KHONG GUAN FLOUR MILLING LIMITED

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

ANNUAL REPORT

2015

Contents

Corporate Information

Directors

Chew Soo Lin (Chairman)
Chew Soo Eng (Managing Director)
Tay Kwang Lip Willie (Lead Independant Director)
Chan Weng Kee
Ng Peng Teng Dr
Sam Teng Choong

Audit Committee

Tay Kwang Lip Willie (Chairman)
Chan Weng Kee
Sam Teng Choong

Nominating Committee

Chan Weng Kee (Chairman)
Tay Kwang Lip Willie
Ng Peng Teng Dr

Remuneration Committee

Tay Kwang Lip Willie (Chairman)
Chan Weng Kee
Ng Peng Teng Dr

Company Secretary

Koe Eng Chuan

Registered Office

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

With effective from 1 November 2015:-
85 Playfair Road
#07-01 Tong Yuan Industrial Building
Singapore 368000

Auditor

RT LLP
Public Accountants and Chartered Accountants
1 Raffles Place, #17-02
One Raffles Place
Singapore 048616
Audit Partner: Angela Wong Fei Ping
(appointed since financial year ended
31 July 2015)

Registrar

B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544

Bankers

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of KHONG GUAN FLOUR MILLING LIMITED will be held at 2 MacTaggart Road (Level 2), Singapore 368078 on Friday, 27 November 2015 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 2015 and the Independent Auditor's Report and Directors' Statement thereon.

2. To declare a first and final tax exempt one-tier dividend of $0.03 per ordinary share for the financial year ended 31 July 2015.

3. To approve the payment of directors' fees of $84,000 (2014: $84,000) for the financial year ended 31 July 2015.

4. To note the retirement of Mr Chan Weng Kee, who is retiring under Article 105(C) of the Company's Articles of Association and who will not be seeking re-election.

   Note:- Upon retirement of Mr Chan Weng Kee, he will relinquish his positions as Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee.

5. To re-elect Dr Ng Peng Teng, who retires in accordance with Article 105(C) 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, will upon re-election, remain as a member of the Nominating Committee and Remuneration Committee and will be considered as an independent director.

6. To re-appoint Mr Sam Teng Choong, pursuant to Section 153(6) of the Companies Act, Cap. 50 (the "ACT") to hold office until the next Annual General Meeting of the Company.

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

7. To re-appoint RT LLP as Independent Auditor 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**") which has been amended to incorporate certain changes including the revised individual and aggregate thresholds, particulars of which are 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 7 December 2015 for the preparation of dividend warrants. Duly completed registrable transfers received by the Company's share registrar, B.A.C.S. Private Limited, 8 Robinson Road #03-00 ASO Building, Singapore 048544, up to 5.00 p.m. on 4 December 2015 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 4 December 2015 will be entitled to the proposed dividend. Payment of the dividend, if approved by shareholders at the Annual General Meeting, will be made on 14 December 2015.

By Order of the Board
Koe Eng Chuan
Company Secretary

Singapore, 12 November 2015

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 85 Playfair Road #07-01 Tong Yuan Industrial Building, Singapore 368000 (Attention:- Company Secretary) not less than forty-eight hours before the time appointed for holding the meeting.

Chairman's Statement

Review of Operations

Group turnover for the year increased slightly to $62,036,000 as compared to $61,991,000 a year ago. Group profit before tax of $2,545,000 (2014: $2,015,000) for the year would have been better had it not been for the provision for unrealized fair value loss of $1,047,000 (2014: loss $289,000) in respect of short-term investments held at the end of the financial year. The performance of the two trading subsidiaries and the associate had improved in spite of the depreciation in value of the Malaysian Ringgit.

Trading Operations

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

SHC, a trading subsidiary in the state of Penang improved its turnover mainly attributable to the sales of starches imported from various countries. Turnover of SHC for the year was $22,299,000 (RM59,147,000) and that for last year was $22,326,000 (RM57,585,000). Sales of wheat flour grew steadily as customers were anticipating price increases by flour millers due to the weakened Ringgit which had raised their purchase cost of wheat grains.

Revenue from sales of animal feeds was lower because of the reduction in selling price. The subsidiary maintained its market share of animal feeds in term of quantity in spite of keen competition from cheaper maize and soya bean meal used as animal feeds.

Starches imported by the subsidiary continued to dominate the local market as the new warehouse with larger storage space enabled this subsidiary to increase its purchases and to capture the growing demand for starches.

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

The subsidiary TGF operating in the state of Sabah with several branches located in the major towns also improved its turnover from $34,917,000 (RM90,062,000) to $35,913,000 (RM95,259,000) for the year. The main contribution came from the sales of refined oil and other related food products sourced from an established Malaysian co-operative together with other new agencies secured during the year.

Sales of biscuits was better than last year while that of wheat flour was slightly lower. Sales for non-edible goods which consisted of branded household items were maintained.

The combined profit of the two Malaysian trading subsidiaries before taxation for the year was $3,612,000 (2014: $2,389,000) after taking into account the weakened Malaysian Ringgit. The increase in profit was largely contributed by TGF.

Manufacturing Operations

United Malayan Flour (1996) Sdn Bhd 'UMF', a 30% equity held associate operating flour and oats mills in Butterworth, Penang made significant progress as their newly upgraded modern milling equipment enabled this associate's mills to improve their product quality and achieve higher sales in both local and export markets. Turnover and profit of the associate for the year increased from RM233,823,000 to RM251,254,000 and RM10,931,000 to RM13,465,000 respectively. After the currency conversion, our share of the results of UMF was $1,523,000 compared with $1,271,000 for last year.

