

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

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 JANUARY 2023

TABLE OF CONTENTS

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

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

		GROUP		
		6 months ended		
	Note	31 January 2023 \$'000	31 January 2022 \$'000	Increase/ (Decrease) %
Revenue		37,540	33,030	13.65
Dividend income		12	12	-
Other net changes in fair value on financial assets at fair value through profit or loss	*	179	(188)	(195.21)
Other income	6.2	439	326	34.66
Changes in inventories		(2,090)	(1,856)	12.61
Purchases of inventories		(31,884)	(27,871)	14.40
Employee benefits expense		(1,915)	(1,893)	1.16
Depreciation and amortisation expenses				
- property, plant and equipment		(252)	(252)	-
- right-of-use assets		(70)	(73)	(4.11)
- investment property		(101)	(101)	-
Share of results of associates, net of tax		302	138	118.84
Finance costs		(3)	(4)	(25.00)
Other expenses	*	(1,271)	(1,146)	10.91
Profit before tax		886	122	
Income tax expense	7	(363)	(286)	
Profit/(Loss) for the financial period		523	(164)	
Profit/(Loss) for the financial period attributable to:				
Equity holders of the Company		399	(267)	
Non-controlling interests		124	103	
		523	(164)	
Earnings per share for profit/(loss) attributable to equity holders of the Company [in cents]				
Basic and diluted		1.55	(1.03)	

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

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

	GROUP		
	6 months ended		
	31 January 2023 \$'000	31 January 2022 \$'000	Increase/ (Decrease) %
Profit/(Loss) for the financial period	523	(164)	
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	6	-	
	<u>6</u>	<u>-</u>	
Items that may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign operations	(107)	317	(133.75)
Other comprehensive income, net of tax	<u>(101)</u>	<u>317</u>	
Total comprehensive income for the financial period	<u><u>422</u></u>	<u><u>153</u></u>	
Total comprehensive income attributable to:			
Equity holders of the Company	304	30	
Non-controlling interests	<u>118</u>	<u>123</u>	
	<u><u>422</u></u>	<u><u>153</u></u>	

B CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

		GROUP		COMPANY	
	Note	31 January 2023 \$'000	31 July 2022 \$'000	31 January 2023 \$'000	31 July 2022 \$'000
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment		4,225	4,156	670	586
Right-of-use assets		2,081	2,057	-	-
Investment property	10	13,099	13,200	13,099	13,200
Investments in subsidiaries		-	-	18,287	18,287
Investments in associates	11	21,326	21,408	1,500	1,500
Financial assets at fair value through other comprehensive income ("FVOCI")		259	260	-	-
		40,990	41,081	33,556	33,573
Current Assets					
Inventories	*	6,839	8,971	-	-
Short-term investments	12	1,908	1,737	-	-
Trade receivables	* 13	13,807	12,370	594	419
Other receivables		221	226	79	104
Tax recoverable		-	5	-	-
Amounts owing by a subsidiary		-	-	150	265
Amounts owing by an associate		755	315	755	315
Fixed deposits		2,117	2,184	2,117	2,184
Cash and bank balances		1,919	4,137	707	1,213
		27,566	29,945	4,402	4,500
Less: Current Liabilities					
Trade payables	*	6,498	8,322	422	254
Other payables	*	886	1,510	206	406
Amounts owing to a subsidiary		-	-	400	-
Lease liabilities		46	38	-	-
Current income tax liabilities		154	109	-	-
		7,584	9,979	1,028	660
Net Current Assets		19,982	19,966	3,374	3,840
Less: Non-Current Liabilities					
Lease liabilities		78	17	-	-
Provision for retirement benefits		224	211	224	211
Deferred tax liabilities		86	86	-	-
		388	314	224	211
Net Assets		60,584	60,733	36,706	37,202

B CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION – *cont'd*

		GROUP		COMPANY	
		31 January 2023	31 July 2022	31 January 2023	31 July 2022
	Note	\$'000	\$'000	\$'000	\$'000
EQUITY					
Share capital	14	33,279	33,279	33,279	33,279
Capital reserve		290	284	-	-
Foreign currency translation reserve		(1,072)	(971)	-	-
Retained profits		25,476	25,593	3,427	3,923
Attributable to equity holders					
of the Company		57,973	58,185	36,706	37,202
Non-controlling interests		2,611	2,548	-	-
Total Equity		60,584	60,733	36,706	37,202

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

C CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

GROUP	Share capital \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Retained profits \$'000	Total attributable to equity holders of the Company \$'000	Non- controlling interests \$'000	Total equity \$'000
2023							
At 1 August 2022	33,279	284	(971)	25,593	58,185	2,548	60,733
Profit for the financial period	-	-	-	399	399	124	523
Other comprehensive income for the financial period	-	6	(101)	-	(95)	(6)	(101)
Total comprehensive income for the financial period	-	6	(101)	399	304	118	422
Dividends paid by							
- the Company	-	-	-	(516)	(516)	-	(516)
- subsidiaries to non-controlling interests	-	-	-	-	-	(55)	(55)
At 31 January 2023	33,279	290	(1,072)	25,476	57,973	2,611	60,584
2022							
At 1 August 2021	33,279	307	291	25,738	59,615	2,542	62,157
Loss for the financial period	-	-	-	(267)	(267)	103	(164)
Other comprehensive income for the financial period	-	-	297	-	297	20	317
Total comprehensive income for the financial period	-	-	297	(267)	30	123	153
Dividends paid by							
- the Company	-	-	-	(516)	(516)	-	(516)
- subsidiaries to non-controlling interests	-	-	-	-	-	(58)	(58)
At 31 January 2022	33,279	307	588	24,955	59,129	2,607	61,736

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

COMPANY	Note	Share capital \$'000	Retained profits \$'000	Total equity \$'000
2023				
At 1 August 2022		33,279	3,923	37,202
Profit for the financial period		-	20	20
Other comprehensive income for the financial period		-	-	-
Total comprehensive income for the financial period		-	20	20
Dividend paid	8	-	(516)	(516)
At 31 January 2023		33,279	3,427	36,706
2022				
At 1 August 2021		33,279	4,399	37,678
Loss for the financial period		-	(30)	(30)
Other comprehensive income for the financial period		-	-	-
Total comprehensive income for the financial period		-	(30)	(30)
Dividend paid	8	-	(516)	(516)
At 31 January 2022		33,279	3,853	37,132

D CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	GROUP	
	6 months ended	
	31 January	31 January
	2023	2022
	\$'000	\$'000
Cash flows from operating activities:		
Profit before tax	886	122
Adjustments for non-cash and other items:		
Depreciation and amortisation expenses	423	426
Fair value (gain)/loss on short-term investments	(179)	188
Gain on disposal of property, plant and equipment	(8)	-
Inventory written off	40	63
Interest expense	3	4
Interest income	(52)	(16)
Provision for retirement benefits	13	15
Reversal of allowance on impairment of trade receivables	(12)	-
Share of results of associates, net of tax	(302)	(138)
	(74)	542
Operating profit before working capital changes	812	664
Decrease/(Increase) in short-term investments	8	(96)
Decrease in inventories	2,051	1,793
Increase in trade and other receivables	(1,440)	(2,796)
(Decrease)/Increase in trade and other payables	(2,404)	430
	(1,785)	(669)
Cash used in operations	(973)	(5)
Income tax paid	(317)	(325)
Interest received	52	16
Payment of retirement benefits	-	(100)
	(265)	(409)
Net cash used in operating activities	(1,238)	(414)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(370)	(113)
Loans to an associate	(440)	(150)
Proceeds from disposal of property, plant and equipment	47	-
Dividend received from an associate	333	348
	(430)	85
Net cash (used in)/generated from investing activities	(1,668)	(329)

