



KING WAN CORPORATION LIMITED

(Company Registration No. 200001034R)

(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

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 27 July 2023 in relation to the Company's annual report for the financial year ended 31 March 2023 ("FY2023") announced via the SGXNet on 13 July 2023, as set out below:

Question 1:

The Company has not disclosed the remuneration of Mr. Chua Yong Bin in bands no wider than S\$100,000 as stated in Provision 8.2 of the Code of Corporate Governance 2018 ("Code"). Please disclose accordingly or otherwise explain how the Company's practices are consistent with the intent of Principle 8 of the Code.

Company's response:

The remuneration of Mr. Chua Yong Bin falls within the band of S\$150,000 to S\$250,000.

Question 2:

The Company disclosed at page 37 of its annual report that "the Group has complied with Rules 712 and 715 of the SGX-ST Listing Manual". However, at pages 108 and 109 of the annual report, the Company stated that its associate, Nexus Point Investments Pte. Ltd., is audited by a different auditor, CLA Global TS Public Accounting Corporation. In accordance with Listing Rule 716, please disclose whether the board and Audit Committee are satisfied that the appointment of the different auditor for the Company's significant associate company will not compromise the standard and effectiveness of the audit of the Company.

Company's response:

Nexus Point Investments Pte. Ltd. ("Nexus"), a 19% owned associate, operates Tuas South Dormitory, a workers' dormitory. Nexus is a subsidiary of another company listed on the Mainboard of the Singapore Exchange and whose auditor is CLA Global TS Public Accounting Corporation ("CLA Global TS"). In FY2023, the Company's auditor, BDO LLP had issued a set of Group audit instructions to CLA Global TS which included the audit scope and reporting requirements and obtained the audit clearance from CLA Global TS. BDO LLP had also reviewed CLA Global TS' audit working papers to ensure the appropriateness of audit procedures performed, as well as adequacy and sufficiency of audit evidence obtained.

The Board and Audit Committee ("AC") are satisfied that the appointment of the different auditing firm for the Company's significant associate company, Nexus complied with Listing Rule 716(1) due to the following:

- (i) The Board and AC considered the experience, profile and independence of the auditor, CLA Global TS and are of the opinion that the auditor will be able to meet the audit requirements of Nexus; and
- (ii) The Board and the AC consulted with the Company's auditor, BDO LLP and were satisfied that the appointment of other auditor for Nexus will not compromise the standard and effectiveness of the audit of the Company and the Group.

Question 3:

Listing Rule 1207(10C) requires the Company to state the Audit Committee's comment on whether the Internal Audit function is independent, effective and adequately resourced. Please disclose accordingly.

Company's response:

The AC is satisfied that the Internal Audit function is independent, effective and adequately resourced due to the following:

- (i) The Company has outsourced its Internal Audit function to Ernst & Young Advisory Pte Ltd ("E&Y"), an international accounting firm that is not the Company's external auditor and E&Y reports directly to the AC;
- (ii) The AC considered the experience, profile and independence of E&Y and reviewed E&Y's internal audit plan which provided the mapping of key business risks and processes, and the required man-days for respective business process and is of the opinion that the Internal Audit function is adequately resourced to perform the work for the Group; and
- (iii) The AC reviewed E&Y's internal audit reports which detailed the findings and recommendation provided to the Management who had responded on the actions to be taken and is of the opinion that the Internal Audit function is effective.

Question 4:

Listing Rule 1207(19)(c) states that, if a listed issuer does not announce quarterly financial statements, it and its officers should not deal in the listed issuer's securities during the period commencing one month before the announcement of the company's half year and full year financial statements. We note that the Company currently announces its half year and full year financial results but its securities dealings policy states that "dealing in the Company's shares [is prohibited] two (2) weeks before the announcement of the Company's half-year results", which is not in line with Listing Rule 1207(19)(c). Please explain how the Company's securities dealings policy is in line with the listing rule. Otherwise, please comply accordingly.

Company's response:

On page 41 of the Company's FY2023 annual report, under "H. Dealings in Company's Securities", it should have been stated as "During FY2023, the Company sent out memoranda and e-mails to its Directors, officers and relevant employees to remind them that the Company, Directors, officers and relevant employees of the Group and their connected persons are prohibited from dealing in the Company's shares one (1) month before the announcement of the Company's half-year and full-year results ending on the date of announcement of the relevant results." The Company confirms in compliance with Listing Rule 1207(19)(c).

Question 5:

With reference to the Company's going concern assumptions at page 66 of its annual report, please disclose the Audit Committee's views of the appropriateness of Management's going concern assumptions and the basis of its opinion. Please also disclose the Company's external auditor's assessment of the Company's going concern assumptions, given that this has not been identified as a key audit matter and the Company is in net current liabilities position.

Company's response:

The AC opines that the Management's going concern assumptions are appropriate due to the following:

- (i) On a quarterly basis, the AC reviewed Management's assessment of month-to-month consolidated actual cash flows against forecast and noted that the Group had been able to pay its debts as and when they fall due, and the variances were adequately explained;
- (ii) The Group leverages on its core competencies and secures projects with order book amounting to S\$163.3 million as at 31 March 2023;
- (iii) The Group has ready access to the banking and other credit facilities provided by its existing bankers; and
- (iv) As at 31 March 2023, the Group had S\$4.0 million proceeds from the Rights Issue to expand the project team with the required expertise to develop its mechanical and electrical engineering services on green retrofitting in Singapore, and support the working capital of the green retrofitting and air-conditioning mechanical ventilation projects that are larger in scale and involve purchase of large and specialised equipment.

The Company's external auditor had performed audit procedures and opined that the Management's going concern assessment was reasonable for the following reasons:

- (i) As at 31 March 2023, the Group had unutilised banking facilities of S\$7.3 million to support its operations and can be drawn down as and when required;
- (ii) As at 31 March 2023, the Group had secured order book amounting to S\$163.3 million;
- (iii) The Group's available cash position stands at S\$11.0 million as at the end of the financial year and is able to sustain cash flows to pay its debts as and when they fall due for the projected 15 months from the end of the financial year;
- (iv) All projects are in full operation; and
- (v) As at 31 March 2023, the Group had quoted equity investments amounting to S\$19.3 million which can be sold if cash is required for operational needs.

BY ORDER OF THE BOARD

Chua Eng Eng
Managing Director

28 July 2023