



KHONG GUAN FLOUR MILLING LIMITED

(Company Reg. No. 196000096G)

Half Year Financial Statement And Dividend Announcement for the Period Ended 31/01/2015

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) %
		31/01/2015 S\$'000	31/01/2014 S\$'000	
Revenue		31,385	30,485	2.95
Other income	1	177	347	(48.99)
Changes in short-term investments	2	207	80	158.75
Changes in inventories		(1,352)	(484)	179.34
Purchases of short-term investments		(1,265)	(1,091)	15.95
Purchases of inventories		(25,710)	(26,023)	(1.20)
Employee benefits expense		(2,049)	(1,959)	4.59
Depreciation and amortisation expenses	3	(246)	(176)	39.77
Finance costs		(2)	(6)	(66.67)
Share of results of associates, net of tax	4	577	402	43.53
Other expenses	5	(1,273)	(1,125)	13.16
Profit before tax		449	450	(0.22)
Income tax expense	6	(273)	(283)	(3.53)
Profit for the financial period		<u>176</u>	<u>167</u>	5.39
Profit for the financial period attributable to :				
Equity holders of the company		31	14	121.43
Non-controlling interests		145	153	(5.23)
		<u>176</u>	<u>167</u>	5.39

Statement of Comprehensive Income

	GROUP	
	31/01/2015 S\$'000	31/01/2014 S\$'000
Profit for the financial period	176	167
Other comprehensive income :		
Fair value loss on long-term unquoted investments	(2)	0
Share of associates' capital reserve	5	(10)
Translating differences relating to financial statements of foreign operations	(1,704)	(914)
Total comprehensive loss for the financial period	<u>(1,525)</u>	<u>(757)</u>
Total comprehensive income attributable to :		
Equity holders of the company	(1,546)	(850)
Non-controlling interests	21	93
	<u>(1,525)</u>	<u>(757)</u>

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

	31/01/2015 S\$'000	31/01/2014 S\$'000
(a) Investment income	109	86
(b) Interest income	82	103
(c) Interest on borrowings	(2)	(6)
(d) Depreciation and amortisation	(246)	(176)
(e) Allowance for doubtful receivables written back and bad debts written off	1	2
(f) Write off for stock obsolescence	0	0
(g) Impairment loss on unquoted investments	0	0
(h) Foreign exchange loss	(232)	(119)
(i) Overprovision of tax in respect of prior years	8	0
(j) Profit on sale of quoted short-term investments	108	60
(k) Profit on disposal of long-term quoted investments	0	0
(l) Profit on disposal of property, plant and equipment	0	186
(m) Fair value loss on short-term investments, unrealised	(501)	(505)

Notes :

1 Other income comprises:

	31/01/2015 S\$'000	31/01/2014 S\$'000
Profit on disposal of property, plant and equipment	0	186
Interest income and others	177	161
	<u>177</u>	<u>347</u>

2 Changes in short-term investments were arrived at as follows :-

	31/01/2015 S\$'000	31/01/2014 S\$'000
Purchases	1,265	1,091
Cost of sales		
Cost of investments sold	(580)	(588)
Fair value loss, realised	23	82
Fair value of investments sold	(557)	(506)
Fair value loss, unrealised	(501)	(505)
	<u>207</u>	<u>80</u>

3 The higher depreciation charge is due to the purchase of the newly acquired warehouse including its renovation and plant and equipment.

4 The share of results of associated companies is explained in the review of the group performance under item 8.

5 The increase is mainly due to the weakening of Malaysian ringgit against Singapore dollar which resulted in a higher foreign exchange loss for the current period and maintenance charges on the newly acquired warehouse.

6 Income tax expense

	31/01/2015 S\$'000	31/01/2014 S\$'000
Current taxation		
- Malaysian tax	293	318
- tax deducted at source	1	1
Overprovision for taxation in prior years	(8)	0
Deferred taxation	(13)	(36)
	<u>273</u>	<u>283</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.

