



KING WAN CORPORATION LIMITED

Incorporated in Singapore (Company Registration No. 200001034R)

First Quarter & Three Months Results – Financial Statement And Related Announcement

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

KING WAN CORPORATION LIMITED

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

**GROUP
3 MONTHS ENDED
30 JUNE**

	Note	2016 S\$	2015 S\$	Increase/ (Decrease)
Revenue		22,369,738	21,747,476	3%
Cost of sales		(18,097,003)	(15,577,742)	16%
Gross profit	1	4,272,735	6,169,734	-31%
Other operating income				
Dividend income		9,432	9,407	0%
Interest income	2	423,184	548,603	-23%
Management fees income		29,604	27,141	9%
Rental income		199,177	221,006	-10%
Fee income from financial guarantees to associates	3	444,791	155,465	186%
Sundry income		23,089	3,895	493%
		1,129,277	965,517	17%
Administrative expenses	4	(2,171,460)	(1,985,503)	9%
Allowance for amount due from associates		(70,305)	-	n.m
Share of associates' results	5	2,550,652	491,860	419%
Finance costs	6	(501,462)	(301,683)	66%
Profit before income tax		5,209,437	5,339,925	-2%
Income tax expense	7	(449,426)	(803,723)	-44%
Profit for the financial period		4,760,011	4,536,202	5%
Other comprehensive expenses:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations		-	(37,573)	-100%
Fair value adjustment of available-for-sale investments	8	(1,290,115)	(5,963,954)	-78%
Total comprehensive income for the period		3,469,896	(1,465,325)	-337%

First Quarter (1Q2017) and 3 Months ended 30 June 2016 (3M2017)

Note 1 – Profits of certain projects with relatively higher margin were recognized in 1Q2016.

Note 2 – There was no interest income recognized on loans made to the associate, Dalian Shicheng Property Development (S) Pte Ltd (“DLSC Singapore”) in the current period.

Note 3 – Higher fee income from financial guarantees to associates due to earlier repayment of bank borrowings by certain associates to banks in 1Q2017.

Note 4 - Included in administration expenses are the following:

GROUP 3 MONTHS ENDED				
		30.6.2016 S\$	30.6.2015 S\$	Increase/ (Decrease) S\$
Net allowance for (reversal of) doubtful trade receivables		38,144	(7,775)	45,919
Loss (Gain) on disposal of plant and equipment		1,260	6,734	(5,474)
Change in fair values of held-for-trading investments		48,942	25,782	23,160
JTC rental		67,184	64,592	2,592
Property tax		32,500	32,500	-
Net foreign exchange loss	i	6,452	145,617	(139,165)
Directors’ remuneration		572,880	539,003	33,877
Directors’ fees		44,000	44,000	-
Staff related expenses	ii	504,976	372,208	132,768
Depreciation		293,098	306,226	(13,128)

i. Lower net foreign exchange loss was due to less volatile exchange rate movements between USD/SGD in 1Q2017.

ii. Higher staff related expenses were mainly due to adjustments made to staff salaries.

Note 5 – The share of results from associates had improved mainly due to the recognition of profits by the Group from its investment in the Skywoods residential development project in Singapore, which has been fully completed and sold

Note 6 - There was higher utilization of bank facilities to finance the Group’s business activities.

Note 7 – The lower effective tax rate for the current period was due to the share of associates’ results being non-taxable in nature.

Note 8 – The unrealized fair value adjustment recognized on available-for-sale investments relates to the marking of the Kaset Thai International Sugar Corporation Public Company Limited (“KTIS”) shares (listed on the Stock Exchange of Thailand) held by the Group to market values as at period end. The shares had decreased in value due to a lower closing price.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

KING WAN CORPORATION LIMITED (GROUP)

