



KING WAN CORPORATION LIMITED

Incorporated in the Republic of Singapore
(Company Registration No. 200001034R)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S UNAUDITED HALF YEAR RESULTS ENDED 30 SEPTEMBER 2022

The Board of Directors (the "Board") of King Wan Corporation Limited (the "Company" and together with its subsidiaries, the "Group") hereby provides its response to the queries raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") on 18 November 2022 in relation to the Company's unaudited results for the half year ended 30 September 2022 ("1H2023") announced via the SGXNet on 14 November 2022, as set out below:

Question 1:

Given the Group's net current liabilities position and significant short-term bank borrowings of S\$8.5 million, as well as cash and bank balance of only S\$9.4 million and negative operating cash flow of S\$6.7 million for the first half of FY2023, please disclose the Board's assessment of

- (a) whether the Company is able to meet the Company's short term liabilities, including its bases of assessment;
- (b) the Company's ability to meet its debt covenants, if any;
- (c) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations; and
- (d) the Company's ability to operate as a going concern and its bases of assessment. the Company's ability to operate as a going concern and its bases of assessment.

Company's response:

- (a) The Board has given careful consideration of the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient financial resources to meet the Company's short term liabilities and continue as a going concern for the next 12 months. For this purpose, management has prepared a month-to-month consolidated cash flows forecast up to 30 November 2023 (the "Cash Flows Forecast") based on the latest available financial information. The following judgement and assumptions have been taken by Management in the Cash Flows Forecast:
 - (i) Construction activities will be in full operation according to projected schedule and monthly cash collections will be received according to contractual terms; and
 - (ii) Continued support from the Group's existing bankers in providing banking and other credit facilities and access to undrawn credit facilities. The short term revolving credit facilities are assumed to be rolled over as and when they fall due.

As at 30 September 2022, the Group has available \$11.4 million of undrawn bank credit facilities. The banks have continued to give their support to the Group. Based on the assessment, the Board is confident that the Group and the Company is able to meet the short term liabilities.

- (b) As at 30 September 2022, the Group has compiled its debt covenants.
- (c) The Group can utilise operating cash inflows and undrawn bank credit facilities to fulfil its significant payment obligations in the next 12 months. Please refer to response in 1(a) above for details. At the date of this announcement, there is no debt repayment plan to fulfil.
- (d) Please refer to response in 1(a) above for details.

Question 2:

Please disclose a breakdown of trade and bills payables amounting to S\$38.2 million as at 30 September 2022. Please disclose the aging and nature of these payables and whether the counterparties are related parties.

Company’s response:

Please refer to the breakdown of trade and bills payables amounting to S\$38.2 million as at 30 September 2022.

	30.09.2022	Relationship with the Group
	\$’million	
Trade payables	14.8	External parties
Bills payables	20.7	External parties
Accrual for subcontractor costs	2.7	External parties
Total	38.2	

Trade payables principally comprise amounts outstanding for trade purchases. The average credit period on purchases of goods from outside parties is 3 months. No interest is charged on overdue trade payables.

Bills payables are repayable between 3 to 5 months from the date the bills are first issued. The carrying amounts of the bills payables approximates their fair values due to their short-term maturity. Bills payables bear interest at rates ranging from 2.98% to 4.80% per annum and are supported by a corporate guarantee given by the Company.

Question 3:

Please quantify the increase in cost of sales amounting to S\$9.3 million that is attributed to rising material and manpower costs.

Company's response:

The increase in cost of sales was due to increase in construction activities and of which S\$5.1 million was attributable to rising material and manpower costs required for the post-pandemic projects.

Question 4:

The Company stated that administrative expenses increased by S\$2.8 million in 1H2023, of which S\$2.2 million is attributed to a settlement fee and contract assets written off. Please elaborate on the nature of the increase in administrative expenses for the remaining S\$0.6 million, which amounts to 24% of the administrative expenses of \$2.5 million for 1H2022, and the reason for this increase in expenses. Where this increase is attributed to staff cost and professional fees, please disclose the respective amounts.

Company's response:

The remaining S\$0.6 million increase in administrative expenses was due to:

- (i) S\$0.3 million increase in professional fee in relation to proposed additions & alterations for workers' dormitory located at 8 Sungei Kadut Loop, and legal and professional advices in relation to the call on performance bond by Laguna Hotel Holdings Pte Ltd ("LHH");
- (ii) S\$0.1 million increase in staff cost due to increase in headcount and salary adjustments; and
- (iii) S\$0.2 million increase in costs mainly comprise of course fee, IT maintenance costs, insurance, utilities, depreciation and bank charges.

Question 5:

The Company stated that S\$1.1 million of contract assets have been written off in connection with a customer dispute. Please describe what these contract assets are and explain why they must be written off, noting that the Company had already paid S\$1.0 million in settlement fees. Please also disclose the nature of these contract assets and how the amount of S\$1.1 million was determined.

Company's response:

With reference to the announcement made via the SGXNet on 3 June 2022, the S\$1.1 million contract assets that have been written off pertain to S\$0.5 million work done and S\$0.6 million retention monies in relation to the contract entered into with LHH.

BY ORDER OF THE BOARD

Chua Eng Eng
Managing Director
22 November 2022