KHONG GUAN FLOUR MILLING LIMITED

(Company Regn. No. 196000096G)
(Incorporated in the Republic of Singapore)

Annual Report 2012

Contents

Corporate Information	2
Notice of Meeting	3
Chairman Statement	6
Corporate Governance	8
Profile of Directors and Key Executives	16
Directors' Report	18
Statement by Directors	21
Independent Auditor's Report	22
Statements of Financial Position	24
Consolidated Income Statement	25
Consolidated Statement of Comprehensive Income	26
Consolidated Statement of Changes in Equity	27
Consolidated Statement of Cash Flows	28
Notes to the Financial Statements	30
Analysis of Shareholdings	83
Form of Proxy	

Corporate Information

Directors

Chew Soo Lin (Chairman)
Chew Soo Eng (Managing Director)
Tan Wee Tin
Chan Weng Kee
Ng Peng Teng
Sam Teng Choong

Registrar

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

Audit Committee

Tan Wee Tin (Chairman)
Chew Soo Lin
Chan Weng Kee
Sam Teng Choong

Auditor

LTC LLP
Certified Public Accountants
1 Raffles Place, #20-02
One Raffles Place
Singapore 048616
Audit Partner: Yow Geok Kein
(appointed since financial period ended 31 July 2012)

Nominating Committee

Chan Weng Kee (Chairman)
Tan Wee Tin
Sam Teng Choong

Solicitors

Chan Weng Kee & Associates

Remuneration Committee

Tan Wee Tin (Chairman)
Chan Weng Kee
Ng Peng Teng

Bankers

Standard Chartered Bank
DBS Bank Ltd
The Hongkong and Shanghai Banking
Corporation Limited
RHB Bank Berhad

Company Secretary

Koe Eng Chuan

Registered Office

2 MacTaggart Road (Level 3)
Singapore 368078
Telephone No. 62822511
Fax No. 62855868

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of KHONG GUAN FLOUR MILLING LIMITED will be held at its registered office at 2 MacTaggart Road (Level 3), Singapore 368078 on Tuesday, 27 November 2012 at 12.00 noon to transact the following business:-

Ordinary Business

1. To adopt the audited financial statements for the financial period ended 31 July 2012 and the Independent Auditor's Report and Directors' Report thereon.

2. To declare a first & final and a special tax exempt one-tier dividends of $0.03 and $0.01 per ordinary share respectively for the financial period ended 31 July 2012.

3. To approve the payment of directors' fees for the financial period ended 31 July 2012.

4. To re-elect Mr Chew Soo Lin, who retires in accordance with Article 94 of the company's Articles of Association and who being eligible, offers himself for re-election, as director of the company.

   Note:- Mr Chew Soo Lin, will upon re-election, remain as a member of the Audit Committee.

5. To re-elect Mr Sam Teng Choong, who retires in accordance with Article 94 of the company's Articles of Association and who being eligible, offers himself for re-election, as director of the company.

   Note:- Mr Sam Teng Choong who is considered an independent director, will upon re-election, remain as a member of the Audit and Nominating Committees.

6. To re-appoint Mr Tan Wee Tin, pursuant to Section 153(6) of the Companies Act, Cap. 50 (the "**ACT**") to hold office until the next Annual General Meeting of the company.

   Note:- Mr Tan Wee Tin, will upon re-election, remain as the Chairman of the Audit and Remuneration Committees and a member of the Nominating Committee. Mr Tan is considered an independent director.

7. To re-appoint LTC LLP as Independent Auditors and to authorise the directors to fix their remuneration.

8. To transact any other ordinary business.

Special Business

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions with or without any modifications:-

9. Renewal of shareholders' mandate for interested person transactions

   "That:-

   (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), for the renewal of the mandate (the "**Shareholders' Mandate**") set out in the Appendix to this Notice of Annual General Meeting for the Company and its subsidiaries or any of them to enter into any of the transactions falling within the types of the interested person transactions described in the said Appendix;

   (b) the Shareholders' Mandate shall, unless revoked or varied by the company in general meeting, continue to be in force until the next Annual General Meeting of the company; and

(c) the directors of the company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the company to give effect to this Resolution."

10. Share Issue Mandate

"That pursuant to Section 161 of the Act, the Articles of Association of the company and the Listing Manual of SGX-ST, authority be and is hereby given to the directors of the company to:-

(a) (i) issue shares in the capital of the company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the directors while this Resolution was in force,

provided that:-

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution), does not exceed 50% of the issued share capital of the company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro rata* basis to shareholders of the company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued share capital of the company (as calculated in accordance with sub-paragraph (2) below);

(2) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above:-

(i) the percentage of issued share capital is based on the issued share capital of the company as at the date of the passing of this Resolution after adjusting for:-

(a) new shares arising from the conversion of convertible securities or employee share options on issue when this Resolution is passed; and

(b) any subsequent consolidation or subdivision of shares; and

(ii) in relation to an Instrument, the number of shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument;

(3) in exercising the power to make or grant Instruments (including the making of any adjustments under any relevant Instrument), the Company shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST) and the Articles of Association for the time being of the company; and

Notice of Annual General Meeting

(4) (unless revoked or varied by the company in general meeting) the authority conferred by this Resolution shall continue to be in force until the conclusion of the next Annual General Meeting of the company or the date by which the next Annual General Meeting of the company is required by law to be held, whichever is the earlier.”

NOTICE OF BOOKS CLOSURE

NOTICE IS ALSO HEREBY GIVEN that the Transfer Book and Register of Members of the company will be closed on 6 December 2012 for the preparation of dividend warrants. Duly completed registrable transfers received by the company’s share registrar, B.A.C.S. Private Limited, 63 Cantonment Road, Singapore 089758, up to 5.00 p.m. on 5 December 2012 will be registered to determine members’ entitlements to the proposed dividends. Members whose securities accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on 5 December 2012 will be entitled to the proposed dividends. Payment of the dividends, if approved by shareholders at the Annual General Meeting, will be made on 17 December 2012.

By Order of the Board
Koe Eng Chuan
Company Secretary

Singapore, 9 November 2012.

NOTE: A member of the company entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him. A proxy need not be a member of the company. The instrument appointing a proxy must be deposited at the registered office of the company at 2 MacTaggart Road (Level 3), Singapore 368078 (Attention : Company Secretary) not less than forty-eight hours before the time appointed for holding the meeting.

Chairman Statement

REVIEW OF OPERATIONS

During the current financial period, the company changed its financial year-end from 30 April to 31 July. As a result, the group's current financial statements covered the results for the fifteen months period ended 31 July 2012 ("2012 period") against the twelve months for the year ended 30 April 2011("2011").

The group's turnover for the 2012 period was higher at $78,386,000 (2011: $57,084,000). The increase in the group's turnover was attributable to the improved performance of the two principal trading subsidiaries in Malaysia.

Despite the increase in group turnover, the net profit after tax fell to $2,819,000 for the 2012 period from the previous twelve months profit of $4,999,000. Though the combined profits from the two trading subsidiaries improved from $2,377,000 to $2,775,000, the group recorded a reduction in profit which was mainly caused by the provision in unrealized fair value loss on short-term quoted securities of $838,000 (2011: fair value gain $425,000) and lower contribution from share of results of associates of $1,813,000 (2011: $2,631,000).

The depressed stock market conditions gave rise to the provision of fair value loss in short-term quoted investment. United Malayan Flour (1996) Sdn Bhd ('UMF'), our 30% equity held associate also did not fare well and contributed less towards the share of profit for the 2012 period.

In addition, the group suffered a loss of about 4% in currency translation as the Malaysian Ringgit, being the group's principal subsidiaries' and associates' functional currency, weakened in value against the Singapore dollar.

Trading Operations

The two trading subsidiaries in Malaysia namely, Swee Hin Chan Co Sdn Bhd ('SHC') and Tong Guan Food Products Sdn Bhd ('TGF') performed satisfactorily during the period and achieved steady growth in turnover. SHC's turnover increased by about 10% while that of TGF showed a noticeable enhancement by approximately 15% even after taking into consideration the extra 3 months for both companies for the current period.

The principal business activity of SHC is in the trading of wheat flour and by-products. During the financial period under review, SHC substantially increased its trade in imported starches which helped to lift its turnover from $19,050,000 to $26,141,000.

TGF's turnover was boosted by the appointment of new dealerships in established brands of dairy products and refined cooking oil. Sales of its existing product lines consisting of biscuits, wheat flour and other popular edible products progressed steadily. TGF improved its turnover from $32,043,000 for 2011 to $46,036,000 for the 2012 period.

SHC showed only a slight improvement in its profit for the 2012 period due to keen competition in the sales of wheat flour and higher cost of imported starches. TGF's did much better as its profit included contributions from the sales of newly acquired branded edible products.

Chairman Statement

Manufacturing Operations

Stiff competition among flour millers in Malaysia in granting rebates to maintain or capture market share and the higher cost of wheat grains purchases eroded the bottom line of UMF. With the continuing intense competition among the flour millers, UMF's group turnover for the 2012 period was $117,133,000 and its profit was $5,457,000 as compared with its turnover of $102,125,000 and profit of $8,447,000 for 2011.

The group's 40% equity held interest in the flour mill in Henan, China increased its profit to $365,000 for the 2012 period as compared with $175,000 for 2011 on a turnover of $17,861,000 (2011: $16,314,000). The better result was due to direct purchases of wheat grains from farmers at lower costs and the sales of by-products as animal feeds at improved margins.

SALES OF LONG TERM QUOTED INVESTMENT

The company announced on 31 August 2012 that the company had accepted a third party takeover bid and had sold its entire long-term quoted investment holding comprising of 14,250,000 shares of RM1.00 each in United Malayan Land Bhd at the offer price of RM2.50 per share. The disposal realized a gain of $4,959,000 based on their carrying fair value as at 30 April 2012. However, based on their carrying fair value as at 31 July 2012, the gain was $269,000 and the difference arising therefrom had been taken to fair value reserve. The gains would be reflected in the ensuing year's financial statements. Also, the significant amount of cash proceeds received would strengthen the group's working capital.

DIVIDENDS

A first and final tax exempt one-tier dividend of $0.03 and a special dividend of $0.01 per ordinary share for the financial period ended 31 July 2012 have been recommended by the directors for approval by shareholders at the forthcoming Annual General Meeting.

PROSPECTS

Despite the uncertainties prevailing in a number of developed countries due to the Euro crisis and political transitions taking place in the world's largest economies, I am confident that the group's operations would produce a positive result for the ensuing year.

ACKNOWLEDGEMENT

On behalf of the Board of Directors, I would like to take this opportunity to extend our deepest appreciation to our shareholders, customers and business associates for their continued support. In addition, I would like to extend our appreciation to the management and staff of the group for their hard work and dedication throughout this period. Last but not least, I would also like to thank my fellow directors for their invaluable guidance and advice.

Chew Soo Lin
Chairman

Corporate Governance

The Board outlines the corporate governance policies and practices adopted by the company as set out in the Code of Corporate Governance 2005.

BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

The Board of Directors comprises six members of whom four are non-executive and independent directors:

Chew Soo Lin	–	Chairman, Executive Director
Chew Soo Eng	–	Managing Director
Tan Wee Tin	–	Non-Executive Independent Director
Chan Weng Kee	–	Non-Executive Independent Director
Sam Teng Choong	–	Non-Executive Independent Director
Ng Peng Teng	–	Non-Executive Independent Director

The roles of the Board of Directors are as follows:

(a) oversee the existing framework of internal controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets;

(b) review management performance, formulate business strategies and ensure that the necessary financial and human resources are in place for the company to meet its objectives.

The Board meets at least three times a year to oversee the management of group's business affairs. Additional meetings of the Board are held as and when required. The meetings held during the year were as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held in FY2012	4	4	1	1
Chew Soo Lin	4	4	NA	NA
Chew Soo Eng	4	NA	NA	NA
Tan Wee Tin	4	4	1	1
Chan Weng Kee	3	4	1	1
Sam Teng Choong	3	4	0	NA
Ng Peng Teng	4	NA	NA	1

During the year, the Board reviewed the adequacy and effectiveness of the company and group's operations, internal controls addressing financial, operational, compliance and information technology controls, and risk management, interested person transactions and approved the interim and annual financial results.

All directors objectively discharged their fiduciary duties and responsibilities at all times in the interests of the company.

The Board has outlined levels of authority for the specified matters, including the following which require Board approval:

a. financial results announcements;
b. annual financial statements and reports;
c. declaration of dividends;
d. convening of shareholders' meetings;
e. authorization of major investments and funding decisions;
f. authorization of major acquisitions and disposals of assets.

All newly appointed directors will be given briefings by Management on the history and business operations and corporate governance practices of the company. The company will, from time to time, organize briefing sessions for the directors to enable them to keep pace with regulatory changes which have a material bearing on the company. All newly appointed directors will be provided with formal letters setting out their duties and obligations upon appointment. Newly appointed directors are also sponsored to attend relevant courses on compliance, regulatory and corporate governance matters.

BOARD COMPOSITION AND GUIDANCE

Out of the six directors, four are non-executive and independent and they have the requisite experience and expertise in areas such as accounting, finance, law, business management and industry knowledge. This allows the Board to exercise objective judgment independently so that no individual or small group of individuals can dominate the decision-making of the Board.

The Board is of the view that the present size of the Board is appropriate after taking into account the scope and nature of the group's operations.

ROLE OF CHAIRMAN AND MANAGING DIRECTOR

The company has a separate Chairman and Managing Director. Mr Chew Soo Lin is the Executive Chairman and Mr Chew Soo Eng is the Managing Director. Both Mr Chew Soo Lin and Mr Chew Soo Eng are part of the executive management team. As all major decisions made by the Chairman and the Managing Director are reviewed by the Board and the company has a simple organization structure, the Board is of the opinion that this arrangement does not undermine the accountability and capacity of the Board for independent decision making. As the Board has demonstrated that it is able to exercise independent decision making, the Board is of the view that a lead independent director is not required. Nonetheless, more than half of the Board comprises of independent directors.

The Chairman chairs the board meetings and he plays an effective role to lead the Board and to ensure proper procedure is adhered to in the decision-making process. The Chairman also:

(a) sets the agenda and ensures that adequate time is available for discussion of all agenda items in particular strategic issues;

(b) ensures that the directors receive complete, adequate and timely information;

(c) encourages constructive relations within the Board and between the Board and Management;

(d) facilitates the effective contribution of non-executive directors in particular;

(e) promotes high standards of corporate governance; and

(f) ensures effective communication with shareholders.