Chairman's Statement

Redevelopment of Existing Property

The redevelopment of the existing Company's heritage building is progressing as scheduled and tenders have been received and are being reviewed. The redevelopment is projected to be completed within two years from the date of award of the contract.

Dividend

A first and final tax exempt one-tier dividend of $0.03 per ordinary share for the financial year ended 31 July 2015 has been recommended by the directors for approval by shareholders at the forthcoming Annual General Meeting.

Prospects

Our Malaysian operations through its associate flour mill and trading subsidiaries are on track for continued growth. Unless it is adversely impacted by a significant drop in the value of the Malaysian Ringgit or short-term investments, the directors are cautiously optimistic of the group achieving better results in the coming financial year.

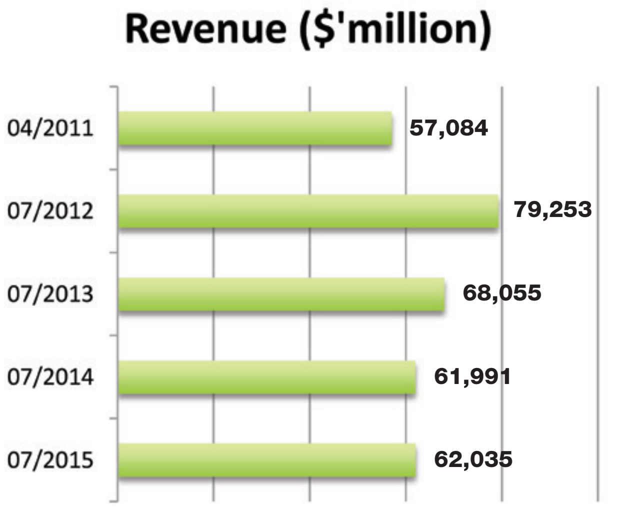
Acknowledgements

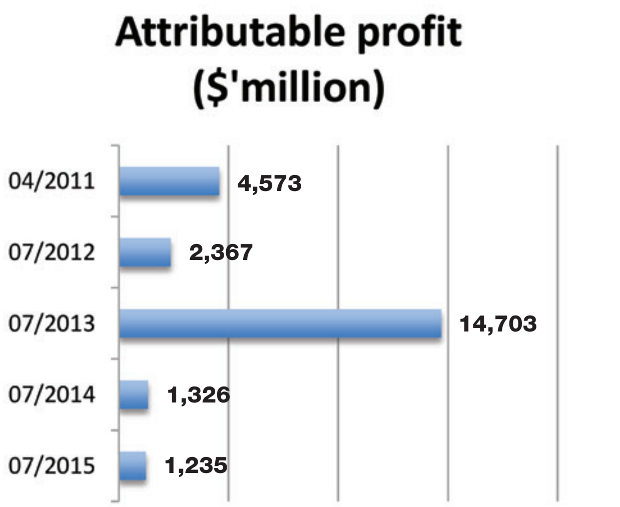
On behalf of the Board of Directors, I would like to take this opportunity to extend our deepest appreciation to our shareholders, customers and business associates for their continued support. In addition, I would like to extend our appreciation to the management and staff of the group for their hard 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.

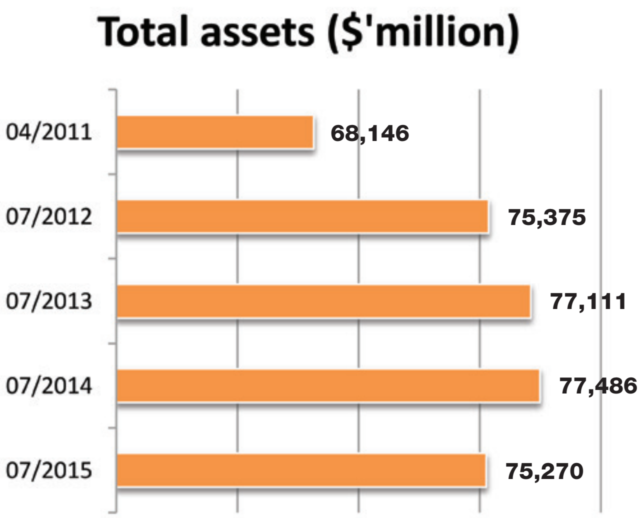
Chew Soo Lin
Chairman

Group Financial Highlights as at 31 July 2015

($'million)	07/2015	07/2014	07/2013	07/2012	04/2011
Revenue	62,035	61,991	68,055	79,253	57,084
Attributable profit	1,235	1,326	14,703	2,367	4,573
Total assets	75,270	77,486	77,111	75,375	68,146
Shareholders' equity	66,161	68,929	68,769	66,682	61,084
	204,701	209,732	228,638	223,677	190,887







The Board is committed to maintaining good corporate governance in accordance with the principles and guidelines set out in the Code of Corporate Governance 2012.

This report outlines the main corporate governance practices during the financial year ended 31 July 2015 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 2015 and the attendance of directors during these meetings is as follows:-

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held in FY2015	3	3	1	2
Chew Soo Lin	3	NA	NA	NA
Chew Soo Eng	3	NA	NA	NA
Tay Kwang Lip Willie	3	3	1	2
Chan Weng Kee	3	3	1	2
Sam Teng Choong	3	3	NA	NA
Ng Peng Teng Dr	3	NA	1	2

Management briefs new Directors on the Group's business and strategic direction, as well as governance practices. Formal letters are issued to newly-appointed Directors, upon their appointment, setting out the Directors' duties and obligations. There was no new Director appointed in the financial year ended 31 July 2015.