	Notes	GROUP		COMPANY	
		31/01/2015 S\$'000	31/07/2014 S\$'000	31/01/2015 S\$'000	31/07/2014 S\$'000
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment		3,417	3,172	532	406
Prepaid leases		1,885	2,019	0	0
Investment properties		3,879	3,879	3,879	3,879
Investments in subsidiaries		0	0	18,287	18,287
Investments in associates	1	21,015	21,825	2,985	2,843
Long-term investments	2	1,539	1,542	1,513	1,515
		31,735	32,437	27,196	26,930
Current Assets					
Inventories		4,396	6,008	75	49
Short-term investments	3	8,036	7,829	0	0
Trade receivables		10,398	10,045	331	376
Other receivables		150	231	59	65
Tax recoverable		308	280	0	0
Amounts owing by subsidiaries		0	0	4,391	4,486
Fixed deposits		15,663	16,819	15,587	16,740
Cash and bank balances		4,060	3,837	1,213	1,111
		43,011	45,049	21,656	22,827
Less					
Current Liabilities					
Trade payables		3,856	4,556	402	559
Other payables		1,066	767	677	496
Amounts owing to banks, secured		0	31	0	0
		4,922	5,354	1,079	1,055
Net Current Assets		38,089	39,695	20,577	21,772
Less					
Non-Current Liabilities					
Provision for retirement benefits		305	280	305	280
Deferred tax liabilities		608	628	0	0
		913	908	305	280
Net Assets		68,911	71,224	47,468	48,422
EQUITY					
Share capital		33,279	33,279	33,279	33,279
Capital reserves		455	452	357	359
Foreign currency translation reserves	4	(5,116)	(3,536)	0	0
Retained profits		37,991	38,734	13,832	14,784
Attributable to equity holders of the company		66,609	68,929	47,468	48,422
Non-controlling interests		2,302	2,295	0	0
Total Equity		68,911	71,224	47,468	48,422

Notes :-

1 Investments in associates were arrived as follows :-

	GROUP		COMPANY	
	31/01/2015 S\$'000	31/07/2014 S\$'000	31/01/2015 S\$'000	31/07/2014 S\$'000
Unquoted equity investments, at cost	14,948	14,948	4,816	4,816
Less				
Impairment losses :-				
Balance at beginning of the period	0	0	(1,973)	(1,935)
Movement during the period	0	0	142	(38)
Balance at end of the period	0	0	(1,831)	(1,973)
	14,948	14,948	2,985	2,843
Share of post-acquisition reserves	9,330	9,363	0	0
Share of post-acquisition capital reserve	97	93	0	0
Foreign currency translation reserves	(3,360)	(2,579)	0	0
	21,015	21,825	2,985	2,843

2 Long-term Investments were arrived as follows :-

	GROUP		COMPANY	
	31/01/2015 S\$'000	31/07/2014 S\$'000	31/01/2015 S\$'000	31/07/2014 S\$'000
Unquoted equity investments, at cost	1,289	1,289	1,246	1,246
Translation difference	(7)	(6)	0	0
	1,282	1,283	1,246	1,246
Less				
Impairment losses :-				
Balance at beginning of the period	(350)	(350)	(340)	(340)
Movement during the period	0	0	0	0
Balance at end of the period	(350)	(350)	(340)	(340)
	932	933	906	906
Unquoted equity investments, at fair value				
Balance at beginning of the period	609	650	609	650
Fair value loss	(2)	(41)	(2)	(41)
Balance at end of the period	607	609	607	609
Total equity investments	1,539	1,542	1,513	1,515

3 Short-term Investments were arrived at as follows :-

	GROUP	
	31/01/2015 S\$'000	31/07/2014 S\$'000
Quoted investments, at fair value		
Balance at beginning of the period	7,829	7,582
Sales	(557)	(2,034)
Purchases	1,265	2,570
Fair value loss, unrealised	(501)	(289)
Balance at end of the period	8,036	7,829

4 The increase arose from the weakening of Ringgit Malaysia against Singapore dollar.

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

	As at 31/01/2015		As at 31/07/2014	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	0	0	31	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\$	Long-term Quoted Securities S\$	Total S\$	*Percentage of NTA
Cost as at 1 August 2014	6,874,438	0	6,874,438	10.32
Purchases	1,264,587	0	1,264,587	1.90
Cost of investments sold	(580,351)	0	(580,351)	(0.87)
Cost as at 31 January 2015	7,558,674	0	7,558,674	11.35
Fair value gain movements				
Balance as at 1 August 2014	954,525	0	954,525	1.43
Fair value loss, unrealised	(500,515)	0	(500,515)	(0.75)
Fair value loss, realised	23,206	0	23,206	0.03
Balance as at 31 January 2015	477,216	0	477,216	0.72
Fair value as at 31 January 2015	8,035,890	0	8,035,890	12.06
Fair value as at 31 July 2014	7,828,963	0	7,828,963	