The Managing Director is responsible for the day-to-day management of the business and the overall performance of the group.

NOMINATING COMMITTEE

The Nominating Committee ("NC") comprises the following three members who are all independent and non-executive.

Chan Weng Kee (Chairman)
Tan Wee Tin
Sam Teng Choong

The Board has approved the written terms of reference of the NC. The duties of the NC include the following:

1. to make recommendations to the Board on the appointment of new executive and non executive directors, including making recommendations on the composition of the Board generally and the balance between executive and non-executive directors appointed to the Board;

2. to regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;

3. to assess nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether he/she is independent;

4. to determine, on an annual basis whether a director is independent;

5. to recommend to the Board for the continuation (or not) in services of any director who has reached the age of seventy years;

6. to recommend directors who are retiring by rotation to be put forward for re-election; and

7. to assess the effectiveness of the Board as a whole and the contribution of each individual director to the effectiveness of the Board, and to disclose the assessment process annually.

In considering the appointment of any new director, the NC ensures that the new director possesses the necessary skills, knowledge and experience that could facilitate the Board in making sound and well-considered decisions.

The Articles of Association of the company provide that one-third of the directors shall retire by rotation at each Annual General Meeting and if eligible, they may offer themselves for re-election.

The NC recommends

– Chew Soo Lin and Sam Teng Choong retiring by rotation, and being eligible, be nominated for re-election.

– Tan Wee Tin retiring from office pursuant to Section 153(6) of the Companies Act, Cap. 50 and being eligible, be nominated for re-election.

The NC assesses on an annual basis the effectiveness of the Board as a whole and the contribution by each director based on performance criteria set by the Board. The assessment parameters include attendance record at meetings of the Board and Board committees, understanding of the Board responsibility, involvement of each director in Board matters and sufficiency of directors' skill mix to meet the needs of the Board.

The NC is of the view that each individual director has contributed to the effectiveness of the Board as a whole.

ACCESS TO INFORMATION

Prior to any meetings of the Board or committees, the directors are provided, where appropriate, with management information to enable them to be prepared for the meetings. On an ongoing basis, all Board members have separate and independent access to Management should they have any queries or require additional information on the affairs of the company and the group.

The Management has an obligation to supply the Board with complete, adequate information in a timely manner. The directors are entitled to request from the Management and should be provided with such additional information as needed to make informed decisions. Information provided include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents and monthly internal financial statements.

The Board members also have separate and independent access to the advice and services of the company secretary and may, either individually or as a group, in furtherance of their duties and where necessary, obtain independent professional advice at the company's expense. The company secretary ensures good information flows within the Board and its Board committees and between Management and Non-Executive Directors, advising the Board on all relevant governance matters. The company secretary attends all Board and Committee Meetings.

The appointment and removal of the company secretary is subject to the approval of the Board.

REMUNERATION COMMITTEE

The Remuneration Committee ("RC") comprises the following three members who are independent and non-executive.

Tan Wee Tin (Chairman)
Chan Weng Kee
Ng Peng Teng

The terms of reference for the RC include reviewing and approving the existing benefits and remuneration of executive directors and senior executives and recommending the fees of non-executive directors.

The RC in establishing the framework of remuneration policies endorsed by the Board for its executive directors and senior executives aims to be fair, linking rewards to corporate and individual performance.

The group sets remuneration packages which are competitive in line with the market and sufficient to attract, retain and motivate senior management with adequate experience and expertise to manage the business and operations of the group.

The RC presently adopts a remuneration policy of fixed and variable components. The fixed component is in the form of a basic salary and the variable component is in the form of a bonus which is linked to the performance of the group. No director is involved in deciding his own remuneration.

The Board has also recommended a fixed fee for non-executive directors, taking into account the effort, time spent and responsibilities of each non-executive director. The fee of non-executive directors is subject to shareholders' approval at the Annual General Meeting.

During the year, no employees of the group who are immediate family members related to the directors received remuneration exceeding S$150,000 p.a.

The remuneration components paid to each of the group's key executive directors and non-executive directors for the period ended 31 July 2012 are set out below:-

Name of Director	Salary %	Bonus %	Fees %	Total %
Between $250,001 to $500,000				
Chew Soo Lin	78	14	8	100
Chew Soo Eng	82	14	4	100
Below $100,000				
Tan Wee Tin	—	—	100	100
Chan Weng Kee	—	—	100	100
Sam Teng Choong	—	—	100	100
Ng Peng Teng	—	—	100	100

Mr Chew Soo Eng and Mr Chew Soo Lin who are executive directors of the company are only key executives of the group.

ACCOUNTABILITY

The Board is accountable to the shareholders for providing them with a balanced and understandable assessment of the group's financial results, financial position and prospects through announcements. The Management has provided the Board on a regular basis and as and when required with management accounts which present a balanced and understandable assessment of the group's performance, position and prospects.

AUDIT COMMITTEE

The Audit Committee ('AC') comprises the following members:-

Tan Wee Tin (Chairman)
Chew Soo Lin
Chan Weng Kee
Sam Teng Choong

Except for Mr Chew Soo Lin, the other three members of the Committee are independent and non-executive. The Board is of the opinion that the inclusion of Mr Chew Soo Lin, an Executive Director on the AC will not affect the independence of the AC. The AC is able to exercise objective judgment independent from Management and no individual or small group of individuals will dominate the decisions of the Board. The Board is satisfied that all members of the AC are appropriately qualified to discharge their responsibilities.

During the year, the AC performed the following:-

i) reviewed the half-yearly results, full year financial statements and formal announcements relating to the financial performance of the company and the group and recommended them for approval by the Board;

ii) reviewed the statements of financial position and income statements of the company and the group and recommended them for approval by the Board;

iii) reviewed annually the reports, adequacy and effectiveness of the internal audit function and internal auditors' evaluation of the system of internal controls and the response from the management;

iv) reviewed the interested person transactions;

v) reviewed the scope and results of the external audit, and the independence and objectivity of the external auditors annually; and

vi) recommended to the Board on the appointment, re-appointment and removal of the external auditors and their audit fees.

The Board and the AC are satisfied that the appointments of different auditors for the group's oversea subsidiaries and associates would not compromise the standard and effectiveness of the group's audit.

The AC has reviewed annually the internal auditors' reports on the group's system of internal controls, including financial and operational controls and risk exposure of business activities together with the recommendations.

The AC has full access to and co-operation from the management. The external auditors have unrestricted access to the AC.

Minutes of the AC meeting were given to the Board members for their information and review. The AC also met with the external auditors without the presence of management.

The AC has recommended to the Board the nomination of Messrs LTC LLP for re-appointment as external auditors of the company at the forthcoming Annual General Meeting.

INTERNAL CONTROLS

The Board recognizes the importance of good corporate governance practices and a sound system of internal controls in safeguarding shareholders' investment as well as the group's assets. With the assistance of the external and internal auditors, the AC conducts annual review of their reports on the system of internal controls and to satisfy that the group's internal controls are adequate. The Board with the concurrence of the AC is of the opinion that system of the company's internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems are adequate and effective in meeting the current needs of the group's business operations.

As there are inherent limitations in any system of internal controls, this system is designed to manage rather than eliminate risks that may impede the achievement of the group's business objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

The AC has confirmed that there are no non-audit services provided by the external auditors which affect the independence of the auditors.

INTERNAL AUDIT

The group's internal audit function in respect of the Malaysian operations has been outsourced to SMS Risk Management Sdn Bhd, an experienced and qualified professional risk management company in Malaysia which also provides similar services to other Malaysian listed companies. The internal audit function in respect of the remaining group's operations is performed by the group's in-house auditor. The internal auditors are adequately resourced and have appropriate standing to carry out their assignments in accordance with the audit plans and the scope of works as approved by the AC to assist the Board in reviewing the adequacy, integrity and effectiveness of the group's system of internal controls as well as risk management system. The internal auditors report to the Chairman of the AC and also administratively to the Managing Director.

COMMUNICATION WITH SHAREHOLDERS

The company ensures an adequate and timely disclosure of all material information to the shareholders. The company communicates with its shareholders through the Annual Report, Annual General Meeting, Circulars to Shareholders and announcements through SGXNET.

Shareholders are given the opportunity to participate effectively and vote at the general meetings of shareholders, separate resolutions are also voted on each substantially separate issue.

The Board and management as well as external auditors will be present at the Annual General Meeting.

SECURITIES TRANSACTIONS

Directors and employees have been advised not to deal in the company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are required to report their dealings in the shares of the company and are advised from time to time not to deal in the company's shares during certain periods of the year in accordance with the guidelines set out in the SGX-ST Best Practices Guides.

Notifications, in accordance with the SGX Rule 1207(19), are issued to all the directors and employees annually not to deal in the securities of the company during the period of one month immediately before the announcement of the company's half year and full year financial statements.

INTERESTED PERSON TRANSACTIONS ("IPT")

The company has established a procedure for recording and reporting interested person transactions which are to be transacted on normal commercial terms and reviewed by the Audit Committee. Details of significant interested person transactions for the financial year ended 31 July 2012 are set out below:-

Name of Interested Person	Aggregate value of all IPT 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 IPT 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	—	16,074,000
Khong Guan Biscuit Factory (Borneo) Sdn Bhd	—	6,548,000
Khong Guan Biscuit Factory (Johore) Sdn Bhd	—	183,000
Chung Ying Confectionery & Food Products Sdn Bhd	—	4,068,000
Leong Hong Oil Mill Sdn Bhd	—	2,878,000
Federal Oats Mills Sdn Bhd	—	123,000
Sales to		
Khian Guan Biscuit Manufacturing Co Sdn Bhd	—	329,000
Hock Guan (Johore) Sdn Bhd	—	229,000
Khong Guan Enterprise Sdn Bhd	—	845,000
Khong Guan Trading Sdn Bhd	—	239,000
Lian Guan Food Products Sdn Bhd	—	945,000
Lian Seng Hang Sdn Bhd	—	1,503,000
Poh Seng Trading (Ipoh) Sdn Bhd	—	3,437,000
Soon Guan Chan Sdn Bhd	—	641,000
Soon Guan Co Sdn Bhd	—	470,000
Thong Hong Trading Sdn Bhd	—	760,000

There were no other material contracts entered into by the company and its subsidiaries involving the interest of the substantial shareholders or directors, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year.

MATERIAL CONTRACTS

No material contracts were entered between the company and its subsidiaries involving the interests of the directors or controlling shareholders at the end of the financial year.

Profile of Directors and Key Executives

DIRECTORS

Chew Soo Lin

Mr Chew, who is an executive director, was appointed Chairman in August 2007. He has been a member of the Audit Committee since May 1998.

Mr Chew qualified as a Chartered Accountant in November 1971 and worked for international accounting firms till 1978, when he joined the Khong Guan Group of Companies, assuming responsibilities in general and financial management.

Mr Chew is an independent director of Asia-Pacific Strategic Investments Ltd, Duty Free International Limited and MTQ Corporation Limited.

Chew Soo Eng

Mr Chew, who is an executive director, was appointed as Managing Director in January 2007.

Mr Chew graduated with a degree of Bachelor of Commerce (Accounting) from University of Western Australia in 1969. Currently Mr Chew is in charge of the Group's overall business operations. He is also director of several companies within the Khong Guan Group of Companies and the Managing Director of United Malayan Flour (1996) Sdn Bhd, an associated company.

Tan Wee Tin

Non-executive independent director and Chairman of the Audit Committee since 15 March 1991. He was appointed Chairman of the Remuneration Committee in May 2003 and a member of Nominating Committee in December 2006.

Mr Tan is a Fellow Member of the Institute of Chartered Accountants in Australia and a practising member of the Singapore Institute of Certified Public Accountants since 1966. He has over 5 decades of experience in the accounting profession.

Chan Weng Kee

Mr Chan was appointed a non-executive independent director in June 1998.

Mr Chan is an Advocate & Solicitor of the Supreme Court, Singapore, and was called to the Bar on 16 January 1974, after which he served his full-time National Service in the Army from April 1974 to September 1976.

After his discharge from the Army (where he attained the rank of Captain in the Reserves), Mr Chan resumed practice in October 1976 and has been in continuous practice since then.

Mr Chan is also a Commissioner for Oaths, and has served an appointment as a Judge-Advocate of the SAF Military Court.

He was appointed to the Audit Committee in July 2003, and is a member of the Remuneration Committee and Chairman of the Nominating Committee.

Profile of Directors and Key Executives

Ng Peng Teng

Dr Ng was appointed as a non-executive independent director in July 2003. He became a member of Remuneration Committee in December 2006.

Dr Ng is a member of the Institute of Electrical and Electronic Engineers, USA. He graduated with a degree of Bachelor of Science in Electrical Engineering and is a Doctor of Philosophy in Systems Science and Engineering conferred by the Massachusetts Institute of Technology, U.S.A. Dr Ng previously held engineering positions at RCA, GTE and IBM.

Dr Ng is a director of Alethos Development Private Limited.

Sam Teng Choong

Mr Sam was appointed as director and member of Audit Committee in October 2007 and as member of Nominating Committee in December 2007. Mr Sam is a non-executive and independent director.

Mr Sam qualified as a Chartered Accountant in 1971 after graduating with a Bachelor of Commerce Degree from University of Liverpool in 1967. He worked as an auditor in an accounting firm in Malaysia before joining Arthur Young & Co., an international firm of accountants as a partner in 1978. He left Arthur Young & Co in 1990 to resume his own practice until his retirement in 2005. He is now a secretarial and tax consultant.

KEY MANAGEMENT EXECUTIVES

Chew Soo Lin

Please refer to directors' profile.

Chew Soo Eng

Please refer to directors' profile.

Directors' Report for the financial period ended 31 July 2012

The directors present their report to the members together with the audited consolidated financial statements of the group for the financial period ended 31 July 2012 and the statement of financial position of the company as at 31 July 2012.

During the current financial period, the company changed its financial year-end from 30 April to 31 July. As a result, the current financial period covers a period of 15 months from 1 May 2011 to 31 July 2012.

DIRECTORS

The directors of the company in office at the date of this report are:-

Chew Soo Lin
Chew Soo Eng
Tan Wee Tin
Chan Weng Kee
Ng Peng Teng
Sam Teng Choong

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of the financial period nor at any time during that period did there subsist any arrangements to which the company or corporations in the group was a party whereby directors of the company or corporations in the group might acquire benefits by means of the acquisition of shares in, or debentures of, the company or any other body corporate.

