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Issuer: King Wan Corporation Limited

Stock code: 554

Meeting details:

Date: 31 Jul 2024

Time: 10.00 a.m.

Venue: 8 Sungei Kadut Loop Singapore 729455

Q1. On 30 May 2024, the company announced the cessation of Mr Chua Kim Hua as chairman of the board with effect from 30 June 2024 and that Dr Teo Ho Pin would be appointed as the new independent chairman of the board with effect from 1 July 2024¹.

- (i) **Can the board, especially the nominating committee (NC), help shareholders better understand the search and nomination process for the position of the chairman of the board? What criteria was used by the NC in shortlisting and selecting the new chairman?**

As noted in the message to shareholders in the annual report, Mr Chua Kim Hua has led the group with vision, dedication and leadership for over 40 years. He will pass the baton to the new chairman who will lead the group into the next phase of growth and transformation.

- (ii) **Can the new chairman detail his experience in mechanical and electrical engineering services within the build and construction industry? How does he plan to lead the group into its next phase of growth and transformation?**
- (iii) **Under the leadership of the new chairman, will the group undertake a comprehensive review of its competitive advantages and identify new growth drivers within its core businesses?**

Despite the group's nearly 50-year legacy, its recent financial performance has been mixed at best. As at 31 March 2024, equity attributable to owners of the company stood at \$70.1 million, after a strong rebound in FY2024 and \$7 million raised through a rights issue in FY2022. A decade ago, as at 31 March 2015, the group's equity was \$98.2 million.

As at 31 March 2024, the investment revaluation reserve was recorded at \$(29.0) million. Notably, \$31 million in advances to the Dalian associate has been fully impaired. Overall, the gross profit margin for the works completed in FY2024 was 1.4%.

- (iv) **Can the chairman provide shareholders with greater clarity on the group's strategic focus for the group going forward? How will the board be finetuning the capital allocation strategy, especially with regard to investments?**
- (v) **How does the chairman plan to address and resolve the significant impairment related to the Dalian associate? What strategic actions will be taken to recover and potentially reallocate the capital tied up in the struggling Chinese real estate sector to more profitable ventures?**

¹

https://links.sgx.com/FileOpen/King%20Wan%20Corporation%20Limited_Change%20in%20the%20Chairman%20of%20the%20Board.ashx?App=Announcement&FileID=805276



- (vi) **What step is the board taking to reassess and streamline the group's investment portfolio, particularly regarding non-controlling stakes in non-core and non-synergistic investments such as vessel ownership, KTIS, and Liberty Plaza?**

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

- (i) **Projects:** The group successfully secured projects during the year, including public housing developments located at Ang Mo Kio, Jurong East, Punggol North, Queensway, Ulu Pandan and Yishun and an industrial building at Jalan Besut. As at 31 March 2024, the group's order book stood at \$134.1 million. Gross profit margin for the works completed in FY2024 was 1.4%. **What strategies are in place to ensure these projects provide adequate profit margins in the face of escalating inflation and rising manpower costs?**
- (ii) **Sustainability:** Can management elaborate on the innovative and eco-friendly services and products introduced in the M&E segment? How is management evolving the group to meet higher standards for sustainable solutions and products?
- (iii) **Vessel ownership and chartering:** The group experienced an increase in the charter rate of the bulk carrier, Crown 58 'Supramax' Bulk Carrier named "Hai Jin", due to higher demand. Despite the increase in charter rate, the \$1.5 million in allowance on the advances to Gold Hyacinth in previous years was not reversed. The carrier has a deadweight of 58,000 tons and a net tonnage of 19,582 tons. **Has management explored options to monetise its 30% stake in Gold Hyacinth Development Pte Ltd, which owns and operates the 2013-built carrier?**
- (iv) **Workers' Dormitory:** During the financial year, the group equity accounted and recognised a share of profit of \$19.6 million, of which \$19.5 million arose from the investment in Nexus, which operates a workers' dormitory in Singapore. As disclosed in Note 15 to the financial statements, Nexus's profit for the financial year increased to approximately \$107,614,000. The group has reversed the loss allowance recognised on the advances to Nexus in prior years. **When does management anticipate dividend distributions from this investment?**

Q3. The company last paid a dividend in 2016, amounting to \$0.005 per share. No dividend has been recommended for FY2024 to preserve the group's working capital and prioritise for use in the group's operations, especially given the challenging economic outlook with increasing construction and financing costs.

- (i) **Can the board provide a detailed overview of the discussions and considerations that led to the decision not to declare a dividend for FY2024? What specific financial metrics and strategic priorities were evaluated in making this decision?**
- (ii) **Has the board reviewed the group's profitability and its ability to generate long-term value for shareholders, including the ability to create sustainable profits and generate the needed cash flow to deliver steady returns to its capital providers in the form of regular dividends?**

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

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