The Management will monitor new laws, regulations and commercial developments and will keep the Board informed accordingly. The Directors are encouraged to attend appropriate or relevant courses, conferences and seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities.

The Directors are also kept abreast of any developments which are relevant to the Group, and of any developments of relevant new laws and regulations which have an important bearing on the Group and the Directors' obligations to the Group, from time to time.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("ACRA"), which are relevant to the directors are circulated to the Board. The Company Secretary also informs the directors of upcoming conferences and seminars relevant to their roles as directors of the Company. The external auditors would update the AC and the Board on new and revised financial reporting standards annually.

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. The Nominating Committee ("NC") is tasked to determine on an annual basis and as and when the circumstances require whether or not a director is independent. For the purpose of determining directors' independence, every director has provided declaration of their independence which is deliberated upon by the Nominating Committee and the Board.

The Board also recognizes that independent directors may over time develop significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. Presently, Mr Chan Weng Kee and Dr Ng Peng Teng have served as independent directors of the Company for more than nine years since their appointment. Mr Chan Weng Kee, who is retiring from the Board and is not seeking re-election. The Board has subject their independence to a particularly rigorous review.

Taking into account the views of the Nominating Committee, the Board concurs that Mr Chan Weng Kee and Dr Ng Peng Teng continue to demonstrate strong independence in character and judgement in the discharge of their responsibilities as directors of the Company. They continue to express their individual viewpoints, debate issues and objectively scrutinized and challenged management. They also sought clarification and amplification as they deemed necessary and through direct access to Group's employees.

Further, having gained in-depth understanding of business and operating environment of the Group, they provide the Company with much needed experience and knowledge of the industry. Based on their declaration of independence received from Mr Chan Weng Kee and Dr Ng Peng Teng, they have no association with management that could compromise their independence.

After taking into account all of these factors and also having weighed the need of the Board's refreshment against tenure for relative benefit, the Board has determined that Mr Chan Weng Kee and Dr Ng Peng Teng continue to be considered independent directors, notwithstanding they have served on the Board for more than nine years from the dates of their appointments.

Key information regarding the Directors is disclosed in the profile of Directors and Executive Officers. Together the Board has a diverse wealth of experience as well as skills and the diversity of experience, skills and competencies of the Directors enhance the effectiveness of the Board in carrying out their responsibilities. The Board comprises the following members:-

Executive Directors

Chew Soo Lin
Chew Soo Eng

Independent directors

Tay Kwang Lip Willie
Chan Weng Kee
Ng Peng Teng Dr
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 judgement 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.

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.

Mr Tay Kwang Lip, Willie as the Lead Independent Director meet at least annually with other Independent Directors without the presence of Executive Directors and after such meetings, he provides feedback to the Executive Chairman. Mr Tay Kwang Lip, Willie is also available to shareholders directly, in respect of matters where they have concerns and for which, contact through the normal channels of the Executive Chairman and the Managing Director may not be appropriate or have failed to resolve.

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)
Tay Kwang Lip Willie
Ng Peng Teng Dr

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.

PRINCIPLE 4: BOARD MEMBERSHIP – *cont'd*

NOMINATING COMMITTEE – *cont'd*

The NC recommends

- Ng Peng Teng Dr retiring by rotation, and being eligible, be nominated for re-election.
- Sam Teng Choong retiring from office pursuant to Section 153(6) of the Companies Act, Cap. 50 and being eligible, be nominated for re-election.

None of the Directors exceeds the maximum number of listed board representations determined by the NC and the Board, which is 6. Notwithstanding that one of the Directors have multiple board representations, the NC is satisfied that this Director is able to and has been adequately carrying out his duties as a Director of the Company.

Chan Weng Kee retiring by rotation, 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 Nominating Committee Chairman, in conjunction with the Chairman of the Board, conducts an annual assessment of the effectiveness of the Board as a whole, effectiveness of its Board committees and the contribution by each individual director. The assessment comprises self-assessment, Board assessment and peer evaluations.

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 including periodic updates. 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 REMUNERATI0N 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.

Tay Kwang Lip Willie (Chairman)
Chan Weng Kee
Ng Peng Teng Dr

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.

The immediate family members of the Managing Director, Mr Chew Kian Boon Daniel, had received remuneration in the band of between $100,000 and $150,000 and Mr Chew Kian Hong Michael, had received remuneration in the band between $50,000 and $100,000 during the financial year.

The remuneration components paid to each of the group's key executive directors and non-executive directors for the period ended 31 July 2015 are set out below:-

Name of Director	Salary %	Bonus %	Fees %	Total %
Between $250,001 and $500,000				
Chew Soo Lin	69	20	11	100
Chew Soo Eng	74	22	4	100
Below $100,000				
Tay Kwang Lip Willie	–	–	100	100
Chan Weng Kee	–	–	100	100
Sam Teng Choong	–	–	100	100
Ng Peng Teng Dr	–	–	100	100

The Company is of the view that due to confidentiality and competitiveness, the total remuneration on a named basis of each Director is not disclosed.

REMUNERATION COMMITTEE – *cont'd*

Key Senior Management Remuneration

Mr Chew Soo Lin and Mr Chew Soo Eng who are executive directors of the Company are the only key management of the group. The other management staff for the group (who are not directors) received remuneration for the financial year ended 31 July 2015 within the band of $250,000 and below.

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:-

Tay Kwang Lip Willie (Chairman)
Chan Weng Kee
Sam Teng Choong

All members of the Committee are independent and non-executive. The AC is able to exercise objective judgement 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 half-yearly and full year financial statements to be issued by the Group with management and, where appropriate, with the Company's external auditor, 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 auditor;
- to review the effectiveness of the internal audit function;
- to provide oversight on Group's risk management;
- to make recommendations to the Board on the appointment, re-appointment and/or removal of external auditor, and to approve the remuneration and terms of engagement of the external auditor;
- to review interested person transactions.