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

According to the register kept under Section 164 of the Singapore Companies Act, Cap. 50, the following directors of the company who held office at the end of the financial period had an interest in the shares of the company and related corporations as stated below :-

	Number of shares registered in the name of directors and their nominees as at		Other shareholdings in which directors are deemed to have an interest as at	
	01.05.2011	31.07.2012	01.05.2011	31.07.2012
Khong Guan Flour Milling Limited				
Chew Soo Lin	6,000	6,000	–	–
Chew Soo Eng	201,666	201,666	19,200	19,200
Ng Peng Teng	200,000	200,000	–	–
Subsidiary				
Tong Guan Food Products Sdn. Bhd.				
Chew Soo Lin	4,000	4,000	–	–
Chew Soo Eng	4,000	4,000	168,000	168,000

DIRECTORS' INTEREST IN SHARES OR DEBENTURES – cont'd

None of the other directors had any interest in the shares of the company or its related corporations.

No debentures have been issued by the company.

There were no changes in any of the abovementioned interests between the end of the financial period and 21 August 2012.

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the company has received or has become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, Cap. 50 by reason of a contract made by the company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

SHARE OPTIONS

During the financial period, no option was granted to take up unissued shares of the company or corporations in the group.

During the financial period, there were no shares issued by virtue of the exercise of an option granted to take up unissued shares of the company or corporations in the group.

At the end of the financial period, there were no unissued shares of the company or corporations in the group under option.

OTHER INFORMATION

No material contracts to which the company or any subsidiary is a party and which involve directors' interests subsisted at the end of the financial period, or have been entered into since the end of the previous financial year.

AUDIT COMMITTEE

The members of the Audit Committee ("Committee") at the date of this report are as follows:-

Tan Wee Tin (Chairman)
Chew Soo Lin
Chan Weng Kee
Sam Teng Choong

The Committee held several meetings since the last directors' report to perform its function of discussing and reviewing the financial statements, accounting system and policies, audit plan and internal controls for the company and the group, as well as independent auditors' reports with the board of directors and external auditors. The Committee has reviewed the annual financial statements and the auditor's report on the financial statements of the group for the period ended 31 July 2012 and the statement of financial position as at 31 July 2012 of the company before their submission to the Board of Directors of the company for adoption.

AUDIT COMMITTEE– cont'd

The Committee has recommended to the Board of Directors that the independent auditor, LTC LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the company.

INTERNAL AUDIT FUNCTIONS

The group's internal audit function in respect of the Malaysian operations continues to be outsourced to an independent Malaysian risk management company. The primary mandate of the internal auditors is to examine and evaluate the effectiveness of the applicable operational activities and the systems of internal operational and financial control, so as to bring material deficiencies, instances of non-compliance and development needs to the attention of the Audit Committee.

The Board, having reviewed and taken into consideration the comments of the audit committee on the reports submitted by the independent internal auditors, is of the opinion that the internal control procedures of the group are adequate and will review these procedures on an on-going basis and address any specific issues or risks whenever necessary.

INDEPENDENT AUDITOR

The independent auditor, LTC LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Chew Soo Lin
Director

Chew Soo Eng
Director

Singapore, 25 October 2012

Statement by Directors for the financial period ended 31 July 2012

In the opinion of the directors,

(a) the accompanying statements of financial position of the company and the consolidated financial statements of the group are drawn up so as to give a true and fair view of the state of affairs of the company and of the group as at 31 July 2012 and of the results of the business, changes in equity and cash flows of the group for the financial period then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Chew Soo Lin
Director

Chew Soo Eng
Director

Singapore, 25 October 2012

Independent Auditor's Report to the Members of Khong Guan Flour Milling Limited for the financial period ended 31 July 2012

Report on the Financial Statements

We have audited the accompanying financial statements of Khong Guan Flour Milling Limited (the "company") and its subsidiaries (the "group"), which comprise the statements of financial position of the group and of the company as at 31 July 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the group for the financial period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the group and the statement of financial position of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and of the company as at 31 July 2012, and the results, changes in equity and cash flows of the group for the financial period ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the company and by those subsidiaries incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

LTC LLP
Public Accountants and
Certified Public Accountants

Singapore, 25 October 2012

Statements of Financial Position as at 31 July 2012

	Note	GROUP 31/07/2012 $	GROUP 30/04/2011 $	COMPANY 31/07/2012 $	COMPANY 30/04/2011 $
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment	3	1,816,376	1,675,268	172,171	229,079
Investment properties	4	3,879,481	3,879,481	3,879,481	3,879,481
Investments in subsidiaries	5	–	–	18,011,985	18,011,985
Investments in associates	6	20,344,554	19,581,852	2,084,993	1,818,618
Long-term investments	7	15,195,312	10,429,660	15,167,224	10,400,358
Deferred tax assets	8	11,911	–	–	–
		41,247,634	35,566,261	39,315,854	34,339,521
Current Assets					
Inventories	10	6,114,235	4,929,337	48,236	69,541
Short-term investments	11	9,919,467	10,392,733	–	–
Trade receivables	12	9,525,580	8,272,037	352,787	495,834
Other receivables	13	120,321	915,464	35,589	280,821
Current tax recoverable		108,475	225	–	–
Amounts owing by subsidiaries	9	–	–	6,389,687	4,270,656
Fixed deposits	14	3,950,000	5,095,176	3,950,000	4,950,000
Cash and bank balances	15	4,172,788	2,974,570	566,047	945,621
		33,910,866	32,579,542	11,342,346	11,012,473
Less: Current Liabilities					
Trade payables	16	4,537,662	2,990,513	350,567	568,962
Other payables	17	676,908	584,942	431,753	368,623
Amounts owing to banks	18	407,072	115,022	–	–
Current income tax liabilities		–	243,051	–	–
		5,621,642	3,933,528	782,320	937,585
Net Current Assets		28,289,224	28,646,014	10,560,026	10,074,888
Less: Non-Current Liabilities					
Provision for retirement benefits	19	221,032	503,291	221,032	503,291
Deferred tax liabilities	8	592,267	645,475	–	–
		813,299	1,148,766	221,032	503,291
		68,723,559	63,063,509	49,654,848	43,911,118
EQUITY					
Share capital	20	33,278,673	33,278,673	33,278,673	33,278,673
Capital reserves	21	11,960,099	7,034,232	11,749,920	6,943,965
Foreign currency translation reserves		(3,219,916)	(2,082,196)	–	–
Retained profits		24,446,384	22,853,353	4,626,255	3,688,480
Attributable to equity holders of the company		66,465,240	61,084,062	49,654,848	43,911,118
Non-controlling interests		2,258,319	1,979,447	–	–
		68,723,559	63,063,509	49,654,848	43,911,118

The accompanying notes form an integral part of these financial statements.

Consolidated Income Statement for the financial period ended 31 July 2012

	Note	01/05/2011 to 31/07/2012 $	01/05/2010 to 30/04/2011 $
Revenue	22	78,386,187	57,084,196
Other income	23	1,435,526	1,391,045
Changes in short-term investments		(473,266)	2,208,512
Changes in inventories		1,427,179	(368,762)
Purchases of short-term investments		(3,300,528)	(4,853,257)
Purchases of inventories		(68,470,963)	(46,605,288)
Employee benefits expense		(4,014,431)	(3,096,384)
Depreciation expenses:			
- property, plant and equipment	3	(411,840)	(278,187)
- investment properties	4	–	(169)
Finance costs		(16,461)	–
Share of results of associates, net of tax		1,813,141	2,631,039
Other expenses		(2,584,300)	(2,245,841)
Profit before taxation	24	3,790,244	5,866,904
Taxation	25	(971,125)	(867,985)
Profit after taxation		2,819,119	4,998,919
Attributable to :			
Equity holders of the company		2,367,407	4,572,826
Non-controlling interests		451,712	426,093
		2,819,119	4,998,919
Earnings per share (cents)			
Basic and fully diluted	26	9.17	17.72

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income
for the financial period ended 31 July 2012

	Note	01/05/2011 to 31/07/2012 $	01/05/2010 to 30/04/2011 $
Profit after taxation		2,819,119	4,998,919
Other comprehensive income:			
Fair value gain on long-term quoted investments	7	4,805,955	2,184,240
Share of associates' capital reserve	21	119,912	90,458
Translation differences relating to financial statements of foreign operations		(1,230,228)	(1,231,102)
Other comprehensive income, net of tax		3,695,639	1,043,596
Total comprehensive income for the financial period/year		6,514,758	6,042,515
Attributable to :			
Equity holders of the company		6,155,554	5,707,411
Non-controlling interests		359,204	335,104
		6,514,758	6,042,515

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the financial period ended 31 July 2012

	Note	Share capital $	Capital reserves $	Foreign currency translation reserves $	Retained profits $	Total attributable to equity holders of the company $	Non-controlling interests $	Total equity $
At 1 May 2010		33,278,673	4,759,534	(942,083)	19,374,792	56,470,916	2,238,790	58,709,706
Total comprehensive income for the financial year		–	2,274,698	(1,140,113)	4,572,826	5,707,411	335,104	6,042,515
Acquisition of non-controlling interest without a change in control	5	–	–	–	(61,764)	(61,764)	(511,018)	(572,782)
Dividends paid by								
- the company	27	–	–	–	(1,032,501)	(1,032,501)	–	(1,032,501)
- subsidiaries to non-controlling interests		–	–	–	–	–	(83,429)	(83,429)
At 30 April 2011		33,278,673	7,034,232	(2,082,196)	22,853,353	61,084,062	1,979,447	63,063,509
Total comprehensive income for the financial period		–	4,925,867	(1,137,720)	2,367,407	6,155,554	359,204	6,514,758
Dividends paid by								
- the company	27	–	–	–	(774,376)	(774,376)	–	(774,376)
- subsidiaries to non-controlling interests		–	–	–	–	–	(80,332)	(80,332)
At 31 July 2012		33,278,673	11,960,099	(3,219,916)	24,446,384	66,465,240	2,258,319	68,723,559

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the financial period ended 31 July 2012

	01/05/2011 to 31/07/2012 $	01/05/2010 to 30/04/2011 $
Cash flows from operating activities:-		
Profit before taxation	3,790,244	5,866,904
Adjustments for non-cash and other items:-		
Allowance for doubtful trade receivables	7,405	–
Bad debts, trade	39,019	8,631
Depreciation expenses	411,840	278,356
Dividend income	(866,546)	(719,697)
Fair value loss/(gain) on short-term investments	837,847	(424,574)
Gain on disposal of investment property	–	(30,375)
Gain on disposal of property, plant and equipment	(30,329)	(12,840)
Impairment loss on long-term investments	39,089	281,282
Interest expense	16,461	–
Interest income	(3,969)	(3,852)
Payable written back, non-trade	–	(102,350)
Provision for retirement benefits	38,175	(30,324)
Reversal of allowance for doubtful trade receivables	(65,206)	(96,305)
Share of results of associates, net of tax	(1,813,141)	(2,631,039)
	(1,389,355)	(3,483,087)
Operating profit before working capital changes	2,400,889	2,383,817
Increase in short-term investments	(364,581)	(1,783,938)
(Increase)/decrease in inventories	(1,427,179)	182,491
(Increase)/decrease in trade and other receivables	(931,413)	413,316
Increase/(decrease) in trade and other payables	1,803,550	(492,065)
	(919,623)	(1,680,196)
Cash generated from operations	1,481,266	703,621
Dividends received	839,637	719,697
Income tax paid	(1,246,936)	(701,359)
Interest paid	(16,461)	–
Interest received	3,969	3,852
Payment of retirement benefits	(320,434)	(10,918)
	(740,225)	11,272
Net cash generated from operating activities	741,041	714,893
Cash flow from investing activities:-		
Purchases of property, plant and equipment	(611,368)	(80,190)
Proceeds from disposal of property, plant and equipment	30,329	13,573
Proceeds from disposal of investment property	–	46,948
Dividends received from associates	521,229	629,197
Acquisition of additional interests in a subsidiary	–	(572,782)
Net cash (used in)/generated from investing activities	(59,810)	36,746
	681,231	751,639

Consolidated Statement of Cash Flows
for the financial period ended 31 July 2012 – *cont'd*

	01/05/2011 to 31/07/2012 $	01/05/2010 to 30/04/2011 $
Cash flows from financing activities:-		
Dividends paid by the company	(774,376)	(1,032,501)
Dividends paid by subsidiaries to non-controlling interests	(80,332)	(83,429)
Funds from/(repayment of) bank borrowings	418,906	(211,400)
Net cash used in financing activities	(435,802)	(1,327,330)
Net increase/(decrease) in cash and cash equivalents	245,429	(575,691)
Cash and cash equivalents at beginning of the financial period/year	7,954,724	8,696,038
Effects of currency translations on cash and cash equivalents	(77,365)	(165,623)
Cash and cash equivalents at end of the financial period/year (Note 28)	8,122,788	7,954,724

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

The company is a limited liability company listed on the Singapore Exchange Securities Trading Limited. It is incorporated and domiciled in the Republic of Singapore with the registered office and principal place of business at 2 MacTaggart Road, (Level 3), Singapore 368078.

During the current financial period, the company changed its financial year-end from 30 April to 31 July. As a result, the current financial period covers a period of 15 months from 1 May 2011 to 31 July 2012.

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 set out in Note 5.

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 Statement by the Directors.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.3.

2.2 CHANGES IN ACCOUNTING POLICIES

On 1 May 2011, the group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the group's and company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

(i) Depreciation of investment properties and property, plant and equipment

The cost, less the residual values, of investment properties and property, plant and equipment are depreciated on the straight-line method over their estimated economic useful lives. Management estimates the economic useful lives of these assets to be within 5 to 999 years. As changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. The carrying amounts of the group's property, plant and equipment and investment properties are disclosed in Notes 3 and 4 respectively.

(ii) Allowance for inventory obsolescence

At the end of the reporting period, the group assesses whether any allowance for inventory obsolescence is required based on the best available facts and circumstances, including but not limited to, the inventories' physical conditions, age of inventories, their market selling prices, and estimated costs to be incurred for their sales. An amount of estimation is required to determine the inventory obsolescence. The allowances are re-evaluated and adjusted when additional information are received which affects the amount estimated.

As at the reporting date, there is no allowance made for inventory obsolescence.

