



KING WAN CORPORATION LIMITED

Incorporated in Singapore (Company Registration No. 200001034R)

Half-Year 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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

**GROUP
HALF YEAR ENDED
30 SEPTEMBER**

	Note	2020	2019	Increase/ (Decrease)
		S\$	S\$	
Revenue	1	6,558,154	33,331,861	-80%
Cost of sales		(6,776,971)	(30,597,176)	-78%
Gross (loss) profit	2	(218,817)	2,734,685	-108%
Other operating income				
Dividend income		132	139	-5%
Net foreign exchange gain		28,437	5,560	411%
Gain on disposal of property, plant and equipment	3	149,359	24,650	506%
Change in fair value of insurance contract		-	7,603	-100%
Interest income	4	454,052	505,153	-10%
Management fee income		55,155	59,407	-7%
Rental income	5	236,440	320,370	-26%
Fee income from financial guarantee to associates and joint venture	6	57,862	90,570	-36%
Government grants		80,239	-	n.m
Sundry income		80,838	17,323	367%
		1,142,514	1,030,775	11%
Administrative expenses	7	(2,220,410)	(2,933,691)	-24%
Share of profit of associates and joint venture		78,508	75,545	4%
Finance costs	8	(559,563)	(717,778)	-22%
(Loss) Profit before income tax		(1,777,768)	189,536	-1038%
Income tax expense		(53,412)	(146,875)	-64%
(Loss) Profit for the period		(1,831,180)	42,661	-4392%
Other comprehensive loss:				
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Net fair value loss in equity securities carried at fair value through other comprehensive income ("FVTOCI")	9	(2,222,105)	(5,650,752)	-61%
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations		(135,144)	78,633	-272%
Other comprehensive loss for the period		(2,357,249)	(5,572,119)	-58%
Total comprehensive loss for the period		(4,188,429)	(5,529,458)	-24%

Half Year ended 30 September 2020 (1H2021)

Note 1 - The decrease in the Group's turnover was due to significantly lower volume of Mechanical and Electrical (M&E) contracts in progress in 1H2021 as a result of Circuit Breaker measures taken by the Singapore government due to the COVID-19 pandemic. Revenue for 1H2021 recorded S\$6.56 million, a 80% decrease compared to 1H2020.

Note 2 - The Group's gross loss was due to operating losses arising from the halt of construction activities during the Circuit Breaker and increase in construction costs for certain projects as a result of the COVID-19 pandemic. This is partially offset by the increase in demand for portable lavatories in 1H2021. With increased awareness of hygiene issues as a result of the COVID-19 pandemic, the government has improved the relevant requirements that are piloted into quick build workers' dormitories, as well as construction sites. As a consequence, the ratio of lavatories to workers has increased.

Gross loss margin for 1H2021 was 3.3%, compared to gross profit margin of 8.2% achieved in 1H2020.

Note 3 - Higher gain on disposal of property, plant and equipment was due to sale of modified portable lavatories whereby the Group modifies portable lavatories by tapping on its M&E skills to install shower unit and wash basin which meets the current market demand at affordable cost in 1H2021.

Note 4 - Lower interest income from loans to associates and joint venture was due to interests being accrued on a lower carrying amount of advances to associates and joint venture (net of loss allowances) in 1H2021.

Note 5 - Lower rental income was mainly due to lower occupancy rate for workers' dormitory in 1H2021.

Note 6 - Lower fee income from financial guarantees was due to associates and joint venture utilising lesser bank borrowings in 1H2021.

