



KING WAN CORPORATION LIMITED
Incorporated in the Republic of Singapore
(Company Registration No. 200001034R)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (“SGX-ST”) ON THE 8 JUNE 2021 ANNOUNCEMENT ON THE COMPANY’S RESPONSE TO SGX-ST QUERIES.

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 14 June 2021 in relation to the announcement on the Company’s Response to SGX-ST made on 8 June 2021, as set out below:

Question 1:

On 8 June 2021, the Company announced its responses to SGX queries in relation to the Company’s FY2021 unaudited results. The Company disclosed a breakdown of its other receivables amounting to S\$44.68 million which are due from its associates and joint venture as at 31 March 2021. Of this, S\$ 43.04 million has been outstanding for periods from 1 to 9.5 years. Please provide more specific details as to which debtor and which FY the debts amounting to S\$43.04 million relate to. Please elaborate on the basis why King Wan’s Board is of the view that the debts are collectible individually, even though the debts are 1 to 9.5 years old.

Company’s response:

Please refer to breakdown of other receivables amounting to S\$43.04 million and the corresponding basis why these debts are collectible individually below:

		31.03.2021	
	Note	\$’million	FY
Amount due from associates and joint venture			
- Soon Zhou Investments Pte Ltd	i	21.90	FY14 to FY20
- Nexus Point Investments Pte Ltd	ii	9.22	FY15 to FY20
- Meadows Bright Development Pte Ltd	iii	6.12	FY14 to FY17
- Gold Hyacinth Development Pte Ltd	iv	3.03	FY13
- Li Ta Investments Pte Ltd	v	1.30	FY13
- Chang Li Investments Pte Ltd	vi	1.07	FY12
- Soon Li Investments Pte Ltd	vii	0.24	FY13
Other receivables and prepayments	viii	0.08	FY19 to FY20
Deposits	ix	0.08	FY16 to FY20
Total		43.04	

- (i) Management had considered the financial position of Soon Zhou Investments Pte Ltd as at 31 March 2021 and estimated the net cash flows from the future sales of properties based on valuation by an external professional valuer. The fair values of the properties were determined using direct comparison method which had considered the potential impact of the COVID-19 pandemic on real estate valuations.

- (ii) Management had considered the financial position of Nexus Point Investments Pte Ltd (“Nexus”) as at 31 March 2021 and estimate the future cash flows the valuation of the Tuas South Dormitory which is the principal operating asset of Nexus carried out by an external professional valuer. The fair value of the dormitory was arrived at (i) by reference to market evidence of transacted prices per square metre in the open market for comparable properties, adjusted for differences such as location, size, tenure, age and condition; and (ii) income capitalisation method. Nexus has shown improvement in both rental rate and occupancy rate since it first starts operations in 2016. Despite the dormitory business being subsequently affected by the COVID-19 situation, Nexus, being able to continue generate positive operating cash flows and with the assistance of bank moratorium at the onset of COVID-19, has been able to meet its financing commitments.
- (iii) Based on financial position of Meadows Bright Development Pte Ltd (“Meadows”) as at 31 March 2021, Meadows has net assets of S\$9.0 million.
- (iv) Management had considered the financial position of Gold Hyacinth Development Pte Ltd (“GHD”) as at 31 March 2021 and the valuation of the bulk carrier which is the principal operating asset of GHD carried out by an external professional valuer. The fair value of the bulk carrier was arrived at by reference to market evidence of transacted prices for comparable vessels, adjusted for differences such as age and deadweight, and shipping market reports.
- (v) Management had considered the financial position of Li Ta Investments Pte Ltd as at 31 March 2021 and estimated the net cash flows from the future sales of properties based on valuation by an external professional valuer of the properties. The fair values of the properties were determined using direct comparison method which had considered the potential impact of the COVID-19 pandemic on real estate valuations.
- (vi) Management had considered the financial position of Chang Li Investments Pte Ltd as at 31 March 2021 and estimated the net cash flows from the future sales of properties based on valuation by an external professional valuer of the properties. The fair values of the properties were determined using direct comparison method which had considered the potential impact of the COVID-19 pandemic on real estate valuations.
- (vii) Management had considered the financial position of Soon Li Investments Pte Ltd as at 31 March 2021 and estimated the net cash flows from the future sales of properties based on valuation by an external professional valuer of the properties. The fair values of the properties were determined using direct comparison method which had considered the potential impact of the COVID-19 pandemic on real estate valuations.
- (viii) These pertain to prepayments mainly made for software licenses which are expected to realise in the normal course of business.

- (ix) These pertain to deposits mainly placed for rental and sites' work passes which are refundable at the end of the rental period and on project completion, respectively.