(iii) Allowance for doubtful trade receivables

The group assesses at the end of each reporting period whether there is any objective evidence that the recoverability of a receivable is doubtful. The determination of allowance for doubtful receivables is based on the review of the ageing analysis of outstanding accounts, past collection and payment history and the current financial status of each customer for any objective evidence that the debts is not recoverable. A considerable amount of estimation is required to determine the ultimate realisation of these receivables.

The carrying amounts of trade receivables and the allowance for doubtful trade receivables are disclosed in Note 12.

(iv) Income tax

The group has exposure to income taxes in various jurisdictions. Significant judgement is involved in determining the group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the current income tax and deferred income tax provision in the financial year in which such determination is made.

The group is subject to income taxes in various jurisdictions. In determining the income tax liabilities, management is required to estimate the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS – *cont'd*

(a) Critical accounting estimates and assumptions – *cont'd*

(v) Provision for retirement benefits

The principal assumption used in determining the retirement benefits is the discounting rate of 2.5% (2011: 2.5%) per annum based on coupon rate of long term Singapore Government bonds.

The management has assessed that the employees who are entitled to the retirement benefits plans past their retirement age of 62 years.

(b) Critical judgements in applying the group's accounting policies

The group records impairment charges on available-for-sale equity investments where there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the group has considered, among other factors, the short-term duration of the decline, the small magnitude by which the fair value of the investment is below cost, the financial health and short-term business outlook of the investee.

During the financial period, the amount of impairment loss recognised for the group's available-for-sale financial assets was $319,636 (2011: $281,009).

2.4 GROUP ACCOUNTING

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

2. **SIGNIFICANT ACCOUNTING POLICIES** – *cont'd*

2.4 **GROUP ACCOUNTING** – *cont'd*

(a) Subsidiaries - *cont'd*

(ii) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill.

(iii) Disposals of subsidiaries or businesses

When a change in the company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.7 for the accounting policy on investments in subsidiaries in the separate financial statements of the company.

(b) Transactions with non-controlling interests

Changes in the company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised directly in retained profits.

2. **SIGNIFICANT ACCOUNTING POLICIES** – *cont'd*

2.4 **GROUP ACCOUNTING** – *cont'd*

(c) Associates

Associates are entities over which the group has significant influence, but not control, and generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associates are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associate over the group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

In applying the equity method of accounting, the group's share of its associates' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured non-current receivables, the group does not recognise further losses, unless it has obligations or has made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the group.

Gains and losses arising from partial disposals or dilutions in investments in associates are recognised in profit or loss.

Investments in associates are derecognised when the group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.7 for the accounting policy on investments in associates in the separate financial statements of the company.

2.5 **PROPERTY, PLANT AND EQUIPMENT**

(a) Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any, except for certain leasehold land and buildings that are carried at their revalued amounts in 1982, less subsequent accumulated depreciation. The revaluation was based on valuation reports of independent professional valuers using the open market value basis.

2. **SIGNIFICANT ACCOUNTING POLICIES** – *cont'd*

2.5 **PROPERTY, PLANT AND EQUIPMENT** – *cont'd*

(a) Measurement – *cont'd*

In accordance with the relevant accounting standards, an entity that had revalued its property, plant and equipment before 1st January 1984 (in accordance with the prevailing accounting standard at that time); or performed any one-off revaluation on its property, plant and equipment between 1st January 1984 and 31st December 1996 (both dates inclusive), there will be no need for the entity to revalue its assets in accordance with the standard.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Depreciation is calculated using a straight line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Years
Leasehold land	37 to 999
Leasehold buildings	37 to 50
Motor vehicles	5 to 10
Office equipment and fittings	5 to 10

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets still in use are retained in the financial statements.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss.

2.6 **INVESTMENT PROPERTIES**

An investment property is a property held either to earn rental income and/or for capital appreciation rather than for use in production or supply of goods or services or for administrative purposes.

2. **SIGNIFICANT ACCOUNTING POLICIES** – *cont'd*

2.6 **INVESTMENT PROPERTIES –** *cont'd*

An investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the investment properties over the estimated useful lives as follows:-

	Years
Leasehold buildings	50

No depreciation is provided on freehold land.

The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.7 **INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

Investments in subsidiaries and associates are carried at cost less any accumulated impairment losses in the company's statement of financial position. On disposal of investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.8 **FINANCIAL ASSETS**

(a) Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets, at fair value through profit or loss

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Short-term investments are classified in this category and are presented as current assets in the statement of financial position.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets. Loans and receivables are presented as "trade receivables", "other receivables", "fixed deposits", "cash and bank balances", and "amounts owing by subsidiaries" on the statement of financial position.

2. **SIGNIFICANT ACCOUNTING POLICIES** – *cont'd*

2.8 **FINANCIAL ASSETS** – *cont'd*

(a) Classification – *cont'd*

(iii) Financial assets, available-for-sale

Financial assets, available-for-sale, are non-derivatives that are either designated in this category or not classified in any of the other categories. Long-term investments are classified in this category and are presented as non-current assets unless management intends to dispose off the assets within 12 months after the end of the reporting period.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to the consolidated statement of comprehensive income.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

Investments in equity instruments whose fair value cannot be reliably measured are recognised at cost less impairment loss, if any.

(d) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation are recognised in profit or loss when the changes arise.

Interest and dividend income on financial assets, available-for-sale are recognised separately in profit or loss. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(e) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

2. **SIGNIFICANT ACCOUNTING POLICIES** – *cont'd*

2.8 **FINANCIAL ASSETS** – *cont'd*

(e) Impairment – *cont'd*

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Financial assets, available-for-sale

In addition to the objective evidence of impairment described in Note 2.8(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.9 **INVENTORIES**

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. A write down on cost is made for where the cost is not recoverable or if their selling prices have declined. Allowance is made for deteriorated, damaged, obsolete and slow moving stocks.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.10 CASH AND CASH EQUIVALENTS

Cash and bank balances are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost.

For the purposes of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current amounts owing to banks on the consolidated statement of financial position.

2.11 FINANCIAL LIABILITIES

Financial liabilities are recognised in the statement of financial position when the group becomes a party to the contractual agreements of the financial instrument and are classified according to the substance of the contractual agreements entered into. Financial liabilities are initially stated at cost which is the fair value plus direct attributable transaction costs, and subsequently measured at amortised cost using the effective interest method. Financial liabilities include borrowings, bank overdrafts, trade payables and other payables.

The financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The gains or losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. All interest-related charges are recognised in profit or loss.

2.12 FAIR VALUE ESTIMATION OF FINANCIAL ASSETS AND LIABILITIES

The fair values of financial instruments traded in active markets (such as exchange traded and over-the-counter securities and derivatives) are based on quoted market prices at the end of the reporting period. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.13 IMPAIRMENT OF NON-FINANCIAL ASSETS

Property, plant and equipment, investment properties, investments in subsidiaries and associates are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.13 IMPAIRMENT OF NON-FINANCIAL ASSETS – *cont'd*

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the Cash-Generating Unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

2.14 INCOME TAX

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associates, except where the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.14 INCOME TAX – *cont'd*

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period; and

(ii) based on the tax consequence that will follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in other comprehensive income. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.15 CORPORATE GUARANTEES

Corporate guarantees are initially recognised at their fair values plus transaction costs in the company's statement of financial position.

Corporate guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the company will reimburse the bank for an amount higher than the unamortised amount. In this case, the corporate guarantees shall be carried at the expected amount payable to the bank in the company's statement of financial position.

Intra-group transactions are eliminated on consolidation.

2.16 CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Singapore Dollars ("$"), which is the functional and presentation currency of the company.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.16 CURRENCY TRANSLATION – *cont'd*

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) Translation of group entities' financial statements

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the end of the reporting period. For acquisitions prior to 1 January 2005, the exchange rates at the dates of acquisition are used.

2.17 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.18 DIVIDENDS TO COMPANY'S SHAREHOLDERS

Dividends to the company's shareholders are recognised when the dividends are approved for payment.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.19 REVENUE RECOGNITION

The group recognises revenue when the amount of revenue and related costs can be reliably measured, when it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the group's activities are met as follows:

(a) Sale of goods – Trading income

Sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.

(b) Interest income

Interest income, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2.20 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the group will comply with all the attached conditions.

2.21 BORROWING COSTS

Borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

2.22 EMPLOYEE BENEFITS

(a) Contributions to provident funds

The group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Singapore companies make contributions to the Central Provident Fund, a defined contribution pension scheme. Contributions to national pension schemes are recognised as an expense in the same period as the employment that gives rise to the contributions.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.22 EMPLOYEE BENEFITS – *cont'd*

(b) Provision for retirement benefits

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the statement of financial position in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality government bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

Actuarial gains and losses are recognised in profit or loss in the period when they arise.

Past service costs are recognised immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.23 LEASES

(a) When the group is the lessee:

The group leases land under operating leases from non-related parties.

Lessee - Operating leases

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.23 LEASES – *cont'd*

(b) When the group is the lessor

The group leases land and building under operating leases to related and non-related parties.

Lessor - Operating leases

Leases of land and buildings where the group retains substantially all risk and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

2.24 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Valuation: Leasehold land $	Valuation: Leasehold buildings $	Cost: Leasehold land and buildings $	Cost: Motor vehicles $	Cost: Office equipment and fittings $	Total $
Cost/Valuation						
At 1 May 2010	80,614	150,080	1,404,111	2,306,802	684,137	4,625,744
Additions	–	–	–	45,853	34,337	80,190
Disposals	–	–	–	(73,765)	(1,601)	(75,366)
Currency translation differences	(3,026)	(5,635)	(52,721)	(57,332)	(17,337)	(136,051)
At 30 April 2011	77,588	144,445	1,351,390	2,221,558	699,536	4,494,517
Additions	–	–	–	570,966	40,402	611,368
Disposals	–	–	–	(200,263)	–	(200,263)
Currency translation differences	(3,215)	(5,985)	(55,994)	(66,971)	(19,397)	(151,562)
At 31 July 2012	74,373	138,460	1,295,396	2,525,290	720,541	4,754,060
Accumulated Depreciation						
At 1 May 2010	25,860	86,935	614,767	1,488,339	483,617	2,699,518
Charge for the year	921	3,002	32,472	200,017	41,775	278,187
Disposals	–	–	–	(73,765)	(868)	(74,633)
Currency translation differences	(992)	(3,337)	(23,858)	(44,571)	(11,065)	(83,823)
At 30 April 2011	25,789	86,600	623,381	1,570,020	513,459	2,819,249
Charge for the period	1,109	3,613	39,084	316,712	51,322	411,840
Disposals	–	–	–	(200,263)	–	(200,263)
Currency translation differences	(1,101)	(3,690)	(26,933)	(48,394)	(13,024)	(93,142)
At 31 July 2012	25,797	86,523	635,532	1,638,075	551,757	2,937,684
Net Carrying Amount						
At 30 April 2011	51,799	57,845	728,009	651,538	186,077	1,675,268
At 31 July 2012	48,576	51,937	659,864	887,215	168,784	1,816,376

3. **PROPERTY, PLANT AND EQUIPMENT** – *cont'd*

COMPANY	Motor vehicles $	Office equipment and fittings $	Total $
Cost			
At 1 May 2010	448,105	236,455	684,560
Additions	–	8,793	8,793
At 30 April 2011	448,105	245,248	693,353
Additions	–	18,335	18,335
At 31 July 2012	448,105	263,583	711,688
Accumulated Depreciation			
At 1 May 2010	199,681	203,314	402,995
Charge for the year	44,810	16,469	61,279
At 30 April 2011	244,491	219,783	464,274
Charge for the period	56,013	19,230	75,243
At 31 July 2012	300,504	239,013	539,517
Net Carrying Amount			
At 30 April 2011	203,614	25,465	229,079
At 31 July 2012	147,601	24,570	172,171

Leasehold land and buildings of the group with a total net carrying amount of $760,377 (2011: $837,653), have been mortgaged to secure banking facilities granted to a subsidiary (Note 18).

The group's leasehold land and buildings stated at valuation were based on an independent appraisal by professional valuer, C. H. William, Talhar & Wong (Sabah) Sdn Bhd on 27 February 1982 at an aggregate value of $492,000 (equivalent to RM538,000) which was the fair value at that date.

On 19 January 2007, the group's leasehold land and buildings stated at valuation and at cost were reappraised by the same independent valuer at aggregate values of $300,000 (equivalent to RM683,066) and $2,660,000 (equivalent to RM6,053,934) respectively. However, these leasehold land and buildings were not subsequently revalued in accordance with the group's accounting policies as stated in Note 2.5(a) to the consolidated financial statements.

If the leasehold land and buildings had been carried under the cost model, the carrying amount as at the end of the reporting period would have been $40,884 (2011: $45,004).

Details of properties used for office and warehouse purposes are as follows:-

Location	Site area *(sq. m)*	Tenure
Lot 3, Km 8, Jalan Tuaran, Kota Kinabalu, Sabah	8,025	60 years from 1966
TTB 2195, Lot 10, Taman Anson, Tawau, Sabah	410	999 years from 1905
TD 2205, Lot 20, Taman Anson, Tawau, Sabah	377	999 years from 1905
MDLD 1434, Lot 4B, Hopeley Ind. Shophouse, Lahad Datu, Sabah	168	59 years from 1974
Lot 10C, BDC Industrial Estate, Sandakan, Sabah	416	59 years from 1970
Lot 8, Block C, Saguking Warehouse, Federal Territory, Labuan	280	99 years from 1982

4. INVESTMENT PROPERTIES

GROUP	Freehold land $	Leasehold buildings $	Total $
Cost			
At 1 May 2010	3,879,481	25,782	3,905,263
Disposals	–	(24,814)	(24,814)
Currency translation differences	–	(968)	(968)
At 30 April 2011 and 31 July 2012	3,879,481	–	3,879,481
Accumulated Depreciation			
At 1 May 2010	–	8,391	8,391
Charge for the year	–	169	169
Disposals	–	(8,241)	(8,241)
Currency translation differences	–	(319)	(319)
At 30 April 2011 and 31 July 2012	–	–	–
Net Carrying Amount			
At 30 April 2011	3,879,481	–	3,879,481
At 31 July 2012	3,879,481	–	3,879,481
Fair Value			
At 30 April 2011	3,900,000	–	3,900,000
At 31 July 2012	5,000,000	–	5,000,000

The following amounts are recognised in profit or loss:-

	GROUP	
	31/07/2012 $	30/04/2011 $
Rental income from investment properties (Note 23)	114,113	87,370
Direct operating expenses arising from:		
- Investment properties that generated rental income	11,483	9,621
- Investment properties that did not generate rental income	8,900	7,156

COMPANY	Freehold land $
Cost	
At 30 April 2011 and 31 July 2012	3,879,481
Net Carrying Amount	
At 30 April 2011 and 31 July 2012	3,879,481

4. INVESTMENT PROPERTIES – *cont'd*

COMPANY – *cont'd*

	Freehold land $
Fair Value	
At 30 April 2011	3,900,000
At 31 July 2012	5,000,000

The following amounts are recognised in profit or loss:-

	COMPANY 31/07/2012 $	COMPANY 30/04/2011 $
Rental income from investment properties (Note 23)	114,113	86,947
Direct operating expenses arising from:		
- Investment properties that generated rental income	11,483	9,233
- Investment properties that did not generate rental income	8,900	7,156

The investment properties of the group were leased to tenants under operating leases.

