



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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FINANCIAL PERIOD ENDED 30 JUNE 2019

**GROUP
FIRST QUARTER ENDED
30 JUNE**

	Note	2019 S\$	2018 S\$	Increase/ (Decrease)
Revenue	1	17,180,310	16,612,063	3%
Cost of sales		(15,590,277)	(13,741,467)	13%
Gross profit	2	1,590,033	2,870,596	-45%
Other operating income				
Dividend income		132	9,682	-99%
Net foreign exchange gain		-	1,005	-100%
Gain on disposal of property, plant and equipment		-	1,341	-100%
Change in fair value of insurance contract		1,100	9,662	-89%
Interest income	3	282,999	238,899	18%
Management fee income		27,281	26,944	1%
Rental income		163,605	166,133	-2%
Fee income from financial guarantee to associates	4	45,285	61,663	-27%
Sundry income		15,166	29,351	-48%
		535,568	544,680	-2%
Administrative expenses	5	(1,614,560)	(1,552,618)	4%
Share of profit (loss) of associates and joint venture	6	31,772	(335,698)	-109%
Finance costs	7	(325,660)	(257,238)	27%
Profit before income tax		217,153	1,269,722	-83%
Income tax expense	8	(33,156)	(348,963)	-90%
Profit for the period		183,997	920,759	-80%
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	(572,939)	(3,021,973)	-81%
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations		1,449	(52,145)	-103%
Other comprehensive loss for the period		(571,490)	(3,074,118)	-81%
Total comprehensive loss for the period		(387,493)	(2,153,359)	-82%

First Quarter (1Q2020) and 3 months ended 30 June 2019 (3M2019)

Note 1 - The Group's revenue in 1Q2020 was \$17.18 million, an increase of 3% as compared to 1Q2019. The increase in turnover was due to higher volume of Mechanical and Electrical (M&E) contracts in progress.

Note 2 - The decrease in gross profit was due to profits of certain projects with relatively lower margin being recognised, and absence of dividend income received from investment in equity securities in 1Q2020.

Note 3 - Higher interest income from loans to associates and joint venture was due to interests being accrued on a higher carrying amount of advances to associates and joint venture (net of allowances) in 1Q2020.

Note 4 - Lower fee income from financial guarantees was due to associates and joint venture utilising lesser bank borrowings in 1Q2020.

Note 5 - Included in administration expenses are the following:

FIRST QUARTER 3 MONTHS ENDED				
		30.06.2019 S\$	30.06.2018 S\$	(Increase)/ Decrease S\$
Reversal of loss allowance for trade receivables	i	1,640	7,134	(5,494)
Net foreign exchange loss		(853)	-	(853)
Change in fair value on held-for-trading investments		(3,371)	(2,469)	(902)
Change in fair value of insurance contract		-	-	-
Loss on disposal of property, plant and equipment		(933)	-	(933)
JTC rental		(75,555)	(72,650)	(2,905)
Property tax		(34,862)	(32,500)	(2,362)
Reversal of allowance for inventory obsolescence		-	-	-
Directors' remuneration		(273,621)	(275,192)	1,571
Directors' fees		(44,000)	(44,000)	-
Staff related expenses		(604,272)	(608,370)	4,098
Depreciation	ii	(217,227)	(234,093)	16,866

i. Lower reversal of loss allowance for trade receivables which were no longer required in 1Q2020.

ii. Lower depreciation in 1Q2020 was due to lesser property, plant and equipment subject to normal depreciation.

Note 6 - The share of profit of associates and joint venture in 1Q2020 was derived from its investment in Singapore residential development project whereas the share of loss of associates and joint venture in 1Q2019 was mainly due to finance costs incurred by the Group's investment in real estate business in Dalian, China.

Note 7 - Higher finance costs was mainly due to higher effective borrowing interest rate in 1Q2020.

Note 8 - Lower effective tax rate in 1Q2020 was due to absence of share of loss of associates and joint venture that was not tax deductible, as well as absence of dividend income received from investment in equity securities.

Note 9 - Lower net fair value loss on FVTOCI in 1Q2020 was due to lower closing market price of quoted equity securities at the end of the reporting period, which was partially offset by the appreciation of THB against SGD.

