KOP LIMITED

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

QUALIFIED OPINION AND EMPHASIS OF MATTER ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022

Pursuant to Rule 704(4) of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, the Board of Directors (the “**Board**”) of KOP Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Independent Auditor of the Company, UHY Lee Seng Chan & Co (the “**Auditors**”), have issued a “Qualified Opinion” and included an “Emphasis of Matter” in respect of a material uncertainty related to going concern in the Independent Auditor’s Report on the audited financial statements of the Group and the Company for the financial year ended 31 March 2022 (“**FY2022**”) (“**Audited Financial Statements**”).

An extract of the basis for Qualified Opinion in the Independent Auditor’s Report is set out below:

“Basis for Qualified Opinion

1) Opening balances

In our independent auditor’s report dated 13 October 2021, we expressed a qualified opinion on the financial statements for the financial year ended 31 March 2021. The basis for qualified opinion is disclosed in Note 39 to the financial statements.

In view of the matters described in the basis for qualified opinion section on the financial statements for the financial year ended 31 March 2021, we were unable to determine whether the opening balances as at 1 April 2021 are fairly stated.

Since the opening balances as at 1 April 2021 are entered into the determination of the financial position of the Group and of the Company as at 31 March 2022, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and financial performance and changes in equity of the Company for the financial year ended 31 March 2022, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group’s and the Company’s financial statements for the financial year ended 31 March 2022.

Our opinion on the current financial year’s financial statements of the Group and the Company is also modified because of the possible effects of these matters on the comparability of the current year’s figures and the corresponding figures.

2) Difficulties in obtaining financial information required for the audit of the Group’s 30% interest in investment in joint venture, Shanghai Snow Star Properties Co., Ltd. (“Shanghai Snow Star”)

As disclosed in Notes 21 and 33 to the financial statements, the Group is currently undergoing arbitration proceedings in the Shanghai International Arbitration Centre (“SHIAC”) with its partners (“Applicants”) in an indirectly held joint venture company (“JVC”), Shanghai Snow Star Properties Co., Ltd (“Shanghai Snow Star”).

On 29 November 2021, SHIAC issued a partial judgment in which it was decided that (i) the Framework Agreement and the Investment Agreement that were entered into with Shanghai LuJiaZui Zhi Mao Investment Co., Ltd and Shanghai Hong Bin Properties Co., Ltd. (“former joint venture partners”) are to be retrospectively terminated on 20 December 2020; and (ii) the former joint venture partners are required to acquire the Group’s 30% equity interests in the JVC at a fair market value, based on the average of the valuation provided by two China-qualified valuers appointed by the Applicants and the Company respectively. Due to the issuance of the partial judgment, the Group has reclassified its interest in Shanghai Snow Star from an investment in a joint venture to non-current assets held for sale, in line with management's expectations that the investment would be disposed of within the next 12 months from 29 November 2021. Further details of the arbitration proceedings are disclosed in Notes 21 and 33.

Management informed that on the date of reclassification, the carrying amount of the asset, amounting to $107,599,000, comprises the sum of (i) the historical costs of investment and (ii) the group's share of Shanghai Snow Star's results from the date of investment, up to the date of reclassification.

Throughout the duration of the arbitration proceedings, the Group has experienced difficulties in obtaining certain relevant financial information from Shanghai Snow Star. In addition, we and our component auditors were also not granted access to Shanghai Snow Star's accounting records and other relevant information required for our audit for the financial years ended 31 March 2022 and its preceding financial year. Accordingly, we are unable to perform any audit procedures nor any other alternative means to obtain sufficient appropriate audit evidence to determine whether the carrying amount of the Group's investments in joint ventures (now reclassified as non-current asset held for sale) of $103,167,000 as at 31 March 2021, or the Group's share of the results from investments in joint ventures for the current financial year have been accurately recognised.

Consequently, in view of the above, we were unable to determine whether any adjustments to the carrying amount of the Group's investment in joint venture (now reclassified as non-current asset held for sale) of $107,599,000 as at 31 March 2022 were necessary.