Note 7 - Included in administration expenses are the following:

HALF YEAR ENDED				
		30.09.2020	30.09.2019	(Increase)/
		S\$	S\$	Decrease
				S\$
(Loss allowance) Reversal for trade receivables		(4,690)	2,188	(6,878)
Change in fair value of held-for-trading investments	i	(50,880)	(38,771)	(12,109)
Change in fair value of insurance contract		(5,790)	-	(5,790)
Property tax	ii	(36,838)	(70,906)	34,068
Directors' remuneration	iii	(131,322)	(439,940)	308,618
Directors' fees	iii	(60,500)	(88,000)	27,500
Staff related expenses	iv	(587,231)	(950,603)	363,372
Depreciation	v	(505,025)	(427,668)	(77,357)

i. Higher loss on fair value of held-for-trading investments in 1H2021 was due to lower closing market price of quoted equity securities at the end of the reporting period.

ii. Lower property tax was due to rebates received from the government in 1H2021.

iii. Lower directors' remuneration and directors' fee were mainly due to adjustment made in 1H2021.

iv. Lower staff related expenses were mainly due to adjustment made to salaries in 1H2021.

v. Higher depreciation was due to depreciation arising from right-of-use assets that relate to rentals payable for land spaces whereby its leasehold property is located in 1H2021.

Note 8 - Lower finance costs in 1H2021 was due to lower effective borrowing interest rate.

Note 9 - Lower net fair value loss on investment in equity securities carried at FVTOCI in 1H2021 was due to lower closing market price of quoted equity securities at the end of the reporting period.

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	As at
	30.9.2020	31.3.2020
	S\$	S\$
ASSETS		
Current Assets:		
Cash and cash equivalents	8,394,963	8,197,497
Trade receivables	4,200,109	5,322,211
Other receivables and prepayments	6,605,176	6,895,032
Held-for-trading investments	152,110	202,990
Inventories	1,069,535	950,664
Contract assets	18,751,481	25,300,296
Total current assets	39,173,374	46,868,690
Non-current assets		
Other receivables	43,814,833	42,535,125
Property, plant and equipment	1,885,404	2,091,671
Right-of-use assets	2,572,263	2,810,189
Investment in associates and joint venture	3,859,227	3,792,458
Investments	11,920,859	14,148,754
Deferred tax assets	221,783	221,783
Total non-current assets	64,274,369	65,599,980
Total assets	103,447,743	112,468,670
LIABILITIES AND EQUITY		
Current Liabilities		
Bank borrowings	12,366,667	14,713,253
Contract liabilities	2,977,995	157,982
Trade payables	8,508,096	15,779,608
Bills payables	17,311,738	19,541,584
Other payables	1,802,308	1,868,709
Lease liabilities	519,880	510,696
Provision for liabilities	1,494,694	1,552,802
Income tax payable	983,023	992,563
Total current liabilities	45,964,401	55,117,197
Non-current liabilities		
Bank borrowings	4,583,333	-
Lease liabilities	1,343,265	1,606,300
Total non-current liabilities	5,926,598	1,606,300
Capital and reserves		
Share capital	46,813,734	46,813,734
Retained earnings	36,915,124	38,746,304
Foreign currency translation reserve	(49,329)	85,815
Investment revaluation reserve	(32,122,785)	(29,900,680)
Total equity	51,556,744	55,745,173
Total liabilities and equity	103,447,743	112,468,670

KING WAN CORPORATION LIMITED (COMPANY)
STATEMENT OF FINANCIAL POSITION

	As at	As at
	30.9.2020	31.3.2020
	S\$	S\$
ASSETS		
Current assets:		
Cash and cash equivalents	148,747	143,878
Other receivables and prepayments	9,056	44,117
Amount due from subsidiaries	5,959,719	5,002,579
Total current assets	6,117,522	5,190,574
Non-current assets:		
Investment in subsidiaries	31,699,413	31,699,413
Investment in associates and a joint venture	941,960	941,960
Investments	9,081,004	10,807,145
Total non-current assets	41,722,377	43,448,518
Total assets	47,839,899	48,639,092
LIABILITIES & EQUITY		
Current liabilities:		
Other payables	730,830	835,008
Amount due to a subsidiary	18,076,173	16,793,855
Income tax payable	1,856	1,856
Total current liabilities	18,808,859	17,630,719
Capital and reserves:		
Share capital	46,813,734	46,813,734
Retained earnings	7,170,432	7,421,623
Investment revaluation reserve	(24,953,126)	(23,226,984)
Total equity	29,031,040	31,008,373
Total liabilities and equity	47,839,899	48,639,092

