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Issuer: King Wan Corporation Limited

Security: King Wan Corporation Limited

Meeting details:

Date: 26 July 2018

Time: 10.00 a.m.

Venue: 8 Sungei Kadut Loop Singapore 729455

Company Description

King Wan Corporation Limited, an investment holding company, provides mechanical and electrical engineering services for the building and construction industry in Singapore, China, and Thailand. Its Plumbing and Sanitary segment offers plumbing and sanitary services, including the design and installation of water distribution systems, and pipe network for sewage and waste water drainage. The company's Electrical segment provides electrical engineering services, such as the design and installation of electricity distribution systems, fire protection systems, alarm systems, and communications and security systems, as well as air conditioning and mechanical ventilation systems. Its Toilet Rental segment is involved in the ownership, operation, and rental of mobile lavatories and other facilities. The company is also involved in vessel ownership and chartering, property development, and workers' dormitory operation businesses. King Wan Corporation Limited was founded in 1977 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=554)

1. As disclosed in the Business Review (pages 13 to 15 of the annual report), the group's M&E segment has been operating in the building and construction industry in Singapore for more than 40 years and provides a full suite of multi-disciplined engineering services, such as the design and installation of plumbing and sanitary systems, air-conditioning and mechanical ventilation systems, electrical systems, fire protection and alarm systems, communications and security systems.

(i) Does management have an estimate of its local market share in the Plumbing and Sanitary segment and in the Electrical Engineering segment?

For 2018, the M&E segment once again contributed positively to the group. The M&E engineering order book now stands at \$174.8 million as at end May 2018.

(ii) Given the stiff competition on new projects and the continuous pressure on contract values, how does management ensure that contracts won provide sufficient profit margin that lead to value creation for shareholders?

(iii) As seen in the Consolidated statement of profit or loss and other comprehensive income (page 62), the cost of sales amounted to \$65.3 million in 2018 (2017: \$78.0 million) with no further breakdown provided. Can management provide shareholders with a detailed breakdown of the group's cost of sales?

(iv) Even though revenue from the portable lavatories segment remained stable at about \$2.3 million, the segment loss increased from \$(717,638) to \$(1,097,551). As disclosed, the segment has been a core service for the group for more than 20 years. What are the specific reasons for the huge losses in the past two years? What are management's plans to reverse the losses?

2. In the group's investment portfolio, the results have been mixed. In recent years, the group has ventured into the following investments with mixed/limited success:

- Vessel ownership and chartering (Supramax bulk carrier – “Hai Jin”)
- Property development, specifically Dalian
- Workers' dormitory (9,180 bed Tuas South Dormitory)

For instance, the carrying amounts of advances to the Dalian Shicheng Property Development (S) Pte Ltd Group, other associates related to the Dalian project, Nexus Point (for the Tuas dormitory) and Gold Hyacinth (for the vessel) have been written down by more than \$(28.7) million, \$(1.1) million, \$(7.4) million and \$(1.2) million respectively.

(i) Does the group have a robust and prudent framework to assess and value its investment opportunities?

(ii) What is the level of involvement by the independent directors in the review and approval of major investments?

(iii) Given the mixed results in the major investments in recent years, would the board consider it necessary to carry out a strategic review of the

performance of the group's investment portfolio before making any new investments?

- (iv) Would the board also consider focusing on the core M&E segment and return excess capital to shareholders if capital cannot be profitably re-invested in the M&E segment?**

3. As seen in the profile of the board of directors, two of the three independent directors, namely Mr Goh Chee Wee and Mr Lim Hock Beng were first appointed to the board on 9 November 2000 and 22 June 2001 respectively.

As such, Mr Goh and Mr Lim have served on the board for more than 17 years 8 months and more than 17 years respectively.

The nominating committee (NC) comprises Goh Chee Wee (as chairman), Lim Hock Beng and Chua Kim Hua.

- (i) Given that both long tenured independent directors are in the NC, and the other NC member is the executive chairman, how effective is the NC in carrying out its role of the annual review of the independence of directors?**
- (ii) Can the NC confirm that no director was involved in the review of his own independence?**
- (iii) Notwithstanding that the board has determined that both Mr. Lim Hock Beng and Mr. Goh Chee Wee shall continue to be considered as Independent Directors, and with the appointment of Siraarpa Siriviriyakul as independent director on 2 October 2017, what are the board's other near-term plans to refresh the board membership progressively and in an orderly manner to avoid losing institutional memory?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2016 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=7

The company's response could be found here: -----