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

	GROUP	
	6 months ended	
	31 January 2023	31 January 2022
	\$'000	\$'000
Cash flows from financing activities:		
Dividend paid by the Company	(516)	(516)
Dividends paid by subsidiaries to non-controlling interests	(55)	(58)
Repayment of lease liabilities	(30)	(31)
Lease liabilities interest paid	(3)	(4)
Net cash used in financing activities	(604)	(609)
Net decrease in cash and cash equivalents	(2,272)	(938)
Cash and cash equivalents at beginning of the financial period	6,321	7,316
Effects of currency translations on cash and cash equivalents	(13)	14
Cash and cash equivalents at end of the financial period	4,036	6,392
Represented by:		
Fixed deposits	2,117	2,260
Cash and bank balances	1,919	4,132
	4,036	6,392

E NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Khong Guan Limited (the Company) is incorporated and domiciled in Singapore and whose shares are publicly traded on the Mainboard of the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months ended 31 January 2023 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) Wholesaler of wheat flour, biscuits, consumer and general goods
- b) Trading in quoted investments
- c) Investment holding

2 BASIS OF PREPARATION

The condensed interim financial statements for the six months ended 31 January 2023 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 July 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

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

2.1 NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 USE OF JUDGEMENTS AND ESTIMATES

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 July 2022.

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

2 BASIS OF PREPARATION – *cont'd*

2.2 USE OF JUDGEMENTS AND ESTIMATES – *cont'd*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Note 10 - Classification of investment property

Note 13 - Allowance on impairment of trade receivables

3 SEASONAL OPERATIONS

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

4 SEGMENT AND REVENUE INFORMATION

The Group is organised into the following main business segments:

- a) Segment 1: Trading of wheat flour and consumer goods – trading of wheat flour and consumer goods in Singapore and Malaysia
- b) Segment 2: Investment trading – trading of shares listed in Singapore and Malaysia; and
- c) Segment 3: Investment holding – holding of shares in Singapore and Malaysia for dividend income

These operating segments are reported in a manner consistent with internal reporting provided to the management who are responsible for allocating resources and assessing performance of the operating segments.

4.1 Reportable segments

	GROUP			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
1 August 2022 to 31 January 2023				
Total segment revenue	37,561	-	-	37,561
Inter-segment revenue	(21)	-	-	(21)
Revenue from external parties	37,540	-	-	37,540
Dividend income	-	-	12	12
Interest income	52	-	-	52
Miscellaneous income	386	1	-	387
Total other income	438	1	12	451
Total revenue and other income	37,978	1	12	37,991

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

4 SEGMENT AND REVENUE INFORMATION – *cont'd*

4.1 Reportable segments – *cont'd*

	GROUP			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
1 August 2022 to 31 January 2023 – <i>cont'd</i>				
Results				
Profit before interest, taxation and depreciation and amortisation	908	46	4	958
Depreciation and amortisation	(401)	(22)	-	(423)
Operating profit	507	24	4	535
Interest expense				(3)
Interest income				52
Share of results of associates, net of tax				302
Taxation				(363)
Profit after tax				523
Assets and Liabilities				
Segments assets	44,395	2,422	338	47,155
Associates				21,326
Unallocated assets				75
				68,556
Segments liabilities	7,343	11	4	7,358
Unallocated liabilities				614
				7,972
Other segments information				
Expenditure for non-current assets	370	-	-	370
Other non-cash items				
Reversal of allowance on impairment of trade receivables	(12)			(12)
Foreign exchange loss	9	-	-	9
Inventory written off	40	-	-	40

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

4 SEGMENT AND REVENUE INFORMATION – *cont'd*

4.1 Reportable segments – *cont'd*

	GROUP			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
1 August 2021 to 31 January 2022				
Total segment revenue	33,037	-	-	33,037
Inter-segment revenue	(7)	-	-	(7)
Revenue from external parties	33,030	-	-	33,030
Dividend income	-	-	12	12
Interest income	16	-	-	16
Miscellaneous income	309	1	-	310
Total other income	325	1	12	338
Total revenue and other income	33,355	1	12	33,368
Results				
Profit/(Loss) before interest, taxation and depreciation and amortisation	717	(323)	4	398
Depreciation and amortisation	(404)	(22)	-	(426)
Operating profit/(loss)	313	(345)	4	(28)
Interest expense				(4)
Interest income				16
Share of results of associates, net of tax				138
Taxation				(286)
Loss after tax				(164)
Assets and Liabilities				
Segments assets	42,847	3,021	352	46,220
Associates				22,009
Unallocated assets				281
				68,510
Segments liabilities	6,310	16	3	6,329
Unallocated liabilities				445
				6,774

