account and the legal action commenced by PT KIB against PT OKIB (the “**11 September Announcement**”),
- (4) The disclaimer of opinion by the independent auditor on the Financial Statements for the Financial Year ended 31 March 2020, released on SGXNet on 12 September 2020 (the “**Disclaimer**”), and
- (5) Its announcement on 17 September 2020 relating to updates to the legal actions commenced in Batam against PT OKIB (the “**17 September Announcement**”)

(collectively, the “**Previous Announcements**”).

Unless otherwise defined, capitalised terms in this announcement shall have the same meanings as ascribed to them in the Previous Announcements.

The Board wishes to inform the Company's shareholders that the Company has received queries from SGX-ST on 14 September 2020 and is providing its responses to these queries in this announcement.

2. THE QUERIES

2.1 Query 1:

In Company's response to our queries released on 28 May 2020 on the steps taken by Rich Capital to ensure that its interests in PT OKIB are safeguarded – it was stated that “OBPL's attendance and approval is required for a Board resolution or shareholders' resolution to be passed by PT OKIB. Given the status quo that the Company has no representation on the Board of PT OKIB, PT OKIB cannot validly hold a Board or shareholders' meeting, and cannot validly pass a Board resolution or shareholders' resolution without OBPL's and by extension, the Company's approval”.

- (a) *Given that OBPL did not attend both the First EGMS and Second EGMS, is the transfer of PT KIB's 50% shareholding in PT OKIB to PT BCMK legally and properly completed? Did the transfer require approval of OBPL and by extension, the Company, to complete?*
- (b) *What are the legal rights of OBPL in respect of this transfer and what are the Company's recourse and Board's plans in respect of this?*
- (c) *Why does the Company not have any representation on the Board of PT OKIB? Who is / was on the board of PT OKIB at each material points in time?*

Company's Response:

- (a) The Company's Indonesian counsel, AKSET Law, has advised on 9 July 2020 that the Share Transfer required the approval of OBPL and by extension the Company as a matter of both Indonesian company law and under the Shareholders Agreement dated 12 August 2016 between OBPL and PT KIB (the "**SHA**").

Under Indonesian company law, a transfer of shares requires the approval of the General Meeting of Shareholders ("**GMS**") and the quorum for a GMS is the presence or representation at the GMS of more than half of the total number of shares with voting rights. In the event that a quorum is not met at a first GMS and a second GMS shall be lawful and entitled to adopt resolutions if at least one third of the total number of shares with voting rights are present or represented at the second GMS.

As announced by the Company in the 21 August Announcement, OBPL has the right of first refusal under the SHA and PT KIB has breached its contractual obligations by failing to comply with the procedure prescribed under the SHA. Neither has PT KIB taken any steps to rectify its breach(es) despite OBPL's letter dated 11 July 2020 reminding PT KIB of the same. Further, PT KIB has to date failed to furnish the minutes of and all relevant documents and information relating to the First EGMS to evidence that it had indeed been validly held notwithstanding OBPL's request in its letter of 22 July 2020.

- (b) The Indonesian counsel's advice on 21 July 2020 and 19 August 2020 was that to their best knowledge, there may be no direct loss that the Company or OBPL would suffer or has suffered as a result of the transfer and that as PT KIB remains a party to the Joint Operation Agreement dated 12 August 2016 between PT KIB and PT OKIB (the "**JOA**"), all the terms and conditions under the JOA are still applicable to PT KIB. The Company was further advised, as announced in the 21 August Announcement, PT KIB shall remain liable for any violation of any provisions under the applicable laws or event of default against its customers that occurred while PT KIB was still a shareholder of PT OKIB and/or while the Joint Operation was still in existence.

The Company and OBPL maintain that the Share Transfer was in breach of OBPL's rights of first refusal under the SHA and that to date, the Company and OBPL have not received evidence that the First EGMS was validly held. The Company and OBPL are exploring all possible avenues of redress and reserve the right to take appropriate actions against the responsible parties.

The Company is presently seeking legal advice and would update the shareholders on its next steps when there is clarity on the matter.

- (c) At the time of its incorporation on 9 May 2016, PT OKIB's directors were Mr Low See Ching and Mr Ching Chiat Kwong, representing OBPL, and Mr Winston Madjukie, representing PT KIB. PT OKIB's only commissioner was Mr Poni Madjukie. At all material times, Mr Winston Madjukie has remained the director representing PT KIB and Mr Poni Madjukie has remained the commissioner.

