

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

CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS AND FULL YEAR ENDED 31 JULY 2021

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

	Note	GROUP				Increase/ (Decrease) %
		6 months ended		12 months ended		
		31 July	31 July	31 July	31 July	
		2021	2020	2021	2020	
		\$'000	\$'000	\$'000	\$'000	
Revenue		29,896	31,430	62,327	60,508	3.01
Dividend income		32	61	60	125	(52.00)
Other net changes in fair value on financial assets at fair value through profit or loss	12	(60)	(429)	(72)	(508)	(85.83)
Other income	6.2	273	373	694	713	(2.66)
Changes in inventories		1,425	1,032	54	546	(90.11)
Purchases of inventories		(28,042)	(29,552)	(55,745)	(55,295)	0.81
Employee benefits expense	*	(2,008)	(2,074)	(3,910)	(4,384)	(10.81)
Depreciation and amortisation expenses						
- property, plant and equipment		(264)	(262)	(530)	(510)	3.92
- right-of-use assets		(71)	(115)	(142)	(140)	1.43
- investment property		(101)	(98)	(202)	(198)	2.02
Share of results of associates, net of tax		(544)	1,625	41	1,929	(97.87)
Finance costs		(7)	(7)	(7)	(7)	-
Other expenses		(1,052)	(1,025)	(2,163)	(2,245)	(3.65)
(Loss)/Profit before tax		(523)	959	405	534	
Income tax expense	7	(235)	(204)	(555)	(344)	
(Loss)/Profit for the financial period		(758)	755	(150)	190	
(Loss)/Profit for the financial period attributable to :						
Equity holders of the Company		(848)	686	(353)	50	
Non-controlling interests		90	69	203	140	
		(758)	755	(150)	190	
Earnings per share for (loss)/profit attributable to equity holders of the Company [in cents]						
Basic and diluted		(3.29)	2.66	(1.37)	0.19	

* refer to Other information required by Listing Rule Appendix 7.2 item 12

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

	GROUP				Increase/ (Decrease) %
	6 months ended		12 months ended		
	31 July	31 July	31 July	31 July	
	2021	2020	2021	2020	
	\$'000	\$'000	\$'000	\$'000	
(Loss)/Profit for the financial period	(758)	755	(150)	190	
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Share of associate's capital reserve on financial assets at fair value through other comprehensive income	(29)	(21)	(29)	(21)	38.10
	<u>(29)</u>	<u>(21)</u>	<u>(29)</u>	<u>(21)</u>	
Items that may be reclassified subsequently to profit or loss:					
Translation differences relating to financial statements of foreign operations	(958)	(1,163)	(356)	(1,032)	(65.50)
	<u>(958)</u>	<u>(1,163)</u>	<u>(356)</u>	<u>(1,032)</u>	
Other comprehensive income, net of tax	(987)	(1,184)	(385)	(1,053)	(63.44)
Total comprehensive income for the financial period	<u>(1,745)</u>	<u>(429)</u>	<u>(535)</u>	<u>(863)</u>	
Total comprehensive income attributable to:					
Equity holders of the Company	(1,773)	(422)	(715)	(936)	
Non-controlling interests	28	(7)	180	73	
	<u>(1,745)</u>	<u>(429)</u>	<u>(535)</u>	<u>(863)</u>	

B CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	GROUP		COMPANY	
		31 July 2021 \$'000	31 July 2020 \$'000	31 July 2021 \$'000	31 July 2020 \$'000
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment		4,523	4,951	706	832
Right-of-use assets		2,224	2,380	-	-
Investment property	10	13,402	13,604	13,402	13,604
Investments in subsidiaries		-	-	18,287	18,287
Investments in associates	11	22,053	21,076	1,500	-
Financial assets at fair value through other comprehensive income		269	271	-	-
Deferred tax assets		16	16	-	-
		42,487	42,298	33,895	32,723
Current Assets					
Inventories		7,169	7,180	-	14
Short-term investments	12	1,791	2,931	-	-
Trade receivables	13	9,456	10,272	312	316
Other receivables	*	182	356	79	137
Tax recoverable		153	184	-	-
Amounts owing by subsidiaries		-	-	275	1,378
Fixed deposits		2,226	2,260	2,226	2,211
Cash and bank balances		5,090	6,374	1,832	2,353
		26,067	29,557	4,724	6,409
Less: Current Liabilities					
Trade payables	*	4,555	6,547	273	302
Other payables		1,340	1,477	378	535
Lease liabilities		50	59	-	-
Current income tax liabilities		65	-	-	-
		6,010	8,083	651	837
Net Current Assets		20,057	21,474	4,073	5,572
Less: Non-Current Liabilities					
Lease liabilities		21	66	-	-
Provision for retirement benefits		290	260	290	260
Deferred tax liabilities		76	68	-	-
		387	394	290	260
Net Assets		62,157	63,378	37,678	38,035
EQUITY					
Share capital	14	33,279	33,279	33,279	33,279
Capital reserve		307	336	-	-
Foreign currency translation reserve		291	624	-	-
Retained profits		25,738	26,607	4,399	4,756
Attributable to equity holders of the Company		59,615	60,846	37,678	38,035
Non-controlling interests		2,542	2,532	-	-
Total Equity		62,157	63,378	37,678	38,035