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

4 SEGMENT AND REVENUE INFORMATION – cont'd

4.1 Reportable segments – cont'd

	GROUP		
	Segment 1	Segment 2	Segment 3
	\$'000	\$'000	\$'000
			Consolidated
			\$'000
1 August 2021 to 31 January 2022 – cont'd			
Other segments information			
Expenditure for non-current assets	113	-	-
Other non-cash items			113
Inventory written off	63	-	-
			63

4.2 Disaggregation of Revenue

	GROUP		
	6 months ended 31 January 2023		
	Segment 1	Segment 2	Segment 3
	\$'000	\$'000	\$'000
			Consolidated
			\$'000
Types of goods:			
Sales of goods	37,540	-	-
			37,540
Timing of revenue recognition:			
At a point in time	37,540	-	-
			37,540
Geographical information:			
Singapore	1,056	-	-
Malaysia	36,484		
			36,484
	37,540	-	-
			37,540

	GROUP		
	6 months ended 31 January 2022		
	Segment 1	Segment 2	Segment 3
	\$'000	\$'000	\$'000
			Consolidated
			\$'000
Types of goods:			
Sales of goods	33,030	-	-
			33,030
Timing of revenue recognition:			
At a point in time	33,030	-	-
			33,030

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

4 SEGMENT AND REVENUE INFORMATION – *cont'd*

4.2 Disaggregation of Revenue – *cont'd*

	GROUP			
	6 months ended 31 January 2022			
	Segment 1	Segment 2	Segment 3	Consolidated
	\$'000	\$'000	\$'000	\$'000
Geographical information:				
Singapore	761	-	-	761
Malaysia	32,269			32,269
	33,030	-	-	33,030

5 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of the financial assets and liabilities of the Group as at 31 January 2023 and 31 July 2022:

	GROUP		COMPANY	
	31 January 2023	31 July 2022	31 January 2023	31 July 2022
	\$'000	\$'000	\$'000	\$'000
Financial Assets				
Financial assets at fair value through profit or loss ("FVPL")	1,908	1,737	-	-
Financial assets at FVOCI	259	260	-	-
Cash and bank balances and fixed deposits and amounts owing by an associate and amounts owing by a subsidiary and trade and other receivables (Amortised cost)	18,736	19,125	4,353	4,419
	<u>20,903</u>	<u>21,122</u>	<u>4,353</u>	<u>4,419</u>
Financial Liabilities				
Trade and other payables and lease liabilities and amounts owing to a subsidiary	<u>7,508</u>	<u>9,886</u>	<u>1,028</u>	<u>660</u>

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

6 PROFIT BEFORE TAX

6.1 Significant items

	GROUP	
	6 months ended	
	31 January	31 January
	2023	2022
	\$'000	\$'000
Expenses		
Interest on leases	3	4
Depreciation and amortisation	423	426
Allowance on impairment of trade receivables	-	-
Bad debts written off	-	-
Inventory written off	40	63
Foreign exchange loss	9	-

6.2 Other income

	GROUP	
	6 months ended	
	31 January	31 January
	2023	2022
	\$'000	\$'000
Rental income	271	228
Government grant	1	2
Foreign exchange gain	-	18
Interest income	52	16
Reversal of allowance on impairment of trade receivables	12	-
Gain on disposal of property, plant and equipment	8	-
Others	95	62
	<u>439</u>	<u>326</u>

6.3 Related party transactions

In addition to the related party information disclosed elsewhere in the condensed financial statements, the following transactions with related parties took place at term agreed between the parties during the financial period:

	GROUP		COMPANY	
	6 months ended		6 months ended	
	31 January	31 January	31 January	31 January
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Purchases from				
- Associate	7,709	5,767	917	649
- Related parties	3,849	3,555	5	5
Sales to related parties	<u>190</u>	<u>92</u>	<u>-</u>	<u>-</u>

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

	GROUP	
	6 months ended	
	31 January	31 January
	2023	2022
	\$'000	\$'000
Current taxation		
- Malaysian tax	361	285
- tax deducted at source	1	1
Prior year's underprovision	1	-
	<u>363</u>	<u>286</u>

8 DIVIDEND

	GROUP AND COMPANY	
	6 months ended	
	31 January	31 January
	2023	2022
	\$'000	\$'000
Ordinary dividends paid:		
Final tax exempt one-tier dividend of \$0.02 per ordinary share		
(2022: Final tax exempt one-tier dividend of \$0.02 per ordinary share)	<u>516</u>	<u>516</u>

9 NET ASSET VALUE

	GROUP		COMPANY	
	31 January	31 July	31 January	31 July
	2023	2022	2023	2022
	\$	\$	\$	\$
Net asset value per ordinary share	<u>2.25</u>	<u>2.25</u>	<u>1.42</u>	<u>1.44</u>

10 INVESTMENT PROPERTY

The Company's investment property held for long-term rental yields and/or capital appreciation and is not substantially occupied by the Company. Other than the portion for the Company's own use, the balance of the investment property is leased to third parties under operating leases.

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

10 INVESTMENT PROPERTY – *cont'd*

	GROUP AND COMPANY	
	31 January 2023 \$'000	31 July 2022 \$'000
Cost		
Balance at beginning and end of financial period	<u>13,974</u>	<u>13,974</u>
Accumulated depreciation		
Balance at beginning of financial period	774	572
Charge for the financial period	<u>101</u>	<u>202</u>
Balance at end of financial period	<u>875</u>	<u>774</u>
Carrying Amount		
As at end of the financial period	<u>13,099</u>	<u>13,200</u>

10.1 Valuation

The Group engages external, independent and qualified valuers to determine the fair value of the Group investment property every five year or when necessary.

The fair value of the Group's investment property is determined based on significant unobservable inputs and is categorized under Level 3 of the fair value measurement hierarchy. Level 3 fair value has been derived using the market value approach where the valuation is based on the highest value at which the sale interest in property might reasonably be expected at the date of valuation.

The Company's investment property was appraised as at 31 July 2020 by an independent valuer, Edmund Tie & Company (SEA) Pte Ltd at a fair value of \$21,000,000.

11 INVESTMENTS IN ASSOCIATES

	GROUP	
	31 January 2023 \$'000	31 July 2022 \$'000
Unquoted equity investment, at cost	13,535	13,535
Share of post-acquisition reserves	14,594	14,625
Share of capital reserve	60	55
Foreign currency translation reserve	<u>(6,863)</u>	<u>(6,807)</u>
	<u>21,326</u>	<u>21,408</u>

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

11 INVESTMENTS IN ASSOCIATES – *cont'd*

Movements for share of post-acquisition reserves:

	GROUP	
	31 January 2023 \$'000	31 July 2022 \$'000
Balance at beginning of financial period	14,625	14,553
Share of results	302	420
Dividend received	(333)	(348)
Balance at end of financial period	<u>14,594</u>	<u>14,625</u>

Details of the associates as at 31 January 2023 and 31 July 2022 are as follows:

Name of company	Principal activities	Place of incorporation/ business	Percentage of equity held %
<u>Held by the Company</u>			
SGProtein Pte. Ltd.	Manufacturing of plant-based protein products and research and experimental development on food science.	Singapore	30.00
<u>Held by Tau Meng Investments Pte Ltd</u>			
United Malayan Flour (1996) Sdn. Bhd.	Milling and trading of wheat flour and related products	Malaysia	30.00

