



KHONG GUAN LIMITED
(Company Reg. No. 196000096G)

Half Year Financial Statement And Dividend Announcement for the Period Ended 31/01/2021

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Income Statement

	Note	GROUP		Increase/ (Decrease) %
		6 months ended 31/01/2021 \$'000	31/01/2020 \$'000	
Revenue		32,431	29,078	11.53
Dividend income		28	64	(56.25)
Other net changes in fair value on financial assets at fair value through profit or loss	1	(12)	(79)	(84.81)
Other income	2	421	340	23.82
Changes in inventories		(1,371)	(486)	182.10
Purchases of inventories		(27,703)	(25,743)	7.61
Employee benefits expense	3	(1,902)	(2,310)	(17.66)
Depreciation and amortisation expenses	4	(438)	(373)	17.43
Share of results of associate, net of tax	5	585	304	92.43
Other expenses		(1,111)	(1,220)	(8.93)
Profit/(Loss) before tax		928	(425)	
Income tax expense	6	(320)	(140)	128.57
Profit/(Loss) for the financial period		608	(565)	
Profit/(Loss) for the financial period attributable to :				
Equity holders of the company		495	(636)	
Non-controlling interests		113	71	59.15
		608	(565)	

Statement of Comprehensive Income

	GROUP	
	6 months ended 31/01/2021 \$'000	31/01/2020 \$'000
Profit/(Loss) for the financial period	608	(565)
Other comprehensive income :		
Items that may be reclassified subsequently to profit or loss :		
Translation differences relating to financial statements of foreign operations	602	131
Other comprehensive income, net of tax	602	131
Total comprehensive income for the financial period	1,210	(434)
Total comprehensive income attributable to :		
Equity holders of the company	1,058	(514)
Non-controlling interests	152	80
	1,210	(434)

1(a)(ii) Profit/(Loss) for the financial period includes the following :

	GROUP	
	6 months ended	
	31/01/2021	31/01/2020
	\$'000	\$'000
(a) Investment income	28	64
(b) Interest income	19	37
(c) Interest on borrowings	0	0
(d) Depreciation and amortisation	(438)	(373)
(e) Allowance for doubtful receivables written back/(made)	2	(33)
(f) Write off for stock obsolescence	0	0
(g) Impairment loss on unquoted investments	0	0
(h) Foreign exchange gain	34	6
(i) Overprovision of tax in respect of prior years	0	5
(j) Profit on disposal of property, plant and equipment	0	0

Notes :

- 1 Other net changes in fair value on financial assets at fair value through profit or loss

	GROUP	
	6 months ended	
	31/01/2021	31/01/2020
	\$'000	\$'000
Profit on sale of quoted short-term investments	35	36
Fair value loss on short-term investments, unrealised	(47)	(115)
	<u>(12)</u>	<u>(79)</u>

- 2 Other income

Foreign exchange gain	34	6
Rental income	201	92
Unclaimed dividends	0	161
Government grant	103	3
Insurance claim	0	30
Interest income and others	83	48
	<u>421</u>	<u>340</u>

- 3 The decrease in salary and allowances was due to the reduction in company's staff headcount and lower bonuses declared by the company.

- 4 Depreciation and amortisation expenses

	GROUP	
	6 months ended	
	31/01/2021	31/01/2020
	\$'000	\$'000
Property, plant and equipment	266	248
Prepaid leases	0	25
Right-of-use assets	71	0
Investment property	101	100
	<u>438</u>	<u>373</u>

The group commenced depreciation on the newly completed warehouse in Malaysia and depreciation of right-of-use assets arose from the adoption of SFRS(I) 16 Leases.

- 5 The share of results of associate is explained in the review of the group performance under item 8.