* refer to Other information required by Listing Rule Appendix 7.2 item 12

C CONDENSED 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
2021							
At 1 August 2020	33,279	336	624	26,607	60,846	2,532	63,378
(Loss)/Profit for the financial year	-	-	-	(353)	(353)	203	(150)
Other comprehensive income for the financial year	-	(29)	(333)	-	(362)	(23)	(385)
Total comprehensive income for the financial year	-	(29)	(333)	(353)	(715)	180	(535)
Dividends paid by							
- the Company	-	-	-	(516)	(516)	-	(516)
- subsidiaries to non-controlling interests	-	-	-	-	-	(170)	(170)
At 31 July 2021	33,279	307	291	25,738	59,615	2,542	62,157
2020							
At 1 August 2019	33,279	357	1,589	27,073	62,298	2,584	64,882
Profit for the financial year	-	-	-	50	50	140	190
Other comprehensive income for the financial year	-	(21)	(965)	-	(986)	(67)	(1,053)
Total comprehensive income for the financial year	-	(21)	(965)	50	(936)	73	(863)
Dividends paid by							
- the Company	-	-	-	(516)	(516)	-	(516)
- subsidiaries to non-controlling interests	-	-	-	-	-	(125)	(125)
At 31 July 2020	33,279	336	624	26,607	60,846	2,532	63,378

C CONDENSED STATEMENTS OF CHANGES IN EQUITY – cont'd

COMPANY	Note	Share capital \$'000	Retained profits \$'000	Total equity \$'000
2021				
At 1 August 2020		33,279	4,756	38,035
Profit for the financial year		-	159	159
Other comprehensive income for the financial year		-	-	-
Total comprehensive income for the financial year		-	159	159
Dividend paid	8	-	(516)	(516)
At 31 July 2021		<u>33,279</u>	<u>4,399</u>	<u>37,678</u>
2020				
At 1 August 2019		33,279	6,285	39,564
Loss for the financial year		-	(1,013)	(1,013)
Other comprehensive income for the financial year		-	-	-
Total comprehensive income for the financial year		-	(1,013)	(1,013)
Dividend paid	8	-	(516)	(516)
At 31 July 2020		<u>33,279</u>	<u>4,756</u>	<u>38,035</u>

D CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	12 months ended	
	31 July	31 July
	2021	2020
	\$'000	\$'000
Cash flows from operating activities :		
Profit before tax	405	534
Adjustments for non-cash and other items :		
Allowance on impairment of trade receivables	18	117
Bad debts written off	-	8
Depreciation and amortisation expenses	874	848
Fair value loss on short-term investments	107	398
Gain on disposal of financial assets at fair value through other comprehensive income ("FVOCI")	-	(1)
Gain on disposal of property, plant and equipment	(9)	-
Inventory written off	147	115
Interest expense	7	7
Interest income	(36)	(66)
Property, plant and equipment written off	4	-
Provision for retirement benefits	30	15
Reversal of allowance on impairment of trade receivables	(26)	(27)
Share of results of associates, net of tax	(41)	(1,929)
	1,075	(515)
Operating profit before working capital changes	1,480	19
Decrease in short-term investments	1,033	1,328
Increase in inventories	(201)	(661)
Decrease/(Increase) in trade and other receivables	950	(587)
(Decrease)/Increase in trade and other payables	(2,018)	1,517
	(236)	1,597
Cash generated from operations	1,244	1,616
Income tax paid	(479)	(388)
Interest received	36	66
Payment of retirement benefits	-	(35)
	(443)	(357)
Net cash generated from operating activities	801	1,259

D CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – cont'd

	GROUP	
	12 months ended	
	31 July	31 July
	2021	2020
	\$'000	\$'000
Cash flows from investing activities :		
Purchase of property, plant and equipment	(224)	(1,368)
Acquisition of a newly incorporated associate	(1,500)	-
Proceeds from disposal of property, plant and equipment	18	-
Proceeds from disposal of financial assets at FVOCI	-	2
Dividend received from associate	352	353
Net cash used in investing activities	<u>(1,354)</u>	<u>(1,013)</u>
	(553)	246
Cash flows from financing activities :		
Dividend paid by the Company	(516)	(516)
Dividends paid by subsidiaries to non-controlling interests	(170)	(125)
Repayment of lease liabilities	(59)	(56)
Lease liabilities interest paid	(7)	(7)
Net cash used in financing activities	<u>(752)</u>	<u>(704)</u>
Net decrease in cash and cash equivalents	(1,305)	(458)
Cash and cash equivalents at beginning of the financial year	8,634	9,152
Effects of currency translations on cash and cash equivalents	(13)	(60)
Cash and cash equivalents at end of the financial year	<u>7,316</u>	<u>8,634</u>

E NOTES TO THE CONDENSED 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 consolidated financial statements as at and for the six and 12 months ended 31 July 2021 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) Wholesale of wheat flour, general goods and related products
- d) Wholesale of wheat flour, biscuits and other consumer goods

The consolidated financial statements of the Group and the statement of financial position of the Company were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2 BASIS OF PREPARATION

The condensed financial statements for the six months ended 31 July 2021 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed 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 interim financial statements for the period ended 31 January 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 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 financial statements, the 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 financial year ended 31 July 2020.

E NOTES TO THE CONDENSED 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 include the following:

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 February 2021 to 31 July 2021				
Total segment revenue	29,911	-	-	29,911
Inter-segment revenue	(15)	-	-	(15)
Revenue from external parties	29,896	-	-	29,896
Dividend income	-	-	32	32
Interest income	16	1	-	17
Miscellaneous income	236	20	-	256
Total other income	252	21	32	305
Total revenue and other income	30,148	21	32	30,201

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

4 SEGMENT AND REVENUE INFORMATION – cont'd

4.1 Reportable segments – cont'd

	GROUP			Consolidated \$'000
	Segment 1 \$'000	Segment 2 \$'000	Segment 3 \$'000	
1 February 2021 to 31 July 2021 – cont'd				
Results				
Profit/(Loss) before interest, taxation and depreciation and amortisation	630	(207)	24	447
Depreciation and amortisation	(413)	(23)	-	(436)
Operating profit/(loss)	<u>217</u>	<u>(230)</u>	<u>24</u>	<u>11</u>
Interest expense				(7)
Interest income				17
Share of results of associates, net of tax				(544)
Taxation				<u>(235)</u>
Loss after tax				<u>(758)</u>
Assets and Liabilities				
Segments assets	<u>(2,152)</u>	<u>(380)</u>	<u>(11)</u>	<u>(2,543)</u>
Associates				427
Unallocated assets				<u>13</u>
				<u>(2,103)</u>
Segments liabilities	<u>(325)</u>	<u>16</u>	<u>3</u>	<u>(306)</u>
Unallocated liabilities				<u>98</u>
				<u>(208)</u>
Other segments information				
Expenditure for non-current assets	85	-	-	85
Other non-cash items				
Allowance on impairment of trade receivables	18	-	-	18
Reversal of allowance on impairment of trade receivables	(24)	-	-	(24)
Inventory written off	147	-	-	147
Foreign exchange loss	<u>66</u>	<u>1</u>	<u>-</u>	<u>67</u>

