

**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 FOURTH QUARTER AND FULL YEAR RESULTS ENDED 31 MARCH 2021

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 3 June 2021 in relation to the Company's unaudited results for the fourth quarter and full year ended 31 March 2021 ("FY2021") announced via the SGXNet on 27 May 2021, as set out below:

Question 1:

Please disclose the following:

- a. For "other receivables" amounting to total of S\$44.68 million, the breakdown and nature of these receivables, the underlying transactions, the terms of the transactions (including the contract sum), terms of payment, and whether this was incurred in the ordinary course of business;
- b. The ageing profile of the Group's other receivables in bands of 3 months with upper ceiling specified;
- c. Whether these outstanding amounts are owing to related parties. If yes, to provide details and quantify; and
- d. The Board's assessment on the recoverability of the Group's other receivables, and the basis for such an assessment.

Company's response:

- a. Please refer to breakdown of other receivables amounting to total of S\$44.68 million below:

		31.03.2021
	Note	\$'million
Amount due from associates and joint venture		
- Soon Zhou Investments Pte Ltd	i	22.88
- Nexus Point Investments Pte Ltd	ii	9.43
- Meadows Bright Development Pte Ltd	iii	6.12
- Gold Hyacinth Development Pte Ltd	iv	3.09
- Li Ta Investments Pte Ltd	i	1.30
- Chang Li Investments Pte Ltd	i	1.07
- Soon Li Investments Pte Ltd	i	0.24
Other receivables and prepayments	v	0.44
Deposits	vi	0.11
Total		44.68

- i. These advances are made 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. These advances are unsecured, bear interest of 2.5% per annum and repayable on demand.
- ii. These advances are made to support the operations of Tuas South Dormitory, a workers’ dormitory. These advances are unsecured, bear interest of 2.5% per annum and repayable on demand.
- iii. These advances are made to support the operations of property development in Singapore. These advances are unsecured, non-interest bearing and repayable on demand.
- iv. These advances are made to support the vessel charter operations of a ‘Supramax’ bulk carrier, “Hai Jin”. These advances are unsecured, bear interest of 2.5% per annum and due for repayment on 31 December 2022.
- v. Other receivables and prepayments pertain mainly to grant receivables under the Jobs Support Scheme and prepayments made for software licenses and advanced rental.
- vi. Deposits pertain mainly to deposits placed for purchase of tanker for operations, rental, project tenders and sites’ work passes.

All of these other receivables were incurred in the ordinary course of business

- b. Please refer to the aging profile of the Group’s other receivables in bands of 3 months with upper ceiling specified below:

\$’million	0 - 3 months	4 – 6 months	7 – 9 months	10 – 12 months	1 to 9.5 years	Total
Other receivables	0.87	0.27	0.25	0.25	43.04	44.68

- c. There are no outstanding amounts owing to related parties.
- d. In assessing the recoverability of the advances to the respective associates and joint venture amounting to S\$44.13 million, the Board will evaluate the management’s estimate of the net realisable value of the tangible assets held by the associates and joint ventures, and/or the estimates of the future cash flows from their operations which took into consideration their financial performance, market conditions, historical and forward-looking information and valuation of their assets performed by external professional valuers.

Deposits, other receivables and prepayments amounting to S\$0.55 million are expected to realise in the normal course of business.

Based on above assessment, the Board is of the view that the Group’s other receivables amounting to S\$44.68 million is recoverable as at 31 March 2021.

Question 2:

Please explain why trade receivables increased from S\$5.32 million in FY2020 to S\$10.36 million in FY2021 when revenue fell 37% from S\$72.40 million to S\$45.91 million in the same period. Please disclose whether there are any disputes or issues on the collectability of these trade receivables.

Company's response:

Trade receivables increased by S\$5.04 million to S\$10.36 million as at 31 March 2021 from S\$5.32 million as at 31 March 2020 was mainly due to escalation in progress of certain projects towards the end of the current reporting period which resulted in higher progress billings. Correspondingly, the contract assets decreased by S\$2.55 million to S\$22.75 million as at 31 March 2021 from S\$25.30 million as at 31 March 2020. To date, there are no disputes or issues on the collectability of these trade receivables.

Question 3:

Please disclose a breakdown of trade and other payables amounting to S\$19.14 million. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

Company's response:

Please refer to breakdown of trade and other payables amounting to S\$19.14 million below:

	31.03.2021
	\$'million
Trade payables	13.48
Accrual for subcontractor costs	3.97
Other payables	1.17
Rental deposit	0.10
Financial guarantees	0.42
Associates	*
Total	19.14

* Amount less than S\$500

Other payables amounting to S\$1.17 million pertains mainly to accrual for workers' wages, CPF, levy, directors' fees, provision for sales commission, audit fee and secretarial fees and non-trade payables. These non-trade payables aged 0 to 30 days.

Question 4:

Please explain why trade and other payables increased from S\$17.65 million in FY2020 to S\$19.14 million in FY2021 despite the fall in cost of sales of 32% from S\$63.12 million to S\$42.89 million in the same period.

Trade and other payables increased by S\$1.49 million to S\$19.14 million as at 31 March 2021 from S\$17.65 million as at 31 March 2020 was mainly due to escalation in progress of certain projects towards the end of the current reporting period which resulted in an increase in project cost payable.

BY ORDER OF THE BOARD

Chua Eng Eng
Managing Director
8 June 2021