* NTA (Net Tangible Assets Value) is based on the unaudited consolidated statement of financial position as at 31 January 2015

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	
	31/01/2015	31/01/2014
	S\$'000	S\$'000
Cash flows from operating activities :-		
Profit before tax	449	450
Adjustments for non-cash and other items :-		
Allowance for doubtful trade receivables	(1)	(2)
Depreciation and amortisation expenses	246	176
Fair value loss on short-term investments	501	505
Profit on disposal of property, plant and equipment	0	(186)
Interest expense	2	6
Interest income	(82)	(103)
Provision for retirement benefits	24	17
Share of results of associates, net of tax	(577)	(402)
	<u>113</u>	<u>11</u>
Operating profit before working capital changes	562	461
Increase in short-term investments	(707)	(586)
Decrease in inventories	1,352	484
Increase in trade and other receivables	(856)	(1,512)
Decrease in trade and other payables	(189)	(548)
	<u>(400)</u>	<u>(2,162)</u>
Cash generated from/(used in) operations	162	(1,701)
Income tax paid	(285)	(320)
Interest paid	(2)	(6)
Interest received	82	103
	<u>(205)</u>	<u>(223)</u>
Net cash used in operating activities	(43)	(1,924)
Cash flows from investing activities :-		
Purchase of property, plant and equipment	(607)	(592)
Proceeds from disposal of property, plant and equipment	0	241
Dividends received from associates	610	472
	<u>3</u>	<u>121</u>
Net cash generated from investing activities	(40)	(1,803)
Cash flows from financing activities :-		
Dividends paid by the company	(774)	(774)
Dividends paid by subsidiaries to non-controlling interests	(14)	(11)
	<u>(788)</u>	<u>(785)</u>
Net cash used in financing activities	(828)	(2,588)
Net decrease in cash and cash equivalents	(828)	(2,588)
Cash and cash equivalents at beginning of the period	20,624	24,643
Effects of currency translations on cash and cash equivalents	(73)	(86)
Cash and cash equivalents at end of the period	<u>19,723</u>	<u>21,969</u>
Fixed deposits	15,663	20,371
Cash and bank balances	4,060	1,760
Bank overdrafts	0	(162)
	<u>19,723</u>	<u>21,969</u>

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 2014	33,279	452	(3,536)	38,734	68,929	2,295	71,224
Total comprehensive loss for the period	0	3	(1,580)	31	(1,546)	21	(1,525)
Dividends paid							
- the company	0	0	0	(774)	(774)	0	(774)
- subsidiaries to non-controlling interests	0	0	0	0	0	(14)	(14)
At 31 January 2015	33,279	455	(5,116)	37,991	66,609	2,302	68,911
At 1 August 2013	33,279	517	(3,212)	38,183	68,767	2,147	70,914
Total comprehensive loss for the period	0	0	(854)	14	(840)	93	(747)
Dividends paid							
- the company	0	0	0	(774)	(774)	0	(774)
- subsidiaries to non-controlling interests	0	0	0	0	0	(11)	(11)
At 31 January 2014	33,279	517	(4,066)	37,423	67,153	2,229	69,382
COMPANY							
At 1 August 2014	33,279	359	0	14,784	48,422		
Total comprehensive loss for the period	0	(2)	0	(178)	(180)		
Dividends paid	0	0	0	(774)	(774)		
At 31 January 2015	33,279	357	0	13,832	47,468		
At 1 August 2013	33,279	400	0	15,481	49,160		
Total comprehensive loss for the period	0	0	0	(193)	(193)		
Dividends paid	0	0	0	(774)	(774)		
At 31 January 2014	33,279	400	0	14,514	48,193		

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, 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 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 2015 was 25,812,520 (31 January 2014 : 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 2015 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 2014.

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 2014. 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	
	31/01/2015	31/01/2014
Profit for the financial period attributable to equity holders of the company	S\$31,000	S\$14,000
Weighted average number of ordinary shares in issue	25,812,520	25,812,520
Basic earnings per share (in cents)	0.12	0.05
Diluted earnings per share (in cents)	0.12	0.05

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	
	31/01/2015	31/07/2014	31/01/2015	31/07/2014
Net asset value per ordinary share based on total number of issued shares	S\$2.58	S\$2.67	S\$1.84	S\$1.88

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.