On 28 June 2018, following the Group's acquisition of an 80% interest in OBPL, Mr Freddy Lim Chin Huat (the Company's Deputy General manager for Sales and Marketing) and Mr Kuek Tee Meng (the Company's then Senior Finance Manager) replaced Mr Low See Ching and Mr Ching Chiat Kwong as the directors representing OBPL.

On 13 November 2018, Mr Oh Si Kai (the Company's then Executive Director) and Mr Wang Zhen Wen (the Company's then Non-Independent Non-Executive Chairman) replaced Mr Freddy Lim Chin Huat and Mr Kuek Tee Meng.

As announced by the Company in the Previous Response, after Mr Oh Si Kai and Mr Wang Zhen Wen resigned from the Company on 26 December 2018 and 14 November 2019 respectively and sent in their respective resignation letters to PT OKIB, PT KIB has since rejected the replacement nominees proposed by OBPL on the basis that they lack experience in Indonesian construction projects and they are unable to speak Bahasa Indonesia. These nominees included Mr Freddy Lim Chin Huat who had previously served on the Board of PT OKIB and Mr Victor Zhang Qi (the Company's former Senior Vice President, Operations).

As announced by the Company in the Previous Response, there does not appear to have been an agreement by PT KIB in approving Mr Oh Si Kai and Mr Wang Zhen Wen's resignations. As of 4 September 2020, the Company's Indonesian counsel verified that Mr Oh Si Kai and Mr Wang Zhen Wen remain listed as directors in the company profile of PT OKIB.

2.2 Query 2:

It was stated that OBPL further requested for a written explanation and clarification from PT KIB regarding its proposed transfer to PT BCMK and the impact on the transfer on the Project.

Please provide updates on this. Did the Company seek legal inputs on the impact of the transfer on the Project and on OBPL's rights, risks and returns? What are the Board's plans and timeline in respect of this issue?

Company's Response:

As announced by the Company in the 21 August Announcement, the Company or OBPL received no response from PT OKIB or PT KIB until the Email of Mr Winston Madjuki dated 12 August 2020 informing OBPL that the Share Transfer had taken place. The Company or OBPL has not received any response on this matter from PT OKIB or PT KIB to date.

The Company and OBPL sought Indonesian legal advice at every step of the development leading up to the Share Transfer, upon receipt of the First EGMS Invitation, the Second EGMS Invitation and the Email. As indicated in the Company's Response to Query 1, the Indonesian legal advice received on 21 July 2020 and 19 August 2020 was that there may be no direct loss resulting from the Share Transfer and PT KIB remains bound by the JOA and remains liable for any violation of any provisions under the applicable laws or event of default against its customers that occurred while PT KIB was still a shareholder of PT OKIB and/or while the Joint Operation was still in existence.

The Company is presently seeking legal advice and would update the shareholders on its next steps when there is clarity on the matter.

2.3 Query 3:

In Company's response to our queries released on 28 May 2020 on the steps taken by the listco to ensure that its interests in PT OKIB are safeguarded – it was stated that “the Company is one of the signatories to PT OKIB's bank accounts and all payments, regardless of the amount, will require the Company's approval before it can be made out of PT OKIB's bank accounts”.

However, in the Company's announcement dated 11 Sep 2020, it was stated all of PT OKIB's bank accounts were to be operated jointly in accordance with a term of the Shareholders Agreement dated 12 August 2016 between OBPL and PT KIB. A representative from OBPL and the other representative from PT KIB have to jointly authorise payments of amounts above Rp 100,000,000 (or approximately S\$9,206.92).

- (a) *Please provide clarity on all authorization mandates (whether jointly between OBPL and PT KIB or otherwise) for operation of all bank accounts of PT OKIB.*
- (b) *Please explain the discrepancies between the Company's response to the Exchange's queries announced on 28 May 2020, and the Company's announcement of 11 Sep 2020.*
- (c) *Other than joint signatories to operate the bank accounts, what other safeguards or controls have the Company / OBPL instituted? What is the AC's view on the effectiveness and adequacy of these safeguards / controls? What is the sponsor's view on the effectiveness and adequacy of these safeguards / controls?*

Company's Response:

- (a) PT OKIB has five bank accounts, namely the four Maybank Accounts and one BCA Account as indicated in the 11 September Announcement. The Company and OBPL's finance department hold six banking tokens, for these aforementioned accounts.

