# KHONG GUAN FLOUR MILLING LIMITED

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

ANNUAL REPORT

2013

# Contents

# 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

RT LLP (formerly known as LTC LLP)
Chartered Accountants
1 Raffles Place, #17-02
One Raffles Place
Singapore 048616
Audit Partner: Tsang Siu For Thomas
(appointed since financial year ended
31 July 2013)

## 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 Wednesday, 27 November 2013 at 12.00 noon to transact the following business:-

## Ordinary Business

1. To adopt the audited financial statements for the financial year ended 31 July 2013 and the Independent Auditor's Report and Directors' Report thereon.

2. To declare a first & final tax exempt one-tier dividend of $0.03 per ordinary share for the financial year ended 31 July 2013.

3. To approve the payment of directors' fees of $84,000 (2012: $52,500) for the financial year ended 31 July 2013.

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

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

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

   Note:- Dr Ng Peng Teng who is considered an independent director, will upon re-election, remain as a member of the Remuneration Committee.

6. To note the retirement of Mr Tan Wee Tin in accordance with Section 153(6) of the Companies Act, Cap. 50 (the "**ACT**").

   Note:- Upon his retirement, Mr Tan Wee Tin will cease as the Chairman of the Audit Committee, a member of the Nominating Committee and the Remuneration Committee. The Company will seek to appoint a replacement independent director before the end of this year.

7. To re-appoint RT 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

(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 2013 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 2013 will be registered to determine members' entitlements to the proposed dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on 5 December 2013 will be entitled to the proposed dividend. Payment of the dividend, if approved by shareholders at the Annual General Meeting, will be made on 16 December 2013.

By Order of the Board
Koe Eng Chuan
Company Secretary

Singapore, 12 November 2013

**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's Statement

## REVIEW OF OPERATIONS

The financial statements presented for the year under review were for twelve months as compared to fifteen months for the previous period. In the preceding financial year, the Company changed its financial year end from 30th April to 31st July.

Group turnover for the year decreased by about 14% to $68,055,000. Had the turnover for the previous period been computed proportionately, the group turnover for the current year would have shown an increment of over 7% comparatively.

With the inclusion of one time gain of $11,935,000 realized from the disposal of long-term quoted investment in United Malayan Land Bhd, group profit for the year rose to $15,031,000. Without this one-time gain, the group's operating profit was $3,096,000. This exceeded the profit of $2,819,000 for the previous financial period of fifteen months.

Group profit from the trading of short-term quoted securities yielded a profit of $572,000 (2012: $228,000) for the year in spite of unsettling market conditions. Trading in securities rose to $4,914,000 (2012: $3,164,000), partly due to the acceptance of a general offer for one of the quoted securities.

### Trading Operations

Swee Hin Chan Co Sdn Bhd '**SHC**'

SHC, our trading subsidiary operating in northern Malaysian Peninsula, continued to maintain its market share in the sales of wheat flour and animal feeds which accounted for about 50% of its total turnover. Increased competition in SHC's core business in wheat flour trading reduced its profit contributions. The subsidiary has refocused to import edible starches sourced from India and China and has established itself as a market leader.

Turnover of SHC was $22,755,000 compared with $26,141,000 of the preceding fifteen months. Increased sales of imported starches and animal feed contributed positively to the operating profit which compensated for the lower profit margin from the sale of wheat flour.

Tong Guan Food Products Sdn Bhd '**TGF**'

TGF has established itself as the prime distributor of biscuits and wheat flour in the State of Sabah, East Malaysia. These products sourced locally made up 50% of TGF's turnover of $37,944,000 (2012: $46,036,000).

With the appointment of TGF as dealers of several popular brands of edible and non-edible goods, TGF's turnover is trending upwards.

The combined profit for the two Malaysian trading subsidiaries for the year was $2,223,000 as compared with $2,775,000 for the previous fifteen months.

# Chairman’s Statement

## Manufacturing Operations

The Group’s 30% equity held associate, United Malayan Flour (1996) Sdn Bhd ‘**UMF**’ has just completed installation of a second wheat milling line with the latest milling technology to meet with customers’ stringent quality control requirements. The increase in production capacity would enable this associate to derive the benefit of economies of scale in its bulk purchases of wheat grains as well as savings in milling cost. Its oats milling subsidiary has also upgraded its milling equipment to increase production.

UMF turned in a net profit of $4,266,000 (2012: $5,458,000) on a turnover of $92,094,000 (2012: $117,133,000) and the figures for 2012 were for a period of fifteen months.

The Group’s 40% equity held interest in the Henan flour mill in China increased its turnover marginally from $17,861,000 to $18,008,000 and made a profit of $299,000 for the year as against $364,000 for the fifteen months ended 31st July 2013.

## Dividend

A first and final tax exempt one-tier dividend of $0.03 per ordinary share for the financial year ended 31st July 2013 has been recommended by the directors for approval by shareholders at the forthcoming Annual General Meeting.

## Prospects

Although the existing business environment has been influenced by factors such as competitive market conditions, shortage of workers and weakening of Ringgit which is our Malaysian subsidiaries' functional currency, we expect to maintain the same level of operating profit for the group in the coming year in view of the satisfactory performance of our group’s trading subsidiaries over the years and the expansion in milling capacities by our associate's flour and oat mills.

## Acknowledgements

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 the year. 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 is committed to maintaining good corporate governance in accordance with the principles and guidelines set out in the Code of Corporate Governance released by the Council on Corporate Disclosure and Governance in 2005 (the "Code"). The Group's approach on corporate governance takes into consideration the principles and guidelines set out in the Code.

On 2 May 2012, Monetary Authority of Singapore (MAS) issued the revised Code of Corporate Governance 2012 ("Code").

The Group has adopted, as far as practicable, corporate governance practices which are substantially in line with the principles of the Code although the revisions do not come into force for the Company until the financial year beginning 1 August 2013.

This report outlines the main corporate governance practices during the financial year ended 31 July 2013 that were in place throughout the financial year, with specific references to each of the principles of the Code.

## PRINCIPLE 1: THE BOARD'S CONDUCT OF ITS AFFAIRS

The principal functions of the Board of Directors of the Company (the "Board") are to provide guidance and to decide on certain important matters, including those involving the review and approval of strategic plans, direction and policies, to review the Group's performance, to review the adequacy and integrity of internal controls, and to approve material acquisitions and disposals of assets.

These functions are either carried out directly by the Board or through committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee, established by the Board (collectively referred to as "Board Committees").

Matters which are specifically reserved to the full Board for decision-making include those involving the review and approval of strategic plans, direction and policies, material acquisitions and disposals of assets, corporate or financial restructuring and share issuances, dividends and other returns to shareholders.

The number of Board and Board Committee meetings held in the financial year ended 31 July 2013 and the attendance of directors during these meetings is as follows:

| | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|---|---|---|---|---|
| Total held in FY2013 | 5 | 4 | 1 | 1 |
| Chew Soo Lin | 5 | 4 | NA | NA |
| Chew Soo Eng | 4 | NA | NA | NA |
| Tan Wee Tin | 5 | 4 | 1 | 1 |
| Chan Weng Kee | 4 | 3 | 1 | 1 |
| Sam Teng Choong | 3 | 3 | 1 | NA |
| Ng Peng Teng | 5 | NA | NA | 1 |

## PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Company endeavors to maintain a strong and independent element on the Board. Four out of the six Board members are independent directors. The criteria of independence are based on the definition given in the Code. Key information regarding the Directors is disclosed in Board of Directors and Executive Officers. Together the Board has a diverse wealth of experience as well as skills and knowledge and the diversity of experience, skills and competencies of the Directors enhance the effectiveness of the Board in carrying out its responsibilities. The Board comprises the following members:

Executive Directors

Chew Soo Lin
Chew Soo Eng

Independent directors

Tan Wee Tin
Chan Weng Kee
Ng Peng Teng
Sam Teng Choong

The Board is of the view that the current Board, with independent non-Executive Directors making up at least two third of the Board, provides for a strong and independent element on the Board capable of exercising objective judgment on corporate affairs of the Group. No individual or small group of individuals dominates the Board's decision-making. The Board is of the view that the current Board, with independent non-Executive Directors making up at least two third of the Board, provides for a strong and independent element on the Board capable of exercising objective judgment on corporate affairs of the Group. No individual or small group of individuals dominates the Board's decision-making. The Board's structure, size and composition is reviewed annually by the NC. 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 operation.

## PRINCIPLE 3: 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.

The Board is of the opinion that despite both the Chairman and the Managing Director being Executive Directors, with the composition of the Board comprising of four Independent Directors, there are sufficient checks and safeguards to ensure that the process of decision making by the Board is independent and based on shared agreement without any individual exercising any significant concentration of control or authority.

In addition, the responsibilities of the Chairman and the Managing Director are clearly defined. The Managing Director is the most senior executive in the Company and bears responsibility for the Company's business, while the Chairman is responsible for the leadership of the Board. The Chairman schedules board meetings and sets board agenda in consultation with the Managing Director. The Chairman ensures that all Board members are provided with complete, adequate and timely information.

## PRINCIPLE 4: BOARD MEMBERSHIP

### 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 principal functions of the NC are, among other matters, to recommend all Board and Board Committee appointments, reappointments or re-elections, to determine the independence of each Director, and to identify new Directors who have the diversity of experience and appropriate knowledge and skills to contribute effectively to the Board.

New Directors are at present appointed by way of a Board resolution, after the NC approves their appointment. The Company's Articles of Association 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.

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 NC recommends

- Chan Weng Kee and Ng Peng Teng 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, is not offering himself for re-election.

## PRINCIPLE 5: BOARD PERFORMANCE

A review of the Board's performance will be undertaken collectively by the Board as a whole. The Company believes that the Board's performance is ultimately reflected in the performance of the Group. The Board, through the delegation of its authority to the NC, ensures that the Directors appointed to the Board possess the relevant necessary background, experience, knowledge and skills so as to enable each Director to bring to the Board an independent and objective perspective to contribute to the effectiveness of the Board.