- 6 Income tax expense

	GROUP	
	6 months ended	
	31/01/2021	31/01/2020
	\$'000	\$'000
Current taxation		
- Malaysian tax	319	158
- tax deducted at source	1	1
Deferred taxation	0	(14)
Overprovision for taxation in prior years	0	(5)
	<u>320</u>	<u>140</u>

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Note	GROUP		COMPANY	
		31/01/2021 \$'000	31/07/2020 \$'000	31/01/2021 \$'000	31/07/2020 \$'000
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment		4,879	4,951	769	832
Right-of-use assets		2,351	2,380	0	0
Investment property		13,503	13,604	13,503	13,604
Investments in subsidiaries		0	0	18,287	18,287
Investment in associate	1	21,626	21,076	0	0
Financial assets at fair value through other comprehensive income		275	271	0	0
Deferred tax assets		16	16	0	0
		42,650	42,298	32,559	32,723
Current Assets					
Inventories	2	5,917	7,180	0	14
Short-term investments	3	1,851	2,931	0	0
Trade receivables	4	11,860	10,272	469	316
Other receivables		266	356	101	137
Tax recoverable		112	184	0	0
Amounts owing by subsidiaries		0	0	478	1,378
Fixed deposits		2,314	2,260	2,264	2,211
Cash and bank balances		5,687	6,374	2,392	2,353
		28,007	29,557	5,704	6,409
Less					
Current Liabilities					
Trade payables	5	5,022	6,547	344	302
Other payables	6	1,110	1,477	252	535
Lease liabilities		60	59	0	0
Provision for taxation		35	0	0	0
		6,227	8,083	596	837
Net Current Assets		21,780	21,474	5,108	5,572
Less					
Non-Current Liabilities					
Lease liabilities		43	66	0	0
Provision for retirement benefits		267	260	267	260
Deferred tax liabilities		68	68	0	0
		378	394	267	260
Net Assets		64,052	63,378	37,400	38,035
EQUITY					
Share capital		33,279	33,279	33,279	33,279
Capital reserve		336	336	0	0
Foreign currency translation reserve	7	1,187	624	0	0
Retained profits		26,586	26,607	4,121	4,756
Attributable to equity holders of the company		61,388	60,846	37,400	38,035
Non-controlling interests		2,664	2,532	0	0
Total Equity		64,052	63,378	37,400	38,035

Notes :

1 Investment in associate

	GROUP	
	31/01/2021 \$'000	31/07/2020 \$'000
Unquoted equity investment, at cost	12,035	12,035
Share of post-acquisition reserve	15,096	14,863
Share of capital reserve	106	106
Foreign currency translation reserve	(5,611)	(5,928)
	21,626	21,076

2 The decrease in inventories resulted from the delay in the shipment of goods from overseas suppliers due to tightness in the global containers supply.

3 Short-term investments

	GROUP	
	31/01/2021 \$'000	31/07/2020 \$'000
Quoted investments, at fair value		
Balance at beginning of the financial period	2,931	4,657
Sales	(1,059)	(1,836)
Purchases	26	508
Fair value loss, unrealised	(47)	(398)
Balance at end of the financial period	<u>1,851</u>	<u>2,931</u>

4 The increase was due to more sales of edible goods during festive season in the 6 months period ended 31 January 2021 as compared to the preceding 6 months.

5 The decrease resulted from shorter credit term granted by suppliers.

6 The settlement of provision and final settlement of amounts owing to the company's renovation contractor reduced the other payables.

7 The increase arose from the strengthening of Ringgit Malaysia against Singapore dollar during the current period.

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

	As at 31/01/2021		As at 31/07/2020	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Amount repayable in one year or less, or on demand	0	0	0	0
Amount repayable after one year	0	0	0	0
Details of any collateral				

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.

1(b)(iii) Additional information

	Short-term Quoted Securities \$'000	*Percentage of NTA
Cost as at 1 August 2020	3,651	5.95
Purchases	26	0.04
Cost of investments sold	<u>(1,359)</u>	(2.21)
Cost as at 31 January 2021	2,318	3.78
Fair value movements		
Balance as at 1 August 2020	(720)	(1.17)
Fair value loss, realised	300	0.49
Fair value loss, unrealised	<u>(47)</u>	(0.08)
Balance as at 31 January 2021	<u>(467)</u>	(0.76)
Fair value as at 31 January 2021	<u>1,851</u>	3.02
Fair value as at 31 July 2020	<u>2,931</u>	