TURNOVER

	31/01/2015 S\$'000	31/01/2014 S\$'000	Increase/ (Decrease) S\$'000
Wheat flour and other consumer products trading			
Tong Guan Food Products Sdn Bhd ('TGF')	17,702	17,170	532
Swee Hin Chan Company Sdn Berhad ('SHC')	11,874	11,536	338
Others	1,035	1,127	(92)
	30,611	29,833	778
Investment trading			
Sales	665	566	99
Dividend income	109	86	23
	774	652	122
	<u>31,385</u>	<u>30,485</u>	<u>900</u>

For the first half of the year, the group turnover improved by 3% to \$31,385,000 mainly due to contributions by two principal trading subsidiaries, TGF and SHC, operating in Malaysia.

Although the business environment in Sabah, where TGF operates, is dampened by security surveillance imposed on certain coastal towns, its turnover managed a modest growth due to aggressive marketing promotions by its biscuit and wheat flour suppliers.

SHC, which is based in Penang, improved its turnover mainly due to the increase in the sales of non-general purpose flour to commercial bakeries and other end users.

The quiet stock market had affected the trading activities on short-term quoted securities.

Contributing components of results for the period were:-

	31/01/2015 S\$'000	31/01/2014 S\$'000
Profits attributable to two principal Malaysian subsidiaries	1,169	1,173
Share of results of associates, net of tax	577	402
Foreign exchange loss	(232)	(119)
Fair value loss on short-term investments, unrealised	(501)	(505)
	<u>1,013</u>	<u>951</u>

The combined profit of TGF and SHC fell slightly from \$1,173,000 to \$1,169,000.

TGF reported a lower profit of \$479,000 (2014: \$611,000) as the company had ceased trading in refined cooking oil due to the closure of the former supplier's oil refinery. TGF's alternative source of edible oil trading from a new supplier will only be felt during the 2nd half year. The impact was mitigated by an increase in the sales of biscuits and wheat flour.

SHC improved its profit to \$690,000 (2014: \$562,000) due to the increase in the sale of non-general purpose flour despite additional expenses incurred in relation to the purchase of a warehouse.

United Malayan Flour (1996) Sdn Bhd 'UMF', a 30% held associate had an impressive first half year result. Sales advanced to \$43,475,000 (2014: \$39,373,000) and its profit rose to \$1,966,000 (2014: \$1,155,000) as a result of stable wheat grain prices and the increase in the export of oat products, after the final installation of new milling equipment.

The continued weakening of Ringgit Malaysia had an impact on the group's assets and results as the group's assets and operations are substantially in Malaysia.

As announced before, the Company had on 17 December 2014 entered into a sale and purchase agreement to dispose of its 40.58% equity interest in Henan Khong Guan Cereal & Oil Food Products Co Ltd for RMB13,739,000 (S\$2,918,000) in cash for completion within 180 days after signing of the agreement.

At the Company's EGM held on 15 January 2015, the Company's shareholders approved the development of its present heritage property into an 8 storey industrial building and the building plans are in the final stage of completion for submission to the relevant authorities.

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 associate, UMF, is expected to do better as a result of stabilising wheat grain prices and the increase in the export of oat products and with the higher sales performance by the trading subsidiaries through increased marketing efforts and acquisitions of new products, the directors, therefore, envisage that the group's operating results in the second half year would improve.

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 2015 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 2015.

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		
United Malayan Flour (1996) Sdn Bhd	--	6,929,000
Khong Guan Biscuit Factory (Borneo) Sdn Bhd	--	2,480,000
Chung Ying Confectionery & Food Products Sdn Bhd	--	1,548,000
Leong Hong Oil Mill Sdn Bhd	--	1,102,000
Sales to		
Khian Guan Biscuit Manufacturing Co Sdn Bhd	--	300,000
Khong Guan Biscuit Factory (Johore) Sdn Bhd	--	117,000
Lian Seng Hang Sdn Bhd	--	608,000
Poh Seng Trading (Ipoh) Sdn Bhd	--	953,000
Soon Guan Chan Sdn Bhd	--	259,000
Soon Guan Co Sdn Bhd	--	144,000
Sunshine Traders Sdn Bhd	--	417,000
Thong Hong Trading Sdn Bhd	--	290,000

BY ORDER OF THE BOARD

KOE ENG CHUAN

Company Secretary

11 March 2015