



**KING WAN CORPORATION LIMITED**

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

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**RESPONSE TO QUESTIONS FROM SHAREHOLDERS FOR ANNUAL GENERAL MEETING 2020**

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The Board of Directors (the “Board”) of King Wan Corporation Limited (the “Company” and together with its subsidiaries, the “Group”) would like to thank shareholders for submitting their questions ahead of the Company’s Annual General Meeting to be held on 29 September 2020 at 10:00 a.m. via live webcast. The Company wishes to provide its responses to the questions received from the shareholders, as set out below:

**Question 1:**

On 14 September 2020, the company announced that there were material differences between the audited and non-audited financial statements resulting in the Group's profit for the year had decreased by \$313,000 or 42.7%, and retained earnings had decreased by \$313,000 or 0.8% as compared to Unaudited Results. In view of this profit adjustment and Covid-19, what did the company do to conserve cash? Did the Board and management review and adjust all director's fee, management and staff salaries downwards accordingly?

**Company’s response:**

Management regularly reviews the work scope and re-allocated the manpower resources to increase the work efficiency. In order to tide through these unprecedented times, the remuneration of Management, Directors, Executives and Staff are also reduced. The Remuneration Committee has recommended reduction in the independent non-executive directors’ fee for the financial year ending 31 March 2021 in support of the Group despite the fact that there is an increase in amount of time contributed by the Directors to meet the additional listing requirements.

The Group has also benefited from the series of support measures extended by the Singapore government including the Jobs Support scheme, foreign workers' levy rebates and waiver of foreign workers’ levy which have helped defray part of the manpower costs. In addition, the Group has also actively looked into and tried to tap on various government support grants to digitalise its manual processes and provide training to our Staff.

**Question 2:**

Can you please elaborate your plans for KTIS and Dalian developments? What are options available to resolve the Dalian PRC property development issue? Every year the company has to make provisions for losses. Can the project be disposed of?

**Company's response:**

Kaset Thai International Sugar Corporation Public Company Limited ("KTIS"), listed on Stock Exchange of Thailand, is one of the largest sugar producers in Thailand. KTIS has not only explored and ventured into different businesses along the supply chain, it has invested in production of by-products such as electricity. Presently, KTIS has further expanded into new businesses including the manufacture of environmentally friendly packaging and utensils made from bagasse pulp. Since KTIS has listed, the Group has received a stable inflow of dividend income from KTIS. We see long term potential of KTIS to create greater shareholders' value despite the current market volatility that has adversely affected its share price amidst the COVID-19 pandemic. The Group will intend to hold on to its investment in KTIS.

For property development in Dalian, PRC, the Group continues to work with our associates to sell off remaining completed properties, and we do not intend to commence work on any new phases until the market has shown clear signs of improvement. The Group and its associate will also consider to divest the balance undeveloped land if any good opportunity arises.

**Question 3:**

What are the manpower challenges you are facing now, given the current Covid-19 situation? Please also touch on the impact of the seemingly endless quarantine of foreign workers in Singapore dormitories, cross-border lockdowns, and monetary loss arising from deferred project timeline.

**Company's response:**

There are numerous steps to process before the Workers and Staff are able to commence work at construction sites. Even after the work commencement, there are ongoing and continual requirements to be compiled so that the Workers and Staff can continue to work at construction sites. As the current situation is fluid and the construction activities have not resumed to normal level of operations, the Group is unable to determine the impact arising from the necessary measures implemented to prevent continuous transmission of COVID-19 and delayed project schedules.

**Question 4:**

With the current Covid-19 status which has seen some economies recovering, especially in Asia like China, and countries cautiously re-opening their borders, could you please give us an updated business status of the Company, and outlook for the financial year ending 31 March 2021 and beyond?

**Company's response:**

The current situation of the Singapore construction section remains fluid and the construction activities have not resumed to normal level of operations after the COVID-19 circuit breaker period has ended on 1 June 2020. Additional safe-distancing measures are required to be implemented at construction sites. Consequently, the construction schedules have been delayed and the construction costs have increased. The Group is constantly monitoring the situation and working closely with the main contractors and sub-contractors to ensure that the site works are progressing in a controlled and safe manner while expediting the progress at the sites. Accordingly, the Group has implemented measures to manage the resources more efficiently and reduce costs. Due to the fluid and evolving situation, the outlook for the construction sector is challenging for the financial year ending 31 March 2021. However, we expect some consolidation in the Mechanical & Electrical ("M&E") engineering services segment as the weaker players exit the market.

**Question 5:**

Is King Wan a going concern?

**Company's response:**

To date, 87% of the Group's ongoing M&E engineering construction projects have resumed work. The Group is able to utilise operating cash inflows, undrawn bank credit facilities and temporary bridging loan to repay its indebtedness as and when they fall due. The banks have continued to give their support to the Group. As at 31 March 2020, the Group reported trade receivables and contract assets amounting to \$5.3 million and \$25.3 million respectively. The Group and its main contractors have continued to engage each other to finalise the accounts for variation orders that were completed before 31 March 2020. Apart from this source of cash inflow, the collection of retention monies for completed projects that are subsequently due for release also benefits the Group as an additional cash inflow.

Barring unforeseen circumstances, the Board is confident that the Group's core M&E engineering services business is on track to resume operations and will be able to sustain its monthly cash collections to fulfil its payment obligations as and when they fall due.

**Question 6:**

What are the cost cutting measures King Wan has put in place? Shareholders have not given dividends for years, are Board and Management competent?

**Company's response:**

Amidst the COVID-19 pandemic, Management regularly reviews the work scope at various levels namely department, function and individual, and re-allocates the manpower resources to increase the work efficiency. In addition, Management also actively looks into adoption of digital solutions such as procurement system and labour utilisation track system in order to overcome safe distancing constraints, as well as to improve both materials and manpower planning in the short term. In order to tide through these unprecedented times, the remuneration of Management, Directors, Executives and Staff are also reduced.

The Board considers the Group's operating results, current and projected cash flows, capital expenditure and investment plans, as well as borrowing arrangements entered into by the Group with the respective financial institutions before proposing dividends to be declared. Over the past years, the construction industry in Singapore had been challenging with lower project margins as a result of keener competition. In addition, the Group had to continue to support the completion of phase 7 construction in Dalian, PRC and operation of workers' dormitory that had just commenced in mid-2016. The current situation is compounded by the ongoing COVID-19 pandemic. Project costs have increased and construction schedules have been delayed. Moving ahead, we have to tread cautiously as the situation remains fluid and uncertain. Hence, the Board and Management have decided to prioritise conserving cash to ensure smooth resumption of the projects after the lifting of the circuit breaker. Accordingly, the Board had not recommended any dividends.

**BY ORDER OF THE BOARD**

Chua Eng Eng  
Managing Director  
28 September 2020