



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

Half Year Financial Statement And Dividend Announcement for the Period Ended 31/01/2018

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) %
		31/01/2018 S\$'000	31/01/2017 S\$'000	
Revenue		28,781	28,710	0.25
Other income	1	332	89	273.03
Changes in short-term investments	2	572	(818)	NM
Changes in inventories		(1,161)	(1,489)	(22.03)
Purchases of short-term investments		(780)	(826)	(5.57)
Purchases of inventories		(23,682)	(22,224)	6.56
Employee benefits expense		(2,023)	(1,957)	3.37
Depreciation and amortisation expenses		(256)	(254)	0.79
Share of results of associates, net of tax	3	404	763	(47.05)
Other expenses	4	(957)	(1,501)	(36.24)
Profit before tax		1,230	493	149.49
Income tax expense	5	(317)	(319)	(0.63)
Profit for the financial period		<u>913</u>	<u>174</u>	424.71
Profit for the financial period attributable to :				
Equity holders of the Company		792	95	733.68
Non-controlling interests		121	79	53.16
		<u>913</u>	<u>174</u>	424.71

NM - Not Meaningful

Statement of Comprehensive Income

	GROUP	
	31/01/2018 S\$'000	31/01/2017 S\$'000
Profit for the financial period	913	174
Other comprehensive income :		
Items that may be subsequently reclassified to profit or loss:		
Share of associate's capital reserve	(38)	0
Translation differences relating to financial statements of foreign operations	2,158	(1,159)
Other comprehensive income, net of tax	<u>2,120</u>	<u>(1,159)</u>
Total comprehensive income for the financial period	<u>3,033</u>	<u>(985)</u>
Total comprehensive income attributable to :		
Equity holders of the Company	2,768	(986)
Non-controlling interests	265	1
	<u>3,033</u>	<u>(985)</u>

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

	GROUP	
	31/01/2018 S\$'000	31/01/2017 S\$'000
(a) Investment income	74	100
(b) Interest income	69	69
(c) Interest on borrowings	0	0
(d) Depreciation and amortisation	(256)	(254)
(e) Allowance for doubtful receivables made	0	(360)
(f) Write off for stock obsolescence	0	0
(g) Impairment loss on unquoted investments	0	0
(h) Foreign exchange gain/(loss)	250	(134)
(i) Under or overprovision of tax in respect of prior years	0	0
(j) Profit on sale of quoted short-term investments	126	177
(k) Profit on disposal of property, plant and equipment	0	2
(l) Fair value gain on short-term investments, unrealised	515	15

Notes :

1 Other income

	31/01/2018 S\$'000	31/01/2017 S\$'000
Profit on disposal of property, plant and equipment	0	2
Foreign exchange gain	250	0
Interest income and others	82	87
	<u>332</u>	<u>89</u>

2 Changes in short-term investments

	31/01/2018 S\$'000	31/01/2017 S\$'000
Purchases	780	826
Cost of sales		
Cost of investments sold	(699)	(2,001)
Fair value (gain)/loss, realised	(24)	342
Fair value of investments sold	(723)	(1,659)
Fair value gain, unrealised	515	15
	<u>572</u>	<u>(818)</u>

3 The share of results of associates is explained in the review of the Group performance under item 8.

4 The decrease were due mainly to the allowance made for doubtful trade receivables and foreign exchange loss incurred in the previous year amounting to S\$360,000 and S\$134,000 respectively.