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 30.6.2019	As at 31.3.2019
	S\$	S\$
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	4,318,419	4,988,367
Trade receivables	9,452,261	7,810,449
Other receivables and prepayments	6,464,409	6,440,757
Held-for-trading investments	284,414	287,785
Inventories	966,278	960,306
Contract assets	23,676,502	24,404,329
Total current assets	45,162,283	44,891,993
Non-current assets		
Other receivables	41,161,483	40,116,636
Property, plant and equipment	4,028,298	4,230,008
Investment in associates and joint venture	3,690,015	3,650,200
Investments	28,147,029	28,718,868
Deferred tax assets	343,101	290,641
Total non-current assets	77,369,926	77,006,353
Total assets	122,532,209	121,898,346
<u>LIABILITIES AND EQUITY</u>		
Current Liabilities		
Bank borrowings	14,585,995	14,616,096
Contract liabilities	1,149,881	823,309
Trade payables	10,170,199	11,317,862
Bills payables	21,869,715	19,825,988
Other payables	2,384,277	1,960,133
Current portion of finance leases	268,270	273,743
Provision for rectification costs	904,289	1,153,888
Income tax payable	807,660	836,057
Total current liabilities	52,140,286	50,807,076
Non-current liabilities		
Bank borrowings	500,000	750,000
Finance leases	520,015	581,869
Total non-current liabilities	1,020,015	1,331,869
Capital and reserves		
Share capital	46,813,734	46,813,734
Retained earnings	38,510,636	38,326,639
Foreign currency translation reserve	(67,446)	(68,895)
Investment revaluation reserve	(15,885,016)	(15,312,077)
Total equity	69,371,908	69,759,401
Total liabilities and equity	122,532,209	121,898,346

KING WAN CORPORATION LIMITED (COMPANY)
STATEMENT OF FINANCIAL POSITION

	As at 30.6.2019	As at 31.3.2019
	S\$	S\$
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	294,866	281,220
Other receivables and prepayments	521	9,583
Amount due from subsidiaries	7,003,493	6,994,592
Total current assets	7,298,880	7,285,395
Non-current assets:		
Investment in subsidiaries	31,699,413	31,699,413
Investment in associates and a joint venture	941,960	941,960
Investments	21,694,576	22,139,638
Property, plant and equipment	-	-
Total non-current assets	54,335,949	54,781,011
Total assets	61,634,829	62,066,406
<u>LIABILITIES & EQUITY</u>		
Current liabilities:		
Other payables	1,006,621	974,376
Amount due to a subsidiary	13,334,445	12,956,813
Income tax payable	5,091	2,044
Total current liabilities	14,346,157	13,933,233
Capital and reserves:		
Share capital	46,813,734	46,813,734
Retained earnings	12,814,492	13,213,931
Investment revaluation reserve	(12,339,554)	(11,894,492)
Total equity	47,288,672	48,133,173
Total liabilities and equity	61,634,829	62,066,406

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

Amount repayable in one year or less, or on demand

As at 30.6.2019		As at 31.3.2019	
Secured	Unsecured	Secured	Unsecured
\$268,270	\$36,455,710	\$273,743	\$34,442,084

Amount repayable after 1 year

As at 30.6.2019		As at 31.3.2019	
Secured	Unsecured	Secured	Unsecured
\$520,015	\$500,000	\$581,869	\$750,000

