



KHONG GUAN FLOUR MILLING LIMITED

(Company Reg. No. 196000096G)

Half Year Financial Statement And Dividend Announcement for the Period Ended 31/01/2016

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) %
		31/01/2016 S\$'000	31/01/2015 S\$'000	
Revenue		29,217	31,385	(6.91)
Other income	1	202	177	14.12
Changes in short-term investments	2	(894)	207	NM
Changes in inventories		507	(1,352)	NM
Purchases of short-term investments		(567)	(1,265)	(55.18)
Purchases of inventories		(25,935)	(25,710)	0.88
Employee benefits expense		(2,024)	(2,049)	(1.22)
Depreciation and amortisation expenses	3	(269)	(246)	9.35
Finance costs		0	(2)	NM
Share of results of associates, net of tax	4	915	577	58.58
Other expenses		(1,236)	(1,273)	(2.91)
(Loss)/Profit before tax		(84)	449	(118.71)
Income tax expense	5	(266)	(273)	(2.56)
(Loss)/Profit for the financial period		<u>(350)</u>	<u>176</u>	(298.86)
 (Loss)/Profit for the financial period attributable to :				
Equity holders of the company		(483)	31	
Non-controlling interests		133	145	
		<u>(350)</u>	<u>176</u>	

Statement of Comprehensive Income

	GROUP	
	31/01/2016 S\$'000	31/01/2015 S\$'000
(Loss)/Profit for the financial period	(350)	176
Other comprehensive income :		
Items that may be subsequently reclassified to profit or loss:		
Fair value loss on long-term unquoted investments	0	(2)
Share of associates' capital reserve	4	5
Translation differences relating to financial statements of foreign operations	(1,502)	(1,704)
Other comprehensive loss, net of tax	(1,498)	(1,701)
Total comprehensive income for the financial period	<u>(1,848)</u>	<u>(1,525)</u>
 Total comprehensive income attributable to :		
Equity holders of the company	(1,884)	(1,546)
Non-controlling interests	36	21
	<u>(1,848)</u>	<u>(1,525)</u>

Note :

NM - Not meaningful

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

	31/01/2016 S\$'000	31/01/2015 S\$'000
(a) Investment income	83	109
(b) Interest income	79	82
(c) Interest on borrowings	0	(2)
(d) Depreciation and amortisation	(269)	(246)
(e) Allowance for doubtful receivables (made)/written back and bad debts written off	(9)	1
(f) Write off for stock obsolescence	0	0
(g) Impairment loss on unquoted investments	0	0
(h) Foreign exchange loss	(179)	(232)
(i) Overprovision of tax in respect of prior years	0	8
(j) Profit on sale of quoted short-term investments	105	108
(k) Profit on disposal of property, plant and equipment	70	0
(l) Fair value loss on short-term investments, unrealised	(1,077)	(501)

Notes :

1 Other income comprised:

	31/01/2016 S\$'000	31/01/2015 S\$'000
Profit on disposal of property, plant and equipment	70	0
Rental received	13	43
Interest income and others	119	134
	<u>202</u>	<u>177</u>

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

	31/01/2016 S\$'000	31/01/2015 S\$'000
Purchases	567	1,265
Cost of sales		
Cost of investments sold	(585)	(580)
Fair value loss, realised	201	23
Fair value of investments sold	(384)	(557)
Fair value loss, unrealised	(1,077)	(501)
	<u>(894)</u>	<u>207</u>