In addition, management has also not reclassified the investment in joint venture to non-current asset held for sale in the comparatives given that the partial judgment on 29 November 2021 had terminated the JVC agreement retrospectively on 20 November 2020.

We conducted our audit in accordance with Singapore Standards on 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.

Material Uncertainty Related to Going Concern

The Group incurred a net loss of $11,575,000 for the financial year ended 31 March 2022. The Group's current assets of $242,490,000 as at 31 March 2022 comprised mainly development properties and non-current asset held for sale which amounted to $125,880,000 and $107,599,000 respectively. The Company incurred a net loss of $6,085,000 for the financial year ended 31 March 2022 and is in a net current liabilities position of $51,330,000 as at 31 March 2022. Included in the Group's and Company's current liabilities is an amount of $37,000,000 [Note 26(a)] and $11,058,000 [Note 26(b)] due to a shareholder and its ultimate holding company respectively. The performance of the Group's hospitality segment was adversely impacted by the COVID-19 pandemic for the past two years.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's abilities to continue as a going concern.

As disclosed in Note 2.1, the ability of the Group and the Company to continue as a going concern is dependent and based on the following factors:

a) Following the lifting of travel restrictions by various countries, the Group's hospitality segment is expected to recover in the next financial year. Accordingly, 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.

b) The Group's controlling shareholders, Ms. Ong Chih Ching and Ms. Leny Suparman 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 ordinary shares of the Company for up to $10 million.

c) The repayment of the loan from the Company's ultimate holding company of approximately $11.1 million [Note 26(b)] has been extended until cash flows of the Company improves.

d) The proceeds from the disposal of the non-current asset held for sale are expected to be received in the next 12 months.

In the event that the above-mentioned proceeds do not materialise on a timely basis, the shareholder agreed that he will not seek for repayment of the loan principal of $37 million due on 9 November 2022 [Note 26(a)] plus interest of approximately $5.5 million (Note 25) together with the on-going interest accrued until the receipt of the proceeds from the disposal of the non-current asset held for sale (Note 21) or 7 September 2023, whichever is earlier.

If the Group and the Company are unable to generate sufficient cash flows, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not modified in respect of this matter.

Notes to Financial Statements

Going concern assumption

The Group incurred a net loss of $11,575,000 (2021: $10,634,000) for the financial year ended 31 March 2022. The Group's current assets of $242,490,000 (2021: $131,818,000) mainly comprised development properties and non-current asset held for sale which amounted to $125,880,000 (2021: $126,718,000) and $107,599,000 (2021: $Nil) as at 31 March 2022 respectively. The Company incurred a net loss of $6,085,000 (2021: $11,701,000) for the financial year ended 31 March 2022.

The performance of the Group's hospitality segment was adversely impacted by the COVID-19 pandemic for the past 2 years. Following the lifting of the travel restrictions by various countries, the Group's hospitality segment is expected to recover in the next financial year.

Notwithstanding the above, 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:

- Following the lifting of travel restrictions by various countries, the Group's hospitality segment is expected to recover in the next financial year. Accordingly, 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 and Ms. Leny Suparman 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 ordinary shares of the Company for up to $10 million.

- The repayment of the loan from the Company's ultimate holding company of approximately $11.1 million [Note 26(b)] has been extended until cash flows of the Company improves.

- The proceeds from the disposal of the non-current asset held for sale are expected to be received in the next 12 months.

  In the event that the above-mentioned proceeds do not materialise on a timely basis, the shareholder agreed that he will not seek for repayment of the loan principal of $37 million due on 9 November 2022 [Note 26(a)] plus interest of approximately $5.5 million (Note 25) together with the on-going interest accrued until the receipt of the proceeds from the disposal of the non-current asset held for sale (Note 21) or 7 September 2023, whichever is earlier.

If the Group and the Company are unable to generate sufficient cash flows, the Group and the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements."

The Independent Auditor's Report and Audited Financial Statements will form part of the Company's Annual Report for FY2022 which will be released on SGXNET in due course.

BY ORDER OF THE BOARD

Ong Chih Ching
Executive Chairman and Executive Director
7 September 2022

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").

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, at 6 Raffles Quay, #24-02, Singapore 048580, sponsor@rhtgoc.com.