Up to the cessation of the banking tokens and the unauthorised debit, the Company and OBPL's approval was required and sought for all payments made out of PT OKIB's bank accounts.

- (b) The Company wishes to clarify that there is no discrepancy between the Previous Response and the 11 September Announcement. It is a term of the SHA that OBPL shall have the responsibility for the financial administration of PT OKIB. Even for amounts below Rp 100,000,000, the Company has to give its approval via the banking tokens in its possession. The banking documentation in the Company's possession suggests that for amounts above Rp 100,000,000, PT KIB's approval, *in addition* to the Company's approval, is required.

- (c) The Company and OBPL's finance department had been in communication with PT OKIB's finance personnel in relation to payment matters but PT OKIB finance personnel has ceased to extend similar cooperation on 31 August 2020.

The AC notes that the scope of the internal audit for FY2020 (for the audit period from March 2019 to February 2020) covered procurement and payment to contractors in both Singapore and Batam operations. The internal auditor did not raise any control issue relating to payment controls at PT OKIB.

However, the AC acknowledges that the fact of the cessation of the banking tokens for the Maybank Accounts and the unauthorised debit from the BCA Account raises questions whether an independent inquiry and seeking assistance from the relevant authorities are warranted, as indicated in the Company's Response to Query 6 below.

The Sponsor notes that the Company's existing controls in the operation of its bank accounts includes:- (i) access to communication with PT OKIB's finance personnel for payment matters prior to 31 August 2020; (ii) weekly verification procedure of balances in the bank accounts until 28 August 2020; and (iii) joint approvals which all payments are subject to, pursuant to the SHA and bank documents in the Company's possession. The Company had two days prior to the discovery of the disabling of the banking tokens, performed its routine weekly verifications on the bank accounts. We further note that the control and operations of the Group's bank accounts was not highlighted by the internal auditors in the FY2020 internal audit report as an issue as part of its review scope for procurement and payment to contractors. Nonetheless, the unauthorized disabling of the

Group's banking tokens highlighted the need to strengthen the Group's internal controls and to impose further safeguards. We expect recommendations to strengthen the Group's internal controls to be addressed in the aforementioned independent review to be commissioned by the AC.

2.4 Query 4:

Maybank Accounts and BCA Account:

- (a) *What are the legal recourse as to the cessation of the Company's banking tokens for PT OKIB's Maybank Accounts with a last known balance of approx. S\$5.8m?*
- (b) *What are the legal recourse as to the discovery of unauthorized withdrawals from PT OKIB's BCA Account?*
- (c) *What are the Board's plans and timeline in respect of these, to ensure that the Company's and OBPL's interests in PT OKIB are safeguarded?*

Company's Response:

The Company is presently seeking legal advice and would update the shareholders on its next steps when there is clarity on the matter.

2.5 Query 5:

Legal action by PT KIB against PT OKIB:

- (a) *Why is listco unable to control PT OKIB and unable to evaluate merits of the case?*
- (b) *What are the Board's plans and timeline in respect of this?*

Company's Response:

- (a) To date, the Company does not have access to the court papers filed in the Batam District Court in Suit 230. As indicated in the Company's Response to Query 1 and announced by the Company in the Previous Response, OBPL has no effective representation on the Board of PT OKIB notwithstanding that its former directors Mr Oh Si Kai and Mr Wang Zhen Wen remain listed as directors on the company profile of PT OKIB. Further, PT OKIB has consistently ignored OBPL's requests for information.

The Company only had access to the information available in the public domain on Suit 230 which did not state on what legal grounds PT KIB seeks the various reliefs (as set out in the 11 September Announcement) against PT OKIB.

As announced in the 11 September Announcement, OBPL issued a letter dated 7 September 2020 to both PT OKIB and PT KIB for the immediate attention of Mr Poni Madjukie, PT OKIB's commissioner and PT KIB's director, and Mr Winston Madjukie, PT OKIB's director. By said letter, OBPL demanded, *inter alia*, information relating to Suit 230 and PT OKIB's response on how it intends to defend its interests and assets in Suit 230.

