

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

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 JANUARY 2022

TABLE OF CONTENTS

A	Condensed interim consolidated statement of profit or loss and other comprehensive income	1
B	Condensed interim statements of financial position	3
C	Condensed interim statements of changes in equity	5
D	Condensed interim consolidated statement of cash flows	7
E	Notes to the condensed interim consolidated financial statements	9
	Other information required by Listing Rule Appendix 7.2	21

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

	Note	GROUP		Increase/ (Decrease) %
		6 months ended		
		31 January 2022 \$'000	31 January 2021 \$'000	
Revenue		33,030	32,431	1.85
Dividend income		12	28	(57.14)
Other net changes in fair value on financial assets at fair value through profit or loss	*	(188)	(12)	1,466.67
Other income	6.2	326	421	(22.57)
Changes in inventories		(1,856)	(1,371)	35.38
Purchases of inventories		(27,871)	(27,703)	0.61
Employee benefits expense		(1,893)	(1,902)	(0.47)
Depreciation and amortisation expenses				
- property, plant and equipment		(252)	(266)	(5.26)
- right-of-use assets		(73)	(71)	2.82
- investment property		(101)	(101)	-
Share of results of associates, net of tax		138	585	(76.41)
Finance costs		(4)	(3)	33.33
Other expenses		(1,146)	(1,108)	3.43
Profit before tax		122	928	
Income tax expense	7	(286)	(320)	
(Loss)/Profit for the financial period		<u>(164)</u>	<u>608</u>	
(Loss)/Profit for the financial period attributable to:				
Equity holders of the Company		(267)	495	
Non-controlling interests		103	113	
		<u>(164)</u>	<u>608</u>	
Earnings per share for (loss)/profit attributable to equity holders of the Company [in cents]				
Basic and diluted		<u>(1.03)</u>	<u>1.92</u>	

* refer to Other information required by Listing Rule Appendix 7.2 item 11

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

	GROUP		Increase/ (Decrease) %
	6 months ended		
	31 January 2022 \$'000	31 January 2021 \$'000	
(Loss)/Profit for the financial period	(164)	608	
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign operations	317	602	(47.34)
Other comprehensive income, net of tax	317	602	
Total comprehensive income for the financial period	<u>153</u>	<u>1,210</u>	
Total comprehensive income attributable to:			
Equity holders of the Company	30	1,058	
Non-controlling interests	123	152	
	<u>153</u>	<u>1,210</u>	

B CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

	Note	GROUP		COMPANY	
		31 January 2022 \$'000	31 July 2021 \$'000	31 January 2022 \$'000	31 July 2021 \$'000
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment		4,411	4,523	650	706
Right-of-use assets		2,228	2,224	-	-
Investment property	10	13,301	13,402	13,301	13,402
Investments in subsidiaries		-	-	18,287	18,287
Investments in associates	11	22,009	22,053	1,500	1,500
Financial assets at fair value through other comprehensive income ("FVOCI")		271	269	-	-
Deferred tax assets		16	16	-	-
		42,236	42,487	33,738	33,895
Current Assets					
Inventories	*	5,376	7,169	-	-
Short-term investments	12	1,699	1,791	-	-
Trade receivables	* 13	12,179	9,456	415	312
Other receivables	*	296	182	117	79
Tax recoverable		182	153	-	-
Amounts owing by subsidiaries		-	-	275	275
Amount owing by an associate		150	-	150	-
Fixed deposits		2,260	2,226	2,260	2,226
Cash and bank balances		4,132	5,090	948	1,832
		26,274	26,067	4,165	4,724
Less: Current Liabilities					
Trade payables	*	5,476	4,555	296	273
Other payables	*	890	1,340	270	378
Lease liabilities		56	50	-	-
Current income tax liabilities		27	65	-	-
		6,449	6,010	566	651
Net Current Assets		19,825	20,057	3,599	4,073
Less: Non-Current Liabilities					
Lease liabilities		43	21	-	-
Provision for retirement benefits		205	290	205	290
Deferred tax liabilities		77	76	-	-
		325	387	205	290
Net Assets		61,736	62,157	37,132	37,678

B CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION – cont'd

	Note	GROUP		COMPANY	
		31 January 2022	31 July 2021	31 January 2022	31 July 2021
		\$'000	\$'000	\$'000	\$'000
EQUITY					
Share capital	14	33,279	33,279	33,279	33,279
Capital reserve		307	307	-	-
Foreign currency translation reserve		588	291	-	-
Retained profits		24,955	25,738	3,853	4,399
Attributable to equity holders of the Company		59,129	59,615	37,132	37,678
Non-controlling interests		2,607	2,542	-	-
Total Equity		<u>61,736</u>	<u>62,157</u>	<u>37,132</u>	<u>37,678</u>

* refer to Other information required by Listing Rule Appendix 7.2 item 11

C CONDENSED INTERIM 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
2022							
At 1 August 2021	33,279	307	291	25,738	59,615	2,542	62,157
Loss for the financial period	-	-	-	(267)	(267)	103	(164)
Other comprehensive income for the financial period	-	-	297	-	297	20	317
Total comprehensive income for the financial period	-	-	297	(267)	30	123	153
Dividends paid by							
- the Company	-	-	-	(516)	(516)	-	(516)
- subsidiaries to non-controlling interests	-	-	-	-	-	(58)	(58)
At 31 January 2022	33,279	307	588	24,955	59,129	2,607	61,736
2021							
At 1 August 2020	33,279	336	624	26,607	60,846	2,532	63,378
Profit for the financial period	-	-	-	495	495	113	608
Other comprehensive income for the financial period	-	-	563	-	563	39	602
Total comprehensive income for the financial period	-	-	563	495	1,058	152	1,210
Dividends paid by							
- the Company	-	-	-	(516)	(516)	-	(516)
- subsidiaries to non-controlling interests	-	-	-	-	-	(20)	(20)
At 31 January 2021	33,279	336	1,187	26,586	61,388	2,664	64,052

C CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY – cont'd

COMPANY	Note	Share capital \$'000	Retained profits \$'000	Total equity \$'000
2022				
At 1 August 2021		33,279	4,399	37,678
Loss for the financial period		-	(30)	(30)
Other comprehensive income for the financial period		-	-	-
Total comprehensive income for the financial period		-	(30)	(30)
Dividend paid	8	-	(516)	(516)
At 31 January 2022		33,279	3,853	37,132
2021				
At 1 August 2020		33,279	4,756	38,035
Loss for the financial period		-	(119)	(119)
Other comprehensive income for the financial period		-	-	-
Total comprehensive income for the financial period		-	(119)	(119)
Dividend paid	8	-	(516)	(516)
At 31 January 2021		33,279	4,121	37,400

D CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	6 months ended	
	31 January 2022 \$'000	31 January 2021 \$'000
Cash flows from operating activities:		
Profit before tax	122	928
Adjustments for non-cash and other items:		
Depreciation and amortisation expenses	426	438
Fair value loss on short-term investments	188	47
Inventory written off	63	-
Interest expense	4	3
Interest income	(16)	(19)
Provision for retirement benefits	15	7
Reversal of allowance on impairment of trade receivables	-	(2)
Share of results of associates, net of tax	(138)	(585)
	542	(111)
Operating profit before working capital changes	664	817
(Increase)/Decrease in short-term investments	(96)	1,033
Decrease in inventories	1,793	1,371
Increase in trade and other receivables	(2,946)	(1,269)
Increase/(Decrease) in trade and other payables	430	(2,000)
	(819)	(865)
Cash used in operations	(155)	(48)
Income tax paid	(325)	(284)
Interest received	16	19
Payment of retirement benefits	(100)	-
	(409)	(265)
Net cash used in operating activities	(564)	(313)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(113)	(139)
Dividend received from associate	348	352
Net cash generated from investing activities	235	213
	(329)	(100)

D CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS – cont'd

	GROUP	
	6 months ended	
	31 January 2022	31 January 2021
	\$'000	\$'000
Cash flows from financing activities:		
Dividend paid by the Company	(516)	(516)
Dividends paid by subsidiaries to non-controlling interests	(58)	(20)
Repayment of lease liabilities	(31)	(29)
Lease liabilities interest paid	(4)	(3)
Net cash used in financing activities	(609)	(568)
Net decrease in cash and cash equivalents	(938)	(668)
Cash and cash equivalents at beginning of the financial period	7,316	8,634
Effects of currency translations on cash and cash equivalents	14	35
Cash and cash equivalents at end of the financial period	6,392	8,001
Represented by:		
Fixed deposits	2,260	2,314
Cash and bank balances	4,132	5,687
	6,392	8,001

E NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Khong Guan Limited (the Company) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months ended 31 January 2022 comprise the Company and its subsidiaries (collectively, the Group).