The Company believes that apart from the Directors' fiduciary duties (i.e. acting in good faith, with due diligence and care, and in the best interests of the Company and its shareholders), the Board's key responsibilities are to set strategic directions and to ensure that the long term objective of enhancing shareholders' wealth is achieved.

## PRINCIPLE 6: ACCESS TO INFORMATION

In order to ensure that the Board is able to fulfill its responsibilities, management provides the Board members with regular updates of the performance and financial position of the Group. Management staff and the Company's auditor, who can provide insight into the matters for discussion, are also invited from time to time to attend such meetings. The Company Secretary attends all Board meetings and ensures that all Board procedures are followed. The Company Secretary, together with other management staff of the Company, also ensures that the Company complies with the applicable statutory and regulatory rules.

The Directors have separate and independent access to the Company's senior management and the Company Secretary at all times. Should the Directors, whether as a group or individually, need independent professional advice, the Company will appoint a professional advisor selected by the group or individual, and approved by the Chairman and CEO, to render the advice. The cost of such independent professional advice will be borne by the Company.

## PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
## PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION
## PRINCIPLE 9: DISCLOSURE ON REMUNERATION

### 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 year ended 31 July 2013 are set out below:-

| Name of Director | Salary % | Bonus % | Fees % | Total % |
|---|---|---|---|---|
| Between $250,001 to $500,000 | | | | |
| Chew Soo Lin | 72 | 16 | 12 | 100 |
| Chew Soo Eng | 79 | 16 | 5 | 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.

## PRINCIPLE 10: 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.

## PRINCIPLE 11: 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.

The principal functions of the AC, among other matters, are:

- to review the quarterly and full year financial statements to be issued by the Group with management and, where appropriate, with the Company's external auditors, before their submission to the Board;
- to review the scope and results of the audit and its cost-effectiveness and the independence and objectivity of the external auditors;
- to review the effectiveness of the internal audit function;
- to make recommendations to the Board on the appointment, re-appointment and/or removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors; and
- to review interested person transactions.

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 number of meetings convened by the AC is set out in Principle 1: The Board's Conduct of its Affairs.

## PRINCIPLE 12: 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 periodic 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 auditor which affect the independence of the auditor.

## PRINCIPLE 13: 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. The internal audit function in respect of the remaining group's operations is performed by the group's in-house auditor.

The internal audit team performs risk assessment and conducts the review of the effectiveness of the Group's internal controls, including financial, operational and compliance controls and risk management systems. The internal auditors have unrestricted access to the AC on internal audit matters. The AC reviews and endorses the internal audit plan and internal audit reports of the Group. Any material non-compliance or failures in the internal audit function and recommendations for improvements are reported to the AC.

## PRINCIPLE 14: 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 the external auditor will be present at the Annual General Meeting.

## PRINCIPLE 15: GREATER SHAREHOLDER PARTICIPATION

At general meetings of the Company, shareholders are given the opportunity to communicate their views and ask the Directors and management questions regarding matters affecting the Company. The Board, external auditor and senior management are normally available at the Annual General Meeting to respond to, and to assist the Directors in responding to shareholders' questions.

In accordance with the Articles of Association of the Company, shareholders may appoint not more than two proxies to attend and vote on their behalf. A proxy needs not be a member of the Company.

## DEALING IN SECURITIES

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 2013 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 | – | 13,122,000 |
| Khong Guan Biscuit Factory (Borneo) Sdn Bhd | – | 4,368,000 |
| Khong Guan Biscuit Factory (Johore) Sdn Bhd | – | 183,000 |
| Chung Ying Confectionery & Food Products Sdn Bhd | – | 3,579,000 |
| Leong Hong Oil Mill Sdn Bhd | – | 2,594,000 |
| Federal Oats Mills Sdn Bhd | – | 127,000 |
| Sales to | | |
| Khian Guan Biscuit Manufacturing Co Sdn Bhd | – | 576,000 |
| Hock Guan (Johore) Sdn Bhd | – | 213,000 |
| Khong Guan Biscuit Factory (Johore) Sdn Bhd | – | 130,000 |
| Khong Guan Trading Sdn Bhd | – | 164,000 |
| Lian Guan Food Products Sdn Bhd | – | 146,000 |
| Lian Seng Hang Sdn Bhd | – | 1,236,000 |
| Poh Seng Trading (Ipoh) Sdn Bhd | – | 2,341,000 |
| Soon Guan Chan Sdn Bhd | – | 560,000 |
| Soon Guan Co Sdn Bhd | – | 417,000 |
| Thong Hong Trading Sdn Bhd | – | 492,000 |

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 U.K. 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 holds a degree of Bachelor of Commerce (Accounting) from University of Western Australia since 1969. Currently Mr Chew takes 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

In March 1991, Mr Tan was appointed non-executive independent director of the Company and Chairman of the Audit Committee. 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 Institute of Singapore Chartered 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 legal practice from October 1976 and has served a term as a Judge-Advocate of the SAF Military Court.

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

### 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 U.K. Chartered Accountant in 1971 after graduating with a bachelor degree in commerce 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 in 1990 to commence 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 year ended 31 July 2013

The directors present their report to the members together with the audited consolidated financial statements of the Group for the financial year ended 31 July 2013 and the statement of financial position of the Company as at 31 July 2013.

## 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 year nor at any time during that year 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 year 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 | |
|---|---|---|---|---|
| | 01.08.2012 | 31.07.2013 | 01.08.2012 | 31.07.2013 |
| 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 | — | — |
| <u>Subsidiary</u> | | | | |
| 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 year and 21 August 2013.

## DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial period, 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 year, no option was granted to take up unissued shares of the Company or corporations in the Group.

During the financial year, 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 year, 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 year, or have been entered into since the end of the previous financial period.

## 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 year ended 31 July 2013 and the statement of financial position as at 31 July 2013 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, RT LLP (formerly known as 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, RT 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, 22 October 2013

# Statement by Directors for the financial year ended 31 July 2013

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 2013 and of the results of the business, changes in equity and cash flows of the Group for the financial year 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, 22 October 2013

# Independent Auditor's Report to the Members of Khong Guan Flour Milling Limited for the financial year ended 31 July 2013

## 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 2013, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year 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.

# Independent Auditor's Report to the Members of Khong Guan Flour Milling Limited for the financial year ended 31 July 2013

*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 2013, and the results, changes in equity and cash flows of the Group for the financial year 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.

**RT LLP**
Public Accountants and
Chartered Accountants

Singapore, 22 October 2013

# Statements of Financial Position as at 31 July 2013

| | Note | GROUP 31/07/2013 $ | GROUP 31/07/2012 $ | COMPANY 31/07/2013 $ | COMPANY 31/07/2012 $ |
|---|---|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 3 | 2,064,246 | 1,816,376 | 130,939 | 172,171 |
| Investment properties | 4 | 3,879,481 | 3,879,481 | 3,879,481 | 3,879,481 |
| Investments in subsidiaries | 5 | — | — | 18,287,368 | 18,011,985 |
| Investments in associates | 6 | 21,282,550 | 20,344,554 | 2,880,916 | 2,084,993 |
| Long-term investments | 7 | 1,183,682 | 15,195,312 | 1,155,616 | 15,167,224 |
| Deferred tax assets | 8 | 8,117 | 11,911 | — | — |
| | | 28,418,076 | 41,247,634 | 26,334,320 | 39,315,854 |
| **Current Assets** | | | | | |
| Inventories | 10 | 6,137,100 | 6,114,235 | 100,084 | 48,236 |
| Short-term investments | 11 | 7,581,735 | 9,919,467 | — | — |
| Trade receivables | 12 | 9,559,673 | 9,525,580 | 369,114 | 352,787 |
| Other receivables | 13 | 182,712 | 120,321 | 58,391 | 35,589 |
| Current tax recoverable | | 156,436 | 108,475 | — | — |
| Amounts owing by subsidiaries | 9 | — | — | 3,530,000 | 6,389,687 |
| Asset classified as held for sale | 14 | 31,173 | — | — | — |
| Fixed deposits | 15 | 20,452,700 | 3,950,000 | 18,441,158 | 3,950,000 |
| Cash and bank balances | 16 | 4,190,629 | 4,172,788 | 991,467 | 566,047 |
| | | 48,292,158 | 33,910,866 | 23,490,214 | 11,342,346 |
| **Less: Current Liabilities** | | | | | |
| Trade payables | 17 | 4,627,528 | 4,537,662 | 340,883 | 350,567 |
| Other payables | 18 | 720,989 | 676,908 | 467,356 | 431,753 |
| Amounts owing to banks | 19 | — | 407,072 | — | — |
| | | 5,348,517 | 5,621,642 | 808,239 | 782,320 |
| Net Current Assets | | 42,943,641 | 28,289,224 | 22,681,975 | 10,560,026 |
| **Less: Non-Current Liabilities** | | | | | |
| Provision for retirement benefits | 20 | 255,933 | 221,032 | 255,933 | 221,032 |
| Deferred tax liabilities | 8 | 591,292 | 592,267 | — | — |
| | | 847,225 | 813,299 | 255,933 | 221,032 |
| | | 70,514,492 | 68,723,559 | 48,760,362 | 49,654,848 |
| **EQUITY** | | | | | |
| Share capital | 21 | 33,278,673 | 33,278,673 | 33,278,673 | 33,278,673 |
| Capital reserves | 22 | 117,324 | 11,960,099 | — | 11,749,920 |
| Foreign currency translation reserves | | (3,211,571) | (3,219,916) | — | — |
| Retained profits | | 38,182,953 | 24,446,384 | 15,481,689 | 4,626,255 |
| Attributable to equity holders of the Company | | 68,367,379 | 66,465,240 | 48,760,362 | 49,654,848 |
| Non-controlling interests | | 2,147,113 | 2,258,319 | — | — |
| | | 70,514,492 | 68,723,559 | 48,760,362 | 49,654,848 |