12 SHORT-TERM INVESTMENTS

	GROUP	
	31 January 2023 \$'000	31 July 2022 \$'000
Balance at beginning of financial period	1,737	1,791
Purchases	2	119
Disposal	(10)	(1)
Unrealised gain/(loss) in fair value	<u>179</u>	<u>(172)</u>
Balance at end of financial period	<u>1,908</u>	<u>1,737</u>
Other net changes in fair value on financial assets at FVPL:		
Gain on sale of short-term investments, realised	-	-
Fair value gain/(loss) on short-term investments, unrealised	<u>179</u>	<u>(172)</u>
	<u>179</u>	<u>(172)</u>

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

13 TRADE RECEIVABLES

	GROUP		COMPANY	
	31 January 2023 \$'000	31 July 2022 \$'000	31 January 2023 \$'000	31 July 2022 \$'000
Trade receivables:				
- Third parties	13,870	12,434	594	419
- Related parties	153	164	-	-
	<u>14,023</u>	<u>12,598</u>	<u>594</u>	<u>419</u>
Less:				
Allowance on impairment of trade receivables	<u>(216)</u>	<u>(228)</u>	<u>-</u>	<u>-</u>
	<u>13,807</u>	<u>12,370</u>	<u>594</u>	<u>419</u>

	GROUP	
	31 January 2023 \$'000	31 July 2022 \$'000
Movement in allowance accounts:		
Balance at the beginning of the financial period	(228)	(690)
Allowance made	-	(71)
Allowance written back	12	60
Bad debts written off	-	464
Currency translation difference	-	9
Balance at the end of the financial period	<u>(216)</u>	<u>(228)</u>

14 SHARE CAPITAL

	GROUP AND COMPANY	
	31 January 2023 \$'000	31 July 2022 \$'000
Issued and fully paid 25,812,520 (2022: 25,812,520) ordinary shares	<u>33,279</u>	<u>33,279</u>

The Company did not hold any treasury shares as at 31 January 2023.

The Company's subsidiaries do not hold any shares in the Company as at 31 January 2023 and 31 July 2022.

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

15 BORROWINGS

	GROUP	
	31 January 2023 \$'000	31 July 2022 \$'000
Amount repayable within one year or on demand		
Secured	-	-
Unsecured	-	-
Amount repayable after one year		
Secured	-	-
Unsecured	-	-

The bank overdrafts facilities and other credit facilities are secured by way of fixed charges on a subsidiary company's leasehold properties and are also guaranteed by the Company.

**OTHER INFORMATION REQUIRED BY LISTING RULE
APPENDIX 7.2**

OTHER INFORMATION

1 Review

The condensed consolidated statement of financial position of Khong Guan Limited and its subsidiaries as at 31 January 2023 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 by the Company's auditor.

2 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

	6 months ended		Increase/ (Decrease) \$'000
	31 January 2023 \$'000	31 January 2022 \$'000	
Revenue			
Tong Guan Food Products Sdn. Bhd. ("TGF")	20,835	19,109	1,726
Swee Hin Chan Company Sdn. Berhad. ("SHC")	15,649	13,160	2,489
Others	1,056	761	295
	<u>37,540</u>	<u>33,030</u>	<u>4,510</u>

The Group's revenue increased by 13.7% to \$37,540,000 on the back of better sales performance from its two Malaysian subsidiaries for the six months ended 31 January 2023 ("HY2023").

TGF's revenue increased by 9.0% to \$20,835,000 due to improved sales across all its FMCG categories, especially in the beverage category, mainly as a result of the relaxation of Covid-19 restrictions in Sabah, Malaysia.

SHC's revenue increased by 18.9% to \$15,649,000 due mainly to higher selling prices of its wheat flour and starch products as a result of higher commodity prices.

The Group made a profit attributable to equity holders of the Company amounting to \$399,000 for HY2023, compared with a loss of \$267,000 for the 6 months ended 31 January 2022 ("HY2022"). This was primarily due to (a) the increase in the combined net profit after tax for its two Malaysia subsidiaries, SHC and TGF, by \$44,000 to \$737,000, (b) the fair value gain from short-term investments amounting to \$179,000 compared with a fair value loss of \$188,000 in HY2022, and (c) the increase in share of results from its associates net of tax, which increased from \$138,000 to \$302,000 during the period.