The principal activities of the Company are the trading of wheat flour and other edible products and investment holding.

The principal activities of the subsidiaries are:

- a) Trading in quoted investments
- b) Investment holding
- c) Wholesaler of wheat flour, general goods and related products
- d) Wholesaler of wheat flour, biscuits and other consumer goods

2 BASIS OF PREPARATION

The condensed interim financial statements for the six months ended 31 January 2022 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim 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 annual financial statements for the year ended 31 July 2021.

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 2.1.

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

2.1 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.

2.2 USE OF JUDGEMENTS AND ESTIMATES

In preparing the condensed interim financial statements, 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 year ended 31 July 2021.

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

2 BASIS OF PREPARATION – cont'd

2.2 USE OF JUDGEMENTS AND ESTIMATES – cont'd

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 is included in the following notes:

Note 10 - Classification of investment property
Note 13 - Allowance on impairment of trade receivables

3 SEASONAL OPERATIONS

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

4 SEGMENT AND REVENUE INFORMATION

The Group is organised into the following main business segments:

- Segment 1: Trading of wheat flour and consumer goods – trading of wheat flour and consumer goods in Singapore and Malaysia
- Segment 2: Investment trading – trading of shares listed in Singapore and Malaysia; and
- 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.

4.1 Reportable segments

	GROUP			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
1 August 2021 to 31 January 2022				
Total segment revenue	33,037	-	-	33,037
Inter-segment revenue	(7)	-	-	(7)
Revenue from external parties	33,030	-	-	33,030
Dividend income	-	-	12	12
Interest income	16	-	-	16
Miscellaneous income	309	1	-	310
Total other income	325	1	12	338
Total revenue and other income	33,355	1	12	33,368

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

4 SEGMENT AND REVENUE INFORMATION – cont'd

4.1 Reportable segments – cont'd

	GROUP			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
1 August 2021 to 31 January 2022 – cont'd				
Results				
Profit/(Loss) before interest, taxation and depreciation and amortisation	717	(323)	4	398
Depreciation and amortisation	(404)	(22)	-	(426)
Operating profit/(loss)	313	(345)	4	(28)
Interest expense				(4)
Interest income				16
Share of results of associates, net of tax				138
Taxation				(286)
Loss after tax				(164)
Assets and Liabilities				
Segments assets	42,847	3,021	352	46,220
Associates				22,009
Unallocated assets				281
				68,510
Segments liabilities	6,310	16	3	6,329
Unallocated liabilities				445
				6,774
Other segments information				
Expenditure for non-current assets	113	-	-	113
Other non-cash items				
Inventory written off	63	-	-	63

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

4 SEGMENT AND REVENUE INFORMATION – cont'd

4.1 Reportable segments – cont'd

	GROUP			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
1 August 2020 to 31 January 2021				
Total segment revenue	32,431	-	-	32,431
Inter-segment revenue	-	-	-	-
Revenue from external parties	32,431	-	-	32,431
Dividend income	-	-	28	28
Interest income	19	-	-	19
Miscellaneous income	376	26	-	402
Total other income	395	26	28	449
Total revenue and other income	32,826	26	28	32,880
Results				
Profit/(Loss) before interest, taxation and depreciation and amortisation	963	(219)	21	765
Depreciation and amortisation	(409)	(29)	-	(438)
Operating profit/(loss)	554	(248)	21	327
Interest expense				(3)
Interest income				19
Share of results of associates, net of tax				585
Taxation				(320)
Profit after tax				608
Assets and Liabilities				
Segments assets	44,732	3,764	344	48,840
Associates				21,626
Unallocated assets				191
				70,657
Segments liabilities	6,148	26	3	6,177
Unallocated liabilities				428
				6,605

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

4 SEGMENT AND REVENUE INFORMATION – cont'd

4.1 Reportable segments – cont'd

	GROUP			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
1 August 2020 to 31 January 2021 – cont'd				
Other segments information				
Expenditure for non-current assets	139	-	-	139
Other non-cash items				
Reversal of allowance on impairment of trade receivables	(2)	-	-	(2)
	<u>137</u>	<u>-</u>	<u>-</u>	<u>137</u>