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

KING WAN CORPORATION LIMITED
STATEMENT OF CASH FLOWS

		GROUP	
		FIRST QUARTER ENDED	
	Note	30.6.2019	30.6.2018
		S\$	S\$
Operating Activities			
Profit before income tax		217,153	1,269,722
Adjustments for			
Depreciation of property, plant and equipment		217,227	234,093
Loss (Gain) on disposal of property, plant and equipment		933	(1,341)
Reversal of loss allowance for trade receivables and contract assets		(1,640)	(7,134)
Change in fair value of held-for-trading investments		3,371	2,469
Change in fair value of insurance contract		(1,100)	(9,662)
Dividend income from held-for-trading investments		(132)	(9,682)
Dividend income from investment in equity securities		-	(707,748)
Interest income		(282,999)	(238,899)
Interest expense		325,660	257,238
Share of (profit) loss of associates and joint venture		(31,772)	335,698
Fee income from financial guarantee to associates and joint venture		(45,285)	(61,663)
Operating cash flows before movements in working capital		401,416	1,063,091
Trade receivables		(1,640,172)	(2,118,567)
Other receivables and prepayments		44,853	(16,000)
Contract assets		727,827	2,484,848
Inventories		(5,972)	98,195
Trade payables and bill payables		896,064	(3,634,089)
Contract liabilities		326,572	(812,494)
Other payables		469,429	625,640
Provision for rectification costs		(249,599)	(104,293)
Cash generated from (used in) operations		970,418	(2,413,669)
Income tax paid		(114,013)	(314,454)
Interest paid		(325,660)	(257,238)
Net cash from (used in) operating activities		530,745	(2,985,361)
INVESTING ACTIVITIES			
Interest received		3,368	4,023
Advances to associates and joint venture		(840,000)	(1,565,000)
Dividends received from held-for-trading investments		132	9,682
Dividends received from investment in equity securities		-	707,748
Purchase of property, plant and equipment		(16,450)	(9,771)
Proceeds from disposal of property, plant and equipment		-	1,400
Net cash used in investing activities		(852,950)	(851,918)
FINANCING ACTIVITIES			
Repayment of obligations under finance leases		(67,327)	(76,191)
Proceeds from bank borrowings		883,325	1,300,000
Repayments of bank borrowings		(1,163,426)	(655,164)
Net cash (used in) from financing activities		(347,428)	568,645
NET DECREASE IN CASH AND CASH EQUIVALENTS		(669,633)	(3,268,634)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		4,988,367	8,524,522
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON			
BALANCES HELD IN FOREIGN CURRENCIES		(315)	1,844
CASH AND CASH EQUIVALENTS AT END OF PERIOD	a	4,318,419	5,257,732

Note a

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

GROUP		
As at		
	30.6.2019	30.6.2018
	S\$	S\$
Cash and bank balances	4,318,419	5,257,732
Bank overdrafts	(883,325)	-
Net	3,435,094	5,257,732

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	Investment revaluation reserve	Total
	S\$	S\$	S\$	S\$	S\$
Balance as at 1 April 2018	46,813,734	35,953,166	250,356	(13,615,728)	69,401,528
Total comprehensive loss for the year:					
Profit for the year	-	920,759	-	-	920,759
Other comprehensive loss for the year	-	-	(52,145)	(3,021,973)	(3,074,118)
Balance as at 30 June 2018	46,813,734	36,873,925	198,211	(16,637,701)	67,248,169
Balance as at 1 April 2019	46,813,734	38,326,639	(68,895)	(15,312,077)	69,759,401
Total comprehensive income for the year:					
Profit for the year	-	152,225	-	-	152,225
Other comprehensive loss for the year	-	-	1,449	(572,939)	(571,490)
Balance as at 30 June 2019	46,813,734	38,478,864	(67,446)	(15,885,016)	69,340,136

COMPANY	Share capital	Retained earnings	Investment revaluation reserve	Total
	S\$	S\$	S\$	S\$
Balance as at 1 April 2018	46,813,734	13,794,677	(10,576,760)	50,031,651
Total comprehensive loss for the year:				
Profit for the year	-	94,361	-	94,361
Other comprehensive loss for the year	-	-	(2,347,483)	(2,347,483)
Balance as at 30 June 2018	46,813,734	13,889,038	(12,924,243)	47,778,529
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	-	(399,439)	-	(399,439)
Other comprehensive loss for the year	-	-	(445,062)	(445,062)
Balance as at 30 June 2019	46,813,734	12,814,492	(12,339,554)	47,288,672

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 2019, the Company does not have any outstanding convertibles or treasury shares (as at 30 June 2018 : 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 June 2019 is 349,176,870 (as at 30 June 2018 : 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 31 March 2019, 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

Except as disclosed in item 5 below, 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 2019.

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

SFRS(I) 16 *Leases* introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease, and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. No adjustments have been made as the Group and Company are in the process of assessing the impact.