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

Amount repayable in one year or less, or on demand

As at		As at	
30.9.2020		31.3.2020	
Secured	Unsecured	Secured	Unsecured
\$262,291	\$29,678,405	\$265,193	\$34,254,837

Amount repayable after 1 year

As at		As at	
30.9.2020		31.3.2020	
Secured	Unsecured	Secured	Unsecured
\$252,813	\$4,583,333	\$381,011	-

Details of any collateral

Secured liabilities refer to assets acquired under 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

KING WAN CORPORATION LIMITED
STATEMENT OF CASH FLOWS

	GROUP	
	HALF YEAR ENDED	
Note	30.9.2020	30.9.2019
	S\$	S\$
Operating Activities		
(Loss) Profit before income tax	(1,777,768)	189,536
Adjustments for		
Depreciation of property, plant and equipment	267,099	427,542
Depreciation of right-of-use assets	237,926	-
Gain on disposal of property, plant and equipment	(149,359)	(24,650)
Loss allowance (Reversal) for trade receivables and contract assets	4,690	(2,188)
Change in fair value of held-for-trading investments	50,880	38,771
Change in fair value of insurance contract	5,790	(7,603)
Dividend income from held-for-trading investments	(132)	(139)
Interest income	(454,052)	(505,153)
Interest expense	559,563	717,778
Share of profit of associates and joint venture	(78,508)	(75,545)
Provision for rectification costs	-	37,650
Fee income from financial guarantee to associates and joint venture	(57,862)	(90,570)
Operating cash flows before movements in working capital	(1,391,733)	705,429
Trade receivables	1,117,412	(1,665,214)
Other receivables and prepayments	301,025	(87,143)
Contract assets	6,548,815	306,763
Inventories	(118,871)	180,975
Trade payables and bill payables	(9,501,358)	1,411,093
Contract liabilities	2,820,013	(305,621)
Other payables	(8,539)	835,226
Provision for rectification costs	(58,108)	(632,985)
Cash (used in) generated from operations	(291,344)	748,523
Income tax paid	(62,952)	(403,451)
Interest paid	(559,563)	(717,778)
Net cash used in operating activities	(913,859)	(372,706)
INVESTING ACTIVITIES		
Interest received	5,421	6,340
Advances to associates and joint venture	(955,000)	(1,465,000)
Dividends received from held-for-trading investments	132	139
Purchase of property, plant and equipment	(111,719)	(28,430)
Proceeds from disposal of property, plant and equipment	200,246	77,877
Purchase of right-of-use assets	-	(7,106)
Net cash used in investing activities	(860,920)	(1,416,180)
FINANCING ACTIVITIES		
Repayments of lease liabilities	(253,851)	(136,465)
Proceeds from bank borrowings	4,500,000	1,750,000
Repayments of bank borrowings	(2,263,253)	(2,019,920)
Net cash from (used in) financing activities	1,982,896	(406,385)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	208,117	(2,195,271)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	8,197,497	4,988,367
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON BALANCES HELD IN FOREIGN CURRENCIES	(10,651)	(1,965)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	8,394,963	2,791,131

Note a

	GROUP	
	HALF YEAR ENDED	
	30.9.2020	30.9.2019
	S\$	S\$
Purchase of right-of-use assets	-	79,068
Less : Assets acquired under lease arrangement	-	(71,962)
Net	-	7,106

Note b

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

	GROUP	
	As at	
	30.9.2020	30.9.2019
	S\$	S\$
Cash and bank balances	8,394,963	2,791,131
Bank overdrafts	-	(308,998)
Net	8,394,963	2,482,133

