



**Securities Investors Association (Singapore)**

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UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** King Wan Corporation Limited

**Stock code:** 554

**Meeting details:**

Date: 29 July 2022

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

**Q1.** The title of the 2022 annual report is “Transformation taking flight”. In the corporate profile, the company highlights that it has, over the past four decades, grown from strength to strength to expand beyond its core businesses, and successfully ignited new growth engines to propel the group for greater shareholders’ value.

The executive chairman, Mr. Chua Kim Hua, was re-designated as the non-executive chairman with effect from 1 July 2022.

- (i) **With Mr. Chua Kim Hua stepping back into a non-executive role, how will his executive responsibilities be redistributed to the other executives?**
- (ii) **What is the depth of the group’s leadership bench strength in the core functions of the group, such as engineering, operations, project management, safety, etc?**
- (iii) **In particular, has the group been able to recruit and retain younger talents in the mechanical & electrical (“M&E”) engineering services segment who then can be groomed to fill key leadership positions in the future?**

In the company’s response to SIAS’ queries<sup>1</sup> on the annual report for FY2020, management stressed that the group has more than 40 years’ experience in M&E engineering services with proven track records of various project completion ranging from residential to complex mixed development.

However, despite the group’s “*good reputation*” and “*experienced employees*” which allowed the group to secure a good stream of projects, the group faced challenges such as high labour cost, reduced profit margin, loss allowance on trade receivables.

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<sup>1</sup>[https://links.sgx.com/FileOpen/King%20Wan\\_Response%20to%20Questions%20from%20SIAS\\_Final.ashx?App=Announcement&FileID=633108](https://links.sgx.com/FileOpen/King%20Wan_Response%20to%20Questions%20from%20SIAS_Final.ashx?App=Announcement&FileID=633108)

The group's segmental profit/(loss), return on total assets employed, total group revenue and (loss)/profit attributable to owners of the company in the past years are shown below:

	Plumbing and sanitary (\$'000)	Electrical (\$'000)	Return on Total Assets Employed (%)	Total revenue (\$million)	(Loss)/profit attributable to owners of the company (\$million)
FY2010	2,937	(177)	9.6	70.5	9.5
FY2011	1,379	2,817	14.4	70.4	14.5
FY2012	3,540	4,258	13.1	57.2	14.0
FY2013	4,601	2,232	5.6	66.3	7.1
FY2014	3,433	2,918	5.0	95.4	6.7
FY2015	3,641	507	10.5	85.2	17.1
FY2016	8,706	1,858	(11.7)	100.8	(17.9)
FY2017	4,511	4,694	0.8	91.9	1.0
FY2018	4,016	700	(3.8)	81.8	(4.8)
FY2019	3,680	(396)	1.9	79.3	2.4
FY2020	5,282	(1,374)	0.4	72.4	0.4
FY2021	(110)	(2,219)	(1.3)	45.9	(1.5)
FY2022	1,506	(621)	0.5	77.2	0.6

(Compiled from company annual reports; emphasis added)

As shown in the table above, the group's performance in the electrical segment has been relatively weak since FY2018, with the segment reporting large segment losses in the past 4 years. The segment losses add up to \$(3.9) million between FY18 to FY22.

- (iv) **What are the challenges e.g., manpower-related, technology-related in the electrical segment that eroded the group's profitability in the past 4-5 years? Has the group leveraged on new technology/productivity tools?**
- (v) **Is management sufficiently focused on profitability in the electrical segment instead of securing new projects for additional revenue?**
- (vi) **Are the right incentive systems in place to drive efficiency and productivity to achieve profitability and value creation instead of pursuing revenue growth and market share?**

At the group level, from 2010 to 2015, the average return on total assets employed was 9.7%. In the next 7 years from 2016 to 2022, the average return on total assets employed fell to negative (1.9)%. Total losses from 2016 to 2022 add up to \$(19.8) million.

- (vii) **What are the reasons for the significant drop in return on total assets employed in the past 5-7 years?**
- (viii) **Has the group maintained its competitiveness given that the company has four decades of industry-related experience?**
- (ix) **For the benefit of shareholders, can management identify the key value drivers and present to shareholders its roadmap to improve the group's profitability in the three operating segments?**

**Q2.** Would the board/management provide shareholders greater clarity on the following operational and financial matters? Specifically:

- (i) **Manpower: How badly affected is the group by the manpower shortage in Singapore? What are management's plans to mitigate the manpower shortage and the increasing labour costs?**
- (ii) **Order book: As at 31 March 2022, the group's order book stood at \$199.9 million. In FY2021 and FY2020, the order books were \$156.9 million and \$181.0 million respectively. How much of the group's pre-pandemic order book has yet to be completed? Given the uncertainty in manpower costs and raw material prices, how has management factored in these uncertainties in the new contracts?**
- (iii) **Call on performance bond: When is the final resolution of the injunction application expected? As noted in the company's announcement dated 3 June 2022, the group is claiming work done under contract of \$0.5 million from Laguna Hotel Holdings Pte Ltd (LHH), in addition to the retention monies of \$0.6 million withheld by LHH. What are management's efforts to collect the outstanding monies from LHH? Have these amounts been provided for or impaired in the financial statements?**
- (iv) **Dormitory: What is the occupancy rate of the Tuas South Dormitory? Given that Nexus Point Investments Pte. Ltd is in net liabilities position of \$(33.4) million, what are the chances that the group will be able to recover any/part of its investment? The current carrying amount of this investment is \$0.**

- (v) **Vessel:** Similarly, Gold Hyacinth Development Pte. Ltd. (“GHD”) is in a net liabilities position of \$(7.7) million and the current carrying amount of this investment is also \$0. **With charter rates increasing from July 2022 as a result of an improvement in demand for dry bulk commodities, would management be looking to monetise its 30% stake in GHD? What are management’s plans to recover the advances to GHD (gross amount of \$4.4 million before allowance)?**
- (vi) **Green solutions & products:** Can management elaborate further on the total addressable market of King Wan Eco Solutions Pte. Ltd. (“KWES”) and the distribution of sustainable, eco-friendly and affordable packaging (sugarcane bagasse based) products in Singapore? What is the group’s competitive advantage in the distribution of green products?

**Q3.** On 3 February 2022, the company announced the appointment of Mr. Chua Yong Bin as the chief risk and strategy officer of the company. Mr. Chua Yong Bin is the son of Mr Chua Hai Kuey (executive director), nephew of Mr Chua Kim Hua (chairman) and cousin of Ms Chua Eng Eng (managing director). As noted in the SGX announcement<sup>2</sup>, Mr. Chua Yong Bin is also the director and co-founder of OLPN Private Limited.

- (i) **Can the director/nominating committee (NC) help shareholders better understand if Mr. Chua Yong Bin is committing full-time to the role? How much of his time will be spent on OLPN Private Limited?**
- (ii) **Can the board/NC help shareholders understand if the role of the chief risk & strategy officer is a newly created appointment for Mr. Chua Yong Bin? Prior to his appointment, how was the risk assessment for the group carried out?**

In addition, the SGX announcement template requires the company to disclose the selection criteria and the search and nomination process.

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<sup>2</sup> <https://links.sgx.com/1.0.0/corporate-announcements/58T1GPHLECYNRE60/38c337f573c078bf8ba973765895bc2e7e9f978848d801b0432ee1998c7cf366>

## CHANGE - ANNOUNCEMENT OF APPOINTMENT::APPOINTMENT OF CHIEF RISK & STRATEGY OFFICER

Date & Time of Broadcast  
03-Feb-2022 17:55:15

Status  
New

Announcement Sub Title  
APPOINTMENT OF CHIEF RISK & STRATEGY OFFICER

Announcement Reference  
SG220203OTHR64XJ

Submitted By (Co./ Ind. Name)  
CHUA ENG ENG

Designation  
MANAGING DIRECTOR

Description (Please provide a detailed description of the event in the box below)  
Appointment of Mr Chua Yong Bin as the Company's Chief Risk & Strategy Officer

### Additional Details

Date Of Appointment  
04/02/2022

Name Of Person  
Chua Yong Bin

Age  
36

Country Of Principal Residence  
Singapore

The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)

The Board of Directors of the Company has reviewed and considered Mr Chua Yong Bin's professional qualification, educational background and his working experience and is of the opinion that he is suitable for the role of the Chief Risk & Strategy Officer of the Company.

Whether appointment is executive, and if so, the area of responsibility

Executive. Mr Chua Yong Bin will be responsible for overseeing the strategy planning, business development and information technology.

(Source: company announcement dated 3 February 2022; emphasis added)

- (iii) **Can the company/NC disclose the selection criteria and the search and nomination process as required in the SGX announcement template? How many candidates were shortlisted and interviewed?**
- (iv) Separately, the company is seeking shareholders' approval for directors' fees of \$272,000 for the financial year ending 31 March 2023, an increase of close to 60% from the approved amount of \$172,000 for FY2022. **Given the current challenging operating environment and difficult market conditions, can the board help shareholders understand the reasons for the increase?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

**Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.**

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)