4.2 Disaggregation of Revenue

	GROUP			
	6 months ended 31 January 2022			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
Types of goods:				
Sales of goods	33,030	-	-	33,030
	<u>33,030</u>	<u>-</u>	<u>-</u>	<u>33,030</u>
Timing of revenue recognition:				
At a point in time	33,030	-	-	33,030
	<u>33,030</u>	<u>-</u>	<u>-</u>	<u>33,030</u>
Geographical information:				
Singapore	761	-	-	761
Malaysia	32,269	-	-	32,269
	<u>33,030</u>	<u>-</u>	<u>-</u>	<u>33,030</u>

	GROUP			
	6 months ended 31 January 2021			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
Types of goods:				
Sales of goods	32,431	-	-	32,431
	<u>32,431</u>	<u>-</u>	<u>-</u>	<u>32,431</u>
Timing of revenue recognition:				
At a point in time	32,431	-	-	32,431
	<u>32,431</u>	<u>-</u>	<u>-</u>	<u>32,431</u>

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

4 SEGMENT AND REVENUE INFORMATION – cont'd

4.2 Disaggregation of Revenue – cont'd

	GROUP			
	6 months ended 31 January 2021			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
Geographical information:				
Singapore	809	-	-	809
Malaysia	31,622	-	-	31,622
	<u>32,431</u>	<u>-</u>	<u>-</u>	<u>32,431</u>

5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of the financial assets and liabilities of the Group as at 31 January 2022 and 31 July 2021:

	GROUP		COMPANY	
	31 January 2022 \$'000	31 July 2021 \$'000	31 January 2022 \$'000	31 July 2021 \$'000
Financial Assets				
Financial assets at fair value through profit or loss ("FVPL")	1,699	1,791	-	-
Financial assets at FVOCI	271	269	-	-
Cash and bank balances and fixed deposits and amount owing by associate and amount owing by subsidiaries and trade and other receivables (Amortised cost)	18,841	16,847	4,052	4,649
	<u>20,811</u>	<u>18,907</u>	<u>4,052</u>	<u>4,649</u>
Financial Liabilities				
Trade and other payables and lease liabilities	<u>6,465</u>	<u>5,966</u>	<u>566</u>	<u>651</u>

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

6 PROFIT BEFORE TAX

6.1 Significant items

	GROUP	
	6 months ended	
	31 January	31 January
	2022	2021
	\$'000	\$'000
Expenses		
Interest on leases	4	3
Depreciation and amortisation	426	438
Allowance on impairment of trade receivables	-	-
Bad debts written off	-	-
Inventory written off	63	-
Foreign exchange loss	-	-

6.2 Other income

	GROUP	
	6 months ended	
	31 January	31 January
	2022	2021
	\$'000	\$'000
Rental income	228	201
Government grant	2	103
Foreign exchange gain	18	34
Interest income	16	19
Reversal of allowance on impairment of trade receivables	-	2
Others	62	62
	<u>326</u>	<u>421</u>

6.3 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 period:

	GROUP		COMPANY	
	6 months ended		6 months ended	
	31 January	31 January	31 January	31 January
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Purchases from				
- Associates	5,767	6,233	649	660
- Related parties	3,555	3,958	5	6
	<u>3,555</u>	<u>3,958</u>	<u>5</u>	<u>6</u>

E NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS – cont'd**7 INCOME TAX EXPENSE**

	GROUP	
	6 months ended	
	31 January	31 January
	2022	2021
	\$'000	\$'000
Current taxation		
- Malaysian tax	285	319
- tax deducted at source	1	1
	<u>286</u>	<u>320</u>

8 DIVIDEND

	GROUP AND COMPANY	
	6 months ended	
	31 January	31 January
	2022	2021
	\$'000	\$'000
Ordinary dividends paid:		
Final tax exempt one-tier dividend of \$0.02 per ordinary share (2021: Final tax exempt one-tier dividend of \$0.02 per ordinary share)	<u>516</u>	<u>516</u>

9 NET ASSET VALUE

	GROUP		COMPANY	
	31 January	31 July	31 January	31 July
	2022	2021	2022	2021
	\$	\$	\$	\$
Net asset value per ordinary share	<u>2.29</u>	<u>2.31</u>	<u>1.44</u>	<u>1.46</u>

10 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS – cont'd

10 INVESTMENT PROPERTY – cont'd

	GROUP AND COMPANY	
	31 January 2022 \$'000	31 July 2021 \$'000
Cost		
Balance at beginning and end of financial period	<u>13,974</u>	<u>13,974</u>
Accumulated depreciation		
Balance at beginning of financial period	572	370
Charge for the financial year	<u>101</u>	<u>202</u>
Balance at end of financial period	<u><u>673</u></u>	<u><u>572</u></u>
Carrying Amount		
As at end of the financial period	<u><u>13,301</u></u>	<u><u>13,402</u></u>
Fair Value		
As at end of the financial period	<u><u>21,000</u></u>	<u><u>21,000</u></u>

10.1 Valuation

The Group engages external, independent and qualified valuers to determine the fair value of the Group 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.

