

KHONG GUAN LIMITED
(Company registration number: 196000096G)
AND ITS SUBSIDIARIES

CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS AND FULL YEAR ENDED 31 JULY 2023

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A CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

GROUP							
		6 months ended		12 months ended		Increase/ (Decrease) %	
		31 July	31 July	31 July	31 July		
		2023	2022	2023	2022		
Note		\$'000	\$'000	\$'000	\$'000		
	Revenue	34,376	36,656	71,916	69,686	3	
	Dividend income	30	25	42	37	14	
	Other net changes in fair value on financial assets at fair value through profit or loss	11	(122)	16	57	(172)	NM
	Other income	5.2	428	383	867	709	22
	Changes in inventories	1,469	3,965	(621)	2,109	NM	
	Purchases of inventories	(32,415)	(36,223)	(64,299)	(64,094)	-	
	Employee benefits expense	(2,021)	(1,964)	(3,936)	(3,857)	2	
	Depreciation and amortisation expenses						
	- property, plant and equipment	(259)	(264)	(511)	(516)	(1)	
	- right-of-use assets	(67)	(71)	(137)	(144)	(5)	
	- investment property	(101)	(101)	(202)	(202)	-	
	Share of results of associates, net of tax	(228)	282	74	420	(82)	
	Finance costs	(4)	(3)	(7)	(7)	-	
	Other expenses	(1,486)	(1,402)	(2,757)	(2,548)	8	
	(Loss)/Profit before tax	(400)	1,299	486	1,421		
	Income tax expense	6	(179)	(484)	(542)	(770)	
	(Loss)/Profit for the financial period	(579)	815	(56)	651		
	(Loss)/Profit for the financial period attributable to :						
	Equity holders of the Company	(685)	638	(286)	371		
	Non-controlling interests	106	177	230	280		
		(579)	815	(56)	651		
	Earnings per share for (loss)/profit attributable to equity holders of the Company [in cents]						
	Basic and diluted	(2.65)	2.47	(1.11)	1.44		
	NM - Not meaningful						

A CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – cont'd

	GROUP				Increase/ (Decrease) %
	6 months ended		12 months ended		
	31 July	31 July	31 July	31 July	
	2023	2022	2023	2022	
	\$'000	\$'000	\$'000	\$'000	
(Loss)/Profit for the financial period	(579)	815	(56)	651	
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Share of associate's capital reserve on financial assets at fair value through other comprehensive income ("FVOCI")	<u>(8)</u>	<u>(23)</u>	<u>(2)</u>	<u>(23)</u>	(91)
	<u>(8)</u>	<u>(23)</u>	<u>(2)</u>	<u>(23)</u>	
Items that may be reclassified subsequently to profit or loss:					
Translation differences relating to financial statements of foreign operations	<u>(1,993)</u>	<u>(1,666)</u>	<u>(2,100)</u>	<u>(1,349)</u>	56
	<u>(1,993)</u>	<u>(1,666)</u>	<u>(2,100)</u>	<u>(1,349)</u>	
Other comprehensive income, net of tax	<u>(2,001)</u>	<u>(1,689)</u>	<u>(2,102)</u>	<u>(1,372)</u>	53
Total comprehensive income for the financial period	<u><u>(2,580)</u></u>	<u><u>(874)</u></u>	<u><u>(2,158)</u></u>	<u><u>(721)</u></u>	
Total comprehensive income attributable to:					
Equity holders of the Company	(2,555)	(944)	(2,251)	(914)	
Non-controlling interests	<u>(25)</u>	<u>70</u>	<u>93</u>	<u>193</u>	
	<u><u>(2,580)</u></u>	<u><u>(874)</u></u>	<u><u>(2,158)</u></u>	<u><u>(721)</u></u>	

B CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	GROUP		Increase/ (Decrease) %	COMPANY	
		31 July 2023 \$'000	31 July 2022 \$'000		31 July 2023 \$'000	31 July 2022 \$'000
ASSETS AND LIABILITIES						
Non-Current Assets						
Property, plant and equipment		3,851	4,156	(7)	625	586
Right-of-use assets		1,968	2,057	(4)	-	-
Investment property	9	12,998	13,200	(2)	12,998	13,200
Investments in subsidiaries		-	-	-	18,287	18,287
Investments in associates	10	20,067	21,408	(6)	1,500	1,500
Financial assets at fair value through other comprehensive income		246	260	(5)	-	-
Deferred tax assets		28	-	NM	-	-
		39,158	41,081		33,410	33,573
Current Assets						
Inventories	*	7,892	8,971	(12)	-	-
Short-term investments	11	1,787	1,737	3	-	-
Trade receivables	12	11,299	12,370	(9)	451	419
Other receivables		262	227	15	102	104
Tax recoverable		136	5	2,620	-	-
Amounts owing by a subsidiary		-	-	-	148	265
Amounts owing by associate		750	315	138	750	315
Fixed deposits		1,773	2,184	(19)	1,773	2,184
Cash and bank balances		3,743	4,137	(10)	1,356	1,213
		27,642	29,946		4,580	4,500
Less: Current Liabilities						
Trade payables	*	7,133	8,322	(14)	347	254
Other payables	*	1,323	1,510	(12)	400	406
Amounts owing to a subsidiary		-	-	-	400	-
Lease liabilities		57	38	50	-	-
Current income tax liabilities		-	109	(100)	-	-
		8,513	9,979		1,147	660
Net Current Assets		19,129	19,967		3,433	3,840
Less: Non-Current Liabilities						
Lease liabilities		89	17	424	-	-
Provision for retirement benefits		230	211	9	230	211
Deferred tax liabilities		71	86	(17)	-	-
		390	314		230	211
Net Assets		57,897	60,734		36,613	37,202
EQUITY						
Share capital	13	33,279	33,279		33,279	33,279
Capital reserve		282	284		-	-
Foreign currency translation reserve		(2,934)	(971)		-	-
Retained profits		24,791	25,593		3,334	3,923
Attributable to equity holders						
of the Company		55,418	58,185		36,613	37,202
Non-controlling interests		2,479	2,549		-	-
Total Equity		57,897	60,734		36,613	37,202

* refer to Other information required by Listing Rule Appendix 7.2 item 12

C CONDENSED STATEMENTS OF CHANGES IN EQUITY

GROUP	Share capital \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Retained profits \$'000	Total attributable to equity holders of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
2023							
At 1 August 2022	33,279	284	(971)	25,593	58,185	2,549	60,734
(Loss)/Profit for the financial year	-	-	-	(286)	(286)	230	(56)
Other comprehensive income for the financial year	-	(2)	(1,963)	-	(1,965)	(137)	(2,102)
Total comprehensive income for the financial year	-	(2)	(1,963)	(286)	(2,251)	93	(2,158)
Dividends paid by							
- the Company	-	-	-	(516)	(516)	-	(516)
- subsidiaries to non-controlling interests	-	-	-	-	-	(163)	(163)
At 31 July 2023	33,279	282	(2,934)	24,791	55,418	2,479	57,897
2022							
At 1 August 2021	33,279	307	291	25,738	59,615	2,542	62,157
Profit for the financial year	-	-	-	371	371	280	651
Other comprehensive income for the financial year	-	(23)	(1,262)	-	(1,285)	(87)	(1,372)
Total comprehensive income for the financial year	-	(23)	(1,262)	371	(914)	193	(721)
Dividends paid by							
- the Company	-	-	-	(516)	(516)	-	(516)
- subsidiaries to non-controlling interests	-	-	-	-	-	(186)	(186)
At 31 July 2022	33,279	284	(971)	25,593	58,185	2,549	60,734

C CONDENSED STATEMENTS OF CHANGES IN EQUITY – cont'd

COMPANY	Note	Share capital \$'000	Retained profits \$'000	Total equity \$'000
2023				
At 1 August 2022		33,279	3,923	37,202
Loss for the financial year		-	(73)	(73)
Other comprehensive income for the financial year		-	-	-
Total comprehensive income for the financial year		-	(73)	(73)
Dividend paid	7	-	(516)	(516)
At 31 July 2023		33,279	3,334	36,613
2022				
At 1 August 2021		33,279	4,399	37,678
Profit for the financial year		-	40	40
Other comprehensive income for the financial year		-	-	-
Total comprehensive income for the financial year		-	40	40
Dividend paid	7	-	(516)	(516)
At 31 July 2022		33,279	3,923	37,202

D CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	12 months ended	
	31 July	31 July
	2023	2022
	\$'000	\$'000
Cash flows from operating activities :		
Profit before tax	486	1,421
Adjustments for non-cash and other items :		
Allowance on impairment of trade receivables	195	71
Depreciation and amortisation expenses	850	862
Fair value (gain)/loss on short-term investments	(57)	172
Gain on disposal of property, plant and equipment	(31)	(17)
Inventory written off	68	110
Interest expense	7	7
Interest income	(109)	(37)
Provision for retirement benefits	19	21
Reversal of allowance on impairment of trade receivables	(36)	(60)
Share of results of associates, net of tax	(74)	(420)
	832	709
Operating profit before working capital changes	1,318	2,130
Decrease/(Increase) in short-term investments	7	(118)
Decrease/(Increase) in inventories	553	(2,219)
Decrease/(Increase) in trade and other receivables	115	(3,234)
(Decrease)/Increase in trade and other payables	(919)	4,250
	(244)	(1,321)
Cash generated from operations	1,074	809
Income tax paid	(689)	(694)
Interest received	109	37
Payment of retirement benefits	-	(100)
	(580)	(757)
Net cash generated from operating activities	494	52

D CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – cont'd

	GROUP	
	12 months ended	
	31 July	31 July
	2023	2022
	\$'000	\$'000
Cash flows from investing activities :		
Purchases of property, plant and equipment	(417)	(262)
Proceeds from disposal of property, plant and equipment	70	17
Loan to an associate	(435)	(315)
Dividend received from an associate	333	347
Net cash used in investing activities	<u>(449)</u>	<u>(213)</u>
	45	(161)
Cash flows from financing activities :		
Dividend paid by the Company	(516)	(516)
Dividends paid by subsidiaries to non-controlling interests	(163)	(186)
Repayment of lease liabilities	(59)	(62)
Lease liabilities interest paid	(7)	(7)
Net cash used in financing activities	<u>(745)</u>	<u>(771)</u>
Net decrease in cash and cash equivalents	(700)	(932)
Cash and cash equivalents at beginning of the financial year	6,321	7,316
Effects of currency translations on cash and cash equivalents	(105)	(63)
Cash and cash equivalents at end of the financial year	<u><u>5,516</u></u>	<u><u>6,321</u></u>

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The condensed financial statements for the six months ended 31 July 2023 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last interim financial statements for the period ended 31 January 2023.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 1.1.

The condensed financial statements are presented in Singapore dollar which is the Company's functional currency.

1.1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

1.2 USE OF JUDGEMENTS AND ESTIMATES

In preparing the condensed financial statements, the management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the financial year ended 31 July 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements include the following:

Note 12 - Allowance on impairment of trade receivables

2 SEASONAL OPERATIONS

The Group's business was not affected significantly by seasonal or cyclical factors during the financial period.

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – cont'd

3 SEGMENT AND REVENUE INFORMATION

The Group is organised into the following main business segments:

- a) Segment 1: Trading of wheat flour and consumer goods in Singapore and Malaysia
- b) Segment 2: Investment trading – trading of shares listed in Singapore and Malaysia; and
- c) Segment 3: Investment holding – holding of shares in Singapore and Malaysia for dividend income

These operating segments are reported in a manner consistent with internal reporting provided to the management who are responsible for allocating resources and assessing performance of the operating segments.