5 Income tax expense

	31/01/2018 S\$'000	31/01/2017 S\$'000
Current taxation		
- Malaysian tax	288	301
- tax deducted at source	1	1
Deferred taxation	28	17
	<u>317</u>	<u>319</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	
		31/01/2018 S\$'000	31/07/2017 S\$'000	31/01/2018 S\$'000	31/07/2017 S\$'000
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment		3,390	3,295	305	342
Prepaid lease		1,547	1,485	0	0
Investment property		12,993	9,468	12,993	9,468
Investments in subsidiaries		0	0	18,287	18,287
Investments in associates	1	19,249	18,322	0	0
Long-term investment	2	24	22	0	0
		<u>37,203</u>	<u>32,592</u>	<u>31,585</u>	<u>28,097</u>
Current Assets					
Inventories		6,086	6,872	0	0
Short-term investments	3	6,408	5,836	0	0
Trade receivables		12,616	10,115	576	480
Other receivables	4	927	570	191	229
Tax recoverable		388	333	0	0
Amounts owing by subsidiaries		0	0	4,296	5,415
Fixed deposits		5,147	9,352	5,072	9,282
Cash and bank balances		5,690	5,370	1,849	894
		<u>37,262</u>	<u>38,448</u>	<u>11,984</u>	<u>16,300</u>
Less					
Current Liabilities					
Trade payables		5,706	4,534	337	269
Other payables		1,384	1,425	1,131	981
		<u>7,090</u>	<u>5,959</u>	<u>1,468</u>	<u>1,250</u>
Net Current Assets		30,172	32,489	10,516	15,050
Less					
Non-Current Liabilities					
Provision for retirement benefits		251	237	251	237
Deferred tax liabilities		521	488	0	0
		<u>772</u>	<u>725</u>	<u>251</u>	<u>237</u>
Net Assets		<u>66,603</u>	<u>64,356</u>	<u>41,850</u>	<u>42,910</u>
EQUITY					
Share capital		33,279	33,279	33,279	33,279
Capital reserves		152	190	0	0
Foreign currency translation reserves	5	(8,461)	(10,475)	0	0
Retained profits		39,019	39,001	8,571	9,631
Attributable to equity holders of the Company		<u>63,989</u>	<u>61,995</u>	<u>41,850</u>	<u>42,910</u>
Non-controlling interests		2,614	2,361	0	0
Total Equity		<u>66,603</u>	<u>64,356</u>	<u>41,850</u>	<u>42,910</u>

Notes :

1 Investments in associates

	GROUP	
	31/01/2018 S\$'000	31/07/2017 S\$'000
Unquoted equity investments, at cost	12,035	12,035
Share of post-acquisition reserves	12,228	12,351
Share of post-acquisition capital reserve	152	190
Foreign currency translation reserves	(5,166)	(6,254)
	<u>19,249</u>	<u>18,322</u>

2 Long-term Investment

	GROUP		COMPANY	
	31/01/2018 S\$'000	31/07/2017 S\$'000	31/01/2018 S\$'000	31/07/2017 S\$'000
Unquoted equity investments, at cost	31	28	0	0
Less				
Impairment losses :				
Balance at beginning of the financial period	(6)	(346)	0	(340)
Disposal	0	340	0	340
Currency translation difference	(1)	0	0	0
Balance at end of the financial period	(7)	(6)	0	0
	<u>24</u>	<u>22</u>	<u>0</u>	<u>0</u>

3 Short-term Investments

	GROUP	
	31/01/2018 S\$'000	31/07/2017 S\$'000
Quoted investments, at fair value		
Balance at beginning of the financial period	5,836	7,265
Sales	(723)	(3,291)
Purchases	780	1,575
Fair value gain, unrealised	515	287
Balance at end of the financial period	<u>6,408</u>	<u>5,836</u>

4 The higher other receivables was due to advance payments made to overseas suppliers.

5 The decrease 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 31/01/2018		As at 31/07/2017	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'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 and other credit facilities are secured by way of fixed charges on a subsidiary company's landed properties and are also guaranteed by the holding company.

1(b)(iii) Additional information

	Short-term Quoted Securities S\$	*Percentage of NTA
	Cost as at 1 August 2017	6,009,015
Purchases	779,837	1.22
Cost of investments sold	<u>(698,529)</u>	(1.09)
Cost as at 31 January 2018	6,090,323	9.52
Fair value movements		
Balance as at 1 August 2017	(172,697)	(0.27)
Fair value gain, unrealised	514,657	0.80
Fair value gain, realised	<u>(24,537)</u>	(0.04)
Balance as at 31 January 2018	<u>317,423</u>	0.50
Fair value as at 31 January 2018	<u>6,407,746</u>	10.01
Fair value as at 31 July 2017	5,836,318	

* NTA (Net Tangible Assets Value) is based on the unaudited consolidated statement of financial position as at 31 January 2018

