Independent Auditor's report to the Members of Rich Capital Holdings Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Rich Capital Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

<u>Loss of joint control over joint venture</u>

On 18 May 2018, the Group announced the completion of the acquisition of an 80% equity interest in Oxley Batam Pte. Ltd. ("OB") by its wholly-owned subsidiary, Rich Batam Private Limited ("Rich Batam"). OB in turn has a 50% equity interest in PT Oxley Karya Indo Batam ("PT OKIB"), which is the property developer of the Group's Oxley Convention City Project in Batam (the "Batam Project").

From the acquisition date to 31 March 2020, management has evaluated its investment in PT Oxley Karya Indo Batam ("PT OKIB") to be a joint venture in accordance with SFRS(I) 11 – Joint Arrangements on the basis that the shareholders' agreement stipulates that the parties to the joint arrangements have rights over the net assets of PT OKIB.

Arising from the acquisition, the Group recorded a goodwill of $1.66 million in the carrying amount of its investment in the joint venture, which arose primarily from the fair value adjustment on the land parcel with an estimated land area of approximately 20,000 square metres pursuant to a purchase price allocation exercise conducted by the Group's appointed external valuer. We were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the fair value adjustment of the land parcel and accordingly, we were unable to determine if the goodwill of $1.66 million on acquisition of OB and PT OKIB is appropriately stated, including if any impairment is required for the financial years ended 31 March 2020.

The Group accounted for its investment in joint venture in PT OKIB using the equity method from acquisition date to 31 March 2020. Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets less impairment. The Group's profit or loss include its share of the PT OKIB's profit or loss and the Group's other comprehensive income or loss includes its share of the PT OKIB's other comprehensive income or loss. Losses of the investee in excess of the investor's interest in the investee are not recognised except to the extent that the investor has an obligation for further commitment in the investment.

Independent Auditor's report to the Members of Rich Capital Holdings Limited (Cont'd)

Basis for Qualified Opinion (Cont'd)

<u>Loss of joint control over joint venture (Cont'd)</u>

The Group determined that it lost joint control over PT OKIB on 1 April 2020, when the Group's employee was barred from entering PT OKIB's premises, loss of access to bank tokens and was unable to appoint a representative on the board of directors of PT OKIB for the financial year ended 31 March 2021. The loss of joint control led to the cessation of equity accounting of the joint venture on 1 April 2020. The investment was reclassified to financial asset, at fair value through other comprehensive income (FVOCI) on that date.

An independent professional valuer was appointed as management's expert to determine the fair value of the investment as at 1 April 2020 and 31 March 2021. The fair value so determined was $Nil on both dates. Consequently, the investment in Rich Batam was also determined to be $Nil. This resulted in the Group recognising the impairment on loss of joint control over the joint venture amounting to $12,940,000 on 1 April 2020 and in the consolidated statement of comprehensive income for the financial year ended 31 March 2021.

Management had not determined if the joint venture had been appropriately classified and impaired in the prior years. Hence, we are unable to ascertain if the entire loss of $12,940,000 should be recognised in the consolidated statement of comprehensive income for the financial year ended 31 March 2021 or in prior financial years.

We conducted our audit in accordance with Singapore Standards in Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprise the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection to our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis of Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the loss of joint control over joint venture. Accordingly, we are unable to conclude whether or not the other information is materially misstated.

Independent Auditor's report to the Members of Rich Capital Holdings Limited (Cont'd)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

1. Resolution of disclaimer of opinion issued for the financial year ended 31 March 2020

   a. <u>Carrying amount of cost of investment in joint venture and subsidiary</u>

   We disclaimed our opinion on the consolidated financial statements of the Group for the financial year ended 31 March 2020 as we were unable to determine (i) if the goodwill of $1.66 million on acquisition of OB and PT OKIB is appropriately stated, including if any impairment is required for the financial year ended 31 March 2020, (ii) if the share of results of PT OKIB and the carrying value of PT OKIB were appropriately stated for the financial year ended 31 March 2020, and (iii) if the recoverable amount of cost of investment in PT OKIB and Rich Batam is appropriately stated as at 31 March 2020.

   The Group determined it lost joint control over the joint venture on 1 April 2020. Consequently, the investment in joint venture was reclassified to financial asset, at fair value through other comprehensive income ("FVOCI") on that date. The goodwill of $1.66 million is derecognised upon the change in the classification to financial asset, at FVOCI and the Group ceased equity accounting of the joint venture from 1 April 2020.