3.1 Reportable segments

	GROUP			
	Segment 1 \$'000	Segment 2 \$'000	Segment 3 \$'000	Consolidated \$'000
1 August 2022 to 31 July 2023				
Total segment revenue	71,970	-	-	71,970
Inter-segment revenue	(54)	-	-	(54)
Revenue from external parties	71,916	-	-	71,916
Dividend income	-	-	42	42
Interest income	109	-	-	109
Miscellaneous income	756	2	-	758
Total other income	865	2	42	909
Total revenue and other income	72,781	2	42	72,825
Results				
Profit/(Loss) before interest, taxation and depreciation and amortisation	1,340	(204)	24	1,160
Depreciation and amortisation	(806)	(44)	-	(850)
Operating profit/(loss)	534	(248)	24	310
Interest expense				(7)
Interest income				109
Share of results of associates, net of tax				74
Taxation				(542)
Loss after tax				(56)

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – cont'd

3 SEGMENT AND REVENUE INFORMATION – cont'd

3.1 Reportable segments – cont'd

	GROUP			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
1 August 2022 to 31 July 2023 – cont'd				
Assets and Liabilities				
Segments assets	43,984	2,198	320	46,502
Associates				20,067
Unallocated assets				231
				<u>66,800</u>
Segments liabilities	8,519	31	7	8,557
Unallocated liabilities				346
				<u>8,903</u>
Other segments information				
Expenditure for non-current assets	417	-	-	417
Other non-cash items				
Allowance on impairment of trade receivables	195	-	-	195
Reversal of allowance on impairment of trade receivables	(36)	-	-	(36)
Inventory written off	68	-	-	68
Foreign exchange loss	124	-	-	124
1 August 2021 to 31 July 2022				
Total segment revenue	69,705	-	-	69,705
Inter-segment revenue	(19)	-	-	(19)
Revenue from external parties	69,686	-	-	69,686
Dividend income	-	-	37	37
Interest income	37	-	-	37
Miscellaneous income	670	2	-	672
Total other income	707	2	37	746
Total revenue and other income	70,393	2	37	70,432

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – cont'd

3 SEGMENT AND REVENUE INFORMATION – cont'd

3.1 Reportable segments – cont'd

	GROUP			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
1 August 2021 to 31 July 2022 – cont'd				
Results				
Profit/(Loss) before interest, taxation and depreciation and amortisation	2,270	(458)	21	1,833
Depreciation and amortisation	(818)	(44)	-	(862)
Operating profit/(loss)	<u>1,452</u>	<u>(502)</u>	<u>21</u>	<u>971</u>
Interest expense				(7)
Interest income				37
Share of results of associates, net of tax				420
Taxation				<u>(770)</u>
Profit after tax				<u>651</u>
Assets and Liabilities				
Segments assets	<u>46,300</u>	<u>2,906</u>	<u>334</u>	<u>49,540</u>
Associates				21,408
Unallocated assets				<u>79</u>
				<u>71,027</u>
Segments liabilities	<u>9,653</u>	<u>31</u>	<u>5</u>	<u>9,689</u>
Unallocated liabilities				<u>604</u>
				<u>10,293</u>
Other segments information				
Expenditure for non-current assets	262	-	-	262
Other non-cash items				
Allowance on impairment of trade receivables	71	-	-	71
Reversal of allowance on impairment of trade receivables	(60)	-	-	(60)
Inventory written off	110	-	-	110
Foreign exchange loss	<u>91</u>	<u>-</u>	<u>-</u>	<u>91</u>

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – cont'd

3 SEGMENT AND REVENUE INFORMATION – cont'd

3.2 Disaggregation of Revenue

	GROUP			
	6 months ended 31 July 2023			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
Types of goods:				
Sales of goods	34,376	-	-	34,376
Timing of revenue recognition:				
At a point in time	34,376	-	-	34,376
Geographical information:				
Singapore	921	-	-	921
Malaysia	33,455	-	-	33,455
	34,376	-	-	34,376

	GROUP			
	6 months ended 31 July 2022			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
Types of goods:				
Sales of goods	36,656	-	-	36,656
Timing of revenue recognition:				
At a point in time	36,656	-	-	36,656
Geographical information:				
Singapore	753	-	-	753
Malaysia	35,903	-	-	35,903
	36,656	-	-	36,656

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – cont'd

3 SEGMENT AND REVENUE INFORMATION – cont'd

3.2 Disaggregation of Revenue – cont'd

	GROUP			
	12 months ended 31 July 2023			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
Types of goods:				
Sales of goods	71,916	-	-	71,916
Timing of revenue recognition:				
At a point in time	71,916	-	-	71,916
Geographical information:				
Singapore	1,977	-	-	1,977
Malaysia	69,939	-	-	69,939
	71,916	-	-	71,916

