

Issuer: KOP Limited

Security: KOP Limited

Meeting details:

Date: 21 September 2017

Time: 11.00 a.m.

Venue: 25 Tai Seng Avenue #01-01 KOP Building Singapore 534104

Company Description

KOP Limited, an investment holding company, engages in the real estate, hospitality, and entertainment businesses. The company develops, constructs, manages, and sells real estate properties. It is also involved in the properties acquisition and development conceptualization, construction management, and marketing and branding strategizing activities, as well as retail sale of projects; and management and operation of hotels, including restaurants and spas. In addition, the company engages in the distribution of video programs for home entertainment; disk media packaging and film rights distribution activities; acquisition and distribution of film rights; film production activities; sale of tickets; provision of producer, event organizer, business and management consultancy, and property holding and consultancy services; investment management; and letting and operation of owned or leased real estate properties. It operates in Singapore, the United Kingdom, Indonesia, and the People's Republic of China. KOP Limited was incorporated in 2004 and is headquartered in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=511)

Q1. The company's Independent Auditors have issued a "Qualified Opinion" in the Independent Auditor's Report in respect of the audited financial statements of the company for the financial year ended 31 March 2017 (Independent Auditor's Report - pages 59 to 65 of the annual report).

The basis for the qualified opinion is as follows:

"As disclosed in Note 21 to the financial statements, included in advances from non-controlling interests was an amount of US\$3,000,000, equivalent to \$4,192,000 (2016: US\$1,500,000, equivalent to \$2,022,000) owing to an individual which entitles the individual to 17% of economic interest in the Montigo Resorts, Seminyak project. The Group's Executive Chairman and Chief Operating Officer are relatives of the said individual. Management explained that the intent is for the advances to be interest-free, repayable on demand and free from all liens, charges and other encumbrances since prior years. During the audit, we were provided loan agreement and related documents between the individual and the Group for which the terms of the advances were not consistent with management's intent or explanation. We are unable to obtain sufficient and appropriate audit evidence on the arrangement to our satisfaction. As a result, we are unable to determine whether any adjustments were necessary to the financial statements."

In Note 21 (page 136 - Trade and other payables), it was stated that, subsequent to the current year end, the group had "explained the inconsistency of the documents and confirmed that the advances are interest-free, repayable on demand and free from all liens, charges and other encumbrances". In the financial statements for the year ended 31 March 2017, management has presented the advances due to the individual of US\$3,000,000 (2016: US\$1,500,000) as "interest-free, repayable on demand and free from all liens, charges and other encumbrances since the initial recognition".

- a) **Would management clarify what had caused the inconsistency in the documentation? How has management rectified this inconsistency and what improvements have been made to improve the internal controls and the keeping of financial records?**
- b) **Would the audit and risk committee (ARC) explain its efforts and involvement in the audit of the financial statements for the financial year ended 31 March 2017? In particular, what were the efforts by the ARC to facilitate the independent auditors to get "sufficient and appropriate audit evidence" to resolve the matter brought up in the basis for the qualified opinion?**

In the circular dated 5 September 2017 (in relation to the proposed change of auditors of the company), the company had stated that:

4.2 (ii) there were no disagreements with Deloitte & Touche LLP on accounting treatments within the last 12 months prior to the date of this Circular

- c) **Would the company and the audit committee clarify if the matter in the basis for the qualified opinion constitute a disagreement with the independent auditors?**

Q2. Shareholders would like to request for better visibility into the plans of the group's businesses. Specifically:

- a) **Wintastar project: Following the award of the Lingang land in April 2017, can management provide shareholders with better visibility on the major milestones of the Wintastar project? Please disclose the scale and scope of the integrated winter-themed resort. What is the total expected investment into the Shanghai project and how is the group going to fund this investment?**
- b) **Montigo Resorts: What is the occupancy rate at Nongsa? The Hospitality segment reported a segment profit of \$6.6 million in 2017, boosted by the one-time gain of \$8.8 million from the divestment of Cranley Hotel. What are management's plans to improve the profitability at the Montigo Resorts?**

- c) **Kazakhstan:** The group had incorporated a 50% owned subsidiary company, Montigo Resorts Kazakhstan Pte. Ltd. during the financial year ended March 31, 2017. **Would management elaborate further on the group's plans for Kazakhstan?**

Q3. Mr. Ko Chuan Aun is the President and Executive Director of KOP Limited and oversees the Entertainment Business of the group.

Based on the Business Review (page 31), it was shown that the Entertainment segment recorded lower revenue of S\$0.7 million in FY2017, compared to S\$3.8 million in FY2016 due mainly to a decrease of assignment of distribution rights in FY2017, which is in line with a change in business focus from the legacy entertainment business.

- a) **Would management elaborate further on the strategic direction of the entertainment segment? How much is the group looking to invest in movie rights and content creation? What would be the investment hurdle for such investments?**

As disclosed in the annual report (page 12), Mr. Ko Chuan Aun also holds chairmanships and directorships in various private and public listed companies. He was appointed as an Independent Director of the following companies:

- a. Super Group Ltd
- b. San Teh Ltd
- c. KSH Holdings Limited
- d. Koon Holdings Limited
- e. Lian Beng Group Ltd
- f. Pavillon Holdings Ltd.

- b) **Would Mr. Ko clarify if his appointment as "President and Executive Director" is a full time position?**
- c) **Given that Mr. Ko sits on six other companies, would Mr. Ko help shareholders understand how he, as President and Executive Director, is able to devote sufficient time, attention and energy to the affairs of the group?**
- d) **As many of the companies that Mr. Ko sits on as Independent Director have investments in real estate in China and other markets, would Mr. Ko be frequently put in a position where he may have conflicts of interests? How does the board and Mr. Ko mitigate and reduce such risks?**