



KING WAN CORPORATION LIMITED

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

RESPONSE TO QUESTIONS FROM SHAREHOLDERS FOR ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING TO BE HELD ON 30 JULY 2021

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 30 July 2021 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:

Instead of raising fund through rights issue, the Company may want to sell the 2.9% Kaset Thai shares that the Company owns which at present price, is worth above \$30m. Or is it not possible to sell? If not, why? The Company also has various investments at associate level which the Company has neither control nor any say in the running, the Company should consider cashing out and use the proceeds for the core businesses working capital.

Company’s response:

At the date of this announcement, the quoted closing market price of the Group’s investments in Kaset Thai International Sugar Corporation Public Company Limited (“KTIS”), which is listed on Stock Exchange of Thailand (“SET”), increases to THB 6.50 per share from THB 3.92 per share as at 31 March 2021. As a result, the fair value of the quoted equity shares of KTIS increases to S\$31.3 million from S\$18.9 million as at 31 March 2021.

KTIS is a well-established organization with an integrated industrial business from production of sugarcane to manufacturing of paper pulp and ethanol. Since listed on SET in 2014, KTIS has tapped on its strengths and resources, and ventured into new businesses including operation of biomass power plants and manufacturing of environmentally friendly packaging and utensils made from bagasse pulp. Amidst the COVID-19 pandemic, KTIS has further leveraged on its resources and developed new products including mass production of hand sanitizer alcohol to meet the surge in market demand at reasonable price. As stated in KTIS’ annual report dated 30 November 2020, KTIS was ranked the third largest in sugar production market in Thailand.

In the past 3 years during 2017 to 2019, KTIS had been profitable. Despite the challenging conditions posed by the drought, economic downturn and the COVID-19 situation, KTIS continued to be profitable in its latest financial year ended 30 September 2020.

KTIS' full year financial results (in Million Baht) extracted from Stock Exchange of Thailand:

Period as of	Y/E '17 31/12/2017	Y/E '18 30/09/2018	Y/E '19 30/09/2019	Y/E '20 30/09/2020
Financial Data				
Assets	17,816.13	18,358.42	19,119.68	15,394.96
Liabilities	9,703.98	10,164.42	10,777.55	7,022.39
Equity	8,112.15	8,193.99	8,342.13	8,372.57
Paid-up Capital	3,860.00	3,860.00	3,860.00	3,860.00
Revenue	17,832.13	22,419.02	16,741.45	14,003.96
Net Profit	645.49	791.97	740.08	568.71
EPS (Baht)	0.17	0.20	0.19	0.15

The Group had also benefited with receipt of yearly dividends from its investments in KTIS ranging from S\$0.5 million to S\$1.4 million during FY2016 to FY2020. In FY2021, there is no dividend income received as KTIS prioritises to maintain liquidity as protracted market recovery from the unprecedented COVID-19 pandemic is expected.

Barring unforeseen circumstances, the Company is therefore of the view that KTIS's core business as a sugar producer which allows itself to continually explore and venture into new businesses along the supply chain can potentially create greater value for the Group in the long term.

The Company has an ongoing process to review and evaluate its investments. Realisation of investments take into considerations, *inter alia*, the continual attractiveness of the investments, future prospects, timing and strategy of disposal. The Group has director(s) appointed on the board of associates and joint venture, as well as KTIS to take part in key decision evaluation process.

Question 2:

On page 4 of the Annual Report 2021, it was mentioned that King Wan had increased the Group's investment in Kaset Thai International Sugar (KTIS). Can you please share what was the rationale for increasing the investment in KTIS? When was the additional investment executed? How much was the additional investment in SGD? In total, what percentage of the equity interest does King Wan hold now?

Company's response:

The increase in the Group's investments in KTIS was due to the increase in the share price of KTIS to THB 3.92 per share as at 31 March 2021 compared with THB 2.88 as at 31 March 2020. During FY2021, the Group had not purchased new equity shares of KTIS. As at 31 March 2021, the Group held 2.9% equity interest in KTIS.