STATEMENT OF FINANCIAL POSITION

	As at 30.6.2016	As at 31.3.2016
	S\$	S\$
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	7,760,647	5,567,519
Trade receivables	12,428,700	9,031,859
Other receivables and prepayments	48,905,397	48,412,406
Construction work-in-progress	12,548,213	13,202,057
Inventories	1,006,862	1,119,163
Held-for-trading investments	535,335	584,277
Total current assets	83,185,154	77,917,281
Non-current assets		
Property, plant and equipment	4,422,048	4,294,644
Other receivables	38,887,178	36,185,370
Available-for-sale investments	30,102,688	31,392,803
Investment in associates and joint ventures	5,094,178	2,509,922
Total non-current assets	78,506,092	74,382,739
Total assets	161,691,246	152,300,020
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities		
Bank borrowings	26,398,358	24,480,995
Trade payables	14,739,774	13,055,373
Bills payables	24,906,846	22,455,370
Provision for rectification costs	1,067,093	988,383
Other payables	4,591,371	4,627,470
Construction work-in-progress	4,034,572	3,969,455
Income tax payable	2,378,485	1,956,952
Current portion of finance leases	329,713	270,636
Total current liabilities	78,446,212	71,804,634
Non-current liabilities		
Finance leases	366,372	239,618
Bank borrowings	2,772,473	3,619,475
Deferred tax liabilities	214,859	214,859
Total non-current liabilities	3,353,704	4,073,952
Capital and reserves		
Share capital	46,813,734	46,813,734
Retained earnings	34,266,806	29,506,795
Foreign currency translation reserve	100,905	100,905
Investment revaluation reserve	(1,290,115)	-
Total equity	79,891,330	76,421,434
Total liabilities and equity	161,691,246	152,300,020

KING WAN CORPORATION LIMITED (COMPANY)
STATEMENT OF FINANCIAL POSITION

	As at 30.6.2016	As at 31.3.2016
	S\$	S\$
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	677,068	401,002
Amount due from subsidiaries	7,049,036	7,107,146
Other receivables and prepayments	5,312	11,700
Total current assets	7,731,416	7,519,848
Non-current assets:		
Investment in subsidiaries	26,257,131	26,142,151
Investment in associates and a joint venture	2,024,196	1,990,592
Available-for-sale investments	23,213,022	24,207,866
Property, plant and equipment	3,242	4,522
Total non-current assets	51,497,591	52,345,131
Total assets	59,229,007	59,864,979
<u>LIABILITIES & EQUITY</u>		
Current liabilities:		
Other payables	3,419,869	3,796,202
Income tax payable	40	40
Amount due to a subsidiary	11,019,298	10,409,299
Total current liabilities	14,439,207	14,205,541
Capital and reserves:		
Share capital	46,813,734	46,813,734
Retained earnings	(1,029,090)	(1,154,296)
Investment revaluation reserve	(994,844)	-
Total equity	44,789,800	45,659,438
Total liabilities and equity	59,229,007	59,864,979

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

30.6.2016		31.3.2016	
Secured	Unsecured	Secured	Unsecured
\$329,713	\$51,305,204	\$270,636	\$46,936,365

Amount repayable after 1 year

30.6.2016		31.3.2016	
Secured	Unsecured	Secured	Unsecured
\$366,372	\$2,772,473	\$239,618	\$3,619,475

Details of any collateral

Secured liabilities refer to assets purchased under finance lease agreements. Unsecured liabilities refer to banking facilities guaranteed by the Company.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

STATEMENT OF CASHFLOWS

		GROUP	
		3 MONTHS AND QUARTER ENDED	
	Note	30.6.2016	30.6.2015
		S\$	S\$
Operating Activities			
<i>Profit before income tax</i>		5,209,437	5,339,925
Adjustments for			
Loss on disposal of plant and equipment		1,260	6,734
Net allowance for (reversal of) doubtful trade receivables		38,144	(7,775)
Change in fair values of held-for-trading investments		48,942	25,782
Depreciation of property, plant and equipment		293,098	306,226
Dividend income from available-for-sales investments		(425,433)	(814,810)
Dividend income from held-for-trading investments		(9,432)	(9,407)
Interest expense		501,462	301,683
Interest income		(423,184)	(548,603)
Provision for rectification costs		87,503	-
Share of associates' results		(2,550,652)	(491,860)
Fee income from financial guarantee to associates		(444,791)	(155,465)
Allowance for amounts due from associates		70,305	-
<i>Operating profit before working capital changes</i>		2,396,659	3,952,430
Construction work-in-progress		718,960	(1,362,707)
Inventories		112,302	(215,721)
Other payables		375,088	393,367
Other receivables and prepayments		82,475	10,645
Trade payables and bill payables		4,135,877	(3,366,536)
Reversal of rectification costs		(8,793)	(1,600)
Trade receivables		(3,434,985)	46,688
<i>Cash from/ (used in) operations</i>		4,377,583	(543,434)
Income tax paid		(27,894)	(81,876)
Interest paid		(501,462)	(301,683)
<i>Net cash from from (used in) operating activities</i>		3,848,227	(926,993)
INVESTING ACTIVITIES			
Advances to associates		(2,934,650)	(8,487,088)
Dividends received from available-for-sales investments		425,433	814,810
Dividends received from held-for-trading investments		9,432	9,407
Interest received		10,255	11,807
Proceeds from the disposal of plant and equipment		-	1,296
Purchase of plant and equipment		(161,442)	(41,559)
<i>Net cash used in investing activities</i>		(2,650,972)	(7,691,327)
FINANCING ACTIVITIES			
Repayment of obligation under finance leases		(74,488)	(75,312)
(Repayment of) Proceeds from bank borrowings		(952,996)	2,497,802
<i>Net cash (used in)/ from financing activities</i>		(1,027,484)	2,422,490
NET CHANGE IN CASH AND CASH EQUIVALENTS		169,771	(6,195,830)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		5,567,519	11,350,261
CASH AND CASH EQUIVALENTS AT END OF PERIOD	a	5,737,290	5,154,431