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

# Consolidated Statement of Comprehensive Income
## for the financial year ended 31 July 2013

| | Note | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ |
|---|---|---|---|
| Revenue | 23 | 68,055,097 | 79,252,733 |
| Other income | 24 | 12,705,861 | 568,980 |
| Changes in short-term investments | | (2,337,732) | (473,266) |
| Changes in inventories | | 27,138 | 1,427,179 |
| Purchases of short-term investments | | (1,911,159) | (3,300,528) |
| Purchases of inventories | | (56,269,917) | (68,470,963) |
| Employee benefits expense | | (3,498,337) | (4,014,431) |
| Depreciation expenses: | | | |
| - property, plant and equipment | 3 | (335,750) | (411,840) |
| Finance costs | | (2,668) | (16,461) |
| Share of results of associates, net of tax | | 1,404,130 | 1,813,141 |
| Other expenses | | (2,048,607) | (2,584,300) |
| **Profit before tax** | 25 | 15,788,056 | 3,790,244 |
| Income tax expense | 26 | (756,744) | (971,125) |
| **Profit after tax** | | 15,031,312 | 2,819,119 |
| **Attributable to:** | | | |
| Equity holders of the Company | | 14,703,416 | 2,367,407 |
| Non-controlling interests | | 327,896 | 451,712 |
| | | 15,031,312 | 2,819,119 |
| **Earnings per share (cents)** | | | |
| Basic and fully diluted | 27 | 56.96 | 9.17 |

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

# Consolidated Statement of Comprehensive Income
## for the financial year ended 31 July 2013

| | Note | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ |
|---|---|---|---|
| **Profit after tax** | | 15,031,312 | 2,819,119 |
| **Other comprehensive income:** | | | |
| Items that may be reclassified to profit or loss: | | | |
| Fair value gain on long-term quoted investments | 7 | 185,510 | 4,805,955 |
| Reversal of fair value gain on long-term quoted investments | 22 | (11,935,430) | — |
| Share of associates' capital reserve | 22 | (92,855) | 119,912 |
| Translation differences relating to financial statements of foreign operations | | 3,741 | (1,230,228) |
| Other comprehensive income, net of tax | | (11,839,034) | 3,695,639 |
| **Total comprehensive income for the financial year/period** | | 3,192,278 | 6,514,758 |
| **Attributable to:** | | | |
| Equity holders of the Company | | 2,868,986 | 6,155,554 |
| Non-controlling interests | | 323,292 | 359,204 |
| | | 3,192,278 | 6,514,758 |

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

# Consolidated Statement of Changes In Equity
## for the financial year ended 31 July 2013

| | 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 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 | 28 | — | — | — | (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 |
| Total comprehensive income for the financial year | | — | (11,842,775) | 8,345 | 14,703,416 | 2,868,986 | 323,292 | 3,192,278 |
| Acquisition of non-controlling interest | | — | — | — | 65,654 | 65,654 | (368,429) | (302,775) |
| Dividends paid by | | | | | | | | |
| - the Company | 28 | — | — | — | (1,032,501) | (1,032,501) | — | (1,032,501) |
| -subsidiaries to non-controlling interests | | — | — | — | — | — | (66,069) | (66,069) |
| **At 31 July 2013** | | 33,278,673 | 117,324 | (3,211,571) | 38,182,953 | 68,367,379 | 2,147,113 | 70,514,492 |

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

# Consolidated Statement of Cash Flows
## for the financial year ended 31 July 2013

| | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ |
|---|---|---|
| **Cash flows from operating activities:-** | | |
| Profit before tax | 15,788,056 | 3,790,244 |
| Adjustments for non-cash and other items:- | | |
| Allowance for doubtful trade receivables | 17,921 | 7,405 |
| Adjustments for associate from deconsolidated subsidiary | (146,015) | — |
| Bad debts, trade | — | 39,019 |
| Depreciation expenses | 335,750 | 411,840 |
| Dividend income | (276,763) | (866,546) |
| Fair value (gain)/loss on short-term investments | (92,848) | 837,847 |
| Gain on disposal of long-term quoted investment | (11,935,430) | — |
| Gain on disposal of property, plant and equipment | (7,391) | (30,329) |
| Impairment loss on long-term investments | 30,933 | 39,089 |
| Interest expense | 2,668 | 16,461 |
| Interest income | (316,260) | (3,969) |
| Loss on deconsolidation of a subsidiary | 42,363 | — |
| Payables written back, non-trade | (9,793) | — |
| Provision for retirement benefits | 34,901 | 38,175 |
| Reversal of allowance for doubtful trade receivables | (22,984) | (65,206) |
| Share of results of associates, net of tax | (1,404,130) | (1,813,141) |
| | (13,747,078) | (1,389,355) |
| Operating profit before working capital changes | 2,040,978 | 2,400,889 |
| Decrease/(increase) in short-term investments | 2,430,580 | (364,581) |
| Increase in inventories | (27,138) | (1,427,179) |
| Increase in trade and other receivables | (150,542) | (931,413) |
| Increase in trade and other payables | 153,393 | 1,803,550 |
| | 2,406,293 | (919,623) |
| Cash generated from operations | 4,447,271 | 1,481,266 |
| Dividends received | 267,428 | 839,637 |
| Income tax paid | (744,373) | (1,246,936) |
| Interest paid | (2,668) | (16,461) |
| Interest received | 316,260 | 3,969 |
| Payment of retirement benefits | — | (320,434) |
| | (163,353) | (740,225) |
| Net cash generated from operating activities | 4,283,918 | 741,041 |
| **Cash flows from investing activities:-** | | |
| Purchases of property, plant and equipment | (620,777) | (611,368) |
| Proceeds from disposal of property, plant and equipment | 7,391 | 30,329 |
| Proceeds from disposal of long-term investment | 14,166,185 | — |
| Dividends received from associates | 507,531 | 521,229 |
| Net cash outflow on deconsolidation of a subsidiary | (2,184) | — |
| Acquisition of additional interests in a sibsidiary | (302,775) | — |
| Net cash generated from/(used in) investing activities | 13,755,371 | (59,810) |
| | 18,039,289 | 681,231 |

# Consolidated Statement of Cash Flows
## for the financial year ended 31 July 2013

| | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ |
|---|---|---|
| **Cash flows from financing activities:-** | | |
| Dividends paid by the Company | (1,032,501) | (774,376) |
| Dividends paid by subsidiaries to non-controlling interests | (66,069) | (80,332) |
| (Repayment of)/funds from bank borrowings | (412,217) | 418,906 |
| Net cash used in financing activities | (1,510,787) | (435,802) |
| Net increase in cash and cash equivalents | 16,528,502 | 245,429 |
| Cash and cash equivalents at beginning of the financial year/period | 8,122,788 | 7,954,724 |
| Effects of currency translations on cash and cash equivalents | (7,961) | (77,365) |
| Cash and cash equivalents at end of the financial year/period (Note 29) | 24,643,329 | 8,122,788 |

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.

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 August 2012, 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.

### 2.3 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.

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

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

(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.

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

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

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

(iv) Income tax – cont'd

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.

(v) Provision for retirement benefits

The principal assumption used in determining the retirement benefits is the discounting rate of 1% per annum based on fixed deposit rate placed in bank (2012: 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 year, the amount of impairment loss recognised for the Group's available-for-sale financial assets was $350,561 (2012: $319,636).

### 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.

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

2.4 **GROUP ACCOUNTING** – *cont'd*

(a) Subsidiaries – *cont'd*

(i) Consolidation – *cont'd*

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.

(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.

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.

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

2.4 **GROUP ACCOUNTING** – *cont'd*

(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.

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

### 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.

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 | 25 to 999 |
| Leasehold buildings | 25 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. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

### 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.

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 unquoted 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 when 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 and deposits with financial institutions which are subject to an insignificant risk of change in value.

### 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 bank borrowings, bank overdrafts, trade payables and other payables.

The financial liability is derecognised when the obligation under the liability is discharged or cancelled or has expired. 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.

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.

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

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

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 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 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.

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.

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

2.14 **INCOME TAX** – *cont'd*

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.

(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 of the Company are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rate at the end of the reporting date;

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

2.16 **CURRENCY TRANSLATION** – *cont'd*

(c) Translation of group entities' financial statements – *cont'd*

(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.

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.

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

### 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.

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

### 2.23 LEASES

(a) When the Group is the lessee:

The Group leases land and buildings 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.

(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 management who are responsible for allocating resources and assessing performance of the operating segments.

### 2.25 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through sale transactions rather than through continuing use. This condition is recognised as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amounts and fair values less costs of realisation.