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

4 SEGMENT AND REVENUE INFORMATION – cont'd

4.1 Reportable segments – cont'd

	GROUP			Consolidated \$'000
	Segment 1 \$'000	Segment 2 \$'000	Segment 3 \$'000	
1 February 2020 to 31 July 2020				
Total segment revenue	31,430	-	-	31,430
Inter-segment revenue	-	-	-	-
Revenue from external parties	31,430	-	-	31,430
Dividend income	-	-	61	61
Interest income	28	1	-	29
Miscellaneous income	311	33	-	344
Total other income	339	34	61	434
Total revenue and other income	31,769	34	61	31,864
Results				
(Loss)/Profit before interest, taxation and depreciation and amortisation	321	(587)	53	(213)
Depreciation and amortisation	(446)	(29)	-	(475)
Operating (loss)/profit	(125)	(616)	53	(688)
Interest expense				(7)
Interest income				29
Share of results of associates, net of tax				1,625
Taxation				(204)
Profit after tax				755
Assets and Liabilities				
Segments assets	1,672	(925)	(13)	734
Associates				1,002
Unallocated assets				(225)
				1,511
Segments liabilities	1,996	19	2	2,017
Unallocated liabilities				28
				2,045

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

4 SEGMENT AND REVENUE INFORMATION – cont'd

4.1 Reportable segments – cont'd

	Segment 1 \$'000	Segment 2 \$'000	GROUP Segment 3 \$'000	Consolidated \$'000
1 February 2020 to 31 July 2020 – cont'd				
Other segments information				
Expenditure for non-current assets	265	-	-	265
Other non-cash items				
Allowance on impairment of trade receivables	84	-	-	84
Reversal of allowance on impairment of trade receivables	(27)	-	-	(27)
Bad debts written off	8	-	-	8
Inventory written off	115	-	-	115
Foreign exchange loss	77	2	-	79
1 August 2020 to 31 July 2021				
Total segment revenue	62,342	-	-	62,342
Inter-segment revenue	(15)	-	-	(15)
Revenue from external parties	62,327	-	-	62,327
Dividend income	-	-	60	60
Interest income	35	1	-	36
Miscellaneous income	612	46	-	658
Total other income	647	47	60	754
Total revenue and other income	62,974	47	60	63,081
Results				
Profit/(Loss) before interest, taxation and depreciation and amortisation	1,590	(426)	45	1,209
Depreciation and amortisation	(822)	(52)	-	(874)
Operating profit/(loss)	768	(478)	45	335
Interest expense				(7)
Interest income				36
Share of results of associates, net of tax				41
Taxation				(555)
Loss after tax				(150)

E NOTES TO THE CONDENSED 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 July 2021 – cont'd				
Assets and Liabilities				
Segments assets	42,580	3,384	333	46,297
Associates				22,053
Unallocated assets				204
				<u>68,554</u>
Segments liabilities	5,823	42	6	5,871
Unallocated liabilities				526
				<u>6,397</u>
Other segments information				
Expenditure for non-current assets	224	-	-	224
Other non-cash items				
Allowance on impairment of trade receivables	18	-	-	18
Reversal of allowance on impairment of trade receivables	(26)	-	-	(26)
Inventory written off	147	-	-	147
Foreign exchange loss	33	-	-	33
1 August 2019 to 31 July 2020				
Total segment revenue	60,508	-	-	60,508
Inter-segment revenue	-	-	-	-
Revenue from external parties	60,508	-	-	60,508
Dividend income	-	-	125	125
Interest income	64	2	-	66
Miscellaneous income	613	34	-	647
Total other income	677	36	125	838
Total revenue and other income	61,185	36	125	61,346

E NOTES TO THE CONDENSED 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 2019 to 31 July 2020 – cont'd				
Results				
(Loss)/Profit before interest, taxation and depreciation and amortisation	175	(891)	110	(606)
Depreciation and amortisation	(790)	(58)	-	(848)
Operating (loss)/profit	<u>(615)</u>	<u>(949)</u>	<u>110</u>	<u>(1,454)</u>
Interest expense				(7)
Interest income				66
Share of results of associates, net of tax				1,929
Taxation				<u>(344)</u>
Profit after tax				<u>190</u>
Assets and Liabilities				
Segments assets	<u>45,167</u>	<u>4,914</u>	<u>316</u>	<u>50,397</u>
Associates				21,076
Unallocated assets				<u>382</u>
				<u>71,855</u>
Segments liabilities	<u>8,046</u>	<u>43</u>	<u>6</u>	<u>8,095</u>
Unallocated liabilities				<u>382</u>
				<u>8,477</u>
Other segments information				
Expenditure for non-current assets	1,368	-	-	1,368
Other non-cash items				
Allowance on impairment of trade receivables	117	-	-	117
Reversal of allowance on impairment of trade receivables	(27)	-	-	(27)
Bad debts written off	8	-	-	8
Inventory written off	115	-	-	115
Foreign exchange loss	<u>71</u>	<u>2</u>	<u>-</u>	<u>73</u>