Note a

Cash and cash equivalents consist of cash, bank balances and fixed deposits, less bank overdrafts as follows:

	30.6.2016	30.6.2015
	S\$	S\$
Cash and Bank Balances	7,760,647	5,792,918
Bank Overdrafts	(2,023,357)	(638,487)
Net	5,737,290	5,154,431

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

STATEMENT OF CHANGES IN EQUITY

GROUP	SHARE CAPITAL	RETAINED EARNINGS	INVESTMENT REVALUATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL
	S\$	S\$	S\$	S\$	S\$
Balance as at 1 April 2015	46,813,734	50,892,449	305,554	156,670	98,168,407
Total comprehensive income for the period	-	4,536,202	(5,963,954)	(37,573)	(1,465,325)
Balance as at 30 June 2015	46,813,734	55,428,651	(5,658,400)	119,097	96,703,082
Balance as at 1 April 2016	46,813,734	29,506,795	-	100,905	76,421,434
Total comprehensive income for the period	-	4,760,011	(1,290,115)	-	3,469,896
Balance as at 30 June 2016	46,813,734	34,266,806	(1,290,115)	100,905	79,891,330

COMPANY	SHARE CAPITAL	RETAINED EARNINGS	INVESTMENT REVALUATION RESERVE	TOTAL
	S\$	S\$	S\$	S\$
Balance as at 1 April 2015	46,813,734	24,246,878	235,621	71,296,233
Total comprehensive income for the period	-	82,977	(4,598,971)	(4,515,994)
Balance as at 30 June 2015	46,813,734	24,329,855	(4,363,350)	66,780,239
Balance as at 1 April 2016	46,813,734	(1,154,296)	-	45,659,438
Total comprehensive income for the period	-	125,206	(994,844)	(869,638)
Balance as at 30 June 2016	46,813,734	(1,029,090)	(994,844)	44,789,800

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There are no changes in the Company's share capital since the end of the previous period reported on.

As at 30 June 2016, the Company does not have any outstanding convertibles or treasury shares (as at 30 June 2015 : Nil).

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares as at the end of 30 June 2016 is 349,176,870 (as at 31 March 2016 : 349,176,870).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

As at 30 June 2016, the Company does not have any treasury shares.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in this announcement as those of the audited financial statements for the financial year ended 31 March 2016, as well as all the applicable Financial Reporting Standards ("FRS") which became effective for the financial year beginning on or after 1 April 2016. The adoption of those new and revised FRSs has no material effect on the financial statements for the current period.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the new and revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2016. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current period or prior years.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	3 months ended	
	30.6.2016	30.6.2015
(i) Basic earnings per share (in cents)	1.36	1.30
Weighted Average Number of Shares	349,176,870	349,176,870
(ii) Diluted earnings per share (in cents)	1.36	1.30
Weighted Average Number of Shares	349,176,870	349,176,870

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year

	Group		Company	
	As at		As at	
	30.6.2016	31.3.2016	30.6.2016	31.3.2016
Net Asset Value Per Ordinary Share (in cents)	22.88	21.89	12.83	13.08
Number of Shares	349,176,870	349,176,870	349,176,870	349,176,870

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

First Quarter and 3 months ended 30 June 2016 (1Q2017 and 3M2017)

The Group's revenue for 1Q2017 recorded S\$22.40 million, an increase of 3% compared to the corresponding quarter last year (1Q2016). There was a comparable volume of ongoing Mechanical and Electrical (M&E) contracts during the quarter available for revenue recognition. Gross profit margin is lower due to higher contract costs incurred.

