

Response from Rich Capital Holdings Limited with regards to SIAS Queries on the company FY2025 Annual Report

(i) Given that the public construction sector in Singapore remains robust, underpinned by major infrastructure contracts, what efforts has Merco made to secure new projects in this environment? What is the current order book?

Merco Pte. Ltd. (“**Merco**”) remains actively engaged in identifying and pursuing viable project opportunities in the built environment sector. While the company is strategically focused on participating in selected private sector tenders, we are also exploring other opportunities where our expertise in specialist construction services, property development and project management can be best leveraged.

Our project development team continues to assess tender opportunities that align with our operational capacity and risk management framework. As at the date of this letter, Merco’s order book stands at approximately **\$1.9 million**, with ongoing efforts to replenish and expand it.

(ii) What are the key challenges that Merco faces in winning new contracts, and how has the group addressed these issues, whether through pricing, partnerships, or operational capabilities?

The construction industry in Singapore continues to be highly competitive, particularly in pricing, as contractors seek to maintain margins amidst rising operating and material costs. In addition, slower-than-anticipated payment cycles from clients can constrain cash flow, especially if multiple projects are undertaken concurrently. Labour availability and escalating compliance requirements — particularly in areas such as workplace safety, environmental sustainability, and foreign manpower regulations — also present added cost and operational considerations.

To address these challenges, Merco has taken a prudent approach by:

- Prioritising projects with manageable payment schedules and clear deliverables
- Exercising discipline in tender pricing to avoid margin erosion
- Strengthening cost controls and enhancing internal operational processes
- Exploring collaborative partnerships that allow for resource sharing, risk mitigation, and access to a broader project pipeline

(iii) Given that revenue has fallen to \$1.24 million and is expected to decline further in FY2026, has the board conducted a viability review of the group’s continuing operations?

Yes, the Board is keenly aware of the financial trajectory and is in regular communication with management to assess and review the sustainability of the Group’s operations, including evaluating the viability of current business lines, reviewing cost structures, identifying new revenue opportunities, and ensuring prudent capital allocation.

The Board will continue to consider and assess both organic and strategic options to ensure long-term value creation for shareholders.

(iv) With limited revenue visibility ahead, what strategic growth initiatives is Merco implementing to rebuild a sustainable order book?

To rebuild a sustainable order book and create long-term shareholder value, the Group is actively exploring growth avenues beyond its existing base of construction and project management services.

Some possible avenues that the Group is considering include:

- Identifying suitable land parcels for potential development projects, particularly those with favourable zoning and value-add potential
- Expanding into adjacent areas within the built environment sector
- Exploring strategic collaborations or partnerships with developers, contractors, or design consultants to enhance project origination and execution capabilities
- Evaluating entry into complementary business verticals that offer synergistic growth with Merco's existing skillsets

The Board will update shareholders in due course when a suitable opportunity has been identified.

Q2. The group's subsidiary, Rich Batam Pte. Ltd., was disposed of for a nominal consideration of \$1 to Mr Yi Chengshu. As disclosed in the financial statements, the cost of investment is \$10.57 million. The transaction was completed on 13 May 2025, and Rich Batam Pte. Ltd. has ceased to be a subsidiary of the company.

(i) What was the total capital deployed by the group into its Batam operations, including all equity injections and intercompany loans to Rich Batam Pte. Ltd. and PT Oxley Karya Indo Batam?

The total capital deployed by the Group into the Batam project, inclusive of equity contributions and intercompany loans to both Rich Batam Pte. Ltd. and PT Oxley Karya Indo Batam, amounted to approximately **S\$12.94 million**. This figure reflects the Group's cumulative investment in the project over several years and is consistent with the carrying value of the investment disclosed in our audited financial statements.

(ii) How was the buyer identified or introduced to the group?

The buyer, Mr Yi Chengshu ("**Mr Yi**"), was introduced to the Group by our Executive Director Mr Oh Siyang, who is a business acquaintance of Mr Yi. The introduction was made in the context of exploring viable exit options for the underperforming Batam project. The Board assessed the transaction in view of the limited commercial viability of the project and determined that the disposal represented the most appropriate course of action under the circumstances.

(iii) Are there any ongoing internal reviews or investigations by regulatory authorities in Singapore or Indonesia into the financial and operational affairs of the Batam subsidiary or its associated entities?

To the best of the Board's knowledge as at the date of this response, there are **no ongoing regulatory investigations** by authorities in Singapore or Indonesia. However, in light of concerns raised previously,

two independent internal reviews were commissioned and have since been completed in 2021. These reviews were conducted by third-party professional firms to assess the financial, operational, and governance aspects of the Batam project.

Executive summaries of the findings from both reviews have been made available via SGXNet and shareholders may wish to refer to those announcements dated 26 January 2021 and 15 October 2021 for further details.

Q3. The board currently comprises one executive director, Mr Oh Siyang, and three independent directors: Mr James Kho Chung Wah, Mr Chang Chi Hsung and Mr Chong Soo Hoon Sean. It would appear that the company has not appointed a board chairman since November 2019, a period approaching six years.

(i) What are the reasons for the prolonged delay in appointing a board chairman? What challenges has the board encountered in doing so?

To clarify, the Company had appointed an interim Board Chairman on 23 December 2019 [, who held office until **30 July 2021**. Thereafter, the Board, having considered inputs from the Executive Director, assessed that it was not appropriate to appoint a new chairman during a period of significant restructuring and transition. The Group was focused on ensuring business continuity and avoiding potential disruption to its ongoing strategic plans during the period of the Covid-19 pandemic.

The Company has since stabilised its operations, and having reviewed its long term growth strategy, the Board recognises the importance of good corporate governance. The Board is actively taking steps to strengthen the Company's governance framework, including discussing the formal appointment of a Chairman of the Board once a suitable candidate has been identified. The Board will provide shareholders with updates on this in due course.

(ii) In the absence of a formally appointed chairman, is the executive director functioning as the de facto board chair? If so, should the board composition disclosures reflect this role more accurately?

In the absence of a formally appointed chairman, **the role of chairing Board meetings has been carried out on a rotational basis amongst the directors**, including the independent directors, to ensure balanced oversight and collective decision-making. The Executive Director has not and is not functioning as de facto Board Chair.

The Board reiterates its response in to 3(i) above, that the Board is actively discussing the formal appointment of a Chairman of the Board and will update shareholders in due course.