

**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 SECOND HALF YEAR AND FULL YEAR RESULTS ENDED 31 MARCH 2020**

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 25 August 2020 in relation to the Company's unaudited results for the second half year and full year ended 31 March 2020 ("FY2020") announced via the SGXNet on 30 July 2020, as set out below:

Question 1:

Based on the table of "Administrative expenses" in Note 7, the amount of \$(965,405) was a "(reversal) for trade receivables and contract assets" in FY2020. Please reconcile to the statement at Note 7i. that a "higher loss allowance was made for trade receivables and contract assets due to higher expected credit losses based on assessment". To also disclose whether these debtors are major customers of the company and whether the company is still dealing with these customers and whether there are still outstanding debts.

Company's response:

The higher loss allowance did not result from debtors that are major customers of the Company. As at 31 March 2020, the Company had made loss allowance on trade receivables due from certain sub-contractors amounting to \$1.70 million as the Company had experienced difficulties in recovering these trade receivables from them. These trade receivables are mainly made up of back-charges of materials and labour costs incurred for construction projects.

This is offset against net reversal for loss allowance on trade receivables due from the customers amounting to \$0.73 million as a result of improved collection.

Question 2:

"Other receivables" accounted for 39% and 33% of the Group's total assets respectively in FY2020 and FY2019. Please disclose the nature of the underlying transactions and provide a breakdown of these "Other receivables" of \$44 mil and \$40mil in FY2019 and FY2019 respectively.

Company's response:

These "other receivables" pertain to amount due from associates and joint venture. Please refer to the following table for its breakdown:

		31.03.2020	31.03.2019
Name of associates and joint venture	Note	\$'million	\$'million
Soon Zhou Investments Pte Ltd	a	27.5	25.0
Nexus Point Investments Pte Ltd	b	9.2	8.7
Gold Hyacinth Development Pte Ltd	c	3.2	3.0
Li Ta Investments Pte Ltd	a	1.5	1.5
Chang Li Investments Pte Ltd	a	1.2	1.2
Soon Li Investments Pte Ltd	a	0.7	0.7
Dalian Shicheng Property Development (S) Pte Ltd	d	0.6	-
Total		43.9	40.1

- a. These advances are made to purchase properties under property development "Singapore Garden" from the Company's associate, Dalian Shicheng Property Development Pte Ltd.
- b. These advances are made to support the operations of Tuas South Dormitory, a workers' dormitory.
- c. These advances are made to support the vessel charter operations of a 'Supramax' bulk carrier, "Hai Jin".
- d. These advances are made to meet the operating and financing requirements of the associate.

Question 3:

Please disclose and provide a breakdown of "Investments" of \$14.1mil in FY2019 and \$28.7mil in FY2019 respectively and elaborate on the reasons for the significant reduction in value.

Company's response:

These "investments" pertain to investment in quoted equity shares of Kaset Thai International Sugar Corporation Public Company Limited ("KTIS") listed on Thailand Stock Exchange, as well as key man insurance policy purchased for a key management personnel. Please refer to the following table for its breakdown:

		31.03.2020	31.03.2019
	Note	\$'million	\$'million
Quoted equity shares, at fair value through other comprehensive income	a	13.9	28.5
Insurance contract, at fair value through profit or loss		0.2	0.2
Total		14.1	28.7

- a. The fair value of the quoted equity shares of KTIS are based on the quoted closing market prices on the last market day of the financial year. The significant reduction in value amounting to \$14.6 million is due to decrease in the quoted closing market prices to THB 2.88 per share as at 31 March 2020 from THB 5.90 as at 31 March 2019.

Question 4:

Please disclose the reason(s) for the 39.4% increase in trade payables from \$11.3mil in FY2019 to \$15.8mil in FY2020, when revenue decreased by 10% in FY2020 from FY2019.

Company's response:

The increase in trade payables is due to postponement of timing to settle payments for certain trade payables to after year end as our manpower resource was affected by the Malaysia's movement control order kicked in during mid-March 2020.

BY ORDER OF THE BOARD

Chua Eng Eng
Managing Director
27 August 2020