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

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.

PRINCIPLE 11: AUDIT COMMITTEE – *cont'd*

To create an environment for open discussion on audit matters, the AC meets with the external and internal auditors, without the presence of the Management, at least once a year.

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

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

The AC assesses the external auditor based on factors such as the performance and quality of their audit and the independence of the auditor, and recommends their appointment to the Board.

The Group has complied with Rules 712 and 715 of the Listing Manual issued by SGX in relation to its auditors.

The AC has reviewed the Group's whistle–blowing policy where the staff of the Group and third parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow–up action.

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 annual review of their reports on the system of internal controls and to satisfy that the group's internal controls are adequate. The Board with the concurrence of the AC is of the opinion that system of the Company's internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems are adequate and effective in meeting the current needs of the group's business operations.

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

The AC has confirmed that the non-audit services provided by the external auditor would not affect the independence of the auditor.

PRINCIPLE 13: RISK MANAGEMENT AND 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.

The Group adopts a decentralized approach to risk management, whereby the individual head of business units takes ownership and accountability for risks at their respective levels. The individual business units through a risk monitor, updates the Board on their operational, financial and compliance risks management.

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.

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 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, each shareholder may appoint not more than two proxies to attend and vote on their behalf. A proxy need 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.

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.

PRINCIPLE 15: GREATER SHAREHOLDER PARTICIPATION – *cont'd*

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 2015 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	–	12,528,000
Khong Guan Biscuit Factory (Borneo) Sdn Bhd	–	4,652,000
Chung Ying Confectionery & Food Products Sdn Bhd	–	3,013,000
Leong Hong Oil Mill Sdn Bhd	–	1,995,000
Federal Oats Mills Sdn Bhd	–	240,000
Sales to		
Khian Guan Biscuit Manufacturing Co Sdn Bhd	–	464,000
Khong Guan Biscuit Factory (Johore) Sdn Bhd	–	136,000
Lian Guan Food Products Sdn Bhd	–	143,000
Lian Seng Hang Sdn Bhd	–	1,165,000
Poh Seng Trading (Ipoh) Sdn Bhd	–	1,724,000
Soon Guan Chan Sdn Bhd	–	469,000
Soon Guan Co Sdn Bhd	–	262,000
Sunshine Traders Sdn Bhd	–	653,000
Thong Hong Trading Sdn Bhd	–	554,000

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.

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

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

Chew Soo Eng

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

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

Tay Kwang Lip Willie

Mr Willie Tay was appointed as Lead Independent Director, Chairman of the Audit and Remuneration Committees and a member of the Nominating Committee in January 2014.

He is the Managing Director of a certified public accounting corporation and is responsible for the running, managing and developing the assurance, advisory and consultancy business of the corporation.

Mr Tay is a Member of the Institute of Singapore Chartered Accountants, Singapore Institute of Directors and CPA Australia.

Chan Weng Kee

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

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

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

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

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

He will be retiring from the Board as he does not seek re-election at the annual general meeting.

Profile of Directors and Key Executives

Ng Peng Teng Dr

Dr Ng was appointed as a non-executive 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 Chartered Accountant in 1971 after graduating with a Bachelor of Commerce Degree from University of Liverpool in 1967. He worked as an auditor in an accounting firm in Malaysia before joining Arthur Young & Co., an international firm of accountants as a partner in 1978. He left Arthur Young & Co in 1990 to start 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' Statement for the financial year ended 31 July 2015

The directors present their statement to the members together with the audited consolidated financial statements of Khong Guan Flour Milling Limited (the Company) and its subsidiaries (collectively, the Group) and the statement of financial position of the Company for the year ended 31 July 2015.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2015 and of the financial performance of the business, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) 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.

DIRECTORS

The directors of the Company in office at the date of this statement are:-

Chew Soo Lin
Chew Soo Eng
Tay Kwang Lip Willie
Chan Weng Kee
Ng Peng Teng Dr
Sam Teng Choong

In accordance with Articles 105(C) and 153(6) of the Company's Article of Association, Ng Peng Teng Dr and Sam Teng Choong retire and, being eligible, offer themselves for re-election.

In accordance with Article 105(C) of the Company's Article of Association, Chan Weng Kee retires and will not be seeking re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in the shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:-

DIRECTORS' INTEREST IN SHARES AND DEBENTURES – *cont'd*

	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	
	01.08.2014	31.07.2015	01.08.2014	31.07.2015
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 Dr	200,000	200,000	—	—
Subsidiary				
Tong Guan Food Products Sdn. Bhd.				
Chew Soo Lin	4,000	4,000	—	—
Chew Soo Eng	4,000	4,000	168,000	168,000

None of the other directors had 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 above-mentioned interests in the Company between the end of the financial year and 21 August 2015.

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.