## 3. PROPERTY, PLANT AND EQUIPMENT

| GROUP | Leasehold land $ (Revalued cost) | Leasehold buildings $ (Revalued cost) | Leasehold land and buildings $ (Cost) | Motor vehicles $ (Cost) | Office equipment and fittings $ (Cost) | Total $ |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 May 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 |
| Additions | – | – | 475,112 | 102,028 | 43,637 | 620,777 |
| Disposals | – | – | – | (37,890) | – | (37,890) |
| Transfer to asset classified as held for sale | (39,530) | (47,436) | – | – | – | (86,966) |
| Currency translation differences | (56) | (105) | (7,268) | (2,081) | (702) | (10,212) |
| At 31 July 2013 | 34,787 | 90,919 | 1,763,240 | 2,587,347 | 763,476 | 5,239,769 |
| **Accumulated Depreciation** | | | | | | |
| At 1 May 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 |
| Charge for the year | 322 | 2,211 | 34,942 | 259,527 | 38,748 | 335,750 |
| Disposals | – | – | – | (37,890) | – | (37,890) |
| Transfer to asset classified as held for sale | (24,901) | (30,892) | – | – | – | (55,793) |
| Currency translation differences | (28) | (129) | (906) | (2,587) | (578) | (4,228) |
| At 31 July 2013 | 1,190 | 57,713 | 669,568 | 1,857,125 | 589,927 | 3,175,523 |
| **Net Carrying Amount** | | | | | | |
| At 31 July 2012 | 48,576 | 51,937 | 659,864 | 887,215 | 168,784 | 1,816,376 |
| At 31 July 2013 | 33,597 | 33,206 | 1,093,672 | 730,222 | 173,549 | 2,064,246 |

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

| COMPANY | Motor vehicles $ | Office equipment and fittings $ | Total $ |
|---|---|---|---|
| **Cost** | | | |
| At 1 May 2011 | 448,105 | 245,248 | 693,353 |
| Additions | – | 18,335 | 18,335 |
| At 31 July 2012 | 448,105 | 263,583 | 711,688 |
| Additions | – | 16,578 | 16,578 |
| At 31 July 2013 | 448,105 | 280,161 | 728,266 |
| **Accumulated Depreciation** | | | |
| At 1 May 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 |
| Charge for the year | 44,811 | 12,999 | 57,810 |
| At 31 July 2013 | 345,315 | 252,012 | 597,327 |
| **Net Carrying Amount** | | | |
| At 31 July 2012 | 147,601 | 24,570 | 172,171 |
| At 31 July 2013 | 102,790 | 28,149 | 130,939 |

Leasehold land and buildings of the Group with a total net carrying amount of $948,858 (2012: $760,377), have been mortgaged to secure banking facilities granted to a subsidiary (Note 19).

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 $39,594 (2012: $40,884).

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

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

| Location | Site area (sq. m) | Tenure |
|---|---|---|
| Lot 3, Km 8, Jalan Tuaran, Kota Kinabalu, Sabah | 8,025 | 60 years from 2013 |
| 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 8, Block C, Saguking Warehouse, Federal Territory, Labuan | 280 | 99 years from 1982 |
| Lot 118, SEDCO Industrial Estate, Phase II B, Mile 3, North Road, Sandakan, Sabah, Malaysia | 464 | 25 years from 2013 |
| Lot 10C, BDC Industrial Estate, Sandakan, Sabah (sold in August 2013) | 416 | 59 years from 1970 |

4. **INVESTMENT PROPERTIES**

| GROUP AND COMPANY | Freehold land $ |
|---|---|
| **Cost** | |
| At 31 July 2012 and 31 July 2013 | 3,879,481 |
| **Net Carrying Amount** | |
| At 31 July 2012 and 31 July 2013 | 3,879,481 |
| **Fair Value** | |
| At 31 July 2012 | 5,000,000 |
| At 31 July 2013 | 5,000,000 |

The following amounts are recognised in profit or loss:-

| | GROUP AND COMPANY | |
|---|---|---|
| | 31/07/2013 $ | 31/07/2012 $ |
| Rental income from investment properties (Note 24) | 101,200 | 114,113 |
| Direct operating expenses arising from: | | |
| - Investment properties that generated rental income | 9,519 | 11,483 |
| - Investment properties that did not generate rental income | 7,378 | 8,900 |

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 (land value only) 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.

## 4. INVESTMENT PROPERTIES – *cont'd*

Details of the investment property is as follows:-

| Location | Site area *(sq. m)* | Tenure |
|---|---|---|
| 2 MacTaggart Road, Singapore 368078 | 1,020 | Freehold |

## 5. INVESTMENTS IN SUBSIDIARIES

| | COMPANY | |
|---|---|---|
| | 31/07/2013 $ | 31/07/2012 $ |
| Unquoted equity investments, at cost | 20,649,874 | 20,374,491 |
| Less: Impairment losses | (2,362,506) | (2,362,506) |
| | 18,287,368 | 18,011,985 |

Details of the subsidiaries are as follows:-

| Name of subsidiary | Principal activities | Place of incorporation/ business | Percentage of equity held 31/07/2013 % | 31/07/2012 % |
|---|---|---|---|---|
| **Held by the Company** | | | | |
| Khong Guan Food Products Pte Ltd^ | Trading in quoted investments | Singapore | 100.00 | 100.00 |
| 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 *(a) | Investment holding | Hong Kong | – | 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 | 84.31 | 80.04 |
| **Held by Tong Guan Food Products Sdn. Bhd.** | | | | |
| Sasinco Sdn. Bhd.@ | Wholesaler of consumer goods | Malaysia | 100.00 | 100.00 |

^ Audited by RT LLP (formerly known as LTC LLP)
* Audited by Morison Heng, Hong Kong
# Audited by Ernst & Young, Malaysia
@ Audited by Deloitte KassimChan, Malaysia
(a) In the process of de-registration

## 5. INVESTMENTS IN SUBSIDIARIES – *cont'd*

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 3 December 2012, the Group acquired an additional 4.27% equity interest in Tong Guan Food Products Sdn. Bhd. ("TGFP") from its non-controlling interests for a cash consideration of $302,775, increasing its ownership from 80.04% to 84.31%. The carrying value of net assets of TGFP at the date of acquisition for the additional interest acquired was $368,429. The difference of $65,654 between the consideration and the carrying value of the additional interest acquired has been recognised as discount 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 holders of the Company:

| | COMPANY<br>31/07/2013<br>$ |
|---|---|
| Consideration paid for acquisition of non-controlling interests | 302,775 |
| Decrease in equity attributable to non-controlling interests | (368,429) |
| Increase in equity attributable to equity holders of the Company | (65,654) |

## 6. INVESTMENTS IN ASSOCIATES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ | 31/07/2013<br>$ | 31/07/2012<br>$ |
| Unquoted equity investments, at cost | — | — | 4,816,357 | 4,490,084 |
| Share of net assets | 14,948,396 | 14,948,396 | — | — |
| | 14,948,396 | 14,948,396 | 4,816,357 | 4,490,084 |
| Less: Impairment losses:- | | | | |
| Balance at beginning of the financial year/period | — | — | (2,405,091) | (2,671,466) |
| Impairment losses written back | — | — | 469,650 | 266,375 |
| Balance at end of the financial year/period | — | — | (1,935,441) | (2,405,091) |
| | 14,948,396 | 14,948,396 | 2,880,916 | 2,084,993 |
| Share of post-acquisition reserves | 8,574,566 | 7,677,967 | — | — |
| Share of capital reserve | 117,019 | 209,874 | — | — |
| Foreign currency translation reserves | (2,357,431) | (2,491,683) | — | — |
| | 21,282,550 | 20,344,554 | 2,880,916 | 2,084,993 |

## 6. INVESTMENTS IN ASSOCIATES – *cont'd*

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

| | GROUP | |
|---|---|---|
| | 31/07/2013 $ | 31/07/2012 $ |
| **Assets and liabilities:** | | |
| Total assets | 84,227,315 | 80,739,391 |
| Total liabilities | 7,997,593 | 7,914,332 |
| Net assets | 76,229,722 | 72,825,059 |
| Associates' non-controlling interest | 7,756,076 | 7,230,087 |
| **Results:** | | |
| Revenue | 111,091,236 | 137,358,481 |
| Profit for the year/period | 4,575,420 | 5,921,289 |

Details of the associates are as follows:-

| Name of company | Principal activities | Place of incorporation/ business | Effective interest held by group 31/07/2013 % | Effective interest held by group 31/07/2012 % |
|---|---|---|---|---|
| **Held by the Company** | | | | |
| 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 | 23.67 | 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 | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ | 31/07/2013<br>$ | 31/07/2012<br>$ |
| **Available-for-sale financial assets** | | | | |
| Quoted equity investments:- | | | | |
| Balance at beginning of the financial year/period | 13,980,675 | 9,174,720 | 13,980,675 | 9,174,720 |
| Fair value gain (Note 22) | 185,510 | 4,805,955 | 185,510 | 4,805,955 |
| Disposal | (14,166,185) | — | (14,166,185) | — |
| Balance at end of the financial year/period | — | 13,980,675 | — | 13,980,675 |
| Unquoted equity investments:- | | | | |
| At cost | 1,534,243 | 1,534,273 | 1,495,504 | 1,495,504 |
| Less: Impairment loss:- | | | | |
| Balance at beginning of the financial year/period | (319,636) | (281,009) | (308,955) | (269,866) |
| Allowance made for the financial year/period | (30,933) | (39,089) | (30,933) | (39,089) |
| Currencies translation differences | 8 | 462 | — | — |
| Balance at end of the financial year/period | (350,561) | (319,636) | (339,888) | (308,955) |
| | 1,183,682 | 1,214,637 | 1,155,616 | 1,186,549 |
| Total equity investments | 1,183,682 | 15,195,312 | 1,155,616 | 15,167,224 |

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

| | GROUP | | | |
|---|---|---|---|---|
| | 31/07/2013 | | 31/07/2012 | |
| | At fair value<br>$ | At cost<br>$ | At fair value<br>$ | At cost<br>$ |
| Quoted equity investments :- | | | | |
| - Malaysia | — | — | 13,980,675 | — |
| Unquoted equity investments :- | | | | |
| - Singapore | — | 250,000 | — | 250,000 |
| - Malaysia | — | 28,066 | — | 28,088 |
| - Hong Kong | — | 905,616 | — | 936,549 |
| | — | 1,183,682 | 13,980,675 | 1,214,637 |

## 7. LONG-TERM INVESTMENTS – *cont'd*

| | COMPANY | | | |
|---|---|---|---|---|
| | 31/07/2013 | | 31/07/2012 | |
| | At fair value<br>$ | At cost<br>$ | At fair value<br>$ | At cost<br>$ |
| Quoted equity investments :- | | | | |
| - Malaysia | — | — | 13,980,675 | — |
| Unquoted equity investments :- | | | | |
| - Singapore | — | 250,000 | — | 250,000 |
| - Hong Kong | — | 905,616 | — | 936,549 |
| | — | 1,155,616 | 13,980,675 | 1,186,549 |