	GROUP			
	12 months ended 31 July 2022			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
Types of goods:				
Sales of goods	69,686	-	-	69,686
Timing of revenue recognition:				
At a point in time	69,686	-	-	69,686
Geographical information:				
Singapore	1,514	-	-	1,514
Malaysia	68,172	-	-	68,172
	69,686	-	-	69,686

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – cont'd

3 SEGMENT AND REVENUE INFORMATION – cont'd

3.2 Disaggregation of Revenue – cont'd

A breakdown of sales:

	GROUP		Increase/ (Decrease) %
	12 months ended		
	31 July 2023 \$'000	31 July 2022 \$'000	
Sales reported for the first half year	37,540	33,030	14
Operating profit/(loss) after tax before deducting non-controlling interests reported for the first half year	523	(164)	NM
Sales reported for the second half year	34,376	36,656	(6)
Operating (loss)/profit after tax before deducting non-controlling interests reported for the second half year	(579)	815	NM

4 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of the financial assets and liabilities of the Group as at 31 July 2023 and 31 July 2022:

	GROUP		COMPANY	
	31 July 2023 \$'000	31 July 2022 \$'000	31 July 2023 \$'000	31 July 2022 \$'000
Financial Assets				
Financial assets at fair value through profit or loss ("FVPL")	1,787	1,737	-	-
Financial assets at FVOCI	246	260	-	-
Cash and bank balances and fixed deposits and trade and other receivables and amounts owing by associate and amounts owing by a subsidiary (Amortised cost)	<u>17,723</u>	<u>19,126</u>	<u>4,501</u>	<u>4,418</u>
	<u>19,756</u>	<u>21,123</u>	<u>4,501</u>	<u>4,418</u>
Financial Liabilities				
Trade and other payables and lease liabilities	<u>8,593</u>	<u>9,887</u>	<u>1,138</u>	<u>660</u>

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – cont'd

5 PROFIT BEFORE TAXATION

5.1 Significant items

	GROUP			
	6 months ended		12 months ended	
	31 July	31 July	31 July	31 July
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Expenses				
Interest on leases	4	3	7	7
Depreciation and amortisation	427	436	850	862
Allowance on impairment of trade receivables	195	71	195	71
Bad debts written off	-	-	-	-
Inventory written off	28	47	68	110
Property, plant and equipment written off	-	-	-	-
Foreign exchange loss	115	109	124	91

5.2 Other income

	GROUP			
	6 months ended		12 months ended	
	31 July	31 July	31 July	31 July
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Rental income	266	271	537	499
Government grant	4	2	5	4
Interest income	57	21	109	37
Reversal of allowance on impairment of trade receivables	24	60	36	60
Gain on disposal of property, plant and equipment	23	17	31	17
Foreign exchange gain	-	(18)	-	-
Others	54	30	149	92
	<u>428</u>	<u>383</u>	<u>867</u>	<u>709</u>

5.3 Related party transactions

In addition to the related party information disclosed elsewhere in the condensed financial statements, the following transactions with related parties took place at term agreed between the parties during the financial year:

	GROUP		COMPANY	
	12 months ended		12 months ended	
	31 July	31 July	31 July	31 July
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Purchases from				
- Associates	13,856	11,311	1,817	1,320
- Related parties	7,653	7,401	10	13
	<u>21,509</u>	<u>18,712</u>	<u>1,827</u>	<u>1,333</u>

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – cont'd**6 INCOME TAX EXPENSE**

	GROUP			
	6 months ended		12 months ended	
	31 July	31 July	31 July	31 July
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Current taxation				
- Malaysian tax	223	460	584	745
- tax deducted at source	1	1	2	2
Deferred taxation	(36)	24	(36)	24
Overprovision for taxation in prior years	(9)	(1)	(8)	(1)
	<u>179</u>	<u>484</u>	<u>542</u>	<u>770</u>

7 DIVIDEND

	GROUP AND COMPANY	
	12 months ended	
	31 July	31 July
	2023	2022
	\$'000	\$'000
Ordinary dividend paid:		
Final tax exempt one-tier dividend of \$0.02 per ordinary share (2022: Final tax exempt one-tier dividend of \$0.02 per ordinary share)	<u>516</u>	<u>516</u>

8 NET ASSET VALUE

	GROUP		COMPANY	
	31 July	31 July	31 July	31 July
	2023	2022	2023	2022
	\$	\$	\$	\$
Net asset value per ordinary share	<u>2.15</u>	<u>2.25</u>	<u>1.42</u>	<u>1.44</u>

9 INVESTMENT PROPERTY

The Company's investment property held for long-term rental yields and/or capital appreciation and are not substantially occupied by the Company. Investment property are leased to third parties under operating leases.