3 The higher depreciation charge was due to purchase of additional transport and warehouse equipment.

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

5 Income tax expense

	31/01/2016 S\$'000	31/01/2015 S\$'000
Current taxation		
- Malaysian tax	342	293
- tax deducted at source	1	1
Overprovision for taxation in prior years	0	(8)
Deferred taxation	(77)	(13)
	<u>266</u>	<u>273</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	
		31/01/2016 S\$'000	31/07/2015 S\$'000	31/01/2016 S\$'000	31/07/2015 S\$'000
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment		4,125	3,739	1,014	993
Prepaid lease		1,689	1,792	0	0
Investment properties		4,345	4,217	4,345	4,217
Investments in subsidiaries		0	0	18,287	18,287
Investments in associates	1	17,848	18,235	0	0
Long-term investments	2	930	931	906	906
		28,937	28,914	24,552	24,403
Current Assets					
Inventories		6,438	6,175	0	29
Short-term investments	3	6,953	7,847	0	0
Trade receivables	4	12,194	10,700	584	335
Other receivables		171	225	83	135
Tax recoverable		15	11	0	0
Amounts owing by subsidiaries		0	0	4,725	4,973
Fixed deposits		15,978	16,587	15,906	16,512
Cash and bank balances		2,391	4,810	414	1,638
		44,140	46,355	21,712	23,622
Less					
Current Liabilities					
Trade payables	5	5,473	4,816	328	274
Other payables	6	443	822	345	524
Amounts owing to banks, secured		197	0	0	0
Provision for taxation		267	207	0	0
		6,380	5,845	673	798
Net Current Assets		37,760	40,510	21,039	22,824
Less					
Non-Current Liabilities					
Provision for retirement benefits		300	312	300	312
Deferred tax liabilities		497	577	0	0
		797	889	300	312
Net Assets		65,900	68,535	45,291	46,915
EQUITY					
Share capital		33,279	33,279	33,279	33,279
Capital reserves		108	104	0	0
Foreign currency translation reserves	7	(7,822)	(6,417)	0	0
Retained profits		37,938	39,195	12,012	13,636
Attributable to equity holders of the company		63,503	66,161	45,291	46,915
Non-controlling interests		2,397	2,374	0	0
Total Equity		65,900	68,535	45,291	46,915

Notes :-

1 Investments in associates were arrived as follows :-

	GROUP		COMPANY	
	31/01/2016 S\$'000	31/07/2015 S\$'000	31/01/2016 S\$'000	31/07/2015 S\$'000
Unquoted equity investments, at cost	12,328	12,328	0	0
Less				
Impairment losses :-				
Balance at beginning of the financial period	0	0	0	(1,973)
Disposal	0	0	0	1,973
Balance at end of the financial period	0	0	0	0
	12,328	12,328	0	0
Share of post-acquisition reserves	10,318	9,927	0	0
Share of post-acquisition capital reserve	108	104	0	0
Foreign currency translation reserves	(4,906)	(4,124)	0	0
	17,848	18,235	0	0

2 Long-term Investments were arrived as follows :-

	GROUP		COMPANY	
	31/01/2016 S\$'000	31/07/2015 S\$'000	31/01/2016 S\$'000	31/07/2015 S\$'000
Unquoted equity investments, at cost	1,289	1,289	1,246	1,246
Translation difference	(9)	(8)	0	0
	1,280	1,281	1,246	1,246
Less				
Impairment losses :-				
Balance at beginning of the financial period	(350)	(350)	(340)	(340)
Movement during the financial period	0	0	0	0
Balance at end of the financial period	(350)	(350)	(340)	(340)
	930	931	906	906
Unquoted equity investments, at fair value				
Balance at beginning of the financial period	0	609	0	609
Fair value loss	0	(34)	0	(34)
Disposal during the financial period	0	(575)	0	(575)
Balance at end of the financial period	0	0	0	0
Total equity investments	930	931	906	906

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

	GROUP	
	31/01/2016 S\$'000	31/07/2015 S\$'000
Quoted investments, at fair value		
Balance at beginning of the financial period	7,847	7,829
Sales	(384)	(1,405)
Purchases	567	2,470
Fair value loss, unrealised	(1,077)	(1,047)
Balance at end of the financial period	6,953	7,847

4 The increase was due to more sales during the festive season.

5 The increase resulted from longer credit term granted by suppliers.

6 The settlement of provision reduced the other payables.

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

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

	As at 31/01/2016		As at 31/07/2015	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Amount repayable in one year or less, or on demand	197	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\$	Long-term Quoted Securities S\$	Total S\$	*Percentage of NTA
Cost as at 1 August 2015	7,885,414	0	7,885,414	12.42
Purchases	566,598	0	566,598	0.89
Cost of investments sold	(585,100)	0	(585,100)	(0.92)
Cost as at 31 January 2016	7,866,912	0	7,866,912	12.39