## 8. DEFERRED TAX ASSETS/LIABILITIES

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

| | GROUP | |
|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ |
| **Deferred tax assets** | | |
| Provisions and other temporary differences | 8,117 | 11,911 |
| **Deferred tax liabilities** | | |
| Fair value gains on short-term investments | 513,876 | 523,967 |
| Excess of carrying amount over tax written down value of property, plant and equipment | 77,416 | 68,300 |
| | 591,292 | 592,267 |

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 | |
|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ |
| **Deferred tax assets** | | |
| Balance at beginning of the financial year/period | 11,911 | — |
| (Charged)/Credited to profit or loss | | |
| - current | 796 | (8,619) |
| - prior years | (4,632) | 20,530 |
| Currency translation differences | 42 | — |
| Balance at end of the year/period | 8,117 | 11,911 |

## 8. DEFERRED TAX ASSETS/LIABILITIES – *cont'd*

| | GROUP | |
|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ |
| **Deferred tax liabilities** | | |
| Balance at beginning of the financial year/period | 592,267 | 645,475 |
| Credited to profit or loss | | |
| - current | (800) | (50,279) |
| - prior years | – | (698) |
| Currency translation differences | (175) | (2,231) |
| Balance at end of the financial year/period | 591,292 | 592,267 |
| Net deferred taxation charged/(credited) to profit or loss (Note 26) | 3,036 | (62,888) |

## 9. AMOUNTS OWING BY SUBSIDIARIES

| | COMPANY | |
|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ |
| Amounts owing by subsidiaries, non-trade | 3,700,000 | 6,582,687 |
| Less: Allowance for doubtful receivables | | |
| Balance at beginning of the financial year/period | (193,000) | (112,000) |
| Write-back/(allowance) made for the financial year/period | 23,000 | (81,000) |
| Balance at end of the financial year/period | (170,000) | (193,000) |
| | 3,530,000 | 6,389,687 |

The amounts owing are unsecured, repayable on demand and interest-free except for advances amounting to $NIL and $NIL (2012: $89,609 and $393,079) which bore interest at a rate of Nil% and Nil% (2012: 5% and 2.95%) respectively per annum.

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

| | COMPANY | |
|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ |
| Singapore Dollars | 3,530,000 | 6,300,078 |
| Hong Kong Dollars | – | 89,609 |
| | 3,530,000 | 6,389,687 |

## 10. INVENTORIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013 | 31/07/2012 | 31/07/2013 | 31/07/2012 |
| | $ | $ | $ | $ |
| Trading inventories | | | | |
| - at cost | 5,671,389 | 6,004,904 | 69,084 | 48,236 |
| Goods-in-transit | | | | |
| - at cost | 465,711 | 109,331 | 31,000 | – |
| | 6,137,100 | 6,114,235 | 100,084 | 48,236 |

The cost of inventories recognised as an expense as included in the consolidated statement of comprehensive income amounts to $56,256,558 (2012: $67,055,687).

## 11. SHORT-TERM INVESTMENTS

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

| | GROUP | |
|---|---|---|
| | 31/07/2013 | 31/07/2012 |
| | $ | $ |
| *Held for trading* | | |
| Equity investments quoted in :- | | |
| - Singapore | 4,948,172 | 5,518,400 |
| - Malaysia | 2,632,735 | 4,400,331 |
| - Hong Kong | 828 | 736 |
| | 7,581,735 | 9,919,467 |

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

| | GROUP | |
|---|---|---|
| | 31/07/2013 | 31/07/2012 |
| | $ | $ |
| Singapore Dollars | 4,891,002 | 5,460,867 |
| Ringgit Malaysia | 2,632,735 | 4,400,331 |
| United States Dollars | 57,170 | 57,533 |
| Hong Kong Dollars | 828 | 736 |
| | 7,581,735 | 9,919,467 |

## 12. TRADE RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013 | 31/07/2012 | 31/07/2013 | 31/07/2012 |
| | $ | $ | $ | $ |
| Third parties | 9,380,969 | 9,360,474 | 398,601 | 385,024 |
| Related parties | 225,875 | 233,959 | — | — |
| | 9,606,844 | 9,594,433 | 398,601 | 385,024 |
| Less: Allowance for doubtful trade receivables :- | | | | |
| Balance at beginning of the financial year/period | (68,853) | (171,710) | (32,237) | (40,987) |
| Allowance written back for the financial year/period | 5,063 | 57,801 | 2,750 | 8,750 |
| Bad debts written off | 16,845 | 42,218 | — | — |
| Currency translation differences | (226) | 2,838 | — | — |
| Balance at end of the financial year/period | (47,171) | (68,853) | (29,487) | (32,237) |
| | 9,559,673 | 9,525,580 | 369,114 | 352,787 |

Trade receivables are denominated in the following currencies:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013 | 31/07/2012 | 31/07/2013 | 31/07/2012 |
| | $ | $ | $ | $ |
| Singapore Dollars | 369,114 | 554,582 | 369,114 | 352,787 |
| Ringgit Malaysia | 9,190,559 | 8,970,998 | — | — |
| | 9,559,673 | 9,525,580 | 369,114 | 352,787 |

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2012: 30 to 90 days) term. Trade receivables are not secured by any collateral.

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013 | 31/07/2012 | 31/07/2013 | 31/07/2012 |
| | $ | $ | $ | $ |
| Not past due and not impaired (a) | 8,457,073 | 8,470,592 | 251,871 | 168,571 |
| Past due but not impaired (b) | 1,102,600 | 1,054,988 | 117,243 | 184,216 |
| | 9,559,673 | 9,525,580 | 369,114 | 352,787 |
| Impaired receivables (c) | | | | |
| Individually assessed | 47,171 | 68,853 | 29,487 | 32,237 |
| Allowance for doubtful receivables | (47,171) | (68,853) | (29,487) | (32,237) |
| | — | — | — | — |
| | 9,559,673 | 9,525,580 | 369,114 | 352,787 |

12. **TRADE RECEIVABLES** – *cont'd*

**(a) Not past due and not impaired**

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013 | 31/07/2012 | 31/07/2013 | 31/07/2012 |
| | $ | $ | $ | $ |
| Less than 30 days | 830,734 | 729,003 | 97,580 | 159,194 |
| 31 to 60 days | 149,680 | 107,847 | 17,130 | 25,022 |
| 61 to 90 days | 78,786 | 10,753 | 2,533 | — |
| More than 90 days | 43,400 | 207,385 | — | — |
| | 1,102,600 | 1,054,988 | 117,243 | 184,216 |

**(c) 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 | |
|---|---|---|---|---|
| | 31/07/2013 | 31/07/2012 | 31/07/2013 | 31/07/2012 |
| | $ | $ | $ | $ |
| Related parties, non-trade | 4,996 | 2,069 | 4,996 | 1,621 |
| Sundry receivables | 1,102 | 5,874 | 744 | 5,874 |
| Interest receivable | 6,391 | 49 | 6,391 | 49 |
| Dividend receivable | — | 200 | — | — |
| Deposits | 102,102 | 62,096 | 6,329 | 6,481 |
| Prepayments | 68,121 | 50,033 | 39,931 | 21,564 |
| | 182,712 | 120,321 | 58,391 | 35,589 |

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

Other receivables are denominated in the following currencies:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013 | 31/07/2012 | 31/07/2013 | 31/07/2012 |
| | $ | $ | $ | $ |
| Singapore Dollars | 56,470 | 39,772 | 52,582 | 35,589 |
| Ringgit Malaysia | 126,242 | 80,549 | 5,809 | — |
| | 182,712 | 120,321 | 58,391 | 35,589 |

## 14. ASSET CLASSIFIED AS HELD FOR SALE

| | GROUP | |
|---|---|---|
| | 31/07/2013 | 31/07/2012 |
| | $ | $ |
| Leasehold building | 16,544 | – |
| Leasehold land | 14,629 | – |
| | 31,173 | – |

This represents a short-term leasehold property in Sandakan, Sabah. In December 2012, Tong Guan Food Products Sdn. Bhd entered into an agreement with a third party to sell the said property for $138,355 (equivalent to RM350,000). The sale was completed in August 2013.

## 15. FIXED DEPOSITS

Fixed deposits of the Group and Company are placed with licensed financial institutions and mature within one month (2012: one month) from the end of the reporting period. The effective interest rate is 0.05% to 3.20% (2012: 0.05%) per annum.

Fixed deposits are denominated in the following currencies:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013 | 31/07/2012 | 31/07/2013 | 31/07/2012 |
| | $ | $ | $ | $ |
| Singapore Dollars | 14,300,000 | 3,950,000 | 14,300,000 | 3,950,000 |
| Ringgit Malaysia | 6,152,700 | – | 4,141,158 | – |
| | 20,452,700 | 3,950,000 | 18,441,158 | 3,950,000 |

## 16. CASH AND BANK BALANCES

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013 | 31/07/2012 | 31/07/2013 | 31/07/2012 |
| | $ | $ | $ | $ |
| Singapore Dollars | 2,827,819 | 1,312,220 | 976,496 | 562,218 |
| Ringgit Malaysia | 1,211,114 | 2,709,202 | 14,971 | 3,829 |
| United States Dollars | 146,608 | 143,686 | – | – |
| Hong Kong Dollars | 5,088 | 7,680 | – | – |
| | 4,190,629 | 4,172,788 | 991,467 | 566,047 |

## 17. TRADE PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ | 31/07/2013<br>$ | 31/07/2012<br>$ |
| Third parties | 2,888,173 | 3,341,858 | 6,069 | 10,315 |
| Related parties (Note 30) | 1,739,355 | 1,195,804 | 334,814 | 340,252 |
| | 4,627,528 | 4,537,662 | 340,883 | 350,567 |

Trade payables are denominated in the following currencies:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ | 31/07/2013<br>$ | 31/07/2012<br>$ |
| Singapore Dollars | 340,895 | 351,122 | 340,883 | 350,567 |
| United States Dollars | 452,863 | 130,871 | — | — |
| Ringgit Malaysia | 3,833,770 | 4,055,669 | — | — |
| | 4,627,528 | 4,537,662 | 340,883 | 350,567 |

Trade payables are non interest-bearing and are normally settled within 30 to 90 days (2012: 30 to 90 days).