Question 2:

The Company disclosed outstanding "other receivables" relating to advances of S\$22.88 million made to joint venture, Soon Zhou Investments Pte Ltd ("SZI") to purchase properties under property development in the People's Republic of China from the Company's associate, Dalian Shicheng Property Development (S) Pte Ltd ("DSPDS"). These advances are unsecured, bear interest of 2.5% per annum and repayable on demand. We further note that with respect to SZI and DSPDS, the Company has fully impaired its equity investment in both SZI and DSPDS as at 31 March 2020. Please disclose the following:

- (i) The status of the acquisition by SZI of the properties that were agreed to be purchased and whether these properties have been developed and the status of the development and sales.
- (ii) Whether SZI have been paying the annual 2.5% interest and if so, please provide details.
- (iii) The age of these debts and the basis why the board is of the view that the amount of \$22.88 million is still collectible. Please substantiate your response.
- (iv) The reasons for the full impairment of the Company's investment in SZI and DSPDS. If the investment in these 2 entities have been fully impaired, please disclose the reasons why the Company is of the view the advances made to SZI are still collectible. Please substantiate your response.

Company's response:

- (i) To date, the properties have been developed and completed except for the carparks which are partially completed due to postponement in construction schedule as a result of COVID-19 situation in PRC. In addition, the sales have provisionally slowed down by the prevailing property market conditions mainly due to local government's stringent containment measures implemented as and when there are new COVID-19 cases being identified locally.
- (ii) During the current year, SZI had repaid S\$6.05 million to the Group.
- (iii) These advances are made during the period between FY14 to FY20. Management had considered the financial position of SZI as at 31 March 2021 and estimated the net cash flows from the future sales of properties based on valuation by an external professional valuer. The local government's containment measures in response to COVID-19 situation are generally effective. Barring unforeseen circumstances, the sales are expected to improve gradually as the situation stabilises over time with the public getting the COVID-19 vaccination.
- (iv) The Group had equity accounted its share of SZI's losses mainly due to finance costs incurred over the past years. Please refer to point 2(iii) above for the collectability basis of these advances.

The Group had fully impaired its investment in and advances to DSPDS due to significant cumulative operating losses incurred by DSPDS.

Question 3:

The Company disclosed advances amounting to S\$9.43 million as at 31 March 2021 were made to Nexus Point Investments Pte Ltd (“Nexus”) to support the operations of Tuas South Dormitory, a workers’ dormitory. We further note that with respect to Nexus, the Company made total loss allowances of \$7.35 million to reflect the recoverability of the net assets in Nexus as at 31 March 2020.

- (i) Please disclose when the repayment for the advances is expected to be made and disclose the basis for the Company’s view that the debt is collectable.
- (ii) If the investment in Nexus has been impaired, please disclose the reasons why the Company is of the view the advances made to Nexus are still collectible.

Please substantiate your responses above.

Company’s response:

- (i) Since the onset of COVID-19, Nexus has been working closely with the Singapore government to implement stringent measures in accordance with regulations introduced to curb the outbreak of COVID-19, while taking care of its residents’ welfare. The Singapore Government is conducting a review of dormitory standards in consultation with stakeholders such as public health experts, dormitory operators, employers, and migrant workers. The Government has stated the need to strengthen the resilience of dormitories against future public health outbreaks while ensuring a stable supply of beds and competitive bed rental prices. As future government’s safe management measures for dormitories may have material financial impact to Nexus, the Company is thus unable to determine with certainty at this juncture the repayment date for these advances. Please refer to point 1(ii) above for the collectability basis of these advances net of allowances.
- (ii) The Group had equity accounted its share of Nexus’s losses mainly due to fair value loss on investment property being recognised. Please refer to point 1(ii) above for the collectability basis of these advances net of allowances.

Question 4:

The Company disclosed that advances amounting to S\$6.12 million as at 31 March 2021 were made to Meadows Bright Development Pte Ltd to support the operations of property development in Singapore.

- (i) Please provide details on the status of these property development and the reasons why the amounts remain outstanding and have not been repaid by Meadows Bright Development Pte Ltd.
- (ii) Please disclose the reasons why the Company is of the view the advances made to Meadows Bright Development Pte Ltd are still collectible. Please substantiate your response.

Company’s response:

- (i) The Group’s associate, Meadows Bright Development Pte Ltd (“Meadows”) had completed its property development and fully sold all property units in 2016. There have been no active business operations since 2017. These advances were remained in Meadows to take on new potential property development when opportunities arise.
- (ii) Please refer to point 1 (iii) above for the collectability basis of these advances.

Question 5:

The Company disclosed that advances amounting to S\$3.09 million as at 31 March 2021 were made to Gold Hyacinth Development Pte Ltd (“GHD”) to support the vessel charter operations of a ‘Supramax’ bulk carrier, “Hai Jin”. We further note that with respect to GHD, the Company made total loss allowances of \$1.3 million to reflect the recoverability of the net assets in GHD as at 31 March 2020.

- (i) Please provide details on the status of the performance of “Hai Jin”.
- (ii) If the investment in GHD has been impaired, please disclose the reasons why the Company is of the view the advances made to GHD are still collectible. Please substantiate your response.

Company’s response:

- (i) From June 2020 onwards, “Hai Jin” had continued to be chartered but at a reduced rate as the demand for dry bulk had been impacted by the COVID-19 pandemic. Following that, the charter rate had improved slightly from December 2020 onwards.
- (ii) The Group had equity accounted its share of GHD’s losses mainly due to significant operating losses incurred during 2016 to 2018 when the global shipping market was facing downturn. Please refer to point 1 (iv) above for the collectability basis of these advances net of allowances.

BY ORDER OF THE BOARD

Chua Eng Eng
Managing Director
14 June 2021