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – cont'd

9 INVESTMENT PROPERTY – cont'd

	GROUP AND COMPANY	
	31 July 2023 \$'000	31 July 2022 \$'000
Cost		
Balance at beginning and end of financial year	<u>13,974</u>	<u>13,974</u>
Accumulated Depreciation		
Balance at beginning of financial year	774	572
Charge for the financial year	<u>202</u>	<u>202</u>
Balance at end of financial year	<u>976</u>	<u>774</u>
Carrying Amount		
As at 31 July	<u>12,998</u>	<u>13,200</u>
Fair Value		
As at 31 July	<u>23,000</u>	<u>21,000</u>

9.1 Valuation

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment property every five year or when necessary.

The fair value of the Group's investment property is determined based on significant unobservable inputs and is categorized under Level 3 of the fair value measurement hierarchy. Level 3 fair value has been derived using the market value approach where the valuation is based on the highest value at which the sale interest in property might reasonably be expected at the date of valuation.

The Company's investment property was appraised on 31 July 2023 by an independent valuer, Edmund Tie & Company (SEA) Pte Ltd at a fair value of \$23,000,000.

10 INVESTMENTS IN ASSOCIATES

	GROUP	
	31 July 2023 \$'000	31 July 2022 \$'000
Unquoted equity investment, at cost		
Balance at end of financial year	13,535	13,535
Share of post-acquisition reserves	14,366	14,625
Share of capital reserve	53	55
Foreign currency translation reserve	<u>(7,887)</u>	<u>(6,807)</u>
	<u>20,067</u>	<u>21,408</u>

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – cont'd

10 INVESTMENTS IN ASSOCIATES – cont'd

Movements for share of post-acquisition reserves:

	GROUP	
	31 July 2023 \$'000	31 July 2022 \$'000
Balance at beginning of financial year	14,625	14,552
Share of results	74	420
Dividend received	(333)	(347)
Balance at end of financial year	14,366	14,625

Details of the associates as at 31 July 2023 and 31 July 2022 are as follows:

Name of company	Principal activities	Place of incorporation/ business	Percentage of equity held %
<u>Held by the Company</u>			
SGProtein Pte. Ltd.	Manufacturing of plant-based protein products and research and experimental development on food science.	Singapore	30.00
<u>Held by Tau Meng Investments Pte Ltd</u>			
United Malayan Flour (1996) Sdn. Bhd.	Milling and trading of wheat flour and related products	Malaysia	30.00

11 SHORT-TERM INVESTMENTS

	GROUP	
	31 July 2023 \$'000	31 July 2022 \$'000
Balance at beginning of financial year	1,737	1,791
Purchases	3	119
Disposal	(10)	(1)
Unrealised gain/(loss) in fair value	57	(172)
Balance at end of financial year	1,787	1,737
Other net changes in fair value on financial assets at FVPL:		
Gain on sale of short-term investments, realised	-	-
Fair value gain/(loss) on short-term investments, unrealised	57	(172)
	57	(172)

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – cont'd

12 TRADE RECEIVABLES

	GROUP		COMPANY	
	31 July 2023 \$'000	31 July 2022 \$'000	31 July 2023 \$'000	31 July 2022 \$'000
Trade receivables:				
- Third parties	11,484	12,434	451	419
- Related parties	180	164	-	-
	<u>11,664</u>	<u>12,598</u>	<u>451</u>	<u>419</u>
Less:				
Allowance on impairment of trade receivables	<u>(365)</u>	<u>(228)</u>	<u>-</u>	<u>-</u>
	<u>11,299</u>	<u>12,370</u>	<u>451</u>	<u>419</u>