11 INVESTMENTS IN ASSOCIATES

	GROUP	
	31 January 2022 \$'000	31 July 2021 \$'000
Unquoted equity investment, at cost		
Balance at beginning of financial period	13,535	12,035
Acquisition during the financial period	<u>-</u>	<u>1,500</u>
Balance at end of financial period	13,535	13,535
Share of post-acquisition reserves	14,342	14,552
Share of capital reserve	77	77
Foreign currency translation reserve	<u>(5,945)</u>	<u>(6,111)</u>
	<u><u>22,009</u></u>	<u><u>22,053</u></u>

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

11 INVESTMENTS IN ASSOCIATES – cont'd

Movements for share of post-acquisition reserves:

	GROUP	
	31 January 2022 \$'000	31 July 2021 \$'000
Balance at beginning of financial period	14,552	14,863
Share of results	138	41
Dividend received	(348)	(352)
Balance at end of financial period	14,342	14,552

Details of the associates as at 31 January 2022 and 31 July 2021 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

12 SHORT-TERM INVESTMENTS

	GROUP	
	31 January 2022 \$'000	31 July 2021 \$'000
Balance at beginning of financial period	1,791	2,931
Purchases	97	26
Disposal	(1)	(1,059)
Unrealised loss in fair value	(188)	(107)
Balance at end of financial period	1,699	1,791
Other net changes in fair value on financial assets at FVPL:		
Gain on sale of short-term investments, realised	-	35
Fair value loss on short-term investments, unrealised	(188)	(107)
	(188)	(72)

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

13 TRADE RECEIVABLES

	GROUP		COMPANY	
	31 January 2022 \$'000	31 July 2021 \$'000	31 January 2022 \$'000	31 July 2021 \$'000
Trade receivables:				
- Third parties	12,788	9,963	415	312
- Related parties	85	183	-	-
	<u>12,873</u>	<u>10,146</u>	<u>415</u>	<u>312</u>
Less:				
Allowance on impairment of trade receivables	<u>(694)</u>	<u>(690)</u>	<u>-</u>	<u>-</u>
	<u><u>12,179</u></u>	<u><u>9,456</u></u>	<u><u>415</u></u>	<u><u>312</u></u>

	GROUP	
	31 January 2022 \$'000	31 July 2021 \$'000
Movement in allowance accounts:		
Balance at the beginning of the financial period	(690)	(775)
Allowance made	-	(18)
Allowance written back	-	26
Bad debts written off	-	76
Currency translation difference	<u>(4)</u>	<u>1</u>
Balance at the end of the financial period	<u><u>(694)</u></u>	<u><u>(690)</u></u>

14 SHARE CAPITAL

	GROUP AND COMPANY	
	31 January 2022 \$'000	31 July 2021 \$'000
Issued and fully paid 25,812,520 (2021: 25,812,520) ordinary shares	<u>33,279</u>	<u>33,279</u>

The Company did not hold any treasury shares as at 31 January 2022.

The Company's subsidiaries do not hold any shares in the Company as at 31 January 2022 and 31 July 2021.

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

15 BORROWINGS

	GROUP	
	31 January 2022 \$'000	31 July 2021 \$'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 leasehold 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 January 2022 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.

	6 months ended		Increase/ (Decrease) \$'000
	31 January 2022 \$'000	31 January 2021 \$'000	
Revenue			
Tong Guan Food Products Sdn. Bhd. ("TGF")	19,109	17,911	1,198
Swee Hin Chan Company Sdn. Berhad. ("SHC")	13,160	13,711	(551)
Others	761	809	(48)
	<u>33,030</u>	<u>32,431</u>	<u>599</u>

Sales turnover for the Group increased marginally by 2% to \$33,030,000 on the back of better sales performance from its subsidiary, TGF.

The increase in sales turnover at TGF by 7% to \$19,109,000 was attributed to increases across its various segments of FMCG products, with the main contribution from its beverage segment. Sales during the period improved as a result of the relaxation of Covid-19 restrictions in Malaysia.