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	
	First Quarter ended	
	30.6.2019	30.6.2018
(i) Basic earnings per share (in cents)	0.05	0.26
Weighted Average Number of Shares	349,176,870	349,176,870
(ii) Diluted earnings per share (in cents)	0.05	0.26
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	
	30.6.2019	31.03.2019	30.6.2019	31.03.2019
Net Asset Value Per Ordinary Share (in cents)	19.87	19.98	13.54	13.78
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

First Quarter ended 30 June 2019 (1Q2020)

The Group's revenue for 1Q2020 recorded S\$17.18 million, a 3% increase compared to the corresponding quarter last period (1Q2019). There was comparatively higher volume of ongoing Mechanical and Electrical (M&E) contracts during the current quarter for revenue recognition. Gross profit margin for 1Q2020 was 9.25%, which was lower than 17.28% achieved in 1Q2019 as a result of profits of certain projects with relatively lower margin being recognised and absence of dividend income from investment in equity securities in the current quarter.

The Group's net profit after income tax for 1Q2020 was S\$0.18 million, lower compared to net profit of S\$0.92 million in the corresponding quarter last year (1Q2019). This was mainly due to absence of dividend income from investment in equity securities, higher finance costs and lower gross profit achieved in the current quarter.

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

EPS for 1Q2020 was 0.05 cents, compared to 0.26 cents in 1Q2019.

NAV for the Group stood at 19.87 cents per share at 30 June 2019, a decrease from 19.98 cents per share at 31 March 2019. This decrease was due to net fair value loss on investment in equity securities carried at FVTOCI, which was partially offset by the net profit achieved during the current quarter.

STATEMENT OF FINANCIAL POSITION

The Group's equity base stood at S\$69.37 million as at 30 June 2019, a decrease from S\$69.76 million as at 31 March 2019.

Total current assets amounted to S\$45.16 million as at 30 June 2019, higher than the S\$44.89 million as at 31 March 2019. The increase was mainly due to the increase in trade receivables as a result of more construction works being carried out during the current quarter.

Non-current assets increased to S\$77.37 million as at 30 June 2019 from S\$77.01 million as at 31 March 2019. The increase was mainly due to net advances of loans to associates and joint venture, as well as accrual of interest income on loans to associates and joint venture, which was partially offset with the decrease in net fair value of investment in equity securities carried at FVTOCI during the current quarter.

Current liabilities increased to S\$52.14 million as at 30 June 2019 from S\$50.81 million as at 31 March 2019 was mainly due to increase in bills payables as a result of more construction works being carried out during the current quarter.

Non-current liabilities decreased to S\$1.02 million as at 30 June 2019 from S\$1.33 million as at 31 March 2019 was mainly due to repayments of term loans and finance leases during the current quarter.

The debt-equity ratio increased to 0.54 as at 30 June 2019 as compared to 0.52 as at 31 March 2019 was due to higher bank borrowings and bills payables, accompanying with a lower equity base.

STATEMENT OF CASH FLOWS

First Quarter ended 30 June 2019 (1Q2020)

Net cash from operating activities amounted to S\$0.53 million in 1Q2020, compared to an outflow of S\$2.99 million in 1Q2019. The inflow in 1Q2020 was mainly due to lesser payments made for construction works being carried out during the current quarter.

Net cash used in investing activities amounted to S\$0.85 million in 1Q2020, compared to an outflow of S\$0.85 million in 1Q2019. The outflow in 1Q2020 was mainly due to advances of loans to associates and joint venture of the Group during the current quarter.

Net cash used in financing activities amounted to S\$0.35 million in 1Q2020, compared to an inflow of S\$0.57 million in 1Q2019. The outflow in 1Q2020 was due to net repayment of bank borrowings and finance leases during the current quarter.

As a result of the aforementioned, cash and cash equivalents stood at S\$4.32 million as at 30 June 2019.

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 continuous pressures on contract values and stiff competition for new projects. Based on order books secured, the M&E business will remain the core business for 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\$158.5 million worth of M&E engineering contracts on hand.

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/recommendeded, 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 quarter financial results of the Group and the Company for the period ended 30 June 2019 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

13 August 2019

BY ORDER OF THE BOARD

Catherine Lim Siok Ching
Company Secretary

13 August 2019