



Reply to SGX Query dated 13 November 2007

The Board of Directors of King Wan Corporation Limited (the "Company") refers to the following queries received from the Singapore Exchange Securities Trading Limited on 13 November 2007 in relation to the Company's FY2008 Half-Year results announced on 6 November 2007:-

- 1. We note that revenue has decreased by S\$5.1m or 29% from S\$17.8m to S\$12.7m. Please provide details on the fall in revenue and also disclose factors which resulted in the decrease in gross profit margins.**

The Mechanical and Electrical (M&E) business accounted for the decrease in turnover as during this period, there were fewer M&E projects ongoing that were available for revenue recognition. M&E turnover decreased by approximately S\$5.5 million.

There was a decrease in gross profit margin because revenue for the current period was recognized from projects that yielded generally lower profit margins as they were mostly secured during the last 2 to 3 years when the construction market was still recovering. The company also had to deal with the general increase in material prices and staff related costs.

- 2. Noting that revenue has decrease by 29% or S\$5.1m to S\$12.7m while trade receivables have increased by 18.8% to S\$11.7m, please state whether there are any problems with the collectibility of the receivables and the reasons for the increase in receivables.**

Based on the Company's assessment of the trade receivables and their outstanding balances as at 30 September 2007, the Company is of the view that there are no problems with the collectibility of the receivables.

The main reason for the increase in receivables was the billing of variation orders amounting to approximately S\$1.5 million to a customer in August 2007. There is no collectibility issue with this amount.

- 3. Notwithstanding that sales decreased 29%, "Other receivables and prepaid expenses" increased 625% to S\$1.6m. Please provide reasons for the increase.**

The increase in "Other receivables and prepaid expenses" was due to the placement of a tender deposit by the Group's wholly owned subsidiary, King Wan Development Pte Ltd, for a potential development project in China.

BY ORDER OF THE BOARD

Lim Bee Lian Eliza
Company Secretary

14 November 2007