The above fair values are determined by internal assessment based on the estimated open market values of properties transacted within the same vicinity.

The company's investment property was last appraised on 23 June 2009 by an independent valuer, DTZ Debenham Tie Leung (SEA) Pte Ltd, at a fair value of $3,800,000. This property is professionally appraised every 5 years.

Details of the investment properties are as follows:-

Location	Site area *(sq. m)*	Tenure
2 MacTaggart Road, Singapore 368078	1,020	Freehold
123-8-12, Wisma KGN, Weld Quay, 10300 Penang	66	99 years from 1990

5. INVESTMENTS IN SUBSIDIARIES

	COMPANY 31/07/2012 $	COMPANY 30/04/2011 $
Unquoted equity investments, at cost	20,374,491	20,374,491
Less: Impairment losses	(2,362,506)	(2,362,506)
	18,011,985	18,011,985

Details of the subsidiaries are as follows:-

Name of subsidiary	Principal activities	Place of incorporation/ business	Percentage of equity held 31/07/2012 %	Percentage of equity held 30/04/2011 %
<u>**Held by the company**</u>				
Khong Guan Food Products Pte Ltd^	Trading in quoted investments	Singapore	100.00	100.00

5. **INVESTMENT IN SUBSIDIARIES** – *cont'd*

Name of subsidiary	Principal activities	Place of incorporation/ business	Percentage of equity held 31/07/2012 %	Percentage of equity held 30/04/2011 %
Held by the company – *cont'd*				
Victus Marketing Pte. Ltd.^	Trading in edible foods and quoted investments	Singapore	100.00	100.00
Tau Meng Investments Pte Ltd ^	Investment holding	Singapore	100.00	100.00
Twenty Century Investment Company Limited *	Investment holding	Hong Kong	100.00	100.00
Swee Hin Chan Company Sdn. Berhad #	Wholesaler of wheat flour, general goods, and related products	Malaysia	89.82	89.82
Tong Guan Food Products Sdn. Bhd.@	Wholesaler of wheat flour, biscuits and other consumer goods	Malaysia	80.04	80.04
Held by Tong Guan Food Products Sdn. Bhd.				
Sasinco Sdn. Bhd.@	Wholesaler of consumer goods	Malaysia	100.00	100.00

^ Audited by LTC LLP
* Audited by Morison Heng, Hong Kong
# Audited by Ernst & Young, Malaysia
@ Audited by Deloitte KassimChan, Malaysia

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited, the Audit Committee and Board of the Directors of the company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and significant associates (Note 6) would not compromise the standard and effectiveness of the audit of the company.

Acquisition of non-controlling interests

On 18 October 2010, the group acquired an additional 7.65% equity interest in Tong Guan Food Products Sdn. Bhd. ("TGFP") from its non-controlling interests for a cash consideration of $572,782, increasing its ownership from 72.39% to 80.04%. The carrying value of net assets of TGFP at the date of acquisition for the additional interest acquired was $511,018. The difference of $61,764 between the consideration and the carrying value of the additional interest acquired has been recognised as premium paid on acquisition of non-controlling interests within equity.

The following summaries the effect of the change in the group's ownership interest in TGFP on the equity attributable to equity holder of the company:

5. INVESTMENTS IN SUBSIDIARIES – *cont'd*

	COMPANY 30/04/2011 $
Consideration paid for acquisition of non-controlling interests	572,782
Decrease in equity attributable to non-controlling interests	(511,018)
Decrease in equity attributable to equity holder of the company	61,764

6. INVESTMENTS IN ASSOCIATES

	GROUP		COMPANY	
	31/07/2012 $	30/04/2011 $	31/07/2012 $	30/04/2011 $
Unquoted equity investments, at cost	–	–	4,490,084	4,490,084
Share of net assets	14,948,396	14,948,396	–	–
	14,948,396	14,948,396	4,490,084	4,490,084
Less: Impairment losses:-				
Balance at beginning of the financial period/year	–	–	(2,671,466)	(2,705,607)
Impairment losses written back	–	–	266,375	34,141
Balance at end of the financial period/year	–	–	(2,405,091)	(2,671,466)
	14,948,396	14,948,396	2,084,993	1,818,618
Share of post-acquisition reserves	7,677,967	6,386,055	–	–
Share of capital reserve	209,874	89,962	–	–
Foreign currency translation reserve	(2,491,683)	(1,842,561)	–	–
	20,344,554	19,581,852	2,084,993	1,818,618

Summarised financial information of the associates, not adjusted for the proportion of ownership held by the group, is as follows:-

	GROUP	
	31/07/2012 $	30/04/2011 $
Assets and liabilities:		
Total assets	80,739,391	81,608,400
Total liabilities	7,914,332	12,112,395
Net assets	72,825,059	69,496,005
Associates' non-controlling interest	7,230,087	6,226,995
Results:		
Revenue	137,358,481	120,501,777
Profit for the year	5,921,289	8,713,986

6. INVESTMENTS IN ASSOCIATES – *cont'd*

Details of the associates are as follows:-

Name of company	Principal activities	Place of incorporation/ business	Effective interest held by group 31/07/2012 %	Effective interest held by group 30/04/2011 %
Held by the company and Twenty Century Investment Company Limited				
Henan Khong Guan Cereal and Oil Food Products Company Limited#	Milling of wheat flour and related by-products	The People's Republic of China	40.60	40.60
Held by Tong Guan Food Products Sdn. Bhd.				
Borneo Can Sendirian Berhad@	Manufacturing and sale of paper cartons, metal tins and cans	Malaysia	22.48	22.48
Held by Tau Meng Investments Pte Ltd				
United Malayan Flour (1996) Sdn. Bhd.+	Milling and trading of wheat flour and related by-products	Malaysia	30.00	30.00

Audited by Henan Junguangxin Accountant Firm Co., Ltd, The People's Republic of China.

@ Audited by Deloitte KassimChan, Malaysia

+ Audited by Ernst & Young, Malaysia

7. LONG-TERM INVESTMENTS

Long-term investments are classified as available-for-sale financial assets as follows:-

	GROUP 31/07/2012 $	GROUP 30/04/2011 $	COMPANY 31/07/2012 $	COMPANY 30/04/2011 $
Available-for-sale financial assets				
Quoted equity investments:-				
Balance at beginning of the financial period/year	9,174,720	6,990,480	9,174,720	6,990,480
Fair value gain (Note 21)	4,805,955	2,184,240	4,805,955	2,184,240
Balance at end of the financial period/year	13,980,675	9,174,720	13,980,675	9,174,720

7. LONG-TERM INVESTMENTS – *cont'd*

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
Unquoted equity investments:-				
At cost	1,534,273	1,535,949	1,495,504	1,495,504
Less: Impairment loss:-				
Balance at beginning of the financial period/year	(281,009)	–	(269,866)	–
Allowance made for the financial period/year	(39,089)	(281,282)	(39,089)	(269,866)
Currencies translation differences	462	273	–	–
Balance at end of the financial period/year	(319,636)	(281,009)	(308,955)	(269,866)
	1,214,637	1,254,940	1,186,549	1,225,638
Total equity investments	15,195,312	10,429,660	15,167,224	10,400,358

Available-for-sale financial assets comprise the following:-

	GROUP			
	31/07/2012		30/04/2011	
	At fair value	At cost	At fair value	At cost
	$	$	$	$
Quoted equity investments :-				
- Malaysia	13,980,675	–	9,174,720	–
Unquoted equity investments :-				
- Singapore	–	250,000	–	250,000
- Malaysia	–	28,088	–	29,302
- Hong Kong	–	936,549	–	975,638
	13,980,675	1,214,637	9,174,720	1,254,940

	COMPANY			
	31/07/2012		30/04/2011	
	At fair value	At cost	At fair value	At cost
	$	$	$	$
Quoted equity investments:-				
- Malaysia	13,980,675	–	9,174,720	–
Unquoted equity investments:-				
- Singapore	–	250,000	–	250,000
- Hong Kong	–	936,549	–	975,638
	13,980,675	1,186,549	9,174,720	1,225,638

8. DEFERRED TAX ASSETS/LIABILITIES

Recognised deferred tax assets and liabilities, determined after appropriate offsetting, are attributable to the following:-

	GROUP	
	31/07/2012	30/04/2011
	$	$
Deferred tax assets		
Provisions and other temporary differences	11,911	–
Deferred tax liabilities		
Fair value gains on short-term investments	523,967	601,923
Excess of carrying amount over tax written down value of property, plant and equipment	68,300	43,552
	592,267	645,475

Deferred tax assets and liabilities are netted off when related to the same tax authority.

Movements in deferred tax assets and liabilities of the group are analysed as follows:-

	GROUP	
	31/07/2012	30/04/2011
	$	$
Deferred tax assets		
Balance at beginning of the financial period/year	–	3,798
Transfer (from)/to income statement		
- current	(8,619)	(3,745)
- prior years	20,530	–
Currency translation differences	–	(53)
Balance at end of the period/year	11,911	–
Deferred tax liabilities		
Balance at beginning of the financial period/year	645,475	708,234
Transfer (to)/from income statement		
- current	(50,279)	(60,976)
- prior years	(698)	143
Currency translation differences	(2,231)	(1,926)
Balance at end of the financial period/year	592,267	645,475
Net deferred taxation credited to income statement (Note 25)	(62,888)	(57,088)

9. AMOUNTS OWING BY SUBSIDIARIES

	COMPANY	
	31/07/2012	30/04/2011
	$	$
Amounts owing by subsidiaries, non-trade	6,582,687	4,382,656
Less: Allowance for doubtful receivables		
Balance at beginning of the financial period/year	(112,000)	(100,000)
Allowance made for the financial period/year	(81,000)	(12,000)
Balance at end of the financial period/year	(193,000)	(112,000)
	6,389,687	4,270,656

9. AMOUNTS OWING BY SUBSIDIARIES – *cont'd*

The amounts owing are unsecured, repayable on demand and interest-free except for advances amounting to $89,609 and $393,079 (2011: $270,764 and $393,079) which bear interest at a rate of 5% and 2.95% (2011: 5% and 3%) respectively per annum.

Amounts owing by subsidiaries are denominated in the following currencies:-

	COMPANY	
	31/07/2012	30/04/2011
	$	$
Singapore Dollars	6,300,078	3,983,679
Hong Kong Dollars	89,609	275,215
Ringgit Malaysia	–	11,762
	6,389,687	4,270,656

10. INVENTORIES

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
Trading inventories				
- at cost	6,004,904	4,536,438	48,236	69,541
Goods-in-transit				
- at cost	109,331	392,899	–	–
	6,114,235	4,929,337	48,236	69,541

The cost of inventories recognised as an expense as included in the consolidated income statement amounts to $67,055,687 (2011: $46,974,050).

11. SHORT-TERM INVESTMENTS

Short-term investments are classified as financial assets at fair value through profit or loss as follows:-

	GROUP	
	31/07/2012	30/04/2011
	$	$
Held for trading		
Equity investments quoted in :-		
- Singapore	5,518,400	5,769,731
- Malaysia	4,400,331	4,620,285
- Hong Kong	736	2,717
	9,919,467	10,392,733

11. SHORT TERM INVESTMENTS – *cont'd*

Financial assets at fair value through profit or loss are denominated in the following currencies:

	GROUP	
	31/07/2012	30/04/2011
	$	$
Singapore Dollars	5,460,867	5,769,731
Ringgit Malaysia	4,400,331	4,620,285
United States Dollars	57,533	–
Hong Kong Dollars	736	2,717
	9,919,467	10,392,733

12. TRADE RECEIVABLES

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
Third parties	9,360,474	8,244,346	385,024	536,821
Related parties	233,959	199,401	–	–
	9,594,433	8,443,747	385,024	536,821
Less: Allowance for doubtful trade receivables :-				
Balance at beginning of the financial period/year	(171,710)	(275,272)	(40,987)	(68,487)
Allowance written back for the financial period/year	57,801	96,305	8,750	25,622
Bad debts written off	42,218	4,299	–	1,878
Currency translation differences	2,838	2,958	–	–
Balance at end of the financial period/year	(68,853)	(171,710)	(32,237)	(40,987)
	9,525,580	8,272,037	352,787	495,834

Trade receivables are denominated in the following currencies:-

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
Singapore Dollars	554,582	497,230	352,787	495,834
Ringgit Malaysia	8,970,998	7,774,807	–	–
	9,525,580	8,272,037	352,787	495,834

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2011: 30 to 90 days) term. Trade receivables are not secured by any collateral.

12. TRADE RECEIVABLES – *cont'd*

The group's and company's trade receivables at the end of the reporting period are analysed as follows:

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
Not past due and not impaired	8,470,592	4,988,310	168,571	269,897
Past due but not impaired (a)	1,054,988	3,283,727	184,216	225,937
	9,525,580	8,272,037	352,787	495,834
Impaired receivables (b)				
Individually assessed	68,853	171,710	32,237	40,987
Allowance for doubtful receivables	(68,853)	(171,710)	(32,237)	(40,987)
	–	–	–	–
	9,525,580	8,272,037	352,787	495,834

(a) Ageing of receivables which are past due but not impaired:

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
Less than 30 days	729,003	2,298,740	159,194	137,623
31 to 60 days	107,847	763,362	25,022	88,314
61 to 90 days	10,753	181,537	–	–
More than 90 days	207,385	40,088	–	–
	1,054,988	3,283,727	184,216	225,937

(b) Impaired receivables:

Impaired receivables, individually determined at the end of the reporting period, relate to debtors who are in significant financial difficulties and have defaulted in payments. These receivables are not secured by any collateral.