Sales turnover at SHC decreased by 4% to \$13,160,000 due to lower sales of wheat flour and starches as a result of market competition and shipment delays caused by the challenging global freight situation. The decrease was partially offset by an increase in the sales of non-starch edible goods during the period.

The Group had a loss attributable to equity holders of the Company of \$267,000 for the 6 months ended 31 January 2022, compared with a profit of \$495,000 for the 6 months ended 31 January 2021. This was primarily due to (a) the decrease in SHC's net profit after tax by \$79,000 to \$398,000 during the period due to lower margins from its wheat flour and edible goods segments, (b) the fair value loss from short-term investments amounting to \$188,000 compared with a fair value loss of \$47,000 in the previous period, and (c) the decrease in share of results from associates, net of tax by \$447,000 to \$138,000 for the period. This was due to (i) lower contribution from the United Malayan Flour (1996) Sdn. Bhd. group, which was adversely affected by the performance of its subsidiaries due to high global freight rates and increases in global commodity prices, and (ii) SGProtein Pte. Ltd., which had not commenced commercial production during the period.

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

The Group's operations continue to face increasing raw material and freight costs pressures, as well as supply chain challenges due to the tight container freight situation. The ongoing conflict between Russia and Ukraine will further exacerbate the situation as these countries are major exporters of agriculture products such as wheat.

While international travel has resumed in many countries, the directors envisage a challenging second half of this financial year as the Covid-19 situation remains a concern with the surge in infections as a result of the Omicron variant.

SGProtein Pte. Ltd. is expected to commence commercial production in the second-half of the financial year.

5 Dividend Information

5a Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

None

5b Corresponding Period of the Immediate Preceding Financial Year

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

None

5c Date Payable

Not Applicable

5d Record Date

Not Applicable

6 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.

7 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 for the preference dividends.

	GROUP	
	6 months ended	
	31 January 2022	31 January 2021
(Loss)/Profit for the financial period attributable to Equity holders of the Company	\$(267,000)	\$495,000
Weighted average number of ordinary shares in issue	25,812,520	25,812,520
Basic earnings per share in cents	(1.03)	1.92
Diluted earnings per share in cents	(1.03)	1.92

8 Interested person transactions

Aggregate value of Interest Person Transactions entered into for the year ended 31 January 2022.

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 from		
Chung Ying Confectionery & Food Products Sdn Bhd		1,179,700
Khong Guan Biscuit Factory (Borneo) Sdn Bhd		2,172,000
United Malayan Flour (1996) Sdn. Bhd.		5,835,000
Sales to		
Khian Guan Biscuit Manufacturing Co Sdn Bhd		370,000
Khong Guan Biscuit Factory (Johore) Sdn Bhd		158,000
Sunshine Traders Sdn Bhd		253,000
Corporate Guarantee to third parties on behalf of		
Tong Guan Food Products Sdn. Bhd.	2,543,000* (RM7,870,000)	

* 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 \$2,543,000 (RM7,870,000). As of 31 January 2022, the amounts outstanding owing to these suppliers was \$1,013,000 (RM3,135,000).

9 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.

10 Negative Assurance

The board of directors hereby confirms to the best of its knowledge that nothing has come to its attention which may render the financial statements for the year ended 31 January 2022 to be false or misleading in any material aspect.

11 Other information

Other net changes in fair value on financial assets at fair value through profit or loss as follow:

	GROUP	
	6 months ended	
	31 January	31 January
	2022	2021
	\$'000	\$'000
Gain on sale of short-term investments, realised	-	35
Fair value loss on short-term investments, unrealised	<u>(188)</u>	<u>(47)</u>
	<u>(188)</u>	<u>(12)</u>

Inventories decreased from \$7,169,000 to \$5,376,000 due to shipment delay resulting from accelerating ocean freight charges.

Trade receivables increased from \$9,456,000 to \$12,179,000 as a result of more sales before and up to the Chinese New Year festival months.

Other receivables increased from \$182,000 to \$296,000 mainly due to insurance claim receivable amounting to \$79,000 recognised in the current period.

Trade payables increased from \$4,555,000 to \$5,476,000 arising from more local purchases before and up to the Chinese New Year festival months.

Other payables decreased from \$1,340,000 to \$890,000 resulting from the payments of bonus which was provided in the previous period.

By Order of the Board
Chew Kian Boon Daniel
Executive Director
17 March 2022