* NTA (Net Tangible Assets Value) is based on the unaudited consolidated statement of financial position as at 31 January 2021.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP	
	6 months ended	
	31/01/2021	31/01/2020
	\$'000	\$'000
Cash flows from operating activities :		
Profit/(Loss) before tax	928	(425)
Adjustments for non-cash and other items :		
Allowance for doubtful trade receivables	0	33
Depreciation and amortisation expenses	438	373
Fair value loss on short-term investments	47	115
Interest expense	3	0
Interest income	(19)	(37)
Provision for retirement benefits	7	7
Reversal of allowance for doubtful trade receivables	(2)	0
Share of results of associate, net of tax	(585)	(304)
	(111)	187
Operating profit/(loss) before working capital changes	817	(238)
Decrease in short-term investments	1,033	662
Decrease in inventories	1,371	486
Increase in trade and other receivables	(1,269)	(1,293)
Decrease in trade and other payables	(2,000)	(593)
	(865)	(738)
Cash used in operations	(48)	(976)
Income tax paid	(284)	(154)
Interest received	19	37
Payments of retirement benefits	0	(34)
	(265)	(151)
Net cash used in operating activities	(313)	(1,127)
Cash flows from investing activities :		
Purchase of property, plant and equipment	(139)	(1,103)
Dividend received from associate	352	353
Net cash generated from/(used in) investing activities	213	(750)
	(100)	(1,877)
Cash flows from financing activities :		
Dividend paid by the company	(516)	(516)
Dividends paid by subsidiaries to non-controlling interests	(20)	(20)
Repayment of lease liabilities	(29)	0
Lease liabilities interest paid	(3)	0
Net cash used in financing activities	(568)	(536)
Net decrease in cash and cash equivalents	(668)	(2,413)
Cash and cash equivalents at beginning of the financial period	8,634	9,152
Effects of currency translations on cash and cash equivalents	35	(6)
Cash and cash equivalents at end of the financial period	8,001	6,733
Represented by :		
Fixed deposits	2,314	2,298
Cash and bank balances	5,687	4,435
	8,001	6,733

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.

	Share capital \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Retained profits \$'000	Total attributable to equity holders of Company \$'000	Non-controlling interests \$'000	Total equity \$'000
GROUP							
At 1 August 2020	33,279	336	624	26,607	60,846	2,532	63,378
Profit for the financial period	0	0	0	495	495	113	608
Other comprehensive income for the financial period	0	0	563	0	563	39	602
Total comprehensive income for the financial period	0	0	563	495	1,058	152	1,210
Dividends paid by							
- the company	0	0	0	(516)	(516)	0	(516)
- subsidiaries to non-controlling interests	0	0	0	0	0	(20)	(20)
At 31 January 2021	33,279	336	1,187	26,586	61,388	2,664	64,052
At 1 August 2019	33,279	357	1,589	27,073	62,298	2,584	64,882
(Loss)/Profit for the financial period	0	0	0	(636)	(636)	71	(565)
Other comprehensive income for the financial period	0	0	122	0	122	9	131
Total comprehensive income for the financial period	0	0	122	(636)	(514)	80	(434)
Dividends paid by							
- the company	0	0	0	(516)	(516)	0	(516)
- subsidiaries to non-controlling interests	0	0	0	0	0	(20)	(20)
At 31 January 2020	33,279	357	1,711	25,921	61,268	2,644	63,912
	Share capital \$'000	Retained profits \$'000	Total equity \$'000				
COMPANY							
At 1 August 2020	33,279	4,756	38,035				
Loss for the financial period	0	(119)	(119)				
Dividend paid	0	(516)	(516)				
At 31 January 2021	33,279	4,121	37,400				
At 1 August 2019	33,279	6,285	39,564				
Loss for the financial period	0	(852)	(852)				
Dividend paid	0	(516)	(516)				
At 31 January 2020	33,279	4,917	38,196				

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.

Not Applicable

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 ordinary shares as at 31 January 2021 was 25,812,520 (31 January 2020 : 25,812,520).

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures for the period ended 31 January 2021 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.

The group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared with the most recent audited financial statements for the year ended 31 July 2020.

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.

The group has adopted all the new and revised Singapore Financial Reporting Standards (International) ("SFRS(I)") that are relevant to its operations and effective for annual periods beginning on or after 1 August 2020. The adoption of these new/revised SFRS(I) did not result in changes to the group's and the company's accounting policies and had no material impact on the results under review.

