Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: KOP Limited

Stock code: 5I1

Meeting details:
Date: 28 October 2020
Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. 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 "burn-rate" 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?**

Q2. 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.

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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.**

Q3. 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.

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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.

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)