AUDIT COMMITTEE

The audit committee ("AC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:-

- Reviewed the audit plans of the internal and external auditors of the Group and reviewed the internal auditors' evaluation of the adequacy of the system of internal accounting controls and the assistance given by the Group and the Company's management to external and internal auditors

- Reviewed the half yearly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors

- Reviewed effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by internal auditor

AUDIT COMMITTEE – *cont'd*

- Met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor and reviewed the scope and results of the audit

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened three meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

AUDITORS

RT LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors

Chew Soo Lin
Director

Chew Soo Eng
Director

Singapore, 22 October 2015

Independent Auditor's Report to the Members of Khong Guan Flour Milling Limited for the financial year ended 31 July 2015

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 2015, 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, Cap. 50 (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 financial statements and to maintain accountability of assets.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2015, and of the performance, 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 subsidiary corporations incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 22 October 2015

Statements of Financial Position as at 31 July 2015

	Note	GROUP 2015 $	GROUP 2014 $	COMPANY 2015 $	COMPANY 2014 $
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment	3	3,738,859	3,172,130	993,141	405,675
Prepaid lease	4	1,791,981	2,018,907	—	—
Investment properties	5	4,217,251	3,879,481	4,217,251	3,879,481
Investments in subsidiaries	6	—	—	18,287,368	18,287,368
Investments in associates	7	18,234,728	21,824,674	—	2,843,189
Long-term investments	8	931,084	1,542,354	905,616	1,514,522
		28,913,903	32,437,546	24,403,376	26,930,235
Current Assets					
Inventories	9	6,175,547	6,008,453	29,031	49,467
Short-term investments	10	7,846,608	7,828,963	—	—
Trade receivables	11	10,699,700	10,045,336	334,933	375,802
Other receivables	12	226,122	230,708	134,276	63,831
Tax recoverable		10,931	280,051	—	—
Amounts owing by subsidiaries	13	—	—	4,973,000	4,486,000
Fixed deposits	14	16,586,627	16,818,736	16,512,232	16,739,942
Cash and bank balances	15	4,810,354	3,836,607	1,638,228	1,111,453
		46,355,889	45,048,854	23,621,700	22,826,495
Less:- Current Liabilities					
Trade payables	16	4,816,129	4,555,874	273,974	558,934
Other payables	17	821,572	767,120	523,818	495,913
Provision for taxation		207,201	—	—	—
Amounts owing to banks	18	—	31,248	—	—
		5,844,902	5,354,242	797,792	1,054,847
Net Current Assets		40,510,987	39,694,612	22,823,908	21,771,648
Less:- Non-Current Liabilities					
Provision for retirement benefits	19	312,556	280,264	312,556	280,264
Deferred tax liabilities	20	577,110	628,250	—	—
		889,666	908,514	312,556	280,264
Net Assets		68,535,224	71,223,644	46,914,728	48,421,619
EQUITY					
Share capital	21	33,278,673	33,278,673	33,278,673	33,278,673
Capital reserves	22	104,446	452,082	—	358,906
Foreign currency translation reserves		(6,416,747)	(3,536,093)	—	—
Retained profits		39,194,865	38,734,199	13,636,055	14,784,040
Attributable to equity holders of the Company		66,161,237	68,928,861	46,914,728	48,421,619
Non-controlling interests		2,373,987	2,294,783	—	—
Total Equity		68,535,224	71,223,644	46,914,728	48,421,619

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

Consolidated Statement of Comprehensive Income
for the financial year ended 31 July 2015

	Note	2015 $	2014 $
Revenue	23	62,035,523	61,991,024
Other income	24	918,489	508,027
Changes in short-term investments		17,645	247,228
Changes in inventories		708,696	(77,945)
Purchases of short-term investments		(2,470,396)	(2,570,053)
Purchases of inventories		(53,130,188)	(52,995,907)
Employee benefits expense		(3,977,585)	(3,761,287)
Depreciation and amortisation expenses			
- property, plant and equipment	3	(472,637)	(398,939)
- prepaid lease	4	(58,250)	(31,121)
Finance costs	25	(2,414)	(6,025)
Share of results of associates, net of tax	7	1,540,714	1,279,816
Other expenses		(2,564,298)	(2,170,099)
Profit before tax	25	2,545,299	2,014,719
Income tax expense	26	(939,224)	(443,613)
Profit for the financial year		1,606,075	1,571,106
Profit for the financial year attributable to:-			
Equity holders of the Company		1,235,042	1,325,622
Non-controlling interests		371,033	245,484
		1,606,075	1,571,106
Earnings per share for profit attributable to equity holders of the Company (in cents)			
Basic and diluted	27	4.78	5.14

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

Consolidated Statement of Comprehensive Income
for the financial year ended 31 July 2015

	Note	2015 $	2014 $
Profit for the financial year		1,606,075	1,571,106
Other comprehensive income:-			
Items that may be subsequently reclassified to profit or loss:-			
Fair value loss on long-term unquoted investments	22	(33,906)	(41,592)
Reclassification of fair value gain on disposal of long-term unquoted investments	22	(325,000)	–
Share of associates' capital reserve	22	11,270	(24,148)
Reclassification of translation differences on disposal of an associate		(126,998)	–
Translation differences relating to financial statements of foreign operations		(2,962,581)	(340,629)
Other comprehensive loss, net of tax		(3,437,215)	(406,369)
Total comprehensive income for the financial year		(1,831,140)	1,164,737
Total comprehensive income attributable to:-			
Equity holders of the Company		(1,993,248)	935,360
Non-controlling interests		162,108	229,377
		(1,831,140)	1,164,737

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

Consolidated Statement of Changes In Equity
for the financial year ended 31 July 2015