13. OTHER RECEIVABLES

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
Related parties, non-trade	2,069	11,453	1,621	642
Sundry receivables	5,874	802,911	5,874	4,871
Interest receivable	49	134	49	134
Dividend receivable	200	–	–	247,288
Deposits	62,096	41,457	6,481	6,109
Prepayments	50,033	59,509	21,564	21,777
	120,321	915,464	35,589	280,821

13. OTHER RECEIVABLES – *cont'd*

Balances with related parties are unsecured, interest-free and are repayable on demand.

Other receivables are denominated in the following currencies:-

	GROUP		COMPANY	
	31/07/2012 $	30/04/2011 $	31/07/2012 $	30/04/2011 $
Singapore Dollars	39,772	48,579	35,589	33,533
Ringgit Malaysia	80,549	866,885	–	247,288
	120,321	915,464	35,589	280,821

14. FIXED DEPOSITS

Fixed deposits of the group and company are placed with reputable financial institutions and mature within one month (2011: one month) from the end of the reporting period. The effective interest rate is 0.05% (2011: 0.01% to 0.1%) per annum.

Fixed deposits are denominated in the following currencies:-

	GROUP		COMPANY	
	31/07/2012 $	30/04/2011 $	31/07/2012 $	30/04/2011 $
Singapore Dollars	3,950,000	4,950,000	3,950,000	4,950,000
Hong Kong Dollars	–	145,176	–	–
	3,950,000	5,095,176	3,950,000	4,950,000

15. CASH AND BANK BALANCES

Cash and bank balances are denominated in the following currencies:-

	GROUP		COMPANY	
	31/07/2012 $	30/04/2011 $	31/07/2012 $	30/04/2011 $
Singapore Dollars	1,312,220	1,554,954	562,218	937,515
Ringgit Malaysia	2,709,202	1,213,043	3,829	8,106
United States Dollars	143,686	141,342	–	–
Hong Kong Dollars	7,680	65,231	–	–
	4,172,788	2,974,570	566,047	945,621

16. TRADE PAYABLES

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
Third parties	3,341,858	1,736,913	10,315	11,070
Related parties (Note 29)	1,195,804	1,253,600	340,252	557,892
	4,537,662	2,990,513	350,567	568,962

Trade payables are denominated in the following currencies:-

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
Singapore Dollars	351,122	588,395	350,567	568,962
United States Dollars	130,871	205,629	–	–
Ringgit Malaysia	4,055,669	2,196,489	–	–
	4,537,662	2,990,513	350,567	568,962

Trade payables are non interest-bearing and are normally settled within 30 to 90 days (2011: 30 to 90 days).

Included in trade payables is an aggregate amount of $1,483,755 (RM3,750,645) (2011: Nil) which is secured by corporate guarantees provided by the company to certain suppliers of a subsidiary (Note 32 (b)).

17. OTHER PAYABLES

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
Sundry payables	169,276	188,387	159,283	157,831
Related parties, non-trade (Note 29)	6,027	–	–	–
Deposits				
- related parties (Note 29)	14,083	14,083	14,083	14,083
- third parties	3,912	3,627	3,726	3,627
Accrued expenses	483,610	358,537	254,661	193,082
Dividend payable	–	20,308	–	–
	676,908	584,942	431,753	368,623

Non trade payables are non-interest bearing and are normally settled within 90 (2011: 90) days or on demand.

17. **OTHER PAYABLES –** *cont'd*

Other payables are denominated in the following currencies:-

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
Singapore Dollars	499,145	431,858	431,753	368,623
Ringgit Malaysia	167,076	148,253	–	–
Hong Kong Dollars	10,687	4,576	–	–
United States Dollars	–	255	–	–
	676,908	584,942	431,753	368,623

18. **AMOUNTS OWING TO BANKS**

	GROUP	
	31/07/2012	30/04/2011
	$	$
Bank overdrafts	–	115,022
Bankers' acceptances	407,072	–
	407,072	115,022

The bankers' acceptances bear interest at 4.44% (2011: Nil) per annum. In the previous financial year, the bank overdrafts bore interest at 7.3% per annum.

The banking facilities are secured by:-

(a) mortgages over leasehold land and buildings of the group with a total net carrying amount of $760,377 (2011: $837,653); and

(b) corporate guarantees from the company (see Note 32).

The amounts owing to banks are denominated in Ringgit Malaysia.

19. **PROVISION FOR RETIREMENT BENEFITS**

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
Balance at beginning of the financial period/year	503,291	544,533	503,291	544,533
Provision made/(written back)	38,175	(30,324)	38,175	(30,324)
Payments made	(320,434)	(10,918)	(320,434)	(10,918)
Balance at end of the financial period/year	221,032	503,291	221,032	503,291

The company has a defined benefits plan for qualifying employees of the company. Under the plan, the employees are entitled to receive a benefit of 10/26 of final salary for each year of service up to the retirement age of 62 years.

19. PROVISION FOR RETIREMENT BENEFITS – *cont'd*

	GROUP AND COMPANY	
	31/07/2012	30/04/2011
	$	$
Obligations recognised in the statement of financial position for:		
Pension benefits	221,032	503,291
Expenses charged to profit or loss:		
Pension benefits	38,175	(30,324)

Pension benefits

The amount recognised in the statement of financial position is determined as follows:

Present value of unfunded obligations and liability recognised in the statement of financial position	221,032	503,291

	GROUP AND COMPANY	
	31/07/2012	30/04/2011
	$	$
The amounts recognised in profit or loss are as follows:		
Current service cost	19,124	10,877
Interest cost	9,330	13,325
Past service cost	9,721	(54,526)
	38,175	(30,324)

Movement in the defined benefit obligation is as follows:

	GROUP AND COMPANY	
	31/07/2012	30/04/2011
	$	$
Balance at beginning of the financial period/year	503,291	544,533
Current service cost	19,124	10,877
Interest cost	9,330	13,325
Actuarial (gains)/losses	9,721	(54,526)
Benefits paid	(320,434)	(10,918)
Balance at end of the financial period/year	221,032	503,291

Benefits paid includes payment to directors of the company amounting to $270,455 (2011:$Nil).

20. SHARE CAPITAL

	GROUP AND COMPANY	
	31/07/2012	30/04/2011
	$	$
Issued and fully paid:-		
25,812,520 ordinary shares	33,278,673	33,278,673

The holders of ordinary shares are entitled to receive dividends as and when declared by the company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

21. CAPITAL RESERVES

	GROUP		COMPANY	
	31/07/2012	30/04/2011	31/07/2012	30/04/2011
	$	$	$	$
NON-DISTRIBUTABLE				
Fair value reserve :-				
Balance at beginning of the financial period/year	6,943,965	4,759,725	6,943,965	4,759,725
Fair value gain on long-term quoted investments (Note 7)	4,805,955	2,184,240	4,805,955	2,184,240
Balance at end of the financial period/year	11,749,920	6,943,965	11,749,920	6,943,965
Other capital reserve:-				
Balance at beginning of the financial period/year	90,267	(191)	–	–
Share of associates' capital reserve (Note 6)	119,912	90,458	–	–
Balance at end of the financial period/year	210,179	90,267	–	–
	11,960,099	7,034,232	11,749,920	6,943,965

Fair value reserve records the cumulative fair value changes of available-for-sale financial assets until they are derecognised or impaired.

Other capital reserve records the share of the associates' capital reserve.

22. REVENUE

	GROUP	
	01/05/2011 to 31/07/2012	01/05/2010 to 30/04/2011
	$	$
Sale of goods to -		
third parties	73,196,132	52,760,092
related parties	2,025,681	1,004,609
Sale of short-term investments	3,164,374	3,319,495
	78,386,187	57,084,196

23. OTHER INCOME

	GROUP	
	01/05/2011 to 31/07/2012 $	01/05/2010 to 30/04/2011 $
Reversal of allowance for doubtful trade receivables	65,206	96,305
Bad debts recovered, trade	17,053	29,173
Gross dividends from		
- quoted equity investments	835,973	713,846
- unquoted equity investments	30,573	5,851
Gain on disposal of property, plant and equipment	30,329	12,840
Gain on disposal of investment property	–	30,375
Government grant - Jobs Credit Scheme	–	3,896
Interest from		
- fixed deposits	3,752	3,629
- others	217	223
Management fee received from a related party	15,000	12,000
Payable written back, non-trade	–	102,350
Rental from investment properties received from		
- associates	79,074	63,259
- related parties	31,418	21,240
- third parties	3,621	2,871
Recovery of expenses relating to inventories previously written off	–	109,070
Sundry income	323,310	184,117
	1,435,526	1,391,045

The Jobs Credit Scheme is a cash grant introduced in the Singapore Budget 2009 to help businesses preserve jobs in the economic downturn. The amount an employer can receive depends on the fulfilment of certain conditions under the scheme.

24. PROFIT BEFORE TAXATION

This is stated after charging/(crediting) the following items which have not been otherwise disclosed in the consolidated income statement:-

	GROUP	
	01/05/2011 to 31/07/2012 $	01/05/2010 to 30/04/2011 $
The aggregate amount of:		
- audit fees paid to the external auditors	67,433	63,699
- non-audit fees paid to the external auditors	7,552	3,277
Reversal of allowance for doubtful trade receivables	(65,206)	(96,305)
Allowance for doubtful trade receivables	7,405	–
Allowance for impairment loss on long-term investments	39,089	281,282
Net loss/(gain) on financial assets at fair value through profit or loss (Held for trading - short term investments)	609,420	(674,750)
Bad debts, trade	39,019	8,631
Contributions to provident funds		
- directors	31,610	20,860
- employees	259,633	196,529
Directors' remuneration		
- directors of the company	760,822	676,990
- directors of subsidiaries	132,382	116,121
Foreign exchange loss, net	28,417	152,133
Bank interest	16,461	–

24. PROFIT BEFORE TAXATION – *cont'd*

	GROUP	
	01/05/2011 to 31/07/2012 $	**01/05/2010 to 30/04/2011 $**
Operating lease expense	176,068	120,073
Retainer paid to a firm in which a director is the sole principal	3,750	3,000
Provision for retirement benefits	38,175	(30,324)
Gain on disposal of property, plant and equipment	(30,329)	(12,840)

Key management personnel comprise directors of the group and their remuneration is disclosed in the above note.

25. TAXATION

	GROUP	
	01/05/2011 to 31/07/2012 $	**01/05/2010 to 30/04/2011 $**
Current taxation:-		
Malaysian tax	921,712	831,863
Singapore tax	–	5,743
Tax deducted at source	29,971	71,470
	951,683	909,076
Deferred taxation:-		
Current	(41,660)	(57,231)
Prior year's under provision	(21,228)	143
	(62,888)	(57,088)
	888,795	851,988
Prior year's under provision in income tax	82,330	15,997
	971,125	867,985

25. TAXATION – *cont'd*

A numerical reconciliation between the accounting profit and tax expense is as follows:-

	GROUP	
	01/05/2011 to 31/07/2012 $	01/05/2010 to 30/04/2011 $
Accounting profit	3,790,244	5,866,904
Tax at the applicable rate of 17%	644,341	997,374
Tax effects of :-		
Expenses not deductible for tax purposes	75,569	131,871
Income not subject to tax	(138,321)	(101,557)
Share of results of associates	(308,234)	(447,277)
Utilisation of unabsorbed tax losses	–	(116,641)
Difference in tax rate	305,361	275,547
Statutory stepped income exemption	–	–
Deferred tax benefits not recognised	326,837	111,628
Others	–	(5,133)
	905,553	845,812
Withholding tax	4,470	6,033
Prior year's underprovision in income tax and deferred taxation	61,102	16,140
Tax expense	971,125	867,985

At the end of the reporting period, the group has estimated unabsorbed tax losses totaling $21,205,000 (2011: $19,298,000) available for offsetting against future taxable income earned by respective members of the group incorporated in Singapore which have unabsorbed losses carried forward subject to the agreement of the Singapore tax authorities.

Deferred tax benefits arising from such unabsorbed tax losses amounting to approximately $3,605,000 (2011: $3,280,000) for the group have not been recognised as it is not currently probable that sufficient future taxable profits will be available against which they can be utilised.

26. EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and share data used in the basic and diluted earnings per share computations for the financial period/year:

	GROUP	
	01/05/2011 to 31/07/2012	01/05/2010 to 30/04/2011
Net profit attributable to ordinary equity holders on issue applicable to basic and diluted earnings per share ($)	2,367,407	4,572,826
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share	25,812,520	25,812,520
Basic and fully diluted (cents)	9.17	17.72

26. EARNINGS PER SHARE – *cont'd*

Diluted earnings per share is equal to the basic earnings per share as there are no potential dilutive ordinary shares.

27. DIVIDENDS

The final tax exempt one-tier dividend of $0.03 (2011: one-tier dividend and special dividend of $0.03 and $0.01) per ordinary share amounting to $774,376 (2011: $774,376 and $258,125 respectively) declared for the financial year ended 30 April 2011 (2011: declared for the financial year ended 30 April 2010) was approved and paid during the financial period.

The directors propose a final tax exempt one-tier dividend of $0.03 and special dividend of $0.01 per ordinary share amounting to $774,376 and $258,125 respectively in respect of the period ended 31 July 2012. These dividends have not been recognised as liabilities at the period-end as this is subject to approval at the Annual General Meeting of the company.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following items:-

	GROUP	
	31/07/2012	**30/04/2011**
	$	**$**
Fixed deposits (Note 14)	3,950,000	5,095,176
Cash and bank balances (Note 15)	4,172,788	2,974,570
Bank overdrafts (Note 18)	–	(115,022)
	8,122,788	7,954,724

29. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the group if the group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the group and the party is subject to common control or common significant influence, or the party is a member of key management personnel of the group, or the party is a close family member of any individual of the key management personnel or controlling party.

Related parties include key management personnel such as directors and other key management personnel who have the authority and responsibility for planning, directing and controlling the activities of the group. Directors' remuneration is disclosed in Note 24 to the financial statements and Note 30.