The Group's net profit for 1Q2017 was S\$4.76 million, higher when compared to the net profit of S\$4.54 million achieved in 1Q2016. Despite lower gross profits, the Group was able to improve on its net profits mainly due to a higher share of associates' results in 1Q2017. The Group has recognized its share of profits from its investment in the Skywoods residential development project in Singapore, which has been fully completed and sold

Earnings Per Share (EPS) and Net Asset Value Per Share (NAV)

EPS for 1Q2017 was 1.36 cents, compared to 1.30 cents in 1Q2016.

NAV for the Group stood at 22.88 cents per share at 30 June 2016, an increase from 21.89 cents per share at 31 March 2016. This increase was due to profits achieved during the period.

Balance Sheet Review

The Group's equity base stood at S\$79.89 million as at 30 June 2016, an increase from S\$76.42 million as at 31 March 2016.

Total current assets amounted to S\$83.19 million, higher than the S\$77.92 million as at 31 March 2016. The increase was mainly due to higher trade receivables from ongoing Mechanical & Electrical (M&E) contracts and higher cash and cash equivalents as at 30 June 2016.

Non-current assets increased to S\$78.51 million from S\$74.38 million. The increase was mainly due to the recognition of results from associates during the period and by loans made to associates during the period. This is offset partly by the decrease in value of available-for-sales investments due to a decrease in their share price as at period end.

Current liabilities increased to S\$78.45 million from S\$71.80 million due to higher bank borrowings and bill payables at period end, to finance both the Group's M&E activities and Group's investments.

Non-current liabilities decreased to S\$3.35 million from S\$4.07 million due to repayment of term loans during the period.

The debt-equity ratio has increased to 0.69 as at 30 June 2016 as compared to 0.67 as at 31 March 2016 due to the increased bank borrowings.

Cashflows & Liquidity

First Quarter and 3 months ended 30 June 2016 (1Q2017 and 3M2017)

Net cash from operating activities amounted to S\$3.85 million in 1Q2017, compared to an outflow of S\$0.93 million in 1Q2016. The increase was due mainly to an increase in trade and bill payables during the period, which was partly offset by the slower collection of trade receivables.

Net cash used in investing activities amounted to S\$2.65 million in 1Q2017, lower than the S\$7.69 million used in 1Q2016. The lower cash outflow was due to lower loan amounts extended to associates of the Group during the current quarter.

Net cash used in financing activities amounted to S\$1.03 million in 1Q2017, compared to an inflow of S\$2.42 million in 1Q2016. The outflows were mainly due to the repayment of bank borrowings in the current quarter.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast had been issued.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Mechanical and Electrical (M&E) business segment is expected to remain challenging in the next 12 months with increased competition for projects available in the market. Nevertheless, M&E business will remain the core business of the Group and is expected to contribute positively to the Group's results for the next 12 months.

As at the date of this Announcement, the Group has approximately S\$159.3 million worth of M&E engineering contracts on hand, with completion dates ranging from years 2016 to 2019.

The newly commenced dormitory operation has been steadily increasing its occupancy rate since it was completed in May 2016. It will take some time to fill up all its vacancies in view of the stiff competition from other dormitory operators and the less than favourable economic conditions.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared or recommended.

13. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPs"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have any interested person transaction and no IPT mandate has been obtained.

14. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720 (1).

The Company confirms compliance with Rule 720(1).

15. Confirmation pursuant to Rule 705(5) of the Listing Manual

We confirm on behalf of the Board of Directors, that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited first quarter financial results of the Group and the Company for the period ended 30 June 2016 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Chua Kim Hua
Executive Chairman

Chua Eng Eng
Managing Director

12 August 2016

BY ORDER OF THE BOARD

Catherine Lim Siok Ching
Company Secretary

12 August 2016