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	Foreign currency translation reserve	Investment revaluation reserve	Total
	S\$	S\$	S\$	S\$	S\$
Balance as at 1 April 2019	46,813,734	38,326,639	(68,895)	(15,312,077)	69,759,401
Total comprehensive loss for the year:					
Profit for the year	-	42,661	-	-	42,661
Other comprehensive loss for the year	-	-	78,633	(5,650,752)	(5,572,119)
Balance as at 30 September 2019	46,813,734	38,369,300	9,738	(20,962,829)	64,229,943
Balance as at 1 April 2020	46,813,734	38,746,304	85,815	(29,900,680)	55,745,173
Total comprehensive loss for the year:					
Loss for the year	-	(1,831,180)	-	-	(1,831,180)
Other comprehensive loss for the year	-	-	(135,144)	(2,222,105)	(2,357,249)
Balance as at 30 September 2020	46,813,734	36,915,124	(49,329)	(32,122,785)	51,556,744

COMPANY	Share capital	Retained earnings	Investment revaluation reserve	Total
	S\$	S\$	S\$	S\$
Balance as at 1 April 2019	46,813,734	13,213,931	(11,894,492)	48,133,173
Total comprehensive loss for the year:				
Loss for the year	-	(683,331)	-	(683,331)
Other comprehensive loss for the year	-	-	(4,389,530)	(4,389,530)
Balance as at 30 September 2019	46,813,734	12,530,600	(16,284,022)	43,060,312
Balance as at 1 April 2020	46,813,734	7,421,623	(23,226,984)	31,008,373
Total comprehensive loss for the year:				
Loss for the year	-	(251,191)	-	(251,191)
Other comprehensive loss for the year	-	-	(1,726,142)	(1,726,142)
Balance as at 30 September 2020	46,813,734	7,170,432	(24,953,126)	29,031,040

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 September 2020, the Company does not have any outstanding convertibles or treasury shares (as at 30 September 2019 : 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 30 September 2020 is 349,176,870 (as at 30 September 2019 : 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 September 2020, 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 the preparation of the financial statements for the current financial year as those applied in the preparation of the audited financial statements for the financial year ended 31 March 2020.

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

Not applicable.

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	
	Half Year ended	
	30.9.2020	30.9.2019
(i) Basic earnings per share (in cents)	(0.52)	0.01
Weighted Average Number of Shares	349,176,870	349,176,870
(ii) Diluted earnings per share (in cents)	(0.52)	0.01
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	
	30.9.2020	31.03.2020	30.9.2020	31.03.2020
Net Asset Value Per Ordinary Share (in cents)	14.77	15.96	8.31	8.88
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.

STATEMENT OF COMPREHENSIVE INCOME

Half Year ended 30 September 2020 (1H2021)

The Group's revenue for 1H2021 recorded S\$6.56 million, a 80% decrease compared to 1H2020. The decrease in the Group's turnover was due to significantly lower volume of Mechanical and Electrical (M&E) contracts in progress in 1H2021 as a result of Circuit Breaker measures taken by the Singapore government due to the COVID-19 pandemic.

Gross loss margin for 1H2021 was 3.3%, compared to gross profit margin of 8.2% achieved in 1H2020. The Group had incurred gross loss margin was due to operating losses arising from the halt of construction activities during the Circuit Breaker and increase in construction costs for certain projects as a result of the COVID-19 pandemic. This is partially offset by the increase in demand for portable lavatories in 1H2021. With increased awareness of hygiene issues as a result of the COVID-19 pandemic, the government has improved the relevant requirements that are piloted into quick build workers' dormitories, as well as construction sites. As a consequence, the ratio of lavatories to workers has increased.

The Group's net loss after income tax for 1H2021 was S\$1.83 million, compared to net profit after income tax of S\$0.04 million in 1H2020. This was due to gross loss incurred in the current period.

EARNINGS PER SHARE (EPS) AND NET ASSET VALUE PER SHARE (NAV)

Loss per share for 1H2021 was 0.52 cents, compared to EPS of 0.01cents in 1H2020.