On 14 September 2020, the Company only received a letter from Mr Poni, signed off in his capacity as the director of PT KIB. However, Mr Poni has refused to elaborate on OBPL's requests, on how PT OKIB intends to defend its interests and assets. Further, Mr Poni has also refused to provide any information on the legal grounds on which PT KIB claims against PT OKIB.

Please refer to the 17 September Announcement for more details on Mr Poni's letter and the Company's response.

- (b) The Company is presently seeking legal advice and would update the shareholders on its next steps when there is clarity on the matter.

2.6 Query 6:

The cessation of the Company's banking tokens for PT OKIB's Maybank Accounts without the Company's knowledge and the debit from BCA Account without OBPL's approval indicates ineffectiveness and failure in controls on the part of PT OKIB, and by extension, OBPL and the Listco, in safeguarding interests of its JV, PT OKIB. Will the AC be commissioning an independent review to look into these matters, the persons responsible, and whether any listing rules has been breached? If not, why not?

Company's Response:

In recent months, as disclosed in the Company's announcements, OBPL's rights as an equal shareholder and joint venture partner in PT OKIB have been consistently denied and disregarded by PT KIB and PT OKIB (now effectively under the sole control of the former OBPL's requests for information have been consistently ignored, extraordinary general meetings of shareholders have been held in its absence and against its objections, and the transfer of shares has been made in breach of its rights of first refusal, as disclosed in the 21 August Announcement. There is evidence to suggest that PT KIB has decided to take matters into its own hands instead of resolving the differences with OBPL in the spirit of the joint venture or proving its allegations in the ongoing legal action against the Company and OBPL, amongst other parties, in the High Court of Singapore. As disclosed in the 11 September Announcement, PT KIB has commenced Suit 230 against PT OKIB in Batam. While the Company and OBPL have to date not been provided with the legal basis asserted by PT KIB in Suit 230, the relief claimed by PT KIB, as indicated in publicly available information, relates to matters that have been in dispute between OBPL and PT KIB. At all material times, PT OKIB is effectively under the sole control of PT KIB and their representatives Mr Poni (concurrently PT OKIB's president commissioner and PT KIB's director) and Mr Winston (PT OKIB's director), as indicated in the Company's Response to Query 1(c).

To address these external forces at play and potential internal issues, the AC has resolved to commission an independent review with the primary objectives to protect its investments in PT OKIB and to look into the possibility of potential breaches of relevant regulations and listing rules by the persons responsible for these matters. The AC is currently in the process of finalising the scope of the independent review. As directed by the AC, the Management has begun to source quotes from potential candidates and, once the AC finalises the scope, will engage a suitable independent reviewer from shortlisted candidates after the Sponsor has assessed the suitability and competence of the independent reviewer pursuant to the SGX's Compliance Guideline dated 16 July 2019. The AC plans to report the findings and proposed recommendations to the relevant authorities and RegCo upon the completion of the independent review.

2.7 Query 7:

On multiple occasions, the Company releases updates to the market only after some time had passed. E.g. the Company had only announced on 11 Sep 2020 in relation to the updates on PT OKIB's bank accounts which it was aware of since 31 Aug 2020. The Company also only announced on 21 Aug 2020 that it received updates from OBPL since 12 Aug 2020.

Please (i) elaborate on the Company's current process in releasing updates to the market and (ii) controls/ improvements that it will put in place to ensure prompt release of information moving forward.

Company's Response:

- (i) The Company wishes to clarify that in both instances (namely the 21 August Announcement and the 11 September Announcement), it had to seek Indonesian legal advice, liaise with Indonesian parties such as PT Bank Maybank Indonesia Tbk and/or carry out investigations to ensure that it could provide as much information as possible to update shareholders. Given the dearth of information and documents that the Company has on these issues, the Company also requires time to make the relevant requests for information and/or documents to ensure that its announcements are factually accurate.

The Company's current process in releasing updates to the market is to review and clear internally its legal counsel's draft announcement, forward the internally cleared draft announcement to the Sponsor for comments and thereafter address the Sponsor's comments until clearance is obtained. Several rounds of amendments are typically involved.