	GROUP	
	31 July 2023 \$'000	31 July 2022 \$'000
Movement in allowance accounts:		
Balance at the beginning of the financial year	(228)	(690)
Allowance made	(195)	(71)
Allowance written back	36	60
Bad debts written off	9	464
Currency translation difference	13	9
Balance at the end of the financial year	<u>(365)</u>	<u>(228)</u>

13 SHARE CAPITAL

	GROUP AND COMPANY	
	31 July 2023 \$'000	31 July 2022 \$'000
Issued and fully paid 25,812,520 (2022: 25,812,520) ordinary shares	<u>33,279</u>	<u>33,279</u>

The Company did not hold any treasury shares as at 31 July 2023.

The Company's subsidiaries do not hold any shares in the Company as at 31 July 2023 and 31 July 2022.

E NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – cont'd

14 BORROWINGS

	GROUP	
	31 July 2023 \$'000	31 July 2022 \$'000
Amount repayable within one year or on demand		
Secured	-	-
Unsecured	-	-
Amount repayable after one year		
Secured	-	-
Unsecured	-	-

The bank overdrafts facilities and other credit facilities are secured by way of fixed charges on a subsidiary company's landed properties and are also guaranteed by the Company.

**OTHER INFORMATION REQUIRED BY LISTING RULE
APPENDIX 7.2**

OTHER INFORMATION

1 Review

The condensed consolidated statement of financial position of Khong Guan Limited and its subsidiaries as at 31 July 2023 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) 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; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

	12 months ended		Increase \$'000
	31 July 2023 \$'000	31 July 2022 \$'000	
Revenue			
Tong Guan Food Products Sdn. Bhd. ("TGF")	41,210	40,062	1,148
Swee Hin Chan Company Sdn. Berhad. ("SHC")	28,729	28,110	619
Others	1,977	1,514	463
	<u>71,916</u>	<u>69,686</u>	<u>2,230</u>

Challenging economic conditions in Malaysia and the weak Malaysian Ringgit resulted in a decline in demand for many of our products in Malaysia. Notwithstanding the above, the Group increased its turnover by 3% to \$71,916,000 (FY2022: \$69,686,000) on the back of stronger sales of FMCG products in Sabah and higher selling prices of wheat flour and starches through both its subsidiaries. The higher turnover achieved was partly offset by the weaker Malaysian Ringgit against the Singapore Dollar during the year.

TGF increased its revenue across all product segments as it experienced a recovery in the sales of FMCG products to the retail and food service segments following the full relaxation of Covid-19 restrictions in April 2022.

SHC increased its revenue on the back of better selling prices despite weaker sales volume for wheat flour and starches. The lower sales volume was attributed to weaker demand from the food manufacturing sector.

The revenue of the associate, United Malayan Flour (1996) Sdn Bhd ("UMF"), increased by 20% to \$102,351,000 (FY2022: \$84,987,000) as a result of better selling prices of its wheat flour products domestically, and a recovery in the export of cereals and cooking oil. However, UMF's profit attributable to equity holders of the company decreased by 18% to \$672,000 (FY2022: \$823,000) due to higher raw material prices and the weaker Malaysian Ringgit against the Singapore Dollar. Combined with the start-up losses incurred from SGProtein Pte Ltd ("SGP"), the share of results of associates net of tax declined by 82% to \$74,000 (FY2022: \$420,000).

As a result of the above, the Group incurred a loss after tax of \$56,000 for the financial year compared to a profit after tax of \$651,000 in the previous year.

3 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable

4 A commentary at the date of the announcement of the significant trends and 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

Khong Guan Limited remains cautious of the Group's businesses amidst challenging market conditions expected in Malaysia.

The current weakness in the Malaysian Ringgit is expected to continue to impact the Group's import of grains and starches, which could pressure its profit margins as businesses may find it challenging to raise prices of essential food items in the current environment.

While supply chains have become more reliable and have moderated compared to pandemic levels, commodity costs remain volatile. Weather issues in key grain exporting countries, the ensuing Russia-Ukraine conflict and geopolitical tensions in certain parts of Asia continue to cause uncertainties in global grain supply.

