KOP LIMITED

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

RESPONSE TO QUESTIONS FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (“SIAS”)

The Board of Directors (the "**Board**") of KOP Limited (the "**Company**", and together with its subsidiaries, the “**Group**”) refers to the questions raised from SIAS in relation to the Company’s annual report for financial year ended 31 March 2024 (“**FY2024**”).

The Company sets out below our responses to questions raised by the SIAS.

Question 1

The group has expanded its hospitality portfolio in the UK significantly, acquiring Montigo Resorts, Somerset at Charlton House, which is now welcoming guests while undergoing improvements to enhance operations and guest experiences. Development is underway for the group's first urban hotel, Ellen Kensington. These moves mark a substantial increase in the group's presence in the UK hospitality market.

(i) Given the group's entry with only a few properties, how does it plan to carve out a competitive edge in the UK's mature hotel market?

(ii) Can management outline its hospitality expertise and past achievements within the UK market to enhance shareholder confidence in these recent acquisitions?

(iii) Was the strategic decision to diversify into the UK hospitality sector approved by the board, and what risks were identified? How is management mitigating these risks effectively?

(iv) What is the total capital committed to the acquisition and subsequent enhancements of Montigo Resorts, Somerset at Charlton House?

(v) Is the management agreement for Ellen Kensington an interested person transaction, and if so, how are potential conflicts of interest being managed?

(vi) Would the expansion in the UK significantly alter the group’s risk profile?

Company’s Response

(i) All the properties are/ will be managed by “Montigo Resorts” brand which focus on guests of various interests and multi-generational families, focusing into personalised services, tailored to individual tastes and expectations which distinct from most of the hotel market.

(ii) The Group has internal capabilities in hospitality management. Its own formulated brand "Montigo Resorts" will immediately have access to systems, standard operating procedures and guidelines which enable the Group to deliver a world class product and service.

In addition, prior to the acquisition of Charlton House Hotel and Spa, which the Group subsequently rebranded as Montigo Resorts, Somerset, the Group had already expended its real estate development and hospitality business into United Kingdom. The Group owned majority stake in Cranley Hotel which was managed by the Group. The Group then divested Cranley Hotel in 2016 with a remarkable gain. The Group then focus its efforts on growing the Montigo brand in Asia.

In March 2023, the Group had decided to re-enter into the United Kingdom market taking advantage of the weak currency and the experience and expertise of its management team.

(iii) As mentioned above, the Group did not diversify into United Kingdom hospitality sector, in fact, the Group re-enter into the market.

(iv) As set out in the announcement dated 1 March 2023, the Group entered into a purchase agreement for a total purchase price of £3,140,000. There was no major capital committed for the subsequent enhancements. Subsequent to the acquisition, the Group had undergone various enhancement works including but not limited to façade cleaning, refurbishment of its F&B outlets, upgrading of the existing spa facilities as well as cosmetic upgrades in various guest rooms.

(v) The management agreement for Ellen Kensington will be an interested person transaction, however, it will not expect to have material impact on the financial statement of the Group. For good corporate governance, the interested persons have declared their interests to the Board prior to the transaction and will be abstained from operational issues that may arise between Ellen Kensington and Montigo Resorts.

(vi) The existing expansion will not be expected to significantly alter the Group's risk profile given the size of the portfolio in United Kingdom.

Question 2

As noted in the message to shareholders, the executive chairman highlighted that the group has sold all the units in the Dalvey Haus project subsequent to FY2024. The development properties with carrying value of $43.6 million as at 31 March 2024 were all fully sold above their carrying amounts after the financial year end.

(i) What is the board/management's outlook on the Singapore real estate market following the latest cooling measures? Are there strategic plans to acquire additional land banks and undertake new development projects in the near future?

For FY2024, the independent auditors have included a material uncertainty related to going concern in the independent auditor's report.

(ii) Does the group have the necessary funds to support its growth? As at 31 March 2024, the group has cash and cash equivalents of $3.6 million. This was after receiving a new loan from a shareholder, bearing interest at 7%, amounting to $5.72 million in FY2024. What additional funding strategies are being considered?

(iii) For the benefit of shareholders, can the board share its capital allocation strategy, especially with regard to geographical distribution and segment allocation?

(iv) What specific learnings from the development of Wintastar Shanghai have been integrated into the group's strategy and risk management framework?

<u>Company's Response</u>

(i) The latest cooling measures had tempered the sales activities within the real estate sector. The demand from foreigners dropped significantly post cooling measures where foreigners were the primarily purchasers for our product. As the market is expected to be challenging and competitive in the near future, the Group will cautiously look into other development opportunities.