- (ii) The Company will endeavour to speed up its internal process in reviewing and clearing draft announcements and at the same time seeks the market's understanding that the complexities of the recent issues relating to PT OKIB and PT OKIB/PT KIB's consistent denial of the Company/OBPL's requests for information necessitated the time needed to seek Indonesian legal advice, liaise with Indonesian parties and/or carry out investigations.

2.8 Query 8:

The unaudited results for FYE 31 Mar 2020 reflected net assets of S\$25.4m and net current assets of S\$12.6m. In FY2019, the Company received a qualified opinion and this year (FY2020), it received a Disclaimer of Opinion.

The Disclaimer of Opinion is on the basis of the following:

- a) *Goodwill on acquisition of OBPL of S\$1.66m;*
- b) *Valuation of mining rights which is currently recorded as assets held for sale at S\$12.03m;*
- c) *Unaudited financial information of significant joint venture PT OKIB, and legal issue faced by joint venture – investment in JV is carried at S\$12.78m in the books;*

Total of the balances which form the basis for the Disclaimer totals S\$26.47m which is larger than the FY20 net assets balance of S\$25.4m and net current assets balance of S\$12.6m.

The Group has recorded net losses since FY2016 and the net loss in FY20 is at S\$4.2m, while cash balance is only at S\$5.56m.

In view of the above, please provide the following:

- a) *the Board of Directors' assessment of the Group's ability to continue operating as a going concern and the bases for the said assessment;*
- b) *given the Disclaimer of Opinion, the Board of Directors' assessment of the Group's ability to reasonably assess its financial position and bases for the said assessment;*
- c) *the Board of Directors' opinion as to whether trading of the Company's shares should additionally be suspended pursuant to Listing Rule 1303(3)(c) due to going concern and inability to reasonably assess its financial position, and the basis for such opinion; and*
- d) *the Board of Directors' confirmation as to whether sufficient information has been disclosed to enable trading of the Company's shares to continue in an orderly manner and the bases for its views.*

Company's Response:

- (a) The Board is of the view that the going concern assumption is appropriate for the preparation of these financial statements as the Group has positive net current assets of \$12.66 million and positive equity attributable to shareholders of \$16.28 million at the reporting date.

On 20 January 2020, the Company entered into a sale and purchase agreement with Mr. Qiu Jinzhang in relation to a disposal of 50% of the total issued and paid-up share capital in Rich Capital Realty Pte. Ltd. ("**RCR**") for a cash consideration of \$6,582,741. The proposed disposal of RCR includes the Group's investment in associate, TSRC.

The Group has completed the proposed disposal of 50% of the entire issued share capital of RCR on 2 June 2020. Following the completion of the proposed disposal, the Company ceased to hold any ordinary shares in the share capital of RCR and RCR ceased to be a subsidiary of the Company.

The Company has also recently restructured their management team with a newly appointed Executive Director, Mr Oh Siyang, Chief Financial Officer, Mr Ong Eng Hock Simon and a whole new business development team that seeks and explores suitable business opportunities and partnerships.

- (b) The Board of Directors is of the opinion that it is still able to reasonably assess the Group's financial position as at 31 March 2020. On the basis of the understanding that going concern reflects an issuer's ability to settle debts as and when they fall due within the next 12 months, the Company's financial position has improved in comparison to 31 March 2019 and any adverse judgment in the ongoing litigation that the Company is involved in is not expected to be obtained within the next 12 months. There is also no evidence to suggest that the financial statements are materially misstated because the Group did not make adequate provision for the legal liability. The Group has made adequate disclosure of these legal claims in the audited financial statements.
- (c) The Board of Directors is of the belief that it has to be satisfied with the Company's ability to continue as a going concern and the Company's ability to reasonably assess its financial position and inform the market accordingly before the trading of the Company's shares should be resumed. The Board is of the opinion that Listing Rule 1303(3)(c) is not applicable for reasons stated in the Company's Response to Query 8(a) and Query 8(b) and because the Company is able to reasonably assess its financial position.
- (d) The Board of Directors has not requested for the lifting of the suspension in the trading of the Company's shares.

BY ORDER OF THE BOARD
RICH CAPITAL HOLDINGS LIMITED

Giang Sovann
Interim Chairman and Independent Non-Executive Director

22 September 2020

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

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