   The Group engaged a professional independent valuer to carry out a valuation of the investment in PT OKIB as at the date of reclassification of investment in PT OKIB from a joint venture to financial asset, at FVOCI, and as at 31 March 2021. The Group recognised a loss of $12,940,000 during the current financial year ended 31 March 2021 based on the valuation performed by the valuer. Accordingly, the carrying amount of the financial asset, at FVOCI as at 31 March 2021 is $Nil. The cost of investment in Rich Batam is fully impaired to $Nil as the recoverable amount of the joint venture is $Nil as at 31 March 2021.

   Our response and work performed:
   We have assessed the significant events that led to the Group's loss of joint control over the joint venture that led to the reclassification of the investment in joint venture to financial asset, at FVOCI. We have assessed the appropriateness of the classification of the investment in joint venture to financial asset, at FVOCI.

   We have evaluated the professional competence, qualification and objectivity of the independent professional valuer engaged by the Group as the management's expert. We have appointed an auditor's expert to review the valuation report prepared by the management's expert. We have evaluated the professional competence, qualification and objectivity of the auditor's expert.

   We have assessed the appropriateness of valuation methodology used by the management's expert, which is the adjusted net assets ("ANA") method. We have reviewed and challenged the key inputs and assumptions used by the management's expert. We have discussed with the auditor's expert on the appropriateness of the key inputs and assumptions used by the management's expert.

We assessed the recoverable amount of the Company's cost of investment in subsidiary, Rich Batam based on the adjusted net asset method.

Independent Auditor's report to the Members of Rich Capital Holdings Limited (Cont'd)

Key Audit Matters (Cont'd)

1. Resolution of disclaimer of opinion issued for the financial year ended 31 March 2020

b. Valuation of mining rights and recoverable amount of the cost of investment in a subsidiary

Our audit report dated 12 September 2020 on the financial statements for the previous financial year ended 31 March 2020 contained a disclaimer opinion due to (i) the valuation of the mining rights, and (ii) the recoverable amount of the cost of investment in a subsidiary.

During the financial year ended 31 March 2021, hearings for applications for forfeiture of mining rights held by Summit Light brought by West Australian Prospectors Pty Ltd and Kym Anthony McClaren ("forfeiture applicants") took place. An application for forfeiture is an application seeking the forfeiture of a mining rights where the mining rights holder had failed to meet expenditure conditions that were set by Department of Mines, Industry Regulation and Safety in Western Australia. A successful forfeiture application would result in the loss of mining rights held by Summit Light.

There was no conclusion from these hearings and the next hearing which is yet to be fixed is expected to be in late 2021. As the Group had been unable to find a buyer for the mining rights to-date when the forfeiture hearing is ongoing, the fair value of the mining rights is determined to be $Nil as at 31 March 2020 and 2021, in light of the hearings that took place in this financial year. As a consequence, the recoverable amount of the cost of investment in Summit Light is $Nil as at 31 March 2020 and 2021.

As the fair value of the mining rights have been determined to be $Nil as at 31 March 2021, using adjusted net assets method, the fair value of the cost of investment in a subsidiary is $Nil as at 31 March 2021. The Group has fully impaired the investment in a subsidiary for the financial year ended 31 March 2020 and 2021.

Our response and work performed:
We have evaluated the professional competence, qualification and objectivity of the lawyers representing the Group in the above forfeiture applications. We have obtained legal confirmation on the status of forfeiture applications. We have discussed the case with the lawyers to understand and identify any contingent liability.

We assessed if the Group would be able to source for a buyer to sell the mining rights due to the ongoing forfeiture application. We confirmed with the management that Group currently has no intention to conduct mining exploration of the region.

c. Legal issue faced by joint venture

On 3 February 2020, PT Karya Indo Batam ("PT KIB"), the joint venture partner of PT OKIB, commenced legal claims for unliquidated damages, against the Company and OB for their conduct in relation to the Batam Project (the "Singapore Action").

Independent Auditor's report to the Members of Rich Capital Holdings Limited (Cont'd)

Key Audit Matters (Cont'd)

1. Resolution of disclaimer of opinion issued for the financial year ended 31 March 2020 (Cont'd)

   c. <u>Legal issue faced by joint venture (Cont'd)</u>

There are no specific amounts of damages sought for in the Statement of Claim filed against the Company and OB. The lawyers for the Company were unable to quantify the financial impact to the Company and OB for the financial year ended 31 March 2020. We were unable to obtain sufficient appropriate audit evidence on the amount of the liability arising, or to quantify if the provision for contingent liability is appropriately stated in the accompanying financial statements, or whether the Company and the Group are able to pay their debts as and when they fall due and the going concern basis of preparation of financial statements as a result for the financial year ended 31 March 2020.