(ii) With the completion of sale of the remaining units in Dalvey Haus, the Group will have sufficient funds to repay its debts and borrowing as well as to support its future growth. The Group will be focusing in growing its home brand, Montigo Resorts by taking on more hotel management contracts as well as expansion through acquiring potential hotel. The Board is also confident that the Group will be able to generate sufficient cash flows from its operating activities in the next 12 months based on the cash flow forecast prepared by management and given the positive growth in the performance of its existing Montigo Resorts.

(iii) As of the date of this announcement, there is no specific allocation of the capital. The capital is likely but not limited to use for future expansion opportunities in hospitality sector, repayment of the loan from shareholder, repayment of borrowings and general working capital.

(iv) The Group will cautiously look into any other potential developments projects with minimum capital.

<u>Question 3</u>

At the annual general meeting scheduled to be held on 31 July 2024, the company is seeking to appoint Messrs Moore Stephens LLP as auditors of the company in place of the retiring auditors of the company, Messrs UHY Lee Seng Chan & Co.

The retiring auditors were first appointed in FY2021.

Ernst & Young LLP were auditors of the company from FY2018 to FY2020 after Deloitte & Touche LLP, who had been the auditors of the group since February 2005.

(i) Can the audit and risk committee (ARC) explain the rationale behind the frequent changes in external auditors? How does the ARC evaluate the benefits and potential drawbacks of rotating audit firms every three years? Does the ARC believe that this is good corporate governance?

(ii) What was the assessment of the retiring auditors based on the audit quality indicators introduced by ACRA?

(iii) How were the new auditors selected? What were the criteria used by the ARC?

For the avoidance of doubt, the retiring auditors have given their professional clearance to Messrs Moore Stephens LLP ("MS") and confirmed that they are not aware of any professional reasons why MS should not accept appointment as the new auditors of the company and its subsidiaries. The company has also confirmed that that there were no disagreements with the retiring auditors on accounting treatments within the last 12 months

and up to the date of the appendix. The company is not aware of any circumstances connected with the proposed change of auditors that should be brought to the attention of shareholders which has not been disclosed in the appendix.

<u>Company's Response</u>

(i) As set out in the Company's Appendix dated 16 July 2024, section 4.3, the Audit and Risk Committee is of the view that it would be appropriate to periodically rotate audit firms to enable the Company to benefit from the fresh perspectives and the views of another professional accounting firm, thereby enhancing the value of the audit. A renewal of this nature is also indicative of the Company's efforts to ensure that there would be no actual or perceived issues of independence of auditors for good corporate governance. The Board concurs with this view and believes that it is timely to consider a change of auditors of the Company for the audit of the Company's financial statements for the financial year ending 31 March 2025.

(ii) The assessment of the retiring auditors based on the audit quality indicators introduced by ACRA was satisfactory.

(iii) As set out in the Company's Appendix dated 16 July 2024, section 4.3, the Board had considered the fee proposals from various audit firms and noted that the audit fees proposed by Messrs Moore Stephens LLP is competitive and that they are a cost effective and appropriate candidate for the position of the Company's auditors. The Audit and Risk Committee, having considered, amongst others, the number and experience of staff in the audit engagement team, the seniority of the audit team members and the involvement of the incoming auditors, are also of the opinion that Messrs Moore Stephens LLP is well suited to meet the existing needs and audit requirements of the Group and is likely to enhance the value of the audit.

In consideration of the abovementioned factors and the audit quality indicators introduced by ACRA when evaluating and selecting the new auditors, the Audit and Risk Committee is of the view that the quality and scope of the audit to be undertaken will be at least similar with previous year. The Company has also considered the relevant experience and profile of the clientele of Messrs Moore Stephens LLP and the audit partner-in-charge.

As set out in the Company's Appendix dated 16 July 2024, section 4.7, the Audit and Risk Committee has reviewed and has taken into consideration the suitability and independence of Messrs Moore Stephens LLP, audit quality indicators disclosure framework issued by ACRA including comparison to industry averages and ranges, reasons as elaborated above, as well as compliance with the requirements under the Catalist Rules.

The Audit and Risk Committee has also taken into consideration the number of years in practice of the partner-in-charge and her prior experience in auditing SGX-listed issuers and entities with similar industry and jurisdiction to the Company.

Having satisfied itself as to the suitability of Messrs Moore Stephens LLP, the Audit and Risk Committee recommends the proposed change of auditors.

BY ORDER OF THE BOARD

Ong Chih Ching
Executive Chairman and Executive Director
26 July 2024

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*This announcement has been reviewed by the Company's sponsor, RHT Capital 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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