KOP LIMITED

(Company Registration No. 200415164G)
(Incorporated in Singapore)
(the “Company”)

RESPONSE TO QUESTIONS FROM SIAS

The Board of Directors (the "**Board**") of KOP Limited (the "**Company**", and together with its subsidiaries, the “**Group**”) would like to provide the following information in response to queries from the Securities Investors Association (Singapore) (the “**SIAS**”).

<u>Query 1</u>

The Group achieved several important milestones in FY2020, before the COVID-19 pandemic caused massive disruption to businesses since March 2020.

In the hospitality segment, management has stated that the two Montigo Resorts, Nongsa and Seminyak, performed strongly in the first 9 months of the year (page 3) although bookings have been severely impacted with the spread of COVID-19 and the subsequent closure of international borders. The Group has also launched its high-end condominium project, Dalvey Haus, during the financial year. The first phase at Wintastar, Shanghai, has “topped out” during October 2019 and is on schedule to complete by 2021.

(i) Would management disclose the sale progress at the development project, Dalvey Haus?

(ii) How is the Group carrying out its marketing efforts to reach potential buyers of the high-end freehold condominium project at Dalvey Road?

(iii) What are management’s plans for the Montigo Resorts if international borders are not opened by 2021, or by 2022? What is the current “burnrate” even with the cost-cutting measures?

(iv) The Wintastar, Shanghai project is slated to be completed by 2022. It will house four themed hotels with approximately 1,000 room keys and amenities such as ski-in/ski-out access, thematic restaurants and spas, including an Ice Hotel in the landmark integrated indoor ski resort. Management aims to offer unique entertainment experiences that stand apart from the usual offerings. How has the pandemic affected the plans for Wintastar? Can management lay out the remaining major milestones for the project until the planned opening in 2022? How much more capital investment is needed for the project?

<u>Company’s Response</u>

(i) As announced in the announcement dated 27 October 2020, the Company is currently negotiating for the sale of some units of Dalvey Haus and will provide an update to the shareholders as and when there are any material developments.

(ii) As announced in the announcement dated 27 October 2020, the Company has launched various sale and marketing campaign to market the project, and have received positive market responses as stated in the Chairman’s Statement in the Company’s Annual Report. The Company will provide an update to the shareholders as and when there are any material developments.

(iii) Both the Montigo Resorts, Nongsa and Montigo Resorts, Seminyak were recently reopened with limited domestic business. The Company will remain cautious on its spending and keep the “burnrate” to a minimum.

(iv) As announced in the announcement dated 27 October 2020, Wintastar Shanghai will be completed in 2 phases, north and south plot. The south plot comprises of 2 blocks for hotels and a multi-purpose hall which is expected to be completed by the end of 2021. The north plot will be housing the entire integrated development and is expected to complete by the end of 2022.

The Company does not envisage to contribute additional capital investment beyond what was previously planned for the construction of Wintastar Shanghai project. The Company will provide an update to the shareholders as and when there are any material developments.

<u>Query 2</u>

In the Independent auditor's report, the independent auditor drew attention to material uncertainty related to going concern (page 41).

It was noted that the Group incurred a net loss of $2.7 million for the financial year ended 31 March 2020. However, at the Company level, the Company incurred a net loss of $(78.4) million for the financial year ended 31 March 2020 and is in a net current liabilities position of $(39.3) million. As at 31 March 2020, the Company has accumulated losses of $(182.9) million and shareholders' equity of $111.6 million.

As shown in Note 11 (page 77 – Investments in subsidiaries), the Company further impaired the carrying value of the unquoted shares of its subsidiaries by a net $(69.1) million and impaired the amounts due from subsidiary by a further $(9.0) million.

The movement in allowance for impairment for investments is shown below:

Movements in the allowance for impairment for investments in subsidiaries are as follows:

	Company	
	2020	**2019**
	$'000	$'000
Balance at beginning of the year	105,844	105,844
Charged to profit or loss	76,305	–
Write-offs	(7,173)	–
Balance at end of the year	174,976	105,844

(Source: company annual report)

(i) Would the board, especially the audit committee, help shareholders understand the underlying reasons for the $(76.3) million in impairment charges for investments in subsidiaries?

(ii) Please provide a clear breakdown and help shareholders understand how it had obtained the impairment amounts.

(iii) Please also include the key assumptions in arriving at the impairment amounts.

<u>Company's Response</u>

First of all, the Company would like to clarify that there is no impairment in amounts due from subsidiary. The $9 million decrease in the amounts due from subsidiary was due to repayment by the subsidiary to the Group during the financial year.

As disclosed in notes to financial statements 11, page 78 of the Company's annual report, the allowance for impairment for investment in subsidiaries was recorded to write-down the carrying amount of the investment in a subsidiary to its lower estimated recoverable amount mainly due to reorganisation of subsidiaries, lower property valuations and losses recorded during the year.

As announced on 27 March 2020, the reorganisation of subsidiaries via transfer of shares of Wintastar Holdings Pte. Ltd. from KOP Properties Pte. Ltd. to KOP Limited is to streamline the operations within the Group for greater administrative efficiency.

For the valuation of both Montigo Resorts, the Group has engaged an external professional valuer to assess the fair value of both the Montigo Resorts. The fair value was arrived at after taking into account the current COVID-19 pandemic, which resulted in market uncertainty and deep contraction in the tourism industry and global economy, which had greatly impacted the fair value of both Montigo Resorts.

Query 3

On 15 October 2020, the Company provided its response to SGX's queries on its ability to continue operations as going concern and on the net current liabilities position of the Group.

Also in Note 2.1 (pages 53 & 54 – Summary of significant accounting policies: Going concern assumption), the Company has stated that it has received undertakings provided by certain of the controlling shareholders to jointly and severally subscribe to the shares of the Company for up to $10 million in the event the Group is unable to meet its financial obligations.

(i) Has the board reviewed its financial position and evaluated its options to strengthen its financial position?

(ii) Would it be prudent to carry out a pro-active fund raising in the near future to improve the Group's liquidity? The COVID-19 outbreak is looking to be a protracted pandemic as there are signs of second/third waves of infections in many different countries.

In addition, the Group has outstanding loans from shareholders amounting to $37 million and a further $1.9 million loan from the ultimate holding company. Both loans bear interest at 7% per annum. Both loans are convertible into fully paid-up ordinary shares in the capital of the Company, at the option of the shareholder and the ultimate holding company.

(iii) Would the board be exploring the conversion of the loans with the shareholder and ultimate holding company? While the option to convert rests with the shareholder/ultimate holding company, the conversion of its debt to equity would reduce the debt burden and improve the financial position of the Company and the Group. This would also signal to the market the confidence of its major shareholders.

Company's Response

The Board of Directors have reviewed the financial position and are currently exploring various options to strengthen the Company's financial position. The Company will provide an update to the shareholders as and when there further material developments.

BY ORDER OF THE BOARD

Ong Chih Ching
Executive Chairman and Executive Director
2 November 2020

The contact person for the Sponsor is Mr. Khong Choun Mun, Registered Professional, 6 Raffles Quay, #24-02, Singapore 048580, sponsor@rhtgoc.com.