3 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable

4 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

The Group's commodity trading and its associates' manufacturing operations will continue to face raw material price volatility as the Ukraine conflict continues to impact grain exports from both Russia and Ukraine. The Group also expects weather pattern changes to increase price and supply volatility across its commodity businesses.

The Group's associate in Malaysia also expects to face higher manufacturing cost due to an increase in electricity costs under the Imbalance Cost Pass Through (ICPT) mechanism from 1 January to 30 June 2023.

The Group will continue to benefit from competitive freight rates which are expected to lower the shipping expenses of its products. However global economic uncertainties as well as the potential impact of weather, geopolitical risks, and protectionist policies are risks that could affect the Group's business.

5 Dividend Information

5a Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

None

5b Corresponding Period of the Immediate Preceding Financial Year

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

None

5c Date Payable

Not Applicable

5d Record Date

Not Applicable

6 If no dividend has been declared (recommended), a statement to the effect and the reason(s) for the decision.

The Company normally decides dividend payments at the end of each financial year.

7 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting for the preference dividends.

	GROUP	
	6 months ended	
	31 January 2023	31 January 2022
Profit/(Loss) for the financial period attributable to Equity holders of the Company	\$399,000	\$(267,000)
Weighted average number of ordinary shares in issue	25,812,520	25,812,520
Basic earnings per share in cents	1.55	(1.03)
Diluted earnings per share in cents	1.55	(1.03)

8 Interested person transactions

Aggregate value of Interest Person Transactions entered into for the six months ended 31 January 2023.

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 by Khong Guan Limited Group from :		
Chung Ying Confectionery & Food Products Sdn Bhd		1,226,000
Khong Guan Biscuit Factory (Borneo) Sdn Bhd		2,516,000
United Malayan Flour (1996) Sdn. Bhd. ('UMF')		7,899,000
Sales by UMF Group (Associates) to:		
Khian Guan Biscuit Manufacturing Co Sdn Bhd		206,000
Khong Guan Biscuit Factory (Johore) Sdn Bhd		134,000
Sunshine Traders Sdn Bhd		209,000
Corporate Guarantee to third parties on behalf of		
Tong Guan Food Products Sdn. Bhd.	2,432,000 (RM7,870,000)	

9 Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7 under Rule 720(1)).

The company confirms that it has procured undertakings from all its directors and executive officers in the format set out in appendix 7.7 under rule 720(1) of the Listing Manual.

10 Negative Assurance

The board of directors hereby confirms to the best of its knowledge that nothing has come to its attention which may render the financial statements for the six months ended 31 January 2023 to be false or misleading in any material aspect.

11 Other information

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

	GROUP	
	6 months ended	
	31 January	31 January
	2023	2022
	\$'000	\$'000
Gain on sale of short-term investments, realised	-	-
Fair value gain/(loss) on short-term investments, unrealised	179	(188)
	<u>179</u>	<u>(188)</u>

Other expenses increased from \$1,146,000 to \$1,271,000 mainly due to payment for professional fee for mandatory transfer pricing documents for Malaysia subsidiaries, higher transport charges in tandem with sales turnover and increase in transport rates and cost for security personnel.

Inventories decreased from \$8,971,000 to \$6,839,000 as a result of higher purchases made in Jun and Jul 22 in anticipation of higher demand for goods after financial year-end from the full relaxation of Covid-19 restrictions.

Trade receivables increased from \$12,370,000 to \$13,807,000 as a result of more sales before and up to the Chinese New Year festival months.

Trade payables decreased from \$8,322,000 to \$6,498,000 as a result of payment of trade payables before settlement date (ie 30 days term) for early payment incentives.

Other payables decreased from \$1,510,000 to \$886,000 as a result of payments of bonus which was provided in the previous period.

By Order of the Board
Chew Kian Boon Daniel
Executive Director
17 March 2023