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

4 SEGMENT AND REVENUE INFORMATION – cont'd

4.2 Disaggregation of Revenue

	GROUP			
	6 months ended 31 July 2021			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
Types of goods:				
Sales of goods	29,896	-	-	29,896
Timing of revenue recognition:				
At a point in time	29,896	-	-	29,896
Geographical information:				
Singapore	629	-	-	629
Malaysia	29,267	-	-	29,267
	29,896	-	-	29,896

	GROUP			
	6 months ended 31 July 2020			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
Types of goods:				
Sales of goods	31,430	-	-	31,430
Timing of revenue recognition:				
At a point in time	31,430	-	-	31,430
Geographical information:				
Singapore	662	-	-	662
Malaysia	30,768	-	-	30,768
	31,430	-	-	31,430

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

4 SEGMENT AND REVENUE INFORMATION – cont'd

4.2 Disaggregation of Revenue – cont'd

	GROUP			
	12 months ended 31 July 2021			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
Types of goods:				
Sales of goods	62,327	-	-	62,327
Timing of revenue recognition:				
At a point in time	62,327	-	-	62,327
Geographical information:				
Singapore	1,438	-	-	1,438
Malaysia	60,889	-	-	60,889
	62,327	-	-	62,327

	GROUP			
	12 months ended 31 July 2020			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
Types of goods:				
Sales of goods	60,508	-	-	60,508
Timing of revenue recognition:				
At a point in time	60,508	-	-	60,508
Geographical information:				
Singapore	1,340	-	-	1,340
Malaysia	59,168	-	-	59,168
	60,508	-	-	60,508

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

4 SEGMENT AND REVENUE INFORMATION – cont'd

4.2 Disaggregation of Revenue – cont'd

A breakdown of sales:

	GROUP		Increase (Decrease) %
	12 months ended		
	31 July 2021 \$'000	31 July 2020 \$'000	
Sales reported for the first half year	32,431	29,078	11.53
Operating profit/(loss) after tax before deducting non-controlling interests reported for the first half year	608	(565)	(207.61)
Sales reported for the second half year	29,896	31,430	(4.88)
Operating (loss)/profit after tax before deducting non-controlling interests reported for the second half year	(758)	755	(200.40)

5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of the financial assets and liabilities of the Group as at 31 July 2021 and 31 July 2020:

	GROUP		COMPANY	
	31 July 2021 \$'000	31 July 2020 \$'000	31 July 2021 \$'000	31 July 2020 \$'000
Financial Assets				
Financial assets at fair value through profit or loss ("FVPL")	1,791	2,931	-	-
Financial assets at FVOCI	269	271	-	-
Cash and bank balances and fixed deposits and trade and other receivables and amount owing by subsidiaries (Amortised cost)	<u>16,847</u>	<u>19,128</u>	<u>4,649</u>	<u>6,326</u>
	<u>18,907</u>	<u>22,330</u>	<u>4,649</u>	<u>6,326</u>
Financial Liabilities				
Trade and other payables and lease liabilities	<u>5,966</u>	<u>8,057</u>	<u>651</u>	<u>764</u>

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

6 PROFIT BEFORE TAXATION

6.1 Significant items

	GROUP			
	6 months ended		12 months ended	
	31 July	31 July	31 July	31 July
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Expenses				
Interest on leases	7	7	7	7
Depreciation and amortisation	436	475	874	848
Allowance on impairment of trade receivables	18	84	18	117
Bad debts written off	-	8	-	8
Inventory written off	147	115	147	115
Property, plant and equipment written off	4	-	4	-
Foreign exchange loss	67	79	33	73

6.2 Other income

	GROUP			
	6 months ended		12 months ended	
	31 July	31 July	31 July	31 July
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Rental income	223	78	424	170
Unclaimed dividends	-	-	-	161
Government grant	48	203	151	206
Insurance claim	13	13	13	43
Interest income	17	29	36	66
Reversal of allowance on impairment of trade receivables	24	27	26	27
Gain on disposal of property, plant and equipment	9	-	9	-
Others	(61)	23	35	40
	<u>273</u>	<u>373</u>	<u>694</u>	<u>713</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 year:

	GROUP		COMPANY	
	12 months ended		12 months ended	
	31 July	31 July	31 July	31 July
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Purchases from				
- Associates	11,231	12,573	1,187	1,151
- Related parties	7,354	7,526	10	2
	<u>18,585</u>	<u>20,099</u>	<u>1,197</u>	<u>1,153</u>

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

	GROUP			
	6 months ended		12 months ended	
	31 July	31 July	31 July	31 July
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Current taxation				
- Malaysian tax	245	237	564	395
- tax deducted at source	1	1	2	2
Deferred taxation	3	10	3	(4)
Overprovision for taxation in prior years	(14)	(44)	(14)	(49)
	<u>235</u>	<u>204</u>	<u>555</u>	<u>344</u>

8 DIVIDEND

	GROUP AND COMPANY	
	12 months ended	
	31 July	31 July
	2021	2020
	\$'000	\$'000
Ordinary dividend paid:		
Final tax exempt one-tier dividend of \$0.02 per ordinary share (2020: 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 July	31 July	31 July	31 July
	2021	2020	2021	2020
	\$	\$	\$	\$
Net asset value per ordinary share	<u>2.31</u>	<u>2.36</u>	<u>1.46</u>	<u>1.47</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 CONSOLIDATED FINANCIAL STATEMENTS – cont'd

10 INVESTMENT PROPERTY – cont'd

	GROUP AND COMPANY	
	31 July 2021 \$'000	31 July 2020 \$'000
Cost		
Balance at beginning of financial year	13,974	14,069
Adjustment	<u>-</u>	<u>(95)</u>
Balance at end of financial year	<u>13,974</u>	<u>13,974</u>
Accumulated Depreciation		
Balance at beginning of financial year	370	172
Charge for the financial year	<u>202</u>	<u>198</u>
Balance at end of financial year	<u>572</u>	<u>370</u>
Carrying Amount		
As at 31 July	<u>13,402</u>	<u>13,604</u>
Fair Value		
As at 31 July	<u>21,000</u>	<u>21,000</u>

10.1 Valuation

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment property every five year or when necessary. The last valuation was done on 7 October 2020.

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 July 2021 \$'000	31 July 2020 \$'000
Unquoted equity investment, at cost		
Balance at beginning of financial year	12,035	12,035
Acquisition during the financial year	<u>1,500</u>	<u>-</u>
Balance at end of financial year	13,535	12,035
Share of post-acquisition reserves	14,552	14,863
Share of capital reserve	77	106
Foreign currency translation reserve	<u>(6,111)</u>	<u>(5,928)</u>
	<u>22,053</u>	<u>21,076</u>

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

11 INVESTMENTS IN ASSOCIATES – cont'd

Movements for share of post-acquisition reserves:

	GROUP	
	31 July 2021 \$'000	31 July 2020 \$'000
Balance at beginning of financial year	14,863	13,287
Share of results	41	1,929
Dividend received	(352)	(353)
Balance at end of financial year	14,552	14,863

Details of the associates as at 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

Details of the associate as at 31 July 2020 are as follows:

Name of company	Principal activities	Place of incorporation/ business	Percentage of equity held %
<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

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

12 SHORT-TERM INVESTMENTS

	GROUP	
	31 July 2021 \$'000	31 July 2020 \$'000
Balance at beginning of financial year	2,931	4,657
Purchases	26	508
Disposal	(1,059)	(1,836)
Unrealised loss in fair value	<u>(107)</u>	<u>(398)</u>
Balance at end of financial year	<u>1,791</u>	<u>2,931</u>
Other net changes in fair value on financial assets at FVPL:		
Gain/(Loss) on sale of short-term investments, realised	35	(110)
Fair value loss on short-term investments, unrealised	<u>(107)</u>	<u>(398)</u>
	<u>(72)</u>	<u>(508)</u>

13 TRADE RECEIVABLES

	GROUP		COMPANY	
	31 July 2021 \$'000	31 July 2020 \$'000	31 July 2021 \$'000	31 July 2020 \$'000
Trade receivables:				
- Third parties	9,963	10,902	312	316
- Related parties	<u>183</u>	<u>145</u>	<u>-</u>	<u>-</u>
	10,146	11,047	312	316
Less:				
Allowance on impairment of trade receivables	<u>(690)</u>	<u>(775)</u>	<u>-</u>	<u>-</u>
	<u>9,456</u>	<u>10,272</u>	<u>312</u>	<u>316</u>