29. SIGNIFICANT RELATED PARTY TRANSACTIONS – *cont'd*

In addition to information disclosed elsewhere in the financial statements, transactions with related parties on commercial terms agreed between the parties were as follows:-

	GROUP		COMPANY	
	01/05/2011 to 31/07/2012 $	01/05/2010 to 30/04/2011 $	01/05/2011 to 31/07/2012 $	01/05/2010 to 30/04/2011 $
Purchases from				
- associate	20,175,513	13,745,712	2,442,081	2,051,891
- related parties	11,389,854	10,848,463	35,389	25,913
Interest received				
- subsidiary	–	–	19,768	45,277
Other income received				
- related party	–	109,070	–	–
Management fees received from subsidiaries	–	–	60,595	50,197
Dividend income received from subsidiaries	–	–	2,795,586	2,991,554

30. DIRECTORS' REMUNERATION

The number of directors of the company whose remuneration falls within the following remuneration bands is:-

	GROUP	
	31/07/2012 Number of directors	30/04/2011 Number of directors
Below $100,000	4	4
$100,001 to $250,000	0	1
$250,001 to $500,000	2	1

31. SEGMENT INFORMATION

For management purposes, the group is organised into strategic business units based on their products and geography. The group has three reportable operating segments as follows:-

(a) Trading of wheat flour and consumer goods - trading of wheat flour and consumer goods in Singapore and Malaysia;
(b) Investment trading - trading of shares listed in Singapore, Malaysia and Hong Kong; and
(c) Investment holding - holding of shares in Singapore and Malaysia for dividend income.

Management monitors the results of each of the above operating segments for the purpose of making decisions about resource allocation and performance assessment. Performance is measured based on segment earnings before interest, taxation, depreciation and amortisation ("EBITDA"). EBITDA is used to measure performance as management believes that such information is the most relevant in

31. **SEGMENT INFORMATION** – *cont'd*

evaluating the results of certain segments relative to other entities that operate within these industries. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments. Segment assets and liabilities are presented net of inter-segment balances. Inter-segment pricing is determined on arm's length basis.

Geographically, management reviews the performance of the businesses in Singapore, Malaysia and China. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Non-current assets and total assets are based on the geographical location of the assets.

Information regarding the group's reportable segments is presented below.

BUSINESS SEGMENTS

	Trading of wheat flour and consumer goods $	Investment trading $	Investment holding $	Group $
2012				
Revenue				
External revenue	75,221,813	3,164,374	–	78,386,187
Results				
Profit before interest, taxation, depreciation and amortisation	2,645,090	(1,042,935)	799,280	2,401,435
Depreciation	(362,046)	(49,794)	–	(411,840)
Operating profit	2,283,044	(1,092,729)	799,280	1,989,595
Interest expense				(16,461)
Interest income				3,969
Share of results of associates, net of tax				1,813,141
Taxation				(971,125)
Profit after taxation				2,819,119
Assets and Liabilities				
Segment assets	28,243,424	11,160,758	15,281,386	54,685,568
Associates				20,344,554
Unallocated assets				128,378
				75,158,500
Segments liabilities	5,607,926	48,027	17,645	5,673,598
Unallocated liabilities				761,343
				6,434,941

31. SEGMENT INFORMATION – *cont'd*

BUSINESS SEGMENTS – *cont'd*

	Trading of wheat flour and consumer goods $	Investment trading $	Investment holding $	Group $
2012				
Other segments information				
Expenditure for non-current assets	470,785	140,583	–	611,368
Other non-cash items:				
Impairment loss	–	–	39,089	39,089
Foreign exchange loss/(gain)	30,337	(1,829)	(91)	28,417
2011				
Revenue				
External revenue	53,764,701	3,319,495	–	57,084,196
Results				
Profit before interest, taxation, depreciation and amortisation	2,660,356	261,397	588,616	3,510,369
Depreciation	(246,836)	(31,520)	–	(278,356)
Operating profit	2,413,520	229,877	588,616	3,232,013
Interest income				3,852
Share of results of associates, net of tax				2,631,039
Taxation				(867,985)
Profit after taxation				4,998,919

31. SEGMENT INFORMATION – *cont'd*

BUSINESS SEGMENTS – *cont'd*

	Trading of wheat flour and consumer goods $	Investment trading $	Investment holding $	Group $
2011				
Assets and Liabilities				
Segment assets	26,672,499	11,193,534	10,690,419	48,556,452
Associates				19,581,852
Unallocated assets				7,499
				68,145,803
Segments liabilities	3,980,443	38,804	12,263	4,031,510
Unallocated liabilities				1,050,784
				5,082,294
Other segments information				
Expenditure for non-current assets	80,190	–	–	80,190
Other non-cash items:				
Impairment loss	–	–	281,282	281,282
Foreign exchange loss	126,203	17,348	8,582	152,133

GEOGRAPHICAL SEGMENTS

	Singapore $	Malaysia $	The People's Republic of China $	Group $
2012				
Revenue				
External revenue	6,208,818	72,177,369	–	78,386,187

31. **SEGMENT INFORMATION** – *cont'd*

GEOGRAPHICAL SEGMENTS – *cont'd*

	Singapore $	Malaysia $	The People's Republic of China $	Group $
2012				
Assets				
Segment assets	35,472,035	19,210,901	2,632	54,685,568
Associates	–	17,718,430	2,626,124	20,344,554
Unallocated assets				128,378
				75,158,500
2011				
Revenue				
External revenue	5,990,798	51,093,398	–	57,084,196
Assets				
Segment assets	32,345,097	16,005,952	205,403	48,556,452
Associates	–	17,201,730	2,380,122	19,581,852
Unallocated assets				7,499
				68,145,803

32. **CONTINGENT LIABILITIES**

(a) The company has issued corporate guarantees amounting to $2,276,678 (equivalent to RM5,755,000) [2011: $2,375,089 (equivalent to RM5,755,000)] to certain banks for facilities granted to two subsidiaries. The aggregate amount of facilities utilised as at 31 July 2012 was $407,072 (equivalent to RM1,029,000) [(2011: $115,022 (equivalent to RM278,706)].

(b) The company has issued corporate guarantees amounting to $2,373,600 (equivalent to RM6,000,000) (2011: Nil) to certain suppliers of one subsidiary for credit purchases made from the suppliers.

The directors are of the view that the fair value of corporate guarantees provided by the company is not material.

33. COMMITMENTS

(a) Operating lease commitments where the group is a lessee

The future minimum lease payables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities, are as follows:

	GROUP	
	31/07/2012	30/04/2011
	$	$
Not later than one year	72,731	102,391
Between one and five years	26,743	91,867
	99,474	194,258

(b) Operating lease commitments where the group and company are lessor

The future minimum lease receivables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as receivables, are as follows:

	GROUP AND COMPANY	
	31/07/2012	30/04/2011
	$	$
Not later than one year	50,696	71,155
Between one and five years	2,468	36,901
	53,164	108,056

(c) Capital commitments

The followings are capital expenditures contracted for at the reporting date but not recognised in the financial statements:

	GROUP	
	31/07/2012	30/04/2011
	$	$
Property, plant and equipment	195,882	–

34. FINANCIAL RISK MANAGEMENT

Financial Risk Management

Financial risk management is integral to the whole business of the group. The group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the group's financial risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The group's activities expose it to market risk, credit risk and liquidity risk.

34. **FINANCIAL RISK MANAGEMENT** – *cont'd*

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and market prices, will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the group's financial instruments will fluctuate because of changes in market interest rates. The group's interest rate exposure relates primarily from its fixed deposits (see Note 14) and bank borrowings obligations (see Note 18).

The group places surplus funds with major financial institutions as fixed deposits to generate interest income. Interest rates on fixed deposits and borrowings are determined based on market rates. Interest rate risk is managed by placing such surplus funds on varying maturities and interest rate terms. The group does not use derivative financial instruments to hedge against interest rate risk. There have been no changes to this policy during the financial period.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 100 (2011: 100) basis points higher/lower with all other variables held constant, the effect on the group's profit before tax would have been $39,500 (2011: $49,802) higher/lower, arising mainly as a result of higher/lower interest income on fixed deposits and bank borrowings. The methods and assumptions used are consistent with previous period.

(ii) Foreign exchange rate risk

Foreign currency risk arises from change in foreign exchange rates that may have an adverse effect on the group's result in the current reporting period and in the future years. The group monitors its foreign currency risk exposure regularly and maintains natural hedge whenever possible by receiving and paying in the same foreign currency to minimise foreign currency risk. There have been no changes to this policy during the financial period.

The group exposure to foreign exchange risk relates to transactions denominated in currencies other than the respective functional currencies of group entities, arising from normal trading and investment activities which are disclosed in the respective notes to the financial statements. The group does not use foreign currency forward contracts for trading purposes.

Entities within the group, including the group's associates maintain their books in their respective functional currencies. Profits and net assets of overseas entities are translated into Singapore Dollar, the group's reporting currency for consolidation purposes. Fluctuations in the exchange rate between the functional currencies and Singapore Dollar will have an impact on the group. As these investments are held on long term basis, hedging of exchange risk is inappropriate.

34. **FINANCIAL RISK MANAGEMENT** – *cont'd*

Market risk – *cont'd*

(ii) Foreign exchange rate risk – *cont'd*

The group's currency exposure based on the information provided to key management is as follows:

Group	Ringgit Malaysia ("MYR") $	Hong Kong Dollars ("HKD") $	United States Dollars ("USD") $	Singapore Dollars ("SGD") $	Total $
At 31 July 2012					
Assets					
Long-term investments	14,008,763	936,549	–	250,000	15,195,312
Short-term investments	4,400,331	736	57,533	5,460,867	9,919,467
Trade and other receivables	9,051,547	–	–	594,354	9,645,901
Fixed deposits	–	–	–	3,950,000	3,950,000
Cash and bank balances	2,709,202	7,680	143,686	1,312,220	4,172,788
	30,169,843	944,965	201,219	11,567,441	42,883,468
Liabilities					
Trade and other payables	4,222,745	10,687	130,871	850,267	5,214,570
Amounts owing to banks	407,072	–	–	–	407,072
	4,629,817	10,687	130,871	850,267	5,621,642
Net financial assets	25,540,026	934,278	70,348	10,717,174	37,261,826
Currency exposure of financial assets net of those denominated in the respective entities' functional currencies	18,400,671	942,333	70,348	–	19,413,352

34. **FINANCIAL RISK MANAGEMENT** – *cont'd*

Market risk – *cont'd*

(ii) Foreign exchange rate risk – *cont'd*

Group	Ringgit Malaysia ("MYR") $	Hong Kong Dollars ("HKD") $	United States Dollars ("USD") $	Singapore Dollars ("SGD") $	Total $
At 30 April 2011					
Assets					
Long-term investments	9,204,022	975,638	–	250,000	10,429,660
Short-term investments	4,620,285	2,717	–	5,769,731	10,392,733
Trade and other receivables	8,641,692	–	–	545,809	9,187,501
Fixed deposits	–	145,176	–	4,950,000	5,095,176
Cash and bank balances	1,213,043	65,231	141,342	1,554,954	2,974,570
	23,679,042	1,188,762	141,342	13,070,494	38,079,640
Liabilities					
Trade and other payables	2,344,742	4,576	205,884	1,020,253	3,575,455
Amounts owing to banks	115,022	–	–	–	115,022
	2,459,764	4,576	205,884	1,020,253	3,690,477
Net financial assets/(liabilities)	21,219,278	1,184,186	(64,542)	12,050,241	34,389,163
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	13,808,335	983,359	(64,542)	–	14,727,152

Company	Ringgit Malaysia ("MYR") $	Hong Kong Dollars ("HKD") $	Singapore Dollars (functional currency) ("SGD") $	Total $
At 31 July 2012				
Assets				
Long-term investments	13,980,675	936,549	250,000	15,167,224
Trade and other receivables	–	–	388,376	388,376
Amounts owing by subsidiaries	–	89,609	6,300,078	6,389,687
Fixed deposits	–	–	3,950,000	3,950,000
Cash and bank balances	3,829	–	562,218	566,047
	13,984,504	1,026,158	11,450,672	26,461,334
Liabilities				
Trade and other payables	–	–	782,320	782,320
	–	–	782,320	782,320
Net financial assets	13,984,504	1,026,158	10,668,352	25,679,014
Currency exposure of financial assets net of those denominated in the company's functional currency	13,984,504	1,026,158	–	15,010,662

34. FINANCIAL RISK MANAGEMENT – *cont'd*

Market risk – *cont'd*

(ii) Foreign exchange rate risk – *cont'd*

Company	Ringgit Malaysia ("MYR") $	Hong Kong Dollars ("HKD") $	Singapore Dollars (functional currency) ("SGD") $	Total $
At 30 April 2011				
Assets				
Long-term investments	9,174,720	975,638	250,000	10,400,358
Trade and other receivables	247,288	–	529,367	776,655
Amounts owing by subsidiaries	11,762	275,215	3,983,679	4,270,656
Fixed deposits	–	–	4,950,000	4,950,000
Cash and bank balances	8,106	–	937,515	945,621
	9,441,876	1,250,853	10,650,561	21,343,290
Liabilities				
Trade and other payables	–	–	937,585	937,585
	–	–	937,585	937,585
Net financial assets	9,441,876	1,250,853	9,712,976	20,405,705
Currency exposure of financial assets net of those denominated in the company's functional currency	9,441,876	1,250,853	–	10,692,729

34. **FINANCIAL RISK MANAGEMENT** – *cont'd*

Market risk – *cont'd*

(ii) Foreign exchange rate risk – *cont'd*

If the above currencies change against the SGD by 1% (2011: 1%) with all other variables including tax rate being held constant, the effects arising from the net financial assets/liabilities position will be as follows:

	31/07/2012 Increase/(decrease)		30/04/2011 Increase/(decrease)	
	Net profit	Equity	Net profit	Equity
	$	$	$	$
Group				
MYR against SGD				
- strengthened	44,200	139,807	46,336	91,747
- weakened	(44,200)	(139,807)	(46,336)	(91,747)
HKD against SGD				
- strengthened	57	9,365	77	9,756
- weakened	(57)	(9,365)	(77)	(9,756)
USD against SGD				
- strengthened	703	–	(645)	–
- weakened	(703)	–	645	–

	31/07/2012 Increase/(decrease)		30/04/2011 Increase/(decrease)	
	Net profit	Equity	Net profit	Equity
	$	$	$	$
Company				
MYR against SGD				
- strengthened	38	139,807	2,672	91,747
- weakened	(38)	(139,807)	(2,672)	(91,747)
HKD against SGD				
- strengthened	896	9,365	2,752	9,756
- weakened	(896)	(9,365)	(2,752)	(9,756)

(iii) Market price risk

Market price risk is the risk that the fair value or future cash flows of the group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The group is exposed to equity price risk arising from its investment in quoted equity instruments (long-term and short-term investments). These instruments are listed mainly in Singapore and Malaysia and they are classified as fair value through profit or loss and available-for-sale financial assets.