	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 August 2013		33,278,673	517,822	(3,211,571)	38,182,953	68,767,877	2,147,113	70,914,990
Profit for the year		—	—	—	1,325,622	1,325,622	245,484	1,571,106
Other comprehensive loss for the financial year		—	(65,740)	(324,522)	—	(390,262)	(16,107)	(406,369)
Total comprehensive income for the financial year		—	(65,740)	(324,522)	1,325,622	935,360	229,377	1,164,737
Dividends paid by								
- the Company	28	—	—	—	(774,376)	(774,376)	—	(774,376)
- subsidiaries to non-controlling interests		—	—	—	—	—	(81,707)	(81,707)
At 31 July 2014		33,278,673	452,082	(3,536,093)	38,734,199	68,928,861	2,294,783	71,223,644
Profit for the year		—	—	—	1,235,042	1,235,042	371,033	1,606,075
Other comprehensive loss for the financial year		—	(347,636)	(2,880,654)	—	(3,228,290)	(208,925)	(3,437,215)
Total comprehensive income for the financial year		—	(347,636)	(2,880,654)	1,235,042	(1,993,248)	162,108	(1,831,140)
Dividends paid by								
- the Company	28	—	—	—	(774,376)	(774,376)	—	(774,376)
- subsidiaries to non-controlling interests		—	—	—	—	—	(82,904)	(82,904)
At 31 July 2015		33,278,673	104,446	(6,416,747)	39,194,865	66,161,237	2,373,987	68,535,224

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

Consolidated Statement of Cash Flows
for the financial year ended 31 July 2015

	2015 $	2014 $
Cash flows from operating activities:-		
Profit before tax	2,545,299	2,014,719
Adjustments for non-cash and other items:-		
Allowance for doubtful trade receivables	27,116	—
Allowance for obsolete inventories (no longer required)/required	(23,444)	24,377
Bad debt written off	10,933	—
Depreciation and amortisation expenses	530,887	430,060
Fair value loss on short-term investments	1,047,452	288,802
Gain on disposal of an associate	(17,859)	—
Reclassification of fair value gain on disposal of long-term unquoted investment	(325,000)	—
Net gain on disposal of property, plant and equipment	(90,326)	(194,263)
Interest expense	2,414	6,025
Interest income	(163,841)	(187,731)
Provision for retirement benefits	32,292	24,331
Reversal of allowance for doubtful trade receivables	(7,877)	(5,764)
Share of results of associates, net of tax	(1,540,714)	(1,279,816)
	(517,967)	(893,979)
Operating profit before working capital changes	2,027,332	1,120,740
Increase in short-term investments	(1,065,097)	(536,030)
(Increase)/decrease in inventories	(685,252)	53,568
Increase in trade and other receivables	(1,324,047)	(724,620)
Increase in trade and other payables	719,823	14,487
	(2,354,573)	(1,192,595)
Cash used in operations	(327,241)	(71,855)
Income tax paid	(762,992)	(398,651)
Interest paid	(2,414)	(6,025)
Interest received	163,841	187,731
	(601,565)	(216,945)
Net cash used in operating activities	(928,806)	(288,800)
Cash flows from investing activities:-		
Purchases of property, plant and equipment	(1,273,536)	(2,035,213)
Payment for lease	—	(1,529,590)
Addition to investment property	(337,770)	—
Proceeds from disposal of property, plant and equipment	90,326	250,106
Proceeds from disposal of long-term investment	575,000	—
Proceeds from disposal of an associates	3,004,327	—
Dividends received from associates	610,170	491,259
Net cash generated from/(used in) investing activities	2,668,517	(2,823,438)
	1,739,711	(3,112,238)

Consolidated Statement of Cash Flows
for the financial year ended 31 July 2015

	2015 $	2014 $
Cash flows from financing activities:-		
Dividends paid by the Company	(774,376)	(774,376)
Dividends paid by subsidiaries to non-controlling interests	(82,904)	(81,707)
Net cash used in financing activities	(857,280)	(856,083)
Net increase/(decrease) in cash and cash equivalents	882,431	(3,968,321)
Cash and cash equivalents at beginning of the financial year	20,624,095	24,643,329
Effects of currency translations on cash and cash equivalents	(109,545)	(50,913)
Cash and cash equivalents at end of the financial year (Note 29)	21,396,981	20,624,095

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 6.

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, assumptions and judgements. 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 2014, 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 except for the following:-

FRS 112 Disclosures of Interests in Other Entities

The Group has adopted the above new FRS on 1 August 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements currently found in FRS 27 (revised 2011) *Separate Financial Statements* and FRS 28 (revised 2011) *Investments in Associates and Joint Ventures*.

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

2.2 **CHANGES IN ACCOUNTING POLICIES** – *cont'd*

The Group has applied FRS 112 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 112 in September 2011) in FRS 112 and amended for consolidation exceptions for 'investment entity' from 1 August 2014. The Group has incorporated the additional required disclosures into the financial statements.

2.3 **SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS**

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

(a) Critical accounting estimates and assumptions

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

The cost, less the residual values, of investment properties and property, plant and equipment are depreciated on the straight-line method over their estimated economic useful lives. Management estimates the economic useful lives of these assets to be within 5 to 999 years. As changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. The carrying amounts of the Group's property, plant and equipment and investment properties are disclosed in Notes 3 and 5 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, allowance made for inventory obsolescence is disclosed in Note 9.

(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 11.

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

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

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

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

Impairment of financial assets available-for-sale

<u>Equity investment at fair value</u>

The Group records impairment charges on available-for-sale equity investments carried at fair value 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.

<u>Equity investment at cost</u>

The Group follows the guidance of FRS 39 in determining when an available-for-sale financial asset is considered impaired. This determination requires significant judgement. Management reviews any objective evidence of impairment on an annual basis. Where there is objective evidence of impairment, management makes judgement as to whether an impairment loss should be recorded in profit or loss. The carrying amount of the financial assets, available-for-sale at cost affected by the judgement is $931,084 (2014: $933,448).

The cumulative amount of impairment loss recognised for the Group's available-for-sale financial assets was $349,573 (2014: $350,472).