	GROUP	
	31 July 2021 \$'000	31 July 2020 \$'000
Movement in allowance accounts:		
Balance at the beginning of the financial year	(775)	(720)
Allowance made	(18)	(117)
Allowance written back	26	27
Bad debts written off	76	16
Currency translation difference	<u>1</u>	<u>19</u>
Balance at the end of the financial year	<u>(690)</u>	<u>(775)</u>

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

14 SHARE CAPITAL

	GROUP AND COMPANY	
	31 July 2021 \$'000	31 July 2020 \$'000
Issued and fully paid 25,812,520 (2020: 25,812,520) ordinary shares	<u>33,279</u>	<u>33,279</u>

The Company did not hold any treasury shares as at 31 July 2021.

The Company's subsidiaries do not hold any shares in the Company as at 31 July 2021 and 31 July 2020.

15 BORROWINGS

	GROUP	
	31 July 2021 \$'000	31 July 2020 \$'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 landed 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 July 2021 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.

	31 July 2021 \$'000	31 July 2020 \$'000	(Decrease)/ Increase \$'000
Revenue			
Tong Guan Food Products Sdn. Bhd. ("TGF")	35,639	34,052	1,587
Swee Hin Chan Company Sdn. Berhad. ("SHC")	25,250	25,116	134
Others	1,438	1,340	98
	<u>62,327</u>	<u>60,508</u>	<u>1,819</u>

Despite the challenging market conditions caused by the ongoing COVID-19 pandemic and Movement Control Order ('MCO') imposed in Malaysia, the Group managed to increase its turnover by 3% to \$62,327,000 (2020: \$60,508,000) on the back of better sales performance of both subsidiaries, TGF and SHC.

TGF managed to offset the lower sales of flour and biscuits with higher sales from the full year impact from the distributorship secured for parts of Sabah, Malaysia in February 2020. Overall, TGF achieved a 4.7% increase in its turnover to \$35,639,000 (2020: \$34,052,000).

Despite the decrease in wheat flour sales during the year, SHC managed to increase the sale of starches through better selling prices during the year. SHC maintained its turnover during the year at \$25,250,000 (2020: \$25,116,000) despite the challenging marketing conditions.

The combined profit after tax for TGF and SHC for the year increased by 58% to \$1,633,000 (2020: \$1,031,000). This was due to the improved overall performance of TGF and better selling margins from the sale of starches by SHC.

The turnover of the associate, United Malayan Flour (1996) Sdn Bhd ("UMF"), decreased by 4.9% to \$80,534,000 (2020: \$84,709,000) as a result of lower domestic and export sales. The performance of UMF was affected by the impact of the pandemic across its export markets and the surge in global freight rates, as well as an increase in income tax expense following a clarification by the Inland Revenue Board of Malaysia on the eligibility criteria on the reinvestment allowance in the year 2021. The impact of this clarification resulted in a reduction of \$1,689,000 in the deferred tax assets recognised, with a corresponding increase in income tax expense for the new oats processing plant owned by Federal Oats Mills Sdn Bhd, a subsidiary of UMF. As a result, UMF's profit attributable to equity holders of the company decreased significantly by 94.3% to \$364,000 (2020: \$6,431,000).

The remaining rentable unit at the company's office building has been taken up by a tenant that will commence its tenancy in January 2022. The rental will constitute another source of income.

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 subsidiaries in Malaysia continue to operate under challenging conditions due to market uncertainties caused by the pandemic, high freight rates and disruptions to the global supply chain. While we had experienced a decrease in sales in some of our product segments, we have also expanded the range of products that we carry in order to reach a larger customer base.

With Singapore and Malaysia planning to move ahead from a pandemic to endemic recovery phase, the Group is hopeful that this should lead the way for other countries in the region to gradually open up their borders. We expect this to lead to an increase in consumption for products carried and manufactured by the Group. The process of reopening of borders between countries may be uneven.

Ongoing weather issues in key wheat and oat exporting countries have also posed challenges to the Group's associate, UMF, which is involved in wheat and oat milling, as raw material prices have increased significantly and the availability of these products have been affected due to logistic problems. UMF remains focused on navigating these challenges and ensuring minimal disruption to the supply chain.