On 13 November 2020, OB applied for injunction from the Singapore court in the ongoing Singapore Action to restrain PT KIB from continuing all legal actions in Batam and Jakarta against OB (the "ASI Application"). On 10 February 2021, the ASI Application was heard, and OB obtained an order of court which required PT KIB to withdraw all legal actions in Batam and Jakarta and be restrained from commencing, pursuing or continue to pursue any proceedings of any nature in Indonesia or anywhere else in the world against the Company, OB, PT OKIB and Rich Batam in relation to the Batam Project (the "ASI Order"). On 8 March 2021, PT KIB's application to appeal against the ASI Order was dismissed by the Singapore court.

On 24 March 2021, PT KIB applied to the Singapore court to discontinue the Singapore Action in its entirety against the Company and OB. On 5 May 2021, PT KIB obtained leave of court to discontinue the Singapore Action and, on 7 May 2021, filed a Notice of Discontinuance to wholly discontinue the Singapore Action against the Company and OB. The Notice of Discontinuance was accepted by the Supreme Court Registry on 11 May 2021. The Singapore Action had thereby been wholly discontinued against RCH and OB. As a result of the Notice of Discontinuance, the Group does not have contingent liability arising from the legal claim for the financial year ended 31 March 2021.

The lawyers confirmed that the legal actions in Indonesia ought to be discontinued by PT KIB due to the ASI Order. There is no bilateral or reciprocal enforcement regime between Singapore and Indonesia. Therefore, an Indonesian judgement has no direct legal effect in Singapore. Even if PT KIB were to succeed in the legal actions in Indonesia, it would have to commence fresh court proceedings in Singapore to be able to enforce the resulting Indonesian judgements. In such fresh Singapore proceedings, whether the Indonesian judgement should be enforced is subject to its own set of legal requirements and defences. Therefore, provision for contingent liability is not required in respect of the above-mentioned legal actions in Singapore and Indonesia as at 31 March 2021. The Singapore Action has concluded with The Notice of Discontinuance filed by PT KIB.

Our response and work performed:
We have evaluated the professional competence, qualification and objectivity of the lawyers representing the Group. We have obtained legal confirmations to confirm the status of the legal claim for unliquidated damages by PT KIB. We have discussed the legal claim with the lawyers to confirm our understanding of the case up to the last business day before our auditor's report. We performed subsequent events review to ascertain if payments were made in respect of these legal claims brought by PT KIB.

Independent Auditor's report to the Members of Rich Capital Holdings Limited (Cont'd)

Key Audit Matters (Cont'd)

2. Valuation of development property

   The Group has a development property with carrying amount of $11,306,000 and representing 79% of the Group's total assets as at 31 March 2021. Development property represents the most significant asset item on the consolidated statement of financial position.

   The Group's accounting policy is to carry development properties at the lower of cost and net realisable value. Significant judgements and estimates are involved in estimating the expected selling price of the development properties based on recent transactions. The Group has estimated that the net realisable value of the development property is higher than its carrying amount.

   Our response and work performed:
   We have assessed the Group's processes in estimating the net realisable value of the development property as at 31 March 2021. We have checked the appropriateness of the key estimates and assumptions used by the Group in estimating the net realisable value of the development property. We have reviewed the latest transactions of similar properties in the same area and recomputed the average price per square feet of the properties transacted during the financial year ended 31 March 2021 and applied the computation to the Group's development property.

3. Fair value of financial asset, at fair value through other comprehensive income (FVOCI)

   The Group reclassified an investment in joint venture to financial asset, at FVOCI during the financial year ended 31 March 2021. Significant judgements and estimates are involved in estimating the fair value of the financial asset, at FVOCI. During the current financial year ended 31 March 2021, the Group recorded an impairment on loss of joint control over the joint venture amounting of $12,940,000 and fair value of the financial asset, at FVOCI is $Nil as at 31 March 2021.

   This is determined to be a key audit matter due to the significant estimates and judgement involved in the key inputs and assumptions used in the valuation.

   Our response and work performed:
   We have evaluated the professional competence, qualification and objectivity of the independent professional valuer engaged by the Group as the management's expert. We have appointed an auditor's expert to review the valuation report prepared by the management's expert. We have evaluated the professional competence, qualification and objectivity of the auditor's expert.

   We have assessed the appropriateness of valuation methodology used by the management's expert, which is the adjusted net assets ("ANA") method. We have reviewed and challenged the key inputs and assumptions used by the management's expert. We have discussed with the auditor's expert on the appropriateness of the key inputs and assumptions used by the management's expert.

Independent Auditor's report to the Members of Rich Capital Holdings Limited (Cont'd)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

Independent Auditor's report to the Members of Rich Capital Holdings Limited (Cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary companies incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ang Soh Mui.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore,

13 July 2021