Included in trade payables, is an aggregate amount of $984,533 (equivalent to RM2,490,597) (2012: $1,483,755 (equivalent to RM3,750,645)) which is secured by corporate guarantees provided by the Company to certain suppliers of a subsidiary (Note 33 (b)).

## 18. OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ | 31/07/2013<br>$ | 31/07/2012<br>$ |
| Sundry payables | 163,879 | 169,276 | 161,083 | 159,283 |
| Related parties, non-trade (Note 30) | — | 6,027 | — | — |
| Deposits | | | | |
| - related parties (Note 30) | 16,719 | 14,083 | 16,719 | 14,083 |
| - third parties | 17,850 | 3,912 | 3,738 | 3,726 |
| Accrued expenses | 522,541 | 483,610 | 285,816 | 254,661 |
| | 720,989 | 676,908 | 467,356 | 431,753 |

Non trade payables are non-interest bearing and are normally settled within 90 (2012: 90) days or on demand.

## 18. OTHER PAYABLES *– cont'd*

The payables are denominated in the following currencies:-

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ | 31/07/2013<br>$ | 31/07/2012<br>$ |
| Singapore Dollars | 522,668 | 499,145 | 467,356 | 431,753 |
| Ringgit Malaysia | 198,321 | 167,076 | — | — |
| Hong Kong Dollars | — | 10,687 | — | — |
| | 720,989 | 676,908 | 467,356 | 431,753 |

## 19. AMOUNTS OWING TO BANKS

| | GROUP | |
|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ |
| Bankers' acceptances | — | 407,072 |
| | — | 407,072 |

The bankers' acceptances bore interest at 4.44% 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 $948,858 (2012: $760,377); and

(b) corporate guarantees from the Company (see Note 33(a)).

The amounts owing to banks were denominated in Ringgit Malaysia.

## 20. PROVISION FOR RETIREMENT BENEFITS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ | 31/07/2013<br>$ | 31/07/2012<br>$ |
| Balance at beginning of the financial year/period | 221,032 | 503,291 | 221,032 | 503,291 |
| Provision made | 34,901 | 38,175 | 34,901 | 38,175 |
| Payments made | — | (320,434) | — | (320,434) |
| Balance at end of the financial year/period | 255,933 | 221,032 | 255,933 | 221,032 |

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 their final salary for each year of service up to the retirement age of 62 years.

## 20. PROVISION FOR RETIREMENT BENEFITS – *cont'd*

| | GROUP AND COMPANY | |
|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ |
| Obligations recognised in the statement of financial position for: | | |
| Pension benefits | 255,933 | 221,032 |
| Expenses charged to profit or loss: | | |
| Pension benefits | 34,901 | 38,175 |

Pension benefits

| | GROUP AND COMPANY | |
|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ |
| 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 | 255,933 | 221,032 |

| | GROUP AND COMPANY | |
|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ |
| The amounts recognised in profit or loss are as follows: | | |
| Current service cost | 29,085 | 19,124 |
| Interest cost | 349 | 9,330 |
| Past service cost | 5,467 | 9,721 |
| | 34,901 | 38,175 |

Movement in the defined benefit obligation is as follows:

| | GROUP AND COMPANY | |
|---|---|---|
| | 31/07/2013<br>$ | 31/07/2012<br>$ |
| Balance at beginning of the financial year/period | 221,032 | 503,291 |
| Current service cost | 29,085 | 19,124 |
| Interest cost | 349 | 9,330 |
| Actuarial losses | 5,467 | 9,721 |
| Benefits paid | – | (320,434) |
| Balance at end of the financial year/period | 255,933 | 221,032 |

Benefits paid included payment to two executive directors of the Company amounting to $NIL (2012: $270,455).

## 21. SHARE CAPITAL

| | GROUP AND COMPANY | |
|---|---|---|
| | 31/07/2013 $ | 31/07/2012 $ |
| 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.

## 22. CAPITAL RESERVES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31/07/2013 $ | 31/07/2012 $ | 31/07/2013 $ | 31/07/2012 $ |
| NON-DISTRIBUTABLE | | | | |
| Fair value reserve :- | | | | |
| Balance at beginning of the financial year/period | 11,749,920 | 6,943,965 | 11,749,920 | 6,943,965 |
| Fair value gain on long-term quoted investments (Note 7) | 185,510 | 4,805,955 | 185,510 | 4,805,955 |
| Disposal | (11,935,430) | — | (11,935,430) | — |
| Balance at end of the financial year/period | — | 11,749,920 | — | 11,749,920 |
| NON-DISTRIBUTABLE | | | | |
| Other capital reserve:- | | | | |
| Balance at beginning of the financial year/period | 210,179 | 90,267 | — | — |
| Share of associates' capital reserve | (92,855) | 119,912 | — | — |
| Balance at end of the financial year/period | 117,324 | 210,179 | — | — |
| | 117,324 | 11,960,099 | — | 11,749,920 |

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.

## 23. REVENUE

| | GROUP | |
|---|---|---|
| | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ |
| Sale of goods to :- | | |
| third parties | 61,760,282 | 73,196,132 |
| related parties | 1,104,295 | 2,025,681 |
| Sale of short-term investments | 4,913,757 | 3,164,374 |
| Gross dividends from:- | | |
| quoted equity investments | 31,234 | 835,973 |
| unquoted equity investments | 245,529 | 30,573 |
| | 68,055,097 | 79,252,733 |

## 24. OTHER INCOME

| | GROUP | |
|---|---|---|
| | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ |
| Reversal of allowance for doubtful trade receivables | 22,984 | 65,206 |
| Bad debts recovered, trade | 59,178 | 17,053 |
| Gain on disposal of property, plant and equipment | 7,391 | 30,329 |
| Gain on disposal of long-term quoted investment | 11,935,430 | — |
| Government grants | 49,138 | — |
| Foreign exchange gain | 30,771 | — |
| Interest income | 316,260 | 3,969 |
| Management fee received from a related party | 12,000 | 15,000 |
| Payables written back, non-trade | 9,793 | — |
| Rental from investment properties received from | | |
| - associates | 73,802 | 79,074 |
| - related parties | 24,338 | 31,418 |
| - third parties | 3,060 | 3,621 |
| Adjustments for associate from deconsolidated subsidiary | 144,045 | — |
| Insurance claim received | — | 314,082 |
| Sundry income | 17,671 | 9,228 |
| | 12,705,861 | 568,980 |

## 25. PROFIT BEFORE TAX

This is stated after charging/(crediting) the following items which have not been otherwise disclosed elsewhere in the financial statements:-

| | GROUP | |
|---|---|---|
| | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ |
| The aggregate amount of: | | |
| - audit fees paid to the external auditors | 63,833 | 67,433 |
| - non-audit fees paid to the external auditors | 3,180 | 7,552 |
| Allowance for doubtful trade receivables | 17,921 | 7,405 |
| Allowance for impairment loss on long-term investments | 30,993 | 39,089 |
| Net (gain)/loss on financial assets at fair value through profit or loss | (664,866) | 609,420 |
| Bad debts, trade | — | 39,019 |
| Contributions to provident funds | | |
| - directors | 26,127 | 31,610 |
| - employees | 255,526 | 259,633 |
| Directors' remuneration | | |
| - directors of the Company | 629,829 | 760,822 |
| - directors of subsidiaries | 93,290 | 132,382 |
| Foreign exchange (gain)/loss, net | (30,771) | 28,417 |
| Bank interest | 2,668 | 16,461 |
| Operating lease expense | 144,565 | 176,068 |
| Retainer paid to a firm in which a director is the sole principal | 3,000 | 3,750 |
| Provision for retirement benefits | 34,901 | 38,175 |
| Gain on disposal of property, plant and equipment | (7,391) | (30,329) |

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

## 26. INCOME TAX EXPENSE

| | GROUP | |
|---|---|---|
| | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ |
| Current taxation:- | | |
| Malaysian tax | 750,035 | 921,712 |
| Tax deducted at source | 9,393 | 29,971 |
| | 759,428 | 951,683 |

## 26. INCOME TAX EXPENSE – *cont'd*

| | GROUP | |
|---|---|---|
| | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ |
| Deferred taxation:- | | |
| Current | (1,596) | (41,660) |
| Prior year's under/(over)provision | 4,632 | (21,228) |
| | 3,036 | (62,888) |
| | 762,464 | 888,795 |
| Prior year's (over)/underprovision | (5,720) | 82,330 |
| | 756,744 | 971,125 |

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

| | GROUP | |
|---|---|---|
| | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ |
| Profit before tax | 15,788,056 | 3,790,244 |
| Tax at the applicable rate of 17% | 2,683,970 | 644,341 |
| Tax effects of :- | | |
| Expenses not deductible for tax purposes | 57,401 | 75,569 |
| Income not subject to tax | (2,095,717) | (138,321) |
| Share of results of associates | (238,702) | (308,234) |
| Utilisation of unabsorbed tax losses | (70,744) | — |
| Difference in tax rate | 240,267 | 305,361 |
| Deferred tax benefits not recognised | 176,282 | 326,837 |
| Others | 1,783 | — |
| | 754,540 | 905,553 |
| Withholding tax | 3,292 | 4,470 |
| Prior year's (over)/underprovision | (1,088) | 61,102 |
| Tax expense | 756,744 | 971,125 |

At the end of the reporting period, the Group has estimated unabsorbed tax losses totalling $22,154,000 (2012: $21,534,000) available for offsetting against future taxable profit earned by respective members of the Group incorporated in Singapore subject to the agreement of the Singapore tax authority.