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 6 months ended	
	31/01/2021	31/01/2020
Profit/(Loss) for the financial period attributable to equity holders of the company	\$495,000	(\$636,000)
Weighted average number of ordinary shares in issue	25,812,520	25,812,520
Basic earnings per share in cents	1.92	(2.46)
Diluted earnings per share in cents	1.92	(2.46)

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	GROUP		COMPANY	
	31/01/2021	31/07/2020	31/01/2021	31/07/2020
Net asset value per ordinary share based on total number of issued shares	\$2.38	\$2.36	\$1.44	\$1.47

8 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.

	6 months ended		Increase/ (Decrease) \$'000
	31/01/2021 \$'000	31/01/2020 \$'000	
REVENUE			
Wheat flour and other consumer products trading			
Tong Guan Food Products Sdn Bhd ("TGF")	17,911	15,207	2,704
Swee Hin Chan Company Sdn Berhad ("SHC")	13,711	13,193	518
Others	809	678	131
	<u>32,431</u>	<u>29,078</u>	<u>3,353</u>

Sales turnover for the group increased by 12% to \$32,431,000 on the back of better sales performance from the two Malaysian subsidiaries, TGF and SHC.

Sales turnover at TGF increased by 18% to \$17,911,000 mainly attributed to the increase in sales of dairy and beverage products for a leading FMCG company for which it began distributing since January 2020.

Sales turnover at SHC increased by 4% to \$13,711,000 mainly due to the increase of sales in edible goods. However, wheat flour sales decreased during the period due to stiff market competition and the impact from Covid-19 restrictions on the F&B sector.

The combined profit after tax for TGF and SHC increased by 73% to \$891,000 mainly attributed to better performance at SHC. SHC's net profit after tax improved by 148% to \$477,000 due to better selling margins during the period.

Sales turnover for the associate increased by 16% to \$46,708,000 on the back of better performance at its subsidiaries. Net profit after tax increased by 92% to \$1,949,000 attributed to better selling margins from the sale and export of wheat flour, oats, cooking oils and general cereal during the period.

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

Not Applicable

10 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.

The group's operations continue to face relatively high raw material costs and stiff market competition. The increase in freight expenses caused by the recent global freight situation will impact the group's operations in view of the high volume of the group's imports and exports. While the Covid vaccinations are being administered globally, international travel is not expected to resume immediately due to movement restrictions. With the uncertain market conditions, the directors envisage a challenging environment for the second half of this financial year.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

(c) Date payable

Not Applicable

(d) Books closure date

Not Applicable

12 If no dividend has been declared (recommended), a statement to the effect and the reason(s) for the decision.

No dividend has been declared for the first half year. The company normally decides dividend payments at the end of each financial year.

13 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 period ended 31 January 2021 to be false or misleading in any material aspect.

14 Confirmation that the issuer has procured undertakings 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.

15 Other Announcements

Aggregate value of Interest Person Transactions entered into for the half year ended 31 January 2021.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$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 from		
Chung Ying Confectionery & Food Products Sdn Bhd	--	1,169,000
Khong Guan Biscuit Factory (Borneo) Sdn Bhd	--	2,476,000
Leong Hong Oil Mill Sdn Bhd	--	113,000
United Malayan Flour (1996) Sdn Bhd	--	6,311,000
Sales to		
Cereal Products (M) Sdn Bhd	--	117,000
Khian Guan Biscuit Manufacturing Co Sdn Bhd	--	430,000
Khong Guan Biscuit Factory (Johore) Sdn Bhd	--	116,000
Sunshine Traders Sdn Bhd	--	314,000
Corporate Guarantee to third parties on behalf of Tong Guan Food Products Sdn Bhd:	2,585,000*	

* The company has provided corporate guarantees to two suppliers of TGF (a 84.31% owned subsidiary of the company) for goods supplied to TGF not exceeding the sum of RM7,870,000. As of 31 January 2021, the amounts outstanding owing to these suppliers was RM2,449,000.

BY ORDER OF THE BOARD

Chew Kian Boon Daniel

Executive Director

16 March 2021