

**Issuer:** Khong Guan Flour Milling Limited

**Security:** Khong Guan Flour Milling Limited

**Meeting details:**

Date: 25 November 2016

Time: 10:00AM

Venue: Banquet Hall (Level 3), The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046

**Company Description**

Khong Guan Flour Milling Limited, an investment holding company, trades in wheat flour and other edible products primarily in Singapore and Malaysia. The company is also involved in the wholesale of wheat flour, general goods, biscuits, consumer goods, and related products, as well as sale of animal feeds. In addition, it trades in shares listed in Singapore, Malaysia, and Hong Kong. Khong Guan Flour Milling Limited was incorporated in 1960 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=K03](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=K03))

**Q1.** The group’s core business of “Trading of wheat flour and consumer goods” is concentrated in Malaysia, as shown in the geographical segment (page 81 of the annual report). 95% of the group’s total revenue of \$58.7 million is booked to customers located in Malaysia. **Can shareholders understand how revenue (in terms of currency) is booked?** Based on the group’s foreign exchange rate risk profile (page 84), even with natural hedges where possible, S\$13 million of the group’s S\$31 million net financial assets is denominated in Malaysian Ringgit. **What is the impact, if any, of a falling Ringgit? If so, has the board considered ways to mitigate the foreign exchange rate risk better?**

**Q2.** In the Chairman’s Statement (page 6), it was disclosed that the building contract for the redevelopment of the existing property at 2 MacTaggart Road was awarded in March 2016 and that “piling works have been completed and the construction works is progressing as per schedule”. **Could shareholders get more clarity into the redevelopment of the property? Specifically:**

- (a) Capital expenditure contracted for and outstanding at the end of the reporting period is disclosed as \$8.77 million (page 83 – Note 34 Commitments) and \$1.2 million has been capitalised as construction-in-progress in the last two years (page 52). **Can management tell shareholders the total redevelopment costs and how is the company going to fund the redevelopment?**
- (b) It was mentioned in last year’s annual report that “redevelopment is projected to be completed within two years from the date of award of the contract”. **Given that the contract was awarded in March 2016, can shareholders expect the redevelopment to be completed by March 2018?**
- (c) **What is the total floor area after the redevelopment? What is the intended use of the new 8-storey industrial building?**
- (d) **What is the board’s expected return on investment (ROI) from the redevelopment?**

**Q3.** With the sale of shares in United Malayan Land Bhd at the end of 2012, the segment assets for “Investment Holding” have decreased from \$15.3 million to \$1.8 million in 2013 to \$0.97 million in 2016. Also, the “Investment Trading” segment has had mixed results, as shown below.

	2016	2015	2014	2013	2012	2011
Investment Trading - Segment assets	8,766,654	9,629,964	9,980,507	8,776,790	11,160,758	11,193,534
Investment Trading - Operating (loss)/profit	(1,065,014)	(1,261,169)	(443,097)	264,317	(1,092,729)	229,877
Fair value (loss)/gain on short-term investments	(811,997)	(1,047,452)	(288,802)	92,848	(837,847)	424,574

- (a) **What is the board’s guidance to the company with respect to the “Investment Holding” segment following the sale of United Malayan Land Bhd?** The company has not made any long term investments in the past four years and the segment assets have dipped to below \$1 million.
- (b) **Can shareholders understand how the “Investment Trading” segment is managed? Specifically, is there an investment committee to provide oversight and is there a formal procedure to approve the investments prior to investing?**
- (c) **Can the audit committee discuss its role in the risk management of the group with regard to the “Investment Trading” segment?**
- (d) **Can the board update shareholders on its assessment of the performance of the “Investment Trading” segment? Does the company have the right professionals who can trade shares profitably and create excess shareholder value in the long run? Or should the company focus on investing for the long term instead of short term trading?**