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

2.4 **GROUP ACCOUNTING**

(a) Subsidiaries

(i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

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

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and statements 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.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.4 GROUP ACCOUNTING – *cont'd*

(a) Subsidiaries - *cont'd*

(iii) Disposals of subsidiaries or businesses

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

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

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

(b) Transactions with non-controlling interests

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

(c) Associates

Associates are entities over which the Group has significant influence, but not control, and generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. 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.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.4 GROUP ACCOUNTING – *cont'd*

(c) Associates - *cont'd*

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

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

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

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

2.5 PROPERTY, PLANT AND EQUIPMENT

(a) Measurement

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

In accordance with the relevant accounting standards, an entity that had revalued its property, plant and equipment before 1 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 1 January 1984 and 31 December 1996 (both dates inclusive), there will be no need for the entity to revalue its assets in accordance with the standard with effect from 19 January 2007.

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 the straight line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:-

	Years
Leasehold land	924
Leasehold buildings	50
Leasehold land and buildings	25 to 999
Motor vehicles	5 to 10
Office equipment and fittings	5 to 10

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

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

(b) Depreciation - *cont'd*

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

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

(c) Subsequent expenditure

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

(d) Disposal

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

2.6 **INVESTMENT PROPERTIES**

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

An investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and any 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. **SIGNIFICANT ACCOUNTING POLICIES** – *cont'd*

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.

(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 reclassified 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.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.8 FINANCIAL ASSETS – *cont'd*

(d) Subsequent measurement

Financial assets, both available-for-sale (quoted equity securities) 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.

Unquoted equity securities are subsequently carried at fair value unless their fair values cannot be reliably measured in which case, they are carried at cost less impairments, if any.

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 when available-for-sale equity securities are carried at fair value. Changes in their fair values (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.

(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 (carried at fair value)

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

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

2.8 **FINANCIAL ASSETS** – *cont'd*

(e) Impairment - *cont'd*

(ii) Financial assets, available-for-sale (carried at fair value) - *cont'd*

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.

(iii) Financial assets, available-for-sale (carried at cost)

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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.

2.10 **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 and bank overdrafts. Bank overdrafts are presented as current borrowings on the statement of financial position.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

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 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

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

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

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 period;

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

2.19 REVENUE RECOGNITION

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

(a) Sale of goods – Trading income

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

(b) Interest income

Interest income 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.

(e) Sales of investments

Revenue from sales of investments is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

2.20 GOVERNMENT GRANTS

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

2.21 BORROWING COSTS

Borrowing costs are recognised in profit or loss in the year 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 year as the employment that gives rise to the contributions.

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.22 EMPLOYEE BENEFITS – *cont'd*

(b) Provision for retirement benefits

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

The liability recognised in the statement of financial position in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, if any, 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 year 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 year.

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.

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

2.23 **LEASES** – *cont'd*

(b) When the Group is the lessor - *cont'd*

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 chief decision maker who is responsible for allocating resources and assessing performance of the operating segments.

2.25 **PREPAID LEASE PAYMENTS**

Leasehold land that normally has a definite economic life and where the title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. Payments made on entering into or acquiring leasehold land are accounted as prepaid lease payments and amortised evenly over the lease terms of the land.

3. PROPERTY, PLANT AND EQUIPMENT

	← Revalued cost	→	←	Cost	→	
GROUP	**Leasehold land $**	**Leasehold building $**	**Leasehold land and buildings $**	**Motor vehicles $**	**Office equipment and fittings $**	**Total $**
Cost						
At 1 August 2013	34,787	90,919	1,001,144	2,587,347	763,476	4,477,673
Additions	—	—	1,207,572	544,933	282,708	2,035,213
Disposals	—	—	—	(121,367)	(24,445)	(145,812)
Currency translation differences	(291)	(759)	5,036	(12,138)	(1,409)	(9,561)
At 31 July 2014	34,496	90,160	2,213,752	2,998,775	1,020,330	6,357,513
Additions	—	—	—	738,661	534,875	1,273,536
Disposals	—	—	—	(320,473)	—	(320,473)
Currency translation differences	(2,930)	(7,659)	(188,056)	(157,861)	(84,898)	(441,404)
At 31 July 2015	31,566	82,501	2,025,696	3,259,102	1,470,307	6,869,172
Accumulated Depreciation						
At 1 August 2013	1,190	57,713	415,532	1,857,125	589,927	2,921,487
Charge for the year	37	1,783	38,376	296,318	62,425	398,939
Disposals	—	—	—	(96,341)	(24,201)	(120,542)
Currency translation differences	(10)	(462)	(3,043)	(8,460)	(2,526)	(14,501)
At 31 July 2014	1,217	59,034	450,865	2,048,642	625,625	3,185,383
Charge for the year	36	1,734	59,412	301,564	109,891	472,637
Disposals	—	—	—	(320,473)	—	(320,473)
Currency translation differences	(105)	(5,099)	(41,184)	(125,628)	(35,218)	(207,234)
At 31 July 2015	1,148	55,669	469,093	1,904,105	700,298	3,130,313
Net Carrying Amount						
At 31 July 2014	33,279	31,126	1,762,887	950,133	394,705	3,172,130
At 31 July 2015	30,418	26,832	1,556,603	1,354,997	770,009	3,738,859

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

COMPANY	Motor vehicles $	Office equipment and fittings $	Total $
Cost			
At 1 August 2013	448,105	280,161	728,266
Additions	363,888	13,000	376,888
Disposals	(114,001)	–	(114,001)
At 31 July 2014	697,992	293,161	991,153
Additions	648,902	40,000	688,902
Disposals	(251,888)	–	(251,888)
At 31 July 2015	1,095,006	333,161	1,428,167
Accumulated Depreciation			
At 1 August 2013	345,315	252,012	597,327
Charge for the year	64,060	13,066	77,126
Disposals	(88,975)	–	(88,975)
At 31 July 2014	320,400	265,078	585,478
Charge for the year	89,201	12,235	101,436
Disposals	(251,888)	–	(251,888)
At 31 July 2015	157,713	277,313	435,026
Net Carrying Amount			
At 31 July 2014	377,592	28,083	405,675
At 31 July 2015	937,293	55,848	993,141

Leasehold land and buildings of the Group with a total net carrying amount of $424,033 (2014: $484,755) have been mortgaged to secure banking facilities granted to a subsidiary (Note 18).