The Group expects retail demand for its products to remain challenging due to consumer price sensitivity and heightened competition on store shelves. This is expected to impact sales volumes across its portfolio of products.

Despite the headwinds, the Group will focus on cost management strategies to safeguard its gross margins through higher efficiencies and streamlining of its various operations. It will also seek opportunities through extension of its product range, innovation and Environment, Social and Governance initiatives to drive sales and margins. The Group seeks to remain adaptable as it navigates through these challenges.

5 Dividend Information

5a Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Final
Dividend type	Cash
Dividend per share	1 cent
Tax rate	Tax exempt

5b Corresponding Period of the Immediate Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?
Yes

Name of Dividend	Final
Dividend type	Cash
Dividend per share	2 cents
Tax rate	Tax exempt

5c Date Payable

The proposed dividend in 5a, if approved at the Annual General Meeting of the Company to be held on 30 November 2023 will be paid on 15 December 2023.

5d Record Date

The Company's Register of Members and the Share Transfer Books will be closed at 5.00 p.m. on 7 December 2023 ("**Record Date**"). Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited at 77 Robinson Road #06-03 Robinson 77, Singapore 068896 up to 5.00 p.m. on 7 December 2023 will be registered to determine the Shareholders' entitlement to the proposed Dividend. Shareholders whose Securities Account with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on Record Date will be entitled to such proposed Dividend.

6 Interested person transactions

Aggregate value of Interest Person Transactions entered into for the year ended 31 July 2023.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	\$	\$
Purchases by KGL Group from:		
Chung Ying Confectionery & Food Products Sdn Bhd	--	2,311,000
Federal Oats Mills Sdn Bhd	--	152,000
Khong Guan Biscuit Factory (Borneo) Sdn Bhd	--	4,986,000
United Malayan Flour (1996) Sdn Bhd	--	14,964,000
Sales by KGL Group to:		
Cereal Products (M) Sdn Bhd	--	136,000
Sales by UMF Group (Associates) to:		
Khian Guan Biscuit Manufacturing Co Sdn Bhd	--	574,000
Khong Guan Biscuit Factory (Johore) Sdn Bhd	--	179,000
Sunshine Traders Sdn Bhd	--	443,000
Corporate Guarantee to third parties on behalf of		
Tong Guan Food Products Sdn Bhd:	2,310,000 (RM7,870,000)	

7 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 that it has procured undertakings from all its directors and executive officers in the format set out in appendix 7.7 under rule 720(1) of the Listing Manual.

8 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to item 2.

9 Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Chew Soo Lin	75	Cousin of Mr Chew Soo Eng Director cum shareholder of Cepheus Corporation Pte Ltd, a substantial shareholder.	Chairman of the Board (Since 23.08.2007) Leadership and managing the business of the Board, including strategic matters of the Group.	Nil
Chew Soo Eng	75	Cousin of Mr Chew Soo Lin Director cum shareholder of Kah Hong Pte Ltd, a substantial shareholder.	Managing Director (Since 11.01.2007) Responsible for the Group's management team, business operations and execution of the Board's strategies.	Nil
Chew Kian Boon Daniel	48	Son of Mr Chew Soo Eng	Executive Director (Since 25.02.2016) Managing procurement of raw materials, shipping and logistics.	Nil
Chew Kian Hong Michael	42	Son of Mr Chew Soo Eng	Director of a subsidiary company (Since 11.06.2019) Responsible for business operations and development.	Nil

10 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year \$'000	Previous Full Year \$'000
Ordinary	516	516
Preference	-	-
Total	516	516

11 Negative Assurance

The board of directors hereby confirms to the best of their knowledge that nothing has come to their attention which may render the financial statements for the year ended 31 July 2023 to be false or misleading in any material aspect.

12 Other information

Inventories decreased as a result of higher purchases made during fourth quarter of last year in anticipation of higher sales from the full relaxation of Covid-19 restrictions.

Trade payables decreased as a result of lower purchases made in the last few months of the year.

Other payables decrease due to settlement of accounts.

By Order of the Board
Chew Kian Boon Daniel
Executive Director
28 September 2023