Question 3:

Operations of Tuas South Workers' Dormitory faces challenges going forward with the Government's new safe management measures in 2021. So is this still a viable business? How much loss are you incurring for each month of operations? Could you consider selling your share in the dormitory back to JTC or others since the terms & conditions of the operations had changed significantly since the pandemic?

Company's response:

For the 12 months' period ended 31 March 2021, Nexus Point Investments Pte Ltd ("Nexus") which operates the Tuas South Dormitory, had attained a net profit after income tax of S\$10.7 million after excluding the fair value adjustment on investment property. Barring unforeseen circumstances, the Company is of the view that the dormitory business is viable. At the date of this announcement, the government's new safe management measures for dormitories have yet to be imposed, and hence the Company is unable to determine at this juncture with certainty the financial and operational impacts on Nexus.

The Company has an ongoing process to review and evaluate its investments. Realisation of investments take into considerations, *inter alia*, the continual attractiveness of the investments, future prospects, timing and strategy of disposal.

Question 4:

On your Vessel Ownership and Chartering, can you please elaborate how chartering contracts for dry bulk carriers are negotiated? Based on trips or number of months or others? You mentioned that the charter rate of bulk carriers has improved slightly since Dec 2020. Can you also share what the rate your vessel is getting now? From Jan 2021 to Jun 2021, what is the average market charter rate?

Company's response:

Time charter contract is generally negotiated for a term of average 1 year. As the Group owns and operates only a bulk carrier, we are unable to disclose the charter rate for competition related reasons.

Question 5:

Unfortunately your diversification into "Investment Portfolio" of Property Development (Dalian and Bangkok), Vessel Ownership & Chartering, Workers' Dormitory and KTIS has been rather disastrous and have severely set back the company and shareholders. If the receivables on page 48 from:

(i) associates, Chang Li Investments Pte. Ltd., Li Ta Investments Pte. Ltd. and Soon Li Investments Pte. Ltd. ("CLLTSL") - S\$2.6mil;

(ii) associate, Nexus Point Investments Pte Ltd ("Nexus") - S\$9.4mil;

(iii) associate, Gold Hyacinth Development Pte. Ltd. ("GHD") - S\$3.1mil; and

(iv) joint venture, Soon Zhou Investments Pte. Ltd. ("SZI") group - S\$22.9mil
could not be recovered, would King Wan be a going concern?

Company's response:

As at 31 March 2021, the Group had reduced the negative working capital to S\$1.8 million from S\$8.2 million as at 31 March 2020 and had available S\$17.2 million of undrawn bank credit facilities. With the ongoing core Mechanical & Electrical engineering services business and portable lavatories/toilet rental business, the Group is able to operate as a going concern, and utilise operating cash inflows and undrawn bank credit facilities to meet its short-term obligations when they fall due.

Notwithstanding above, as at 31 March 2021, the Group is of the view that these receivables from the associates and joint venture are collectible after reviewing as follows:

- (i) the Group had considered the financial position of CLLTSL and SZI group 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;
- (ii) the Group had considered the financial position of Nexus and estimated the net cash flows from the operations of the dormitory based on valuation performed 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; and
- (iii) the Group had considered the financial position of GHD and estimated the net cash flows from the operations of the vessel based on valuation performed 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.

Question 6:

The amount to raise this time round is not much and extremely dilutive to existing shareholders. Looking at how the company is operating, are there plans for another round of rights issue in the next 2 years?

Company's response:

The Company is undertaking the Rights Issue to strengthen the Company's balance sheet. A stronger financial position will also allow the Group to be less reliant on external sources of funding, thereby potentially incurring fewer expenses related to external funding, for general corporate activities including the growth and expansion (as and when opportunities arise) of the Group's existing business and/or financing of potential strategic joint ventures. In addition, the Rights Issue will also provide existing shareholders who are confident of the future prospects of the Company with an opportunity to subscribe for additional shares.

Barring unforeseen circumstances, based on current assessment, the Company does not envisage another Rights Issue in the next 2 years.

BY ORDER OF THE BOARD

Chua Eng Eng
Managing Director
29 July 2021