



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

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## QUALIFIED OPINION AND EMPHASIS OF MATTER ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021

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Pursuant to Rule 704(4) of the Listing Manual – Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Board of Directors (“**Board**”) of KOP Limited (“**Company**”) together with its subsidiaries (“**Group**”) wishes to announce that the Independent Auditor of the Company, UHY Lee Seng Chan & Co (“**Auditors**”), have issued a “Qualified Opinion” and included an “Emphasis of Matter” in the Independent Auditor’s Report in respect of the audited financial statements of the Company for the financial year ended 31 March 2021 (“**FY2021**”) (“**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. On-going Arbitration

As disclosed in Note 32 to the financial statements, the Board announced on 18 January 2021 that the Company’s indirect subsidiary, KOP Northern Lights Pte. Ltd., had received a notice of arbitration dated 4 January 2021 through mail at the subsidiary’s Singapore mailing address.

On 19 January 2021, the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) raised certain queries on the on-going arbitration and requested the Company to provide more details such as what does the arbitration relate to, who is the counterparty, what is the quantum of the arbitration, whether legal advice for the arbitration will be obtained and any other information which shareholders and investors would be interested in.

On 20 January 2021, the Company announced in response to the above queries from SGX-ST, and informed that the Company was bound by the non-disclosure clause in the notice of arbitration and hence is unable to disclose any further details of the arbitration. The Company also informed that based on their preliminary assessment then, the quantum involved is expected to have a material impact to the Group. Notwithstanding this, the Company is unable to quantify the full impact. The Company also informed that the arbitration and its outcome will potentially affect the cash flow and working capital. However, it is not expected to materially affect the operations and going concern of the Group. The Company is currently seeking legal advice and will make the necessary announcements when there are further developments on this matter.

On 11 February 2021, in response to SGX-ST earlier queries, the Company announced that the Board has appointed its lawyers for the arbitration. The lawyers have advised that the Group is unable to provide further details of the arbitration because of the non-disclosure clause in the notice of arbitration.

On 5 March 2021, the Board made further announcement to update that the lawyers of the Group has advised that, in accordance with Article 40 of the 《中华人民共和国仲裁法》 and Article 41 of the 《中国（上海）自由贸易试验区仲裁规则》，further disclosure of the status of the arbitration case would cause the Company to be in breach of these laws and regulations. As such, in accordance with Rule 703(2) of the Listing Manual of the SGX-ST Section B: Rules of Catalist, the Group is unable to disclose more details pertaining to the arbitration.

As part of our audit procedures, we have sent a legal confirmation to the Board’s appointed lawyers to inquire on the nature of the arbitration including the probability of success and the expected compensation costs, if

any, arising from the arbitration. The lawyers replied that in view of the confidentiality clause signed between the parties involved in the arbitration, the lawyers are not able to disclose or respond to our queries.

Accordingly, we were unable to obtain sufficient appropriate audit evidence to determine the financial impacts that may arise from the arbitration, including any possible material impacts on the Group and Company's cash flows and working capital arising from the arbitration.

Consequently, we were unable to determine whether any adjustments to the financial statements were necessary in view of the above.

## **2. Investments in Joint Ventures**

As disclosed in Note 13, the Group owns 30% equity interest in the joint venture company, Shanghai Snow Star Properties Co., Ltd. ("**Snow Star**") incorporated in the People's Republic of China, with a carrying amount of approximately \$103,167,000 (2020: \$101,073,000) as at 31 March 2021. Snow Star is 30% owned by KOP Northern Lights Pte. Ltd., the Company's indirect subsidiary.

Snow Star has an investment property amounting to \$490,728,000 which was carried at fair value as at 31 March 2020. The valuation was performed by an independent professional valuer in the last financial year. The Group's 30% share of the investment property would be approximately \$147,218,000.

In the current financial year, the management of Snow Star did not respond to the professional valuer's requests for the information to conduct the valuation of the investment property as at 31 March 2021. In addition, the management of Snow Star has also granted limited access to our component auditors to audit Snow Star's accounting records.

Accordingly, we and our component auditors are unable to carry out any of our audit procedures on Snow Star, which was recognised by the Group as an investment in joint venture and accounted for using the equity method as disclosed in Note 13 to the financial statements. There are also no alternative audit procedures that can be performed.

As a result, we were unable to obtain sufficient appropriate audit evidence to determine the appropriateness of the carrying amount of the Group's investments in joint ventures as at 31 March 2021 and the Group's share of the results from investments in joint ventures for the financial year.

Consequently, we were unable to determine whether any adjustments were necessary in view of the above.

