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

RESPONSE TO SGX QUERIES

The Board of Directors (the "**Board**") of KOP Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the announcement dated on 12 October 2020, in respect of the emphasis of matter on the audited financial statements for the financial year ended 31 March 2020.

The Company sets out below the queries raised by the SGX-ST and the Company's responses to the queries.

Query 1

It was stated that the Group incurred a net loss of $2,694,000 (2019: $5,933,000) for the financial year ended 31 March 2020. The Group's current assets of $132,089,000 (2019: $133,297,000) mainly comprised development properties amounting to $125,948,000 (2019: $124,020,000) as at 31 March 2020. The Company incurred a net loss of $78,429,000 (2019: net profit of $3,989,000) for the financial year ended 31 March 2020 and the Company is in a net current liabilities position of $39,266,000 (2019: net current assets of $840,000) as at 31 March 2020.

The directors are of the view that it is appropriate to prepare these financial statements on a going concern basis due to the following factors:

- The directors are confident that the Group and the Company will be able to generate sufficient cash flows from operating activities in the next 12 months from the date of authorisation of the financial statements.

- The Group's controlling shareholders, Ms. Ong Chih Ching, Ms. Leny Suparman and Mr. Goi Seng Hui have undertaken that in the event that the Group is unable to meet its financial obligations, the controlling shareholders will jointly and severally subscribe to new shares of the Company for up to $10 million.

(a) Please detail the key assumptions and reasons for directors' views that the Group and the Company will be able to generate sufficient cash flows from operating activities in the next 12 months. Were the assumptions reviewed by the auditors for reasonableness?

(b) Please explain how the Company would be able to meet all of its obligations if they became due in the next 12 months given its net current liabilities position of S$39.3m, with the controlling shareholders agreeing to jointly and severally subscribe to new shares of the Company for up to $10 million.

Company's Response

(a) The key assumptions used by the Company are as follows:

- Temporary closure for both the Montigo Resorts, Nongsa and Montigo Resorts, Seminyak as a result of the COVID-19 pandemic from April to September 2020;

- Implementing a series of cost control measures including requiring employees (inclusive directors and management personnel) to take unpaid leave and/or annual leave, pay cut and/or salary freeze, deferment of salary of certain directors and management personnel until the cash flows of the Company improves, reducing the minimum consumption of energy and temporarily suspension of services that are not required during COVID-19 period;

- Recognising of revenue from services rendered under the existing consultancy and management contracts, and obtaining new consultancy and management contracts;

- The Group had launched its high-end condominium project, Dalvey Haus during last quarter of FY2020 and expected more units to be sold in the next 12 months;

- Restructuring of certain bank borrowing; and

- Deferment of payment of the principal and interest for the loans from shareholders.

In view of the above, the Directors are of the opinion that the Group and the Company will be able to generate sufficient cash flows from operating activities in the next 12 months.

The auditors had obtained management's cash flow forecast and evaluated the reasonableness of the key assumptions used in the forecast. They performed stress tests on the key assumptions used, in particular, revenue from resort operations and consultancy income. The Company has also provided the auditors with letters from shareholders relating to the extension of repayment dates of the loans from shareholders and the letter of undertaking provided by the Group's controlling shareholders to subscribe for new shares of the Company, jointly and severally, of up to S$10 million to enable the Group to meet its liabilities as and when they fall due.

(b) The Company wishes to clarify that the net current liabilities position of S$39.3 million mainly comprises of the loans from shareholders amounting to S$38.9 million and amounts due to directors amounting to S$1 million (classified under "Trade and other payables" in the Audited Financial Statements) as at 31 March 2020.

As disclosed in the note to the audited financial statements, the S$38.9 million loans from shareholders were extended subsequent to financial year end.

An extract of the relevant note is set out below:

Note 25

The Group's loans from shareholders comprises of the followings:

(a) Shareholder: $37,000,000 fixed rate loan (2019: $37,000,000)

The loan from shareholder is denominated in SGD and bears interest at 7% per annum. The loan which was originally matured in November 2018 was extended for repayment to November 2020. Subsequent to financial year end, the loan has been extended for another 12 months and will be due for repayment in November 2021.

The loan is convertible into fully paid-up ordinary shares in the capital of the Company, at the option of the shareholder, in the event that the Company is unable to repay the loan on maturity date. The loan is secured by personal guarantee from certain directors of the Company.

(b) Ultimate holding company: $1,900,000 fixed rate loan (2019: Nil)

The loan from ultimate holding company is denominated in SGD, bears interest at 7% per annum and repayable in 3 months or such other date as the parties shall agree in writing. Subsequent to financial year end, the loan was extended until cashflows of the Company improves.

The loan is convertible into fully paid-up ordinary shares in the capital of the Company, at the option of the shareholder, in the event that the Company is unable to repay the loan on maturity date.

In relation to the amounts due to directors amounting to S$1 million as at 31 March 2020, the directors have undertaken not to demand for payment until the cash flows of the Company improves.

In addition, the Group's controlling shareholders, Ms. Ong Chih Ching, Ms. Leny Suparman and Mr. Goi Seng Hui have undertaken that in the event that the Group is unable to meet its financial obligations, the controlling shareholders will jointly and severally subscribe to new shares of the Company for up to $10 million.

Considering the above, together with the successful annual extension of the $37 million loan (as stated in (a) of the notes to the financial statements above) for the past 2 years as a precedent of support from the substantial shareholder, the Company believes that it will be able to meet all its obligations as and when they fall due.

Query 2

Please provide the Board of Directors' opinion as to whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3) (Going Concern) and the basis for such opinion.

Company's Response

The Board of Directors are of the opinion that no suspension is needed pursuant to Listing Rule 1303(3) (Going Concern). The basis of the Board's opinion is explained in Query 1.

Query 3

Please provide 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

The Board of Directors confirms that sufficient information has been disclosed to enable the trading of the Company's shares to continue in an orderly manner.

BY ORDER OF THE BOARD

Ong Chih Ching
Executive Chairman and Executive Director
15 October 2020

---

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr. Khong Choun Mun, Registered Professional, RHT Capital Pte. Ltd., 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619, Telephone (65) 6381 6966.