Fair value loss movements				
Balance as at 1 August 2015	(38,806)	0	(38,806)	(0.06)
Fair value loss, unrealised	(1,076,585)	0	(1,076,585)	(1.70)
Fair value loss, realised	201,376	0	201,376	0.32
Balance as at 31 January 2016	(914,015)	0	(914,015)	(1.44)
Fair value as at 31 January 2016	6,952,897	0	6,952,897	10.95
Fair value as at 31 July 2015	7,846,608	0	7,846,608	

* NTA (Net Tangible Assets Value) is based on the unaudited consolidated statement of financial position as at 31 January 2016

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	
	31/01/2016	31/01/2015
	S\$'000	S\$'000
Cash flows from operating activities :-		
(Loss)/Profit before tax	(84)	449
Adjustments for non-cash and other items :-		
Allowance for doubtful trade receivables	9	(1)
Depreciation and amortisation expenses	269	246
Fair value loss on short-term investments	1,077	501
Profit on disposal of property, plant and equipment	(70)	0
Interest expense	0	2
Interest income	(79)	(82)
Provision for retirement benefits	18	24
Share of results of associates, net of tax	(915)	(577)
	309	113
Operating profit before working capital changes	225	562
Increase in short-term investments	(183)	(707)
(Increase)/Decrease in inventories	(507)	1,352
Increase in trade and other receivables	(1,841)	(856)
Increase/(Decrease) in trade and other payables	461	(189)
	(2,070)	(400)
Cash (used in)/generated from operations	(1,845)	162
Income tax paid	(277)	(285)
Interest paid	0	(2)
Interest received	79	82
Payment of retirement benefits	(31)	0
	(229)	(205)
Net cash used in operating activities	(2,074)	(43)
Cash flows from investing activities :-		
Purchase of property, plant and equipment	(778)	(607)
Additional to investment property	(128)	0
Proceeds from disposal of property, plant and equipment	108	0
Dividends received from associates	524	610
	(274)	3
Net cash (used in)/generated from investing activities	(2,348)	(40)
Cash flows from financing activities :-		
Dividends paid by the company	(774)	(774)
Dividends paid by subsidiaries to non-controlling interests	(13)	(14)
	(787)	(788)
Net cash used in financing activities	(787)	(788)
Net decrease in cash and cash equivalents	(3,135)	(828)
Cash and cash equivalents at beginning of the financial period	21,397	20,624
Effects of currency translations on cash and cash equivalents	(90)	(73)
Cash and cash equivalents at end of the financial period	18,172	19,723
Fixed deposits	15,978	15,663
Cash and bank balances	2,391	4,060
Bank overdrafts	(197)	0
	18,172	19,723

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 2015	33,279	104	(6,417)	39,195	66,161	2,374	68,535
(Loss)/Profit for the financial period	0	0	0	(483)	(483)	133	(350)
Other comprehensive income/(loss) for the financial period	0	4	(1,405)	0	(1,401)	(97)	(1,498)
Total comprehensive income for the financial period	0	4	(1,405)	(483)	(1,884)	36	(1,848)
Dividends paid							
- the company	0	0	0	(774)	(774)	0	(774)
- subsidiaries to non-controlling interests	0	0	0	0	0	(13)	(13)
At 31 January 2016	33,279	108	(7,822)	37,938	63,503	2,397	65,900
At 1 August 2014	33,279	452	(3,536)	38,734	68,929	2,295	71,224
Profit for the financial period	0	0	0	31	31	145	176
Other comprehensive income/(loss) for the financial period	0	3	(1,580)	0	(1,577)	(124)	(1,701)
Total comprehensive income for the financial 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
COMPANY							
At 1 August 2015	33,279	0	0	13,636	46,915		
Loss for the financial period	0	0	0	(850)	(850)		
Dividends paid	0	0	0	(774)	(774)		
At 31 January 2016	33,279	0	0	12,012	45,291		
At 1 August 2014	33,279	359	0	14,784	48,422		
Loss for the financial period	0	0	0	(178)	(178)		
Other comprehensive loss for the financial period	0	(2)	0	0	(2)		
Total comprehensive income for the financial 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		

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 2016 was 25,812,520 (31 January 2015 : 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 2016 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 2015.

