



(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 2023

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 2023 (“**FY2023**”) (“**Audited Financial Statements**”).

An extract of the basis for Qualified Opinion and Material Uncertainty Related to Going Concern in the Independent Auditor’s Report is set out below:

“Basis for Qualified Opinion

1) Opening balances

In our Independent Auditor’s Report dated 7 September 2022, we expressed a qualified opinion on the financial statements for the financial year ended 31 March 2022. The basis for our qualified opinion is disclosed in Note 38 to the accompanying 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 2022, we were unable to determine whether the opening balances as at 1 April 2022 are fairly stated.

Since the opening balances as at 1 April 2022 are entered into the determination of the financial position of the Group and of the Company as at 31 March 2023, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the financial year ended 31 March 2023, 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 2023.

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) Inability to ascertain the accuracy of the loss on disposal of non-current asset held for sale

During the financial year, the Group disposed of its non-current asset held for sale following the conclusion of arbitration proceedings involving its investment in the then joint venture company, Shanghai Snow Star Properties Co., Ltd. (“**Shanghai Snow Star**”) (Note 21). Arising from this disposal, the Group derecognised its non-current asset held for sale (i.e. investment in Shanghai Snow Star) and recognised a loss on disposal of \$25,062,000 in the Group’s profit or loss.

In our previous Independent Auditor’s Reports for the financial years ended 31 March 2021 and 2022 as detailed in Note 38, we had expressed a qualified opinion on the financial statements as we had experienced difficulties in obtaining access to Shanghai Snow Star’s accounting and other statutory records. Accordingly, we were unable to obtain sufficient appropriate audit evidence on the accuracy of the carrying amounts of the Group’s investment in Shanghai Snow Star during the respective financial years.

As the loss on disposal of non-current asset held for sale is determined by deducting the carrying amount of the Group's investment in Shanghai Snow Star from the net proceeds received on disposal, we are unable to determine the appropriateness of the quantum of the loss on disposal recognised in the Group's profit or loss in the current financial year.

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

We draw attention to Note 2.1 to the accompanying financial statements, which indicates that the Group incurred a net loss of \$30,574,000 for the financial year ended 31 March 2023 and reported a net operating cash outflows of \$14,961,000. As at the reporting date, the Group's current assets amounted to \$122,206,000 and its current liabilities amounted to \$109,275,000.

The Group's current liabilities of \$109,275,000 comprise mainly bank borrowings which amounted to \$83,375,000 as at 31 March 2023 which will be due for repayment within the next 12 months. The Group's cash and bank balances amounted to \$14,376,000 as at 31 March 2023. While the Group has current assets of \$122,206,000, these comprise mainly development properties of \$87,429,000 which may not be realisable within the next 12 months. In addition, the Company is in a net current liability position of \$3,872,000 as at 31 March 2023. Included in the Company's current liabilities is an amount of \$11,028,000 due to a subsidiary.

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 on the following factors:

- a) The Group expects to be able to refinance a significant portion of up to \$80,322,000 of the variable bank loans drawdown to-date [Note 22(c)], that are included in the aforementioned bank borrowings of \$83,375,000, upon obtaining temporary occupation permit ("**TOP**") of its development properties. The TOP has been obtained subsequent to the financial year.
- b) Through a series of sales and marketing activities to promote the sale of its development properties, the Group is confident of selling the remaining unsold units. Subsequent to the financial year, the Group has managed to sell some of the units, which will significantly improve its cash flows.
- c) Since the lifting of travel restrictions and the re-opening of borders at the beginning of the financial year, performance of the Group's hospitality segment has returned to pre-Covid level and the hospitality segment has been generating healthy income. Accordingly, the directors are confident that the Group will be able to generate sufficient cash flows from its operating activities in the next 12 months from the date of authorisation of the financial statements to fund its day to day operations.
- d) The Company'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.
- e) The Company has obtained an undertaking from its subsidiary not to seek for immediate repayment of the aforementioned amount due by the Company of \$11,028,000 until the Company's cash flows permit.

In the event that the Group is unable to obtain refinancing when it becomes contractually due or the Group is unable to realise the sale of its remaining development properties at amounts sufficient to repay its obligations when they fall due or when the Group is unable to generate the expected sufficient cash flows necessary to sustain the Group's operation, 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 in a manner other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the balance sheet. 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 \$30,574,000 (2022: \$11,575,000) for the financial year ended 31 March 2023 due mainly to the loss of \$25,062,000 on disposal of non-current asset held for sale [previously classified as investment in joint venture in Shanghai Snow Star ("JVC")] and finance costs of \$7,921,000. The loss on disposal of non-current asset held for sale was a one-off event and was mainly due to the revaluation of the property of JVC which was recognised in prior years, offset by the expenses and taxes payable under the Final Arbitration Judgment as mentioned in Note 21. The net proceeds received from the disposal of JVC of RMB 393,521,000 had exceeded the Group's initial capital injection of RMB 300,000,000 to the JVC. This has enabled the Group to substantially reduce its liabilities by repaying all the interest-bearing shareholders' loans and hence this would reduce significantly the future interest costs to be incurred by the Group.

The Group's current liabilities of \$109,275,000 (2022: \$71,741,000) comprise mainly bank borrowings which amounted to \$83,375,000 (2022: \$2,510,000) as at 31 March 2023 which will be due for repayment within the next 12 months. The Group's current assets of \$122,206,000 (2022: \$242,490,000) mainly comprise cash and bank balances amounted to \$14,376,000 (2022: \$5,305,000) and development properties of \$87,429,000 (2022: \$125,880,000) which may not be realisable within the next 12 months. In addition, the Company is in a net current liability position of \$3,872,000 (2022: \$51,330,000) as at 31 March 2023. Included in the Company's current liabilities is an amount of \$11,028,000 due to a subsidiary.

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:

- The Group expects to be able to refinance a significant portion of up to \$80,322,000 of the variable bank loans drawdown to-date [Note 22(c)], that are included in the aforementioned bank borrowings of \$83,375,000, upon obtaining temporary occupation permit ("TOP") of its development properties. The TOP has been obtained subsequent to the financial year.
- Through a series of sales and marketing activities to promote the sale of its development properties, the Group is confident of selling the remaining unsold units. Subsequent to the financial year, the Group has managed to sell some of the units, which will significantly improve its cash flows.
- Since the lifting of travel restrictions and the re-opening of borders at the beginning of the financial year, performance of the Group's hospitality segment has returned to pre-Covid level and the hospitality segment has been generating healthy income. Accordingly, the directors are confident that the Group will be able to generate sufficient cash flows from its operating activities in the next 12 months from the date of authorisation of the financial statements to fund its day to day operations.
- The Company'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 Company has obtained an undertaking from its subsidiary not to seek for immediate repayment of the aforementioned amount due by the Company of \$11,028,000 until the Company's cash flows permit.

In the event that the Group is unable to obtain refinancing when it becomes contractually due or the Group is unable to realise the sale of its remaining development properties at amounts sufficient to repay its obligations when they fall due or when the Group is unable to generate the expected sufficient cash flows necessary to sustain the Group's operation, 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 in a manner other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the balance sheet. 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 FY2023 which will be released on SGXNET in due course.

BY ORDER OF THE BOARD

Ong Chih Ching
Executive Chairman and Executive Director
14 July 2023

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, 36 Robinson Road, #10-06 City House, Singapore 068877, sponsor@rhtgoc.com.