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	
	31/01/2018	31/01/2017
	S\$'000	S\$'000
Cash flows from operating activities :		
Profit before tax	1,230	493
Adjustments for non-cash and other items :		
Allowance for doubtful trade receivables	0	360
Depreciation and amortisation expenses	256	254
Fair value gain on short-term investments	(515)	(15)
Profit on disposal of property, plant and equipment	0	(2)
Interest income	(69)	(69)
Provision for retirement benefits	14	14
Share of results of associates, net of tax	(404)	(763)
	(718)	(221)
Operating profit before working capital changes	512	272
(Increase)/Decrease in short-term investments	(57)	833
Decrease in inventories	1,161	1,489
(Increase)/Decrease in trade and other receivables	(2,238)	648
Increase/(Decrease) in trade and other payables	834	(1,582)
	(300)	1,388
Cash generated from operations	212	1,660
Income tax paid	(289)	(302)
Interest received	69	69
Payment of retirement benefits	0	(90)
	(220)	(323)
Net cash (used in)/generated from operating activities	(8)	1,337
Cash flows from investing activities :		
Purchase of property, plant and equipment	(195)	(125)
Addition to investment property	(3,525)	(1,301)
Proceeds from disposal of property, plant and equipment	0	2
Dividends received from associate	527	536
Net cash used in investing activities	(3,193)	(888)
	(3,201)	449
Cash flows from financing activities :		
Dividend paid by the company	(774)	(774)
Dividends paid by subsidiaries to non-controlling interests	(12)	(12)
Net cash used in financing activities	(786)	(786)
Net decrease in cash and cash equivalents	(3,987)	(337)
Cash and cash equivalents at beginning of the financial period	14,722	17,489
Effects of currency translations on cash and cash equivalents	102	(74)
Cash and cash equivalents at end of the financial period	10,837	17,078
Fixed deposits	5,147	11,825
Cash and bank balances	5,690	5,253
	10,837	17,078

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 S\$'000	Capital reserves S\$'000	Foreign currency translation reserves S\$'000	Retained profits S\$'000	Total attributable to equity holders of Company S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
GROUP							
At 1 August 2017	33,279	190	(10,475)	39,001	61,995	2,361	64,356
Profit for the financial period	0	0	0	792	792	121	913
Other comprehensive income for the financial period	0	(38)	2,014	0	1,976	144	2,120
Total comprehensive income for the financial period	0	(38)	2,014	792	2,768	265	3,033
Dividends paid by							
- the Company	0	0	0	(774)	(774)	0	(774)
- subsidiaries to non-controlling interests	0	0	0	0	0	(12)	(12)
At 31 January 2018	33,279	152	(8,461)	39,019	63,989	2,614	66,603
At 1 August 2016	33,279	140	(9,102)	38,479	62,796	2,339	65,135
Profit for the financial period	0	0	0	95	95	79	174
Other comprehensive income for the financial period	0	0	(1,081)	0	(1,081)	(78)	(1,159)
Total comprehensive income for the financial period	0	0	(1,081)	95	(986)	1	(985)
Dividends paid by							
- the Company	0	0	0	(774)	(774)	0	(774)
- subsidiaries to non-controlling interests	0	0	0	0	0	(12)	(12)
At 31 January 2017	33,279	140	(10,183)	37,800	61,036	2,328	63,364
	Share capital S\$'000	Retained profits S\$'000	Total equity S\$'000				
COMPANY							
At 1 August 2017	33,279	9,631	42,910				
Loss for the financial period	0	(286)	(286)				
Dividend paid	0	(774)	(774)				
At 31 January 2018	33,279	8,571	41,850				
At 1 August 2016	33,279	11,494	44,773				
Loss for the financial period	0	(494)	(494)				
Dividend paid	0	(774)	(774)				
At 31 January 2017	33,279	10,226	43,505				

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 2018 was 25,812,520 (31 January 2017 : 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 2018 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 2017.