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 2015. 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	
	31/01/2016	31/01/2015
(Loss)/Profit for the financial period attributable to equity holders of the company	S\$(483,000)	S\$31,000
Weighted average number of ordinary shares in issue	25,812,520	25,812,520
Basic earnings per share (in cents)	(1.87)	0.12
Diluted earnings per share (in cents)	(1.87)	0.12

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	
	31/01/2016	31/07/2015	31/01/2016	31/07/2015
Net asset value per ordinary share	S\$2.46	S\$2.56	S\$1.75	S\$1.82

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

	31/01/2016 S\$'000	31/01/2015 S\$'000	Increase/ (Decrease) S\$'000
Wheat flour and other consumer products trading			
Tong Guan Food Products Sdn Bhd ('TGF')	17,636	17,702	(66)
Swee Hin Chan Company Sdn Berhad ('SHC')	10,233	11,874	(1,641)
Others	777	1,035	(258)
	28,646	30,611	(1,965)
Investment trading			
Sales	488	665	(177)
Dividend income	83	109	(26)
	571	774	(203)
	<u>29,217</u>	<u>31,385</u>	<u>(2,168)</u>

SHC, which operates in Penang, faced keen competition from its trading in wheat flour and animal feed and saw a decline in sales in these two areas. However, this was compensated by an almost equal increase in the sale of starches.

TGF, which operates in Sabah, experienced a slight decrease in the sale of biscuits and wheat flour due to keen competition. However, the encouraging increase in sales of edible and non-edible goods due to new products more than compensated for the decline in the sales of biscuits and wheat flour.

SHC performed below expectation and its profit contribution saw a decline due to increased competition. It has intensified its marketing efforts to improve sales of wheat flour and animal feed and at the same time monitor and control the cost of purchase of imported starches.

TGF was able to improve its profitability with the introduction of new products. If not for the negative impact due to the weakening Ringgit, TGF's result when translated into Singapore dollar would be even better.

Contributing components results for the period were:-

	31/01/2016 S\$'000	31/01/2015 S\$'000
Profits attributable to two principal Malaysian subsidiaries	960	1,169
Share of results of associates, net of tax	915	577
Rental received	13	43
Fair value loss on short-term investments, unrealised	<u>(1,077)</u>	<u>(501)</u>
	<u>811</u>	<u>1,288</u>

Despite a decrease in sales, the group profit of United Malayan Flour (1996) Sdn Bhd, a 30% held associate, increased to \$3,052,000 (2015: \$1,966,000) as a result of the stabilization of raw material prices.

The weakening of the Ringgit against the Singapore Dollar by about 15% and the volatility of the local stock market have adversely affected the value of our investment in short-term quoted securities and they have also impacted the group assets as well as the operating result for the first half year.

Redevelopment of Heritage Building

Our existing 3-storey conservation building at 2 MacTaggart Road, Singapore 368078 will be redeveloped into an 8-storey light industrial building soon following the award of the main contract for a sum of \$8,998,000. The project is scheduled to be completed within a period of two years.

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.

Subject to there being no further deterioration on stock prices which will necessitate making substantial provision for the unrealised fair value loss on short-term investment, the directors are optimistic that the operating result for the second half year would be improved.

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 2016 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 2016.

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	--	5,679,000
Khong Guan Biscuit Factory (Borneo) Sdn Bhd	--	2,173,000
Chung Ying Confectionery & Food Products Sdn Bhd	--	1,284,000
Federal Oats Mills Sdn Bhd	--	114,000
Leong Hong Oil Mill Sdn Bhd	--	765,000
Sales to		
Khian Guan Biscuit Manufacturing Co Sdn Bhd	--	189,000
Lian Seng Hang Sdn Bhd	--	553,000
Poh Seng Trading (Ipoh) Sdn Bhd	--	789,000
Soon Guan Chan Sdn Bhd	--	215,000
Soon Guan Co Sdn Bhd	--	120,000
Sunshine Traders Sdn Bhd	--	390,000
Thong Hong Trading Sdn Bhd	--	228,000

BY ORDER OF THE BOARD

KOE ENG CHUAN

Company Secretary

11 March 2016