The Group expects continued challenges in the foreseeable future as global supply chain and weather issues continue to persist. This will have an effect on the businesses operated by our subsidiaries and associates as freight rates and supply chain issues will affect the import of our raw materials and export of our finished products.

In addition, as the Group's trading and manufacturing operations are in Malaysia, fluctuations in foreign exchange rates and economic conditions may affect the Group's operating results and the value of its investments.

The trading of short-term investments by the subsidiaries in Singapore have been scaled down under existing uncertain market conditions.

The Group remains cautiously optimistic that progress with the global recovery from the pandemic will lead to improved business conditions.

5 Dividend Information

5a Current Financial Period Reported On

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend	Final
Dividend type	Cash
Dividend per share	2 cents
Tax rate	Tax exempt

5b Corresponding Period of the Immediate Preceding Financial Year

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

Name of Dividend	Final
Dividend type	Cash
Dividend per share	2 cents
Tax rate	Tax exempt

5c Date Payable

The proposed dividend in 5a, if approved at the Annual General Meeting of the Company to be held on 30 December 2021 will be paid on 18 January 2022.

5d Record Date

The Company's Register of Members and the Share Transfer Books will be closed at 5.00 p.m. on 7 January 2022 ("**Record Date**"). Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building, Singapore 048544 up to 5.00 p.m. on 7 January 2022 will be registered to determine the Shareholders' entitlement to the proposed Dividend. Shareholders whose Securities Account with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on Record Date will be entitled to such proposed Dividend.

6 Interested person transactions

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

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	--	2,161,000
Federal Oats Mills Sdn Bhd	--	219,000
Khong Guan Biscuit Factory (Borneo) Sdn Bhd	--	4,521,000
Leong Hong Oil Mill Sdn Bhd	--	255,000
United Malayan Flour (1996) Sdn Bhd	--	11,364,000
Sales to		
Cereal Products (M) Sdn Bhd	--	278,000
Khian Guan Biscuit Manufacturing Co Sdn Bhd	--	683,000
Khong Guan Biscuit Factory (Johore) Sdn Bhd	--	239,000
Sunshine Traders Sdn Bhd	--	592,000

Corporate Guarantee to third parties on behalf of		
Tong Guan Food Products Sdn Bhd:	2,522,000* (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 \$2,522,000 (RM7,870,000). As of 31 July 2021, the amounts outstanding owing to these suppliers was \$950,000 (RM2,963,000).

7 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.

8 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to item 2.

9 Disclosure of persons occupying managerial positions who are related to a director, CEO or substantial shareholder

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Chew Soo Lin	73	Cousin of Mr Chew Soo Eng Director cum shareholder of Cepheus Corporation Pte Ltd, a substantial shareholder.	Chairman of the Board (Since Leadership and managing the business of the Board, including strategic matters of the Group.	Nil
Chew Soo Eng	73	Cousin of Mr Chew Soo Lin Director cum shareholder of Kah Hong Pte Ltd, a substantial shareholder.	Managing Director (Since Responsible for the Group's management team, business operations and execution of the Board's strategies.	Nil
Chew Kian Boon Daniel	46	Son of Mr Chew Soo Eng	Executive Director (Since Managing procurement of raw materials, shipping and logistics.	Nil
Chew Kian Hong Michael	40	Son of Mr Chew Soo Eng	Director of a subsidiary company (Since Responsible for business operations and development.	Nil

10 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year \$'000	Previous Full Year \$'000
Ordinary	516	516
Preference	-	-
Total	516	516

11 Negative Assurance

The board of directors hereby confirms to the best of their knowledge that nothing has come to their attention which may render the financial statements for the year ended 31 July 2021 to be false or misleading in any material aspect.

12 Other information

Employee benefits expense decreased from \$4,384,000 to \$3,910,000 due to lesser bonus declared during the year compared to the previous year and due to reduction in Company's staff headcount in the previous year.

The accrued JSS grant in July 2020 amounting to \$64,000 scheduled for payment in October 2020 and reclassification of advance payments of \$66,000 to purchases upon completion of delivery of imported purchases reduced the other receivables from \$356,000 to \$182,000.

Trade payables decreased from \$6,547,000 to \$4,555,000 as a result of shorter credit term granted from suppliers and reduced purchases amid the poor sales during the last few months of the year due to Covid 19 restrictions.