Deferred tax benefits arising from such unabsorbed tax losses amounting to approximately $3,766,000 (2012: $3,661,000) 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.

## 27. 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 year/period.

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

| | GROUP | |
|---|---|---|
| | 01/08/2012 to 31/07/2013 | 01/05/2011 to 31/07/2012 |
| Net profit attributable to ordinary equity holders on issue applicable to basic and diluted earnings per share ($) | 14,703,416 | 2,367,407 |
| 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) | 56.96 | 9.17 |

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

## 28. DIVIDENDS

The final tax exempt one-tier dividend of $0.03 and special dividend of $0.01 (2012: $0.03) per ordinary share amounting to $774,376 and $258,125 respectively (2012: $774,376) declared for the financial period ended 31 July 2012 (2012: declared for the financial year ended 30 April 2011) was approved and paid during the financial year ended 31 July 2013.

The directors propose a final tax exempt one-tier dividend of $0.03 per ordinary share amounting to $774,376 in respect of the financial year ended 31 July 2013. This dividend has not been recognised as a liability at the end of the financial year as this is subject to approval at the Annual General Meeting of the Company.

## 29. CASH AND CASH EQUIVALENTS

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

| | GROUP | |
|---|---|---|
| | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ |
| Fixed deposits (Note 15) | 20,452,700 | 3,950,000 |
| Cash and bank balances (Note 16) | 4,190,629 | 4,172,788 |
| | 24,643,329 | 8,122,788 |

## 30. 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 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 Notes 25 and 31 to the financial statements.

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 | |
|---|---|---|---|---|
| | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ | 01/08/2012 to 31/07/2013 $ | 01/05/2011 to 31/07/2012 $ |
| Purchases from | | | | |
| - associate | 16,371,358 | 20,175,513 | 1,767,473 | 2,442,081 |
| - related parties | 8,541,200 | 11,389,854 | 34,241 | 35,389 |
| Interest received | | | | |
| - subsidiary | – | – | 9,127 | 19,768 |
| Management fees received from subsidiaries | – | – | 47,902 | 60,595 |
| Dividend income received from subsidiaries | – | – | 545,169 | 2,795,586 |

## 31. DIRECTORS' REMUNERATION

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

| | GROUP | |
|---|---|---|
| | 31/07/2013 Number of directors | 31/07/2012 Number of directors |
| Below $100,000 | 4 | 4 |
| $100,001 to $250,000 | 1 | 0 |
| $250,001 to $500,000 | 1 | 2 |

## 32. 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.

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

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 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**

| 2013 | Trading of wheat flour and consumer goods $ | Investment trading $ | Investment holding $ | Group $ |
|---|---|---|---|---|
| **Revenue** | | | | |
| External revenue | 62,864,577 | 4,913,757 | 276,763 | 68,055,097 |
| **Results** | | | | |
| Profit before interest, taxation, depreciation and amortisation | 1,801,098 | 309,775 | 12,295,211 | 14,406,084 |
| Depreciation | (290,292) | (45,458) | – | (335,750) |
| Operating profit | 1,510,806 | 264,317 | 12,295,211 | 14,070,334 |
| Interest expense | | | | (2,668) |
| Interest income | | | | 316,260 |
| Share of results of associates, net of tax | | | | 1,404,130 |
| Taxation | | | | (756,744) |
| Profit after tax | | | | 15,031,312 |
| **Assets and Liabilities** | | | | |
| Segment assets | 44,736,482 | 8,776,790 | 1,749,501 | 55,262,773 |
| Associates | | | | 21,282,550 |
| Unallocated assets | | | | 164,911 |
| | | | | 76,710,234 |
| Segments liabilities | 5,390,318 | 43,326 | 6,927 | 5,440,571 |
| Unallocated liabilities | | | | 755,171 |
| | | | | 6,195,742 |

## 32. SEGMENT INFORMATION – *cont'd*

### BUSINESS SEGMENTS – *cont'd*

| 2013 | Trading of wheat flour and consumer goods $ | Investment trading $ | Investment holding $ | Group $ |
|---|---|---|---|---|
| **Other segments information** | | | | |
| Expenditure for non-current assets | 620,777 | – | – | 620,777 |
| Other non-cash items: | | | | |
| Impairment loss | – | – | 30,933 | 30,933 |
| **2012** | | | | |
| **Revenue** | | | | |
| External revenue | 75,221,813 | 3,164,374 | 866,546 | 79,252,733 |
| **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 tax | | | | 2,819,119 |

## 32. SEGMENT INFORMATION – *cont'd*

### BUSINESS SEGMENTS – *cont'd*

| 2012 | Trading of wheat flour and consumer goods $ | Investment trading $ | Investment holding $ | Group $ |
|---|---|---|---|---|
| **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 |
| **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 |

### GEOGRAPHICAL SEGMENTS

| 2013 | Singapore $ | Malaysia $ | The People's Republic of China $ | Group $ |
|---|---|---|---|---|
| **Revenue** | | | | |
| External revenue | 7,240,066 | 60,815,031 | — | 68,055,097 |
| **Assets** | | | | |
| Segment assets | 35,032,394 | 20,230,379 | — | 55,262,773 |
| Associates | — | 18,376,619 | 2,905,931 | 21,282,550 |
| Unallocated assets | | | | 164,911 |
| | | | | 76,710,234 |
| **2012** | | | | |
| **Revenue** | | | | |
| External revenue | 6,508,807 | 72,718,986 | 24,940 | 79,252,733 |
| **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 |

## 33. CONTINGENT LIABILITIES - unsecured

(a) The Company has issued corporate guarantees amounting to $2,274,952 (equivalent to RM5,755,000) [2012: $2,276,678 (equivalent to RM5,755,000)] to certain banks for facilities granted to two subsidiaries. The aggregate amount of facilities utilised as at 31 July 2013 was $NIL [2012: $407,072 (equivalent to RM1,029,000)].

(b) The Company has issued corporate guarantees amounting to $2,767,100 (equivalent to RM7,000,000) (2012: $2,373,600 (equivalent to RM6,000,000)) to certain suppliers of one subsidiary for credit purchases made from the suppliers.

The directors are of the view that the fair values of corporate guarantees provided by the Company are not material.

## 34. 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 | |
|---|---|---|
| | 31/07/2013 | 31/07/2012 |
| | $ | $ |
| Not later than one year | 68,822 | 72,731 |
| Between one and five years | 48,721 | 26,743 |
| | 117,543 | 99,474 |

(b) Operating lease commitments where the Group and Company are lessors

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 | |
|---|---|---|
| | 31/07/2013 | 31/07/2012 |
| | $ | $ |
| Not later than one year | 82,134 | 50,696 |
| Between one and five years | 29,673 | 2,468 |
| | 111,807 | 53,164 |

(c) Capital commitments

Capital expenditure contracted for and outstanding at the end of the reporting period but not recognised in the financial statements:

| | GROUP | |
|---|---|---|
| | 31/07/2013 | 31/07/2012 |
| | $ | $ |
| Property, plant and equipment | 40,672 | 195,882 |

## 35. 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.

### 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 15) and bank borrowings obligations (see Note 19).

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 year.

*Sensitivity analysis for interest rate risk*

At the end of the reporting period, if interest rates had been 100 (2012: 100) basis points higher/lower with all other variables held constant, the effect on the Group's profit before tax would have been $204,527 (2012: $39,500) 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 year.

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.

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

**Market risk** – *cont'd*

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

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.

The Group's currency exposure is as follows:

| Group | Ringgit Malaysia ("RM") $ | Hong Kong Dollars ("HKD") $ | United States Dollars ("USD") $ | Singapore Dollars ("SGD") $ | Total $ |
|---|---|---|---|---|---|
| **At 31 July 2013** | | | | | |
| **Assets** | | | | | |
| Long-term investments | 28,066 | 905,616 | – | 250,000 | 1,183,682 |
| Short-term investments | 2,632,735 | 828 | 57,170 | 4,891,002 | 7,581,735 |
| Trade and other receivables | 9,316,801 | – | – | 425,584 | 9,742,385 |
| Fixed deposits | 6,152,700 | – | – | 14,300,000 | 20,452,700 |
| Cash and bank balances | 1,211,114 | 5,088 | 146,608 | 2,827,819 | 4,190,629 |
| | 19,341,416 | 911,532 | 203,778 | 22,694,405 | 43,151,131 |
| **Liabilities** | | | | | |
| Trade and other payables | 4,032,091 | – | 452.863 | 863,563 | 5,348,517 |
| Net financial assets/ (liabilities) | 15,309,325 | 911,532 | (249,085) | 21,830,842 | 37,802,614 |
| Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities' functional currencies | 6,889,628 | 911,532 | (249,085) | – | 7,552,075 |

## 35. FINANCIAL RISK MANAGEMENT – *cont'd*

### Market risk – *cont'd*

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

| Group | Ringgit Malaysia ("RM") $ | 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 |

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

**Market risk** – *cont'd*

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

| Company | Ringgit Malaysia ("RM") $ | Hong Kong Dollars ("HKD") $ | Singapore Dollars (functional currency) ("SGD") $ | Total $ |
|---|---|---|---|---|
| **At 31 July 2013** | | | | |
| **Assets** | | | | |
| Long-term investments | – | 905,616 | 250,000 | 1,155,616 |
| Trade and other receivables | 5,809 | – | 421,696 | 427,505 |
| Amounts owing by subsidiaries | – | – | 3,530,000 | 3,530,000 |
| Fixed deposits | 4,141,158 | – | 14,300,000 | 18,441,158 |
| Cash and bank balances | 14,971 | – | 976,496 | 991,467 |
| | 4,161,938 | 905,616 | 19,478,192 | 24,545,746 |
| **Liabilities** | | | | |
| Trade and other payables | – | – | 808,239 | 808,239 |
| | – | – | 808,239 | 808,239 |
| Net financial assets | 4,161,938 | 905,616 | 18,669,953 | 23,737,507 |
| Currency exposure of financial assets net of those denominated in the Company's functional currency | 4,161,938 | 905,616 | – | 5,067,554 |

| Company | Ringgit Malaysia ("RM") $ | 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 |