## **3. Events occurring after the reporting period**

At the reporting date, the Group's wholly-owned subsidiary, PT Teguh Cipta Pratama's ("**PTTCP**") total assets and revenue constituted 9% and 48% of the Group's total assets and revenue in the consolidated financial statements as at 31 March 2021 and for the financial year ended 31 March 2021 respectively.

In April 2021, PTTCP encountered a faulty hard disk incident which resulted in a loss of accounting and reconciliation schedules required for the audit process. While there was no impact to the accounting system/server arising from this incident, management had to reconstruct the accounting and reconciliation schedules for FY2021 audit purposes.

To expedite the audit process, management of PTTCP devoted its entire resources to reconstruct the accounting and reconciliation schedules needed to complete the FY2021 audit.

In view of the above, while FY2021 figures have been finalised and audited, management is currently still working to close its accounts after its financial year end, which is for the period from 1 April 2021. Hence, we were not provided with financial information of PTTCP beyond 31 March 2021, being the latest available.

Consequently, we were unable to complete certain audit procedures for the significant events occurring after the reporting period, which we considered necessary to satisfy ourselves on the significant matters occurring after the reporting period with respect to items recorded or unrecorded in the financial statements as at 31 March 2021.

Notwithstanding this, management informed us that business activities subsequent to the financial year end were not significant due to the imposed travel restrictions and border closures resulted from the COVID-19 pandemic. Accordingly, there should not be any material adjusting subsequent events that would affect the financial statements for the financial year ended 31 March 2021. However, we are unable to verify the above management's assertions."

An extract of the basis for the Emphasis of Matter in the Independent Auditor's Report together with the extract of the relevant note to the Audited Financial Statements are set out below:

#### **"Material Uncertainty Related to Going Concern**

The Group incurred a net loss of \$10,634,000 for the financial year ended 31 March 2021. The Group's current assets of \$131,818,000 as at 31 March 2021 comprised mainly development properties which amounted to \$126,718,000. The Company incurred a net loss of \$11,701,000 for the financial year ended 31 March 2021 and is in a net current liabilities position of \$43,841,000 as at 31 March 2021. Included in the Group and Company's current liabilities is an amount of \$37,000,000 [Note 25(a)] and \$4,301,000 [Note 25(b)] due from a shareholder and its ultimate holding company respectively. The performance of the Group's hospitality segment was adversely impacted by the COVID-19 pandemic, and as at the date of this report, there is significant uncertainty as to the timing of the expected recovery and the extent of the impact on the Group's operations.

These factors indicate the existence of 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:

- a) 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 shares of the Company for up to \$10 million.
- c) Subsequent to the financial year end, the loan from a shareholder of \$37 million [Note 25(a)] has been extended for another 12 months and will be due for repayment on 9 November 2022.
- d) The repayment of the loan from the Company's ultimate holding company of \$4.3 million [Note 25(b)] has been extended until cash flows of the Company improves.

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 \$10,634,000 (2020: \$2,694,000) for the financial year ended 31 March 2021. The Group's current assets of \$131,818,000 (2020: \$132,089,000) mainly comprised development properties which amounted to \$126,718,000 (2020: \$125,948,000) as at 31 March 2021. The Company incurred a net loss of \$11,701,000 (2020: \$78,429,000) for the financial year ended 31 March 2021 and as at 31 March 2021, the Company is in a net current liabilities position of \$43,841,000 (2020: \$39,266,000). Included in the Group and Company's current liabilities is an amount of \$37,000,000 [Note 25(a)] and \$4,301,000 [Note 25(b)] due from a shareholder and its ultimate holding company respectively.

The performance of the Group's hospitality segment was adversely impacted by the COVID-19 pandemic. There is significant uncertainty as to the duration and impact of the COVID-19 pandemic, and the timing of the expected recovery. The performance of the Company was mainly due to provision for impairment loss in investments in subsidiaries (Note 11).

The Group has implemented a series of cost control measures. These measures include closure of facilities and all food and beverage outlets in the resorts since March 2020, temporary closure of the resorts from the month of June 2020 and reopened in the last quarter of year 2020 for limited domestic business. In addition, the Group also implemented cost cutting measures such as requiring employees to take unpaid leave and/or annual leave, reducing the minimum consumption of energy and temporary suspension of services that are not required during this period.

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 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 for new shares of the Company for up to \$10 million.
- Subsequent to the financial year end, the loan from a shareholder of \$37 million [Note 25(a)] has been extended for another 12 months and will be due for repayment on 9 November 2022.
- The repayment of the loan from ultimate holding company of \$4.3 million [Note 25(b)] has been extended until cashflows of the Company improves.

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 FY2021 which will be released on SGXNet in due course.

#### **BY ORDER OF THE BOARD**

Ong Chih Ching  
Executive Chairman and Executive Director  
13 October 2021

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*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"). The Sponsor has not independently verified the contents of this announcement.*

*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.*