34. **FINANCIAL RISK MANAGEMENT** – *cont'd*

Market risk – *cont'd*

(iii) Market price risk – *cont'd*

The group's policy is to manage investments returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with high volatility. There have been no changes to this policy during the financial period/year.

Sensitivity analysis for equity risk

At the end of the reporting period, if prices for equity securities listed in Singapore and Malaysia change by 15% (2011: 15%) and 1% (2011: 1%) respectively, with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been:

	01/05/2011 to 31/07/2012		01/05/2010 to 30/04/2011	
	Profit after tax $	Other comprehensive income $	Profit after tax $	Other comprehensive income $
Group				
Listed in Singapore				
- increased by	819,130	–	865,460	–
- decreased by	(819,130)	–	(865,460)	–
Listed in Malaysia				
- increased by	44,003	139,807	46,203	91,747
- decreased by	(44,003)	(139,807)	(46,203)	(91,747)

	01/05/2011 to 31/07/2012		01/05/2010 to 30/04/2011	
	Profit after tax $	Other comprehensive income $	Profit after tax $	Other comprehensive income $
Company				
Listed in Malaysia				
- increased by	–	139,807	–	91,747
- decreased by	–	(139,807)	–	(91,747)

Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of customers or other parties to settle their financial and contractual obligations to the group as and when they fall due. The group's exposure to credit risk mainly relates to long-term and short-term investments, trade and other receivables and cash and bank balances.

For trade and other receivables, management has a credit policy in place and the exposure of credit risk is monitored on an ongoing basis to minimise credit risk. Monies due from customers are followed up, reviewed on a regular basis to understand the reasons, if any, of non-payment or delay in payment so that appropriate action can be implemented promptly. Credit risks of individual counterparties are restricted by credit limits that are approved based on ongoing credit evaluations.

Cash and fixed deposits are placed with major banks and financial institutions. The group limits its credit risk exposures in respect of investments by only investing in liquid securities and placing it with diverse creditworthy financial institutions.

34. **FINANCIAL RISK MANAGEMENT** – *cont'd*

Credit risk – *cont'd*

In relation to the corporate guarantees issued by the company on behalf of its subsidiaries, the credit risk, being the principal risk to which the company is exposed, represents the loss that would be recognised upon a default by the subsidiaries.

There have been no changes in the above policy during the financial period/year.

Credit risk concentration profile

The group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an on-going basis. The credit risk concentration profile of the group's trade receivables at the end of the reporting period is as follows:-

	31/07/2012		30/04/2011	
	$	% of total	$	% of total
By Country				
Singapore	554,582	6	497,230	6
Malaysia	8,970,998	94	7,774,807	94
	9,525,580	100	8,272,037	100

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting financial obligations due to shortage of funds. The group's exposure to liquidity risk arises primarily from mismatches of financial assets and financial liabilities.

The group manages liquidity risk by maintaining sufficient cash to meet normal operating commitments. There have been no changes to this policy during the financial period/year.

The table below analyses the group's financial liabilities exposure into relevant maturity groupings based on contractual undiscounted cash flows.

Group	Within 1 year $	Between 2 to 5 years $	Total $
31/07/2012			
Trade and other payables	5,214,570	221,032	5,435,602
Loans and borrowings	407,072	–	407,072
Corporate guarantees contract (Notes 16 and 32)	1,890,827	–	1,890,827
	7,512,469	221,032	7,733,501
30/04/2011			
Trade and other payables	3,575,455	503,291	4,078,746
Loans and borrowings	115,022	–	115,022
Corporate guarantees contract (Notes 16 and 32)	115,022	–	115,022
	3,805,499	503,291	4,308,790

34. FINANCIAL RISK MANAGEMENT – *cont'd*

Liquidity risk – *cont'd*

Company	Within 1 year $	Between 2 to 5 years $	Total $
31/07/2012			
Trade and other payables	782,320	221,032	1,003,352
Corporate guarantees contract (Notes 16 and 32)	1,890,827	–	1,890,827
	2,673,147	221,032	2,894,179
30/04/2011			
Trade and other payables	937,585	503,291	1,440,876
Corporate guarantees contract (Notes 16 and 32)	115,022	–	115,022
	1,052,607	503,291	1,555,898

Fair value measurements

The following table analyses financial instruments carried at fair value. The different levels have been defined as follows:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents the assets and liabilities measured at fair value at 31 July 2012 and 30 April 2011.

Group	Level 1 $	Total $
31/07/2012		
Long-term investments	13,980,675	13,980,675
Short-term investments	9,919,467	9,919,467
	23,900,142	23,900,142
30/04/2011		
Long-term investments	9,174,720	9,174,720
Short-term investments	10,392,733	10,392,733
	19,567,453	19,567,453

Company	Level 1 $	Total $
31/07/2012		
Long-term investments	13,980,675	13,980,675
30/04/2011		
Long-term investments	9,174,720	9,174,720

34. **FINANCIAL RISK MANAGEMENT** – *cont'd*

Fair value measurements – *cont'd*

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The carrying amounts of cash and bank balances, fixed deposits, trade and other receivables and trade and other payables are assumed to approximate their fair value as these instruments are relatively short-term in nature. For long-term investments and short-term investments, their fair values are based on market quoted price. Unquoted investments are stated at cost less impairment loss, if any, as they have no market price and their fair value cannot be reliably measured by valuation techniques and the group has no intention to dispose them.

35. **CAPITAL MANAGEMENT**

The primary objective of the group's capital management is to maintain a good credit rating and healthy capital ratios in order to support its business and enhance shareholder value.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group adjusts the dividend payment to shareholders, returns capital to shareholders or issues new shares. No changes were made in the objectives, policies or processes during the periods ended 31 July 2012 and 30 April 2011.

The capital structure of the group consists of cash and cash equivalents and equity attributable to equity holders of the company, which are disclosed in Notes 28 and 20 respectively.

The group is not subject to externally imposed capital requirements.

36. **EVENTS OCCURING AFTER THE END OF THE REPORTING PERIOD**

On 15 August 2012, the group disposed of 425,000 ordinary shares in United Malayan Land Bhd ("UMLand") that were held as trading stock by a subsidiary entity for a cash consideration of approximately S$425,000 (equivalent to RM1,062,500). Subsequently, on 24 August 2012, the group disposed of its remaining available-for-sale equity investment of 14,250,000 ordinary shares in UMLand that were held by the company for a total cash consideration of approximately S$14,250,000 million (equivalent to RM35,625,000).

The shares in UMLand were sold pursuant to an unconditional take-over offer by Seleksi Juang Sdn Bhd and Wawasan Perangsang Mewah Sdn Bhd to exercise control over UMLand.

37. **COMPARATIVE FIGURES**

During the current financial period, the company changed its financial year-end from 30 April to 31 July. As a result, the current financial period covers a period of 15 months from 1 May 2011 to 31 July 2012 whereas the comparative figures are for the period of 12 months from 1 May 2010 to 30 April 2011.

38. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATION

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the group's accounting periods beginning on or after 1 August 2012 or later periods and which the group has not early adopted:

- Amendments to FRS 12, *Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after 1 January 2012)

- FRS 27 (Revised 2011), *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014)

- FRS 110, *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 January 2014)

- FRS 112, *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014)

- FRS 113, *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013)

- Amendments to FRS 32 and FRS 107, *Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after 1 January 2014 and 1 January 2013, respectively)

- Improvements to FRSs 2012 (effective for annual periods beginning on or after 1 January 2013)

The management anticipates that the adoption of the above FRS, INT FRS and amendments to FRS in the future periods will not have a material impact on the financial statements of the group and of the company in the period of their initial adoption.

Analysis of Shareholdings as at 18 October 2012

ISSUED AND FULLY PAID-UP CAPITAL	:	S$33,278,673
NO. OF SHARES ISSUED	:	25,812,520
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1 - 999	155	16.88	29,458	0.11
1,000 - 10,000	642	69.94	2,148,231	8.32
10,001 - 1,000,000	114	12.42	5,680,906	22.01
1,000,001 & ABOVE	7	0.76	17,953,925	69.56
TOTAL	918	100.00	25,812,520	100.00

SHAREHOLDINGS IN THE HANDS OF THE PUBLIC AS AT 18 OCTOBER 2012

The percentage of shareholdings in the hands of the public was approximately 32.68% and hence the company has complied with Rule 723 of the New SGX-ST Listing Manual which states that an issuer must ensure that at least 10% of its listed securities is at all time held by the public.

TOP TWENTY SHAREHOLDERS AS AT 18 OCTOBER 2012

NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
CEPHEUS CORPORATION PTE LTD	4,852,430	18.80
KAH HONG PTE LTD	4,470,830	17.32
UOB NOMINEES (2006) PTE LTD	2,375,000	9.20
HONG LEONG FINANCE NOMINEES PTE LTD	1,839,000	7.12
KHONG GUAN DEVELOPMENT PTE LTD	1,641,600	6.36
INTER-OCEAN SHIPPING & TRADING PTE LTD	1,558,000	6.04
GOLDEN RIVER INTERNATIONAL PTE LTD	1,217,065	4.72
DBS NOMINEES PTE LTD	540,000	2.09
GOH TEE KIA	414,000	1.60
TAN KHIOK KWEE	392,000	1.52
KEE NAI KOON	223,000	0.86
CHEW SOO ENG	201,666	0.78
NG PENG TENG	200,000	0.77
JEN SHEK CHUEN	140,275	0.54
CHONG SHEE JAN	124,800	0.48
THIA CHENG SONG	120,000	0.46
NG KIM HOCK FREDDIE	117,000	0.45
CHUA PANG	114,000	0.44
YAP MUI CHENG ANGELA	108,000	0.42
KHONG GUAN GROUP PTE LTD	102,400	0.40
TOTAL	20,751,066	80.37

SUBSTANTIAL SHAREHOLDERS

NAME OF SHAREHOLDERS	DIRECT INTEREST NO. OF SHARES	%	DEEMED INTEREST NO. OF SHARES	%
CEPHEUS CORPORATION PTE LTD	5,152,430	19.96	2,477,400 *1	9.60
KAH HONG PTE LTD	4,670,830	18.10	2,477,400 *2	9.60
KHONG GUAN GROUP PTE LTD	102,400	0.40	2,375,000 *3	9.20
KHONG GUAN BISCUIT FACTORY (S) PTE LTD	2,375,000	9.20	–	–
KHONG GUAN DEVELOPMENT PTE LTD	1,641,600	6.36	–	–
INTER-OCEAN SHIPPING & TRADING PTE LTD	1,558,000	6.04	–	–
GOH TEE KIA	414,000	1.60	2,007,000 *4	7.78

Notes:

*1 Cepheus Corporation Pte Ltd is deemed to be interested in the 2,375,000 shares held by Khong Guan Biscuit Factory (S) Pte Ltd and 102,400 shares held by Khong Guan Group Pte Ltd by virtue of the provisions of Section 7 of Companies Act, Cap. 50.

*2 Kah Hong Pte Ltd is deemed to be interested in the 2,375,000 shares held by Khong Guan Biscuit Factory (S) Pte Ltd and 102,400 shares held by Khong Guan Group Pte Ltd by virtue of the provisions of Section 7 of Companies Act, Cap. 50.

*3 Khong Guan Group Pte Ltd is deemed to be interested in the 2,375,000 shares held by Khong Guan Biscuit Factory (S) Pte Ltd by virtue of the provisions of Section 7 of Companies Act, Cap. 50.

*4 Mr Goh Tee Kia is deemed to be interested in the 215,000 shares held by G & C General Contractors Pte Ltd, 1,578,000 shares held by GTK Holding Pte Ltd, 100,000 shares held by GTK Investment (S) Pte Ltd and 114,000 shares held by Madam Chua Pang (wife) by virtue of the provisions of Section 7 of Companies Act, Cap. 50.

KHONG GUAN FLOUR MILLING LIMITED
(Company Regn. No. 196000096G)
(Incorporated in the Republic of Singapore)
Registered Office :
2 MacTaggart Road (Level 3), Singapore 368078

Important:
1. For investors who have used their CPF monies to buy Khong Guan Flour Milling Ltd shares, this Annual Report is sent to them at the request of their CPF Approved Nominees solely FOR INFORMATION ONLY.
2. This Proxy Form is FOR USE ONLY BY MEMBERS whose shares in Khong Guan Flour Milling Ltd are registered in their names. It is not valid for use by CPF investors and persons whose shares are not registered in their own names, and shall be ineffective for all intents and purposes if used or purported to be used by them.

FORM OF PROXY

I/We ____

of ____

being a member/members of Khong Guan Flour Milling Limited ("the Company"), hereby appoint :

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held on Tuesday, 27 November 2012 at 12.00 noon and at any adjournment thereof.

(Please indicate with an "X' in the space provided whether you wish your vote(s) to be cast for or against the Resolutions set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit).

No.	Resolutions	For	Against
1.	To adopt Reports and Financial Statements		
2.	To declare Dividends		
3.	To approve Directors' Fees		
4.	To re-elect a Director; Mr Chew Soo Lin		
5.	To re-elect a Director; Mr Sam Teng Choong		
6.	To re-elect Mr Tan Wee Tin under Section 153(6) of the Companies Act, Cap. 50		
7.	To re-appoint an Independent Auditor		
8.	Any other business		
9.	To renew the shareholders' mandate for interested person transactions		
10.	To approve the proposed Share Issue Mandate		

As witness my/our hand/s this ____________ day of ____________________ 2012.

No. of Shares Held :	
Register of Members	
Depository Register	

Signature(s) of Member(s)/Common Seal

IMPORTANT
Please read Notes on the reverse.

Notes:

1. A member entitled to attend and vote at a Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.

3. A proxy need not be a member of the Company.

4. Please insert the total number of Shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert the number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

5. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 2 MacTaggart Road (Level 3), Singapore 368078, not less than 48 hours before the time set for the meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

General :

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

This page has been intentionally left blank

Design & Printed by ***Crystal Print***
Tel: 9169 2378

This page has been intentionally left blank


KHONG GUAN
FLOUR MILLING LTD.
SINGAPORE