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 Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017. The adoption of these new/revised FRS and INT FRS 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	
	31/01/2018	31/01/2017
Profit for the financial period attributable to equity holders of the Company	S\$792,000	S\$95,000
Weighted average number of ordinary shares in issue	25,812,520	25,812,520
Basic earnings per share (in cents)	3.07	0.37
Diluted earnings per share (in cents)	3.07	0.37

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	
	31/01/2018	31/07/2017	31/01/2018	31/07/2017
Net asset value per ordinary share based on total number of issued shares	S\$2.48	S\$2.40	S\$1.62	S\$1.66

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.

	31/01/2018 S\$'000	31/01/2017 S\$'000	Increase/ (Decrease) S\$'000
Wheat flour and other consumer products trading			
Tong Guan Food Products Sdn Bhd ('TGF')	15,918	16,180	(262)
Swee Hin Chan Company Sdn Berhad ('SHC')	11,352	9,874	1,478
Others	588	720	(132)
	27,858	26,774	1,084
Investment trading			
Sales	849	1,836	(987)
Dividend income	74	100	(26)
	923	1,936	(1,013)
	28,781	28,710	71

Group turnover of S\$28,781,00 (2017: S\$28,710,000) for the first half year was relatively flat, registering a modest increase over the same corresponding period last year. The trading subsidiaries in Sabah, TGF, saw a slight decrease in turnover whereas SHC, operating in Penang improved its turnover by S\$1,478,000. These two trading subsidiaries made a combined net profit of S\$864,000 (2017: S\$517,000) in the first half year.

TGF continued to do well in its sales of biscuits and non-edible goods. The restriction of sales quota on edible oil and termination of a distributorship by a food & beverage company had slightly affected the sales of edible goods. However, the company was awarded several new distributorships for other popular edible goods and this had cushioned the impact on sales. Sales of wheat flour dipped slightly but the profit margin improved due to the increases in the selling prices.

SHC with its core business as a distributor of wheat flour, increased its sales of wheat flour despite market competition but faced reduced profit margin due to a reduction in sales rebates from its suppliers. SHC, having obtained the import licence for animal feed, has started to import this product to meet the local market demand. Being a market leader for starches, SHC, through better marketing effort, managed to increase sales in spite of losing a key customer last year.

Our 30% equity held associate, United Malayan Flour (1996) Sdn Bhd improved its turnover from S\$37,359,000 to S\$38,602,000. However, its profit decreased from S\$2,555,000 to S\$1,348,000, primarily because the profitability of its flour milling operation was affected by higher production costs as prices of wheat grains went up and it had not revised its wheat flour prices.

Due to the buoyancy of the stock market and the rises in blue chips prices, the investment trading subsidiaries recorded an unrealised fair value gain of S\$515,000 (2017: S\$15,000). During the first half year, sales of investment was S\$849,000 (2017: S\$1,836,000) and trading profit was S\$126,000 (2017: S\$177,000).

Redevelopment of Heritage Building

TOP submission has been made for the heritage industrial building and its approval is expected soon.

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 30% associate's oat milling subsidiary is in the process of constructing a new plant in Penang at a projected cost of RM120,000,000 to be funded internally and from bank borrowings.

Subject to fluctuations in the foreign exchange rates and fair value of our short-term investments, the directors expect the group should be able to improve its operational results in the second half 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.

No dividend has been declared for the first half year.

13 Negative Assurance

The Board of Directors hereby confirm 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 2018 to be false or misleading in any material aspect.

14 Other Announcements

Aggregate value of Interest Person Transactions entered into for the half year ended 31 January 2018

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 S\$100,000)
	S\$	S\$
Purchases from		
Chung Ying Confectionery & Food Products Sdn Bhd	--	1,230,000
Federal Oats Mills Sdn Bhd	--	115,000
Khong Guan Biscuit Factory (Borneo) Sdn Bhd	--	2,349,000
Leong Hong Oil Mill Sdn Bhd	--	803,000
United Malayan Flour (1996) Sdn Bhd	--	6,548,000
Sales to		
Khian Guan Biscuit Manufacturing Co Sdn Bhd	--	405,000
Khong Guan Biscuit Factory (Johore) Sdn Bhd	--	181,000
Poh Seng Trading (Ipoh) Sdn Bhd	--	702,000
Sunshine Traders Sdn Bhd	--	373,000
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BY ORDER OF THE BOARD

KOE ENG CHUAN

Company Secretary

14 March 2018