NAV for the Group stood at 14.77 cents per share at 30 September 2020, a decrease from 15.96 cents per share at 31 March 2020. This decrease was due to net fair value loss on investment in equity securities carried at FVTOCI and the net loss incurred during the current period.

STATEMENT OF FINANCIAL POSITION

The Group's equity base stood at S\$51.56 million as at 30 September 2020, a decrease from S\$55.75 million as at 31 March 2020.

Total current assets amounted to S\$39.17 million as at 30 September 2020, lower than the S\$46.87 million as at 31 March 2020. The decrease was mainly due to decrease in trade receivables and contract asset as a result of less construction works being carried out during the end of the current period.

Non-current assets decreased to S\$64.27 million as at 30 September 2020 from S\$65.60 million as at 31 March 2020. The decrease was mainly due to decrease in net fair value on investment in equity securities carried at FVTOCI at the end of the reporting period. This is partially offset by net advances of loans to associates and joint venture, as well as accrual of interest income on loans to associates and joint venture.

Current liabilities decreased to S\$45.96 million as at 30 September 2020 from S\$55.12 million as at 31 March 2020. The decrease was mainly due to decrease in trade and bills payables as a result of less construction works being carried out during the end of the current period.

Non-current liabilities increased to S\$5.93 million as at 30 September 2020 from S\$1.61 million as at 31 March 2020 was mainly due to drawdown of temporary bridging loans during the current period.

The debt-equity ratio increased to 0.68 as at 30 September 2020 as compared to 0.63 as at 31 March 2020 was due to a lower equity base as a result of net fair value loss on investment in equity securities carried at FVTOCI and the net loss incurred during the current period.

STATEMENT OF CASH FLOWS

Half Year ended 30 September 2020 (1H2021)

Net cash used in operating activities amounted to S\$0.91 million in 1H2021, compared to S\$0.37 million in 1H2020. The increase in outflow was mainly due to operating loss incurred by the Group during the current period.

Net cash used in investing activities amounted to S\$0.86 million in 1H2021, compared to S\$1.42 million in 1H2020. The outflow was mainly due to net advances of loans to associates and joint venture of the Group, which was partially offset by the proceeds from disposal of property, plant and equipment during the current period.

Net cash generated from financing activities amounted to S\$1.98 million in 1H2021, compared to an outflow of S\$0.41 million in 1H2020. The inflow was due to drawdown of temporary bridging loan, which was partially offset by net repayment of bank borrowings and lease liabilities during the current period.

As a result of the aforementioned, cash and cash equivalents stood at S\$8.39 million as at 30 September 2020.

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 Singapore construction sector has been adversely affected since the onset of COVID-19 situation early this year. According to press release issued by Singapore Ministry of Trade and Industry on 14 October 2020, Singapore's GDP had contracted by 7.0% in the third quarter of 2020. In particular, the construction sector had shrank by 44.7% on a year-on-year basis in the third quarter, extending the 59.9% decline in the previous quarter when most construction activities had to come to a stop due to the Circuit Breaker and movement restrictions in the foreign worker dormitories. Construction output in the third quarter remained weak on account of the slow resumption of construction activities due to the need for construction firms to implement safe management measures for a safe restart.

Following the progressive easing of restrictions and as economies reopen, we continue to expect the Mechanical and Electrical (M&E) business segment to remain challenging in the next 12 months and face pressures from rising cost and uncertainties over economic recovery. Based on order books secured, the M&E business will remain the core business for the Group and continue to generate an income stream that is sustainable.

As at the date of this Announcement, the Group has approximately S\$182.9 million worth of M&E engineering contracts on hand. The Group will continue to be vigilant and maintain sufficient liquidity to meet its obligations.

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.

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

No dividend has been declared.

13. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPTs"), 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 Company does not have any shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual.

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 half year financial results of the Group and the Company for the period ended 30 September 2020 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

11 November 2020

BY ORDER OF THE BOARD

Catherine Lim Siok Ching
Company Secretary

11 November 2020