## 35. 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% (2012: 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:

| | 31/07/2013 Increase/(decrease) | | 31/07/2012 Increase/(decrease) | |
|---|---|---|---|---|
| | Net profit $ | Equity $ | Net profit $ | Equity $ |
| Group | | | | |
| RM against SGD | | | | |
| - strengthened | 68,896 | – | 44,200 | 139,807 |
| - weakened | (68,896) | – | (44,200) | (139,807) |
| HKD against SGD | | | | |
| - strengthened | 59 | 9,056 | 57 | 9,365 |
| - weakened | (59) | (9,056) | (57) | (9,365) |
| USD against SGD | | | | |
| - strengthened | (2,491) | – | 703 | – |
| - weakened | 2,491 | – | (703) | – |

| | 31/07/2013 Increase/(decrease) | | 31/07/2012 Increase/(decrease) | |
|---|---|---|---|---|
| | Net profit $ | Equity $ | Net profit $ | Equity $ |
| Company | | | | |
| RM against SGD | | | | |
| - strengthened | 41,619 | – | 38 | 139,807 |
| - weakened | (41,619) | – | (38) | (139,807) |
| HKD against SGD | | | | |
| - strengthened | – | 9,056 | 896 | 9,365 |
| - weakened | – | (9,056) | (896) | (9,365) |

(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.

35. **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 year/period.

*Sensitivity analysis for equity risk*

At the end of the reporting period, if prices for equity securities listed in Singapore and Malaysia change by 10% (2012: 15%) and 5% (2012: 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:

| | 01/08/2012 to 31/07/2013 | | 01/05/2011 to 31/07/2012 | |
|---|---|---|---|---|
| | Profit after tax $ | Other comprehensive income $ | Profit after tax $ | Other comprehensive income $ |
| Group | | | | |
| Listed in Singapore | | | | |
| - increased by | 489,100 | – | 819,130 | – |
| - decreased by | (489,100) | – | (819,130) | – |
| Listed in Malaysia | | | | |
| - increased by | 131,637 | – | 44,003 | 139,807 |
| - decreased by | (131,637) | – | (44,003) | (139,807) |

| | 01/08/2012 to 31/07/2013 | | 01/05/2011 to 31/07/2012 | |
|---|---|---|---|---|
| | Profit after tax $ | Other comprehensive income $ | Profit after tax $ | Other comprehensive income $ |
| Company | | | | |
| Listed in Malaysia | | | | |
| - increased by | – | – | – | 139,807 |
| - decreased by | – | – | – | (139,807) |

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

### 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 cash equivalents.

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

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 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:-

| | 31/07/2013 | | 31/07/2012 | |
|---|---|---|---|---|
| | **$** | **% of total** | **$** | **% of total** |
| **By Country** | | | | |
| Singapore | 369,114 | 4 | 554,582 | 6 |
| Malaysia | 9,190,559 | 96 | 8,970,998 | 94 |
| | 9,559,673 | 100 | 9,525,580 | 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 year.

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

## 35. FINANCIAL RISK MANAGEMENT – *cont'd*

### Liquidity risk – *cont'd*

| | Within 1 year<br>$ | Between 2 to 5 years<br>$ | Total<br>$ |
|---|---|---|---|
| Group | | | |
| **31/07/2013** | | | |
| Trade and other payables | 5,348,517 | 255,933 | 5,604,450 |
| Corporate guarantees contract (Notes 17 and 33) | 984,533 | – | 984,533 |
| | 6,333,050 | 255,933 | 6,588,983 |
| **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 17 and 33) | 1,890,827 | – | 1,890,827 |
| | 7,512,469 | 221,032 | 7,733,501 |
| Company | | | |
| **31/07/2013** | | | |
| Trade and other payables | 808,239 | 255,933 | 1,064,172 |
| Corporate guarantees contract (Notes 17 and 33) | 984,533 | – | 984,533 |
| | 1,792,772 | 255,933 | 2,048,705 |
| **31/07/2012** | | | |
| Trade and other payables | 782,320 | 221,032 | 1,003,352 |
| Corporate guarantees contract (Notes 17 and 33) | 1,890,827 | – | 1,890,827 |
| | 2,673,147 | 221,032 | 2,894,179 |

### 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 2013 and 31 July 2012.

## 35. FINANCIAL RISK MANAGEMENT – *cont'd*

### Fair value measurements – *cont'd*

| | Level 1<br>$ | Total<br>$ |
|---|---|---|
| Group | | |
| **31/07/2013** | | |
| Long-term investments | – | – |
| Short-term investments | 7,581,735 | 7,581,735 |
| | 7,581,735 | 7,581,735 |
| **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 |
| Company | | |
| **31/07/2013** | | |
| Long-term investments | – | – |
| **31/07/2012** | | |
| Long-term investments | 13,980,675 | 13,980,675 |

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.

## 36. 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 2013 and 31 July 2012.

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 29 and 21 respectively.

The Group is not subject to externally imposed capital requirements.

## 37. COMPARATIVE FIGURES

(i) During the last financial period, the Company changed its financial year-end from 30 April to 31 July. As a result, the last financial period covered a period of 15 months from 1 May 2011 to 31 July 2012 whereas the current figures are for the period of 12 months from 1 August 2012 to 31 July 2013.

(ii) Certain reclassifications have been made to the Group's prior year's financial statements to enhance comparability with the current year's financial statements. As a result, certain line items have been amended on the face of the statement of comprehensive income.

| | As previously reported $ | After reclassification $ |
|---|---|---|
| 2012 | | |
| **Statement of Comprehensive Income** | | |
| Revenue | 78,386,187 | 79,252,733 |
| Other income | 1,435,526 | 568,980 |

## 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 2013 or later periods and which the Group has not early adopted:

- 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 FRSs and amendments and improvement to FRSs 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 16 October 2013

| | | |
|---|---|---|
| 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 |
| NO. OF TREASURY SHARES | : | NIL |

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % OF SHAREHOLDERS | NO. OF SHARES | % OF SHARES |
|---|---|---|---|---|
| 1 - 999 | 152 | 16.95 | 28,735 | 0.11 |
| 1,000 - 10,000 | 621 | 69.23 | 2,073,939 | 8.03 |
| 10,001 - 1,000,000 | 117 | 13.04 | 6,216,921 | 24.09 |
| 1,000,001 & ABOVE | 7 | 0.78 | 17,492,925 | 67.77 |
| TOTAL | 897 | 100.00 | 25,812,520 | 100.00 |

## SHAREHOLDINGS IN THE HANDS OF THE PUBLIC AS AT 16 OCTOBER 2013

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 16 OCTOBER 2013

| NAME OF SHAREHOLDERS | NO. OF SHARES | % OF SHARES |
|---|---|---|
| KAH HONG PTE LTD | 4,470,830 | 17.32 |
| CEPHEUS CORPORATION PTE LTD | 4,202,430 | 16.28 |
| UOB NOMINEES (2006) PTE LTD | 2,375,000 | 9.20 |
| HONG LEONG FINANCE NOMINEES PTE LTD | 2,028,000 | 7.86 |
| 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 |
| UNITED OVERSEAS BANK NOMINEES PTE LTD | 748,000 | 2.90 |
| DBS NOMINEES PTE LTD | 556,000 | 2.15 |
| GOH TEE KIA | 500,000 | 1.94 |
| CITIBANK NOMINEES S'PORE PTE LTD | 267,000 | 1.03 |
| TAN KHIOK KWEE | 255,000 | 0.99 |
| CHEW SOO ENG | 201,666 | 0.78 |
| NG KIM HOCK FREDDIE | 201,000 | 0.78 |
| CHUA PANG | 150,000 | 0.58 |
| WANG TONG PENG @ WANG TONG PANG | 141,000 | 0.55 |
| CHONG SHEE JAN | 124,800 | 0.48 |
| THIA CHENG SONG | 120,000 | 0.47 |
| YAP MUI CHENG ANGELA | 108,000 | 0.42 |
| KHONG GUAN GROUP PTE LTD | 102,400 | 0.40 |
| TOTAL | 20,967,791 | 81.25 |

# Analysis of Shareholdings as at 16 October 2013 - *cont'd*

## SUBSTANTIAL SHAREHOLDERS

| | DIRECT INTEREST | | DEEMED INTEREST | |
|---|---|---|---|---|
| NAME OF SHAREHOLDERS | NO. OF SHARES | % | 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 | 500,000 | 1.94 | 2,170,000 *4 | 8.41 |
| GTK HOLDING PTE LTD | 1,600,000 | 6.20 | 200,000 *5 | 0.77 |

**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 200,000 shares held by G & C General Contractors Pte Ltd, 1,600,000 shares held by GTK Holding Pte Ltd, 220,000 shares held by GTK Investment (S) Pte Ltd and 150,000 shares held by Madam Chua Pang (wife) by virtue of the provisions of Section 7 of Companies Act, Cap. 50.

*5 GTK Holding Pte Ltd is deemed to be interest in the 200,000 shares held by G & C General Contractors Pte Ltd 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 Limited 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 Wednesday, 27 November 2013 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 Dividend | | |
| 3. | To approve Directors' Fees | | |
| 4. | To re-elect a Director; Mr Chan Weng Kee | | |
| 5. | To re-elect a Director; Dr Ng Peng Teng | | |
| 6. | To re-appoint an Independent Auditor | | |
| 7. | Any other business | | |
| 8. | To renew the shareholders' mandate for interested person transactions | | |
| 9. | To approve the proposed Share Issue Mandate | | |

As witness my/our hand/s this _____________ day of _____________ 2013.

| 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.

KHONG GUAN
FLOUR MILLING LTD
SINGAPORE