



Securities Investors Association (Singapore)

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UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: KOP Limited

Security: KOP Limited

Meeting details:

Date: 24 Aug 2018

Time: 2.00 p.m.

Venue: Jade 2 & 3, Orchid Country Club, 1 Orchid Club Road Singapore 769162

Company Description

KOP Limited, an investment holding company, engages in the real estate, hospitality, and entertainment businesses. The company invests in, 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 sells goods and tickets; grants sub-distribution rights; and assigns distribution rights, as well as engages in the content production and sponsorship activities. Further, it is involved in the distribution of video programs for home entertainment; disk media packaging and film rights distribution activities; film production investment activities; provision of producer, event organizer, and business and management consultancy services; acquisition and distribution of film rights; development and trade activities; letting and operation of owned or leased real estate properties; property consultancy activities; and investment management and consultancy activities. The company has operations 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)

1. Would the board/management provide shareholders with better clarity on the following operational and financial matters? Specifically:

- (i) **Real estate development and investment:** As seen in Note 36 (page 127 of the annual report – Segment information), the group recognised segment revenue of \$1.7 million and a loss for the year of \$(720,000). Reportable segment assets amounted to \$48.4 million. **Can management provide shareholders with a holistic overview of its real estate development segment, including the future plans and pipeline projects? In addition, please also update on the sales progress of Montigo Resorts, Nongsa and provide a breakdown of the number of completed residential properties (recognised as Completed properties held for sale) and the number of uncompleted properties?**
- (ii) **Real estate origination and management services:** The group recognised \$10.854 million as revenue that was attributed to the establishment fee from a joint venture, Shanghai Snow Star Properties Co., Ltd.. **Would management help shareholders understand what this “establishment fee” was for and if this would be on a recurring basis?**
- (iii) **Hospitality:** The segment reported a loss of \$(3.4) million in FY2018. In FY2017, the segment profit was \$5.2 million, boosted by the one-time disposal gain of \$8.8 million of the Cranley Hotel. **What are the occupancy rates at the resorts? Has management estimated the breakeven level? What are management’s pro-active plans to improve the performance and profitability of the hospitality segment?**
- (iv) **Wintastar Shanghai: With groundbreaking expected in 2H2018, can management disclose the total investment for this project? How will the group be funding this project?**
- (v) **Loan from a shareholder:** The group has an outstanding loan of \$37.0 million from a shareholder due 9 November 2018 but extended for another year to 9 November 2019. The loan bears interest at 7% per annum. **Would the board consider it prudent to review the group’s capital structure so as to optimise the capital structure to support the group’s operations (which are long-term in nature)?**

2. On 15 January 2018, the company announced the appointment of Mr Goi Kok Neng (Wei Guolong) as executive director. In the profile of directors (page 8), it is disclosed that Mr Goi has assumed the position of Managing Director (MD) of Montigo Resorts.

In addition, Mr Goi is also the Chief Operating Officer (COO) of Tee Yih Jia Group Pte. Ltd., a Non-Executive Director of Union Steel Holdings Ltd, a Non-Executive Director of Yamada Green Resources Limited and a Non-Executive Non-Independent Director of Serial System Ltd.

- (i) **As Mr Goi is also the COO of a large frozen foods manufacturer, can the company/Mr Goi help shareholders understand the current arrangement**

related to Mr Goi's appointment as executive director and MD of Montigo Resorts?

- (ii)** In addition to the two executive appointments, Mr Goi also sits on the boards of three other listed companies as non-executive director. **Can Mr Goi elaborate further on how he will be able to devote sufficient time, energy and attention to matters of the company/group?**
- (iii)** **Would the company provide better clarity on the roles and responsibilities of the three executive directors on the board?**

3. On 12 July 2018, the company announced that it will be making an application to the Singapore Exchange Securities Trading Limited and the Accounting and Corporate Regulatory Authority ("ACRA") for an extension of time to hold the Annual General Meeting ("AGM") for the financial year ended 31 March 2018 ("FY2018").

- (i)** **Has the company received the approval from ACRA for the extension application?**

The reason given in the 12 July 2018 announcement was:

The Extension Application is necessary as the annual report of the Company for FY2018 will not be ready in time to allow the Company to issue its annual report to shareholders of the Company at least 14 days prior to 31 July 2018, being the last date for the Company to hold its AGM pursuant to Rule 707(1) of the Catalist Rules.

- (ii)** **Would the board consider making better disclosure in its announcements such as stating the underlying reasons that led to the delay of the annual report?**

It was only on 1 August 2018 that the company disclosed that the extension application was due to the Company and its auditors needing more time to review the assumptions and workings of the valuation reports from the valuer for the Group's significant properties and to finalise the independent auditors' report in respect of the financial statements for FY2018."

For the financial year ended 31 March 2017, the company also made an application to extend the time to hold the AGM. The AGM for FY2017 was eventually held on 21 September 2017.

For two consecutive years, the company has had to delay its AGM to complete its audit of the financial statements.

- (iii)** **Would the board, and especially the audit and risk committee (ARC), help shareholders understand their efforts at overseeing the group's financial reporting process?**

- (iv) Has the ARC reviewed the annual audit plans? If so, what guidance did the ARC provide to management to help them improve the process?**
- (v) Does the ARC consider it timely to review the adequacy of the group's financial reporting team to ensure that there are sufficient resources and experience in the team to match the group's growth and complexity?**
- (vi) Can the board explain its role in the preparation of the annual report? What improvements to the group's systems and processes will the board be making so that the AGM could be held without delay in the future?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=KOP%20Ltd>

The company's response could be found here: -----