The Group's leasehold land and leasehold building 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 $31,566 and $82,501 [equivalent to RM88,000 and RM230,000 respectively] which were the fair value at that date.

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

Location	Site area *(sq. m)*	Tenure
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

4. PREPAID LEASE

	GROUP	
	2015	2014
	$	$
Cost		
Balance at beginning of the financial year	2,302,288	762,096
Additions	–	1,529,590
Currency translation difference	(195,576)	10,602
Balance at end of the financial year	2,106,712	2,302,288
Accumulated Amortisation		
Balance at beginning of the financial year	283,381	254,036
Charge for the year	58,250	31,121
Currency translation difference	(26,900)	(1,776)
Balance at end of the financial year	314,731	283,381
Net Carrying Amount	1,791,981	2,018,907

Prepaid lease of the Group with a total net carrying amount of $383,606 (2014: $427,022) have been mortgaged to secure banking facilities granted to a subsidiary (Note 18).

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

Location	**Site area** *(sq. m)*	**Tenure**
Lot 3, Km 8, Jalan Tuaran, Kota Kinabalu, Sabah	8,025	60 years from 2013
Lot 8, Block C, Saguking Warehouse, Federal Territory of Labuan	280	99 years from 1982
MDLD 1434, Lot 4B, Hopeley Ind Shophouse, Lahad Datu, Sabah	168	59 years from 1974
Lot 118, SEDCO Industrial Estate, Phase II B, Mile 3, North Road, Sandakan, Sabah	464	25 years from 2013
Lot PT 1542, Mukim 1, Daerah Seberang Perai Tengah, Pulau Pinang	7,918	60 years from 1985

5. INVESTMENT PROPERTIES

GROUP AND COMPANY	Freehold land $	Construction-in-progress $	Total $
Cost			
At 1 August 2013 and 31 July 2014	3,879,481	—	3,879,481
Additions	—	337,770	337,770
At 31 July 2015	3,879,481	337,770	4,217,251
Net Carrying Amount			
At 31 July 2014	3,879,481	—	3,879,481
At 31 July 2015	3,879,481	337,770	4,217,251
Fair Value			
At 31 July 2014			12,500,000
At 31 July 2015			12,500,000

The freehold building has no value in the accounts.

The redevelopment of the existing heritage building is progressing as scheduled and is in the course of finalising the awards for the tenders of the building projects and the construction work is expected to be completed in 2 years.

The following amounts are recognised in profit or loss:-

	GROUP AND COMPANY	
	2015 $	2014 $
Rental income from investment properties (Note 24)	82,134	82,134
Direct operating expenses arising from:-		
- Investment properties that generated rental income	7,061	8,187
- Investment properties that did not generate rental income	9,523	8,397

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

The Company's investment property (land value only) was appraised as at 31 July 2014 by an independent valuer, DTZ Debenham Tie Leung (SEA) Pte Ltd, at a fair value of $12,500,000 (Level 3 fair value hierarchy).

This property is professionally appraised every 5 years.

Details of the investment property is as follows:-

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

6. INVESTMENTS IN SUBSIDIARIES

	COMPANY 2015 $	COMPANY 2014 $
Unquoted equity investments, at cost	20,649,874	20,649,874
Less:- Impairment losses	(2,362,506)	(2,362,506)
	18,287,368	18,287,368

Details of the subsidiaries are as follows:-

Name of subsidiary	Principal activities	Place of incorporation/ business	Percentage of equity held 2015 %	Percentage of equity held 2014 %
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
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	84.31
Held by Tong Guan Food Products Sdn. Bhd.				
Sasinco Sdn. Bhd.@	Wholesaler of consumer goods	Malaysia	100.00	100.00

^ Audited by RT LLP
# Audited by Ernst & Young, Malaysia
@ Audited by Deloitte KassimChan, Malaysia

In accordance with Rule 716 of The Singapore Exchange Securities Trading Limited, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and significant associates (Note 7) would not compromise the standard and effectiveness of the audit of the Company.

7. INVESTMENTS IN ASSOCIATES

	GROUP		COMPANY	
	2015	2014	2015	2014
	$	$	$	$
Unquoted equity investments, at cost	12,328,454	14,948,396	—	4,816,357
Less:- Impairment losses				
Balance at beginning of the financial year	—	—	(1,973,168)	(1,935,441)
Impairment losses charged	—	—	—	(37,727)
Disposal	—	—	1,973,168	—
Balance at end of the financial year	—	—	—	(1,973,168)
	12,328,454	14,948,396	—	2,843,189
Share of post-acquisition reserves	9,927,141	9,363,123	—	—
Share of capital reserve	104,141	92,871	—	—
Foreign currency translation reserves	(4,125,008)	(2,579,716)	—	—
	18,234,728	21,824,674	—	2,843,189

Movements for share of post- acquisition reserves

	2015	2014
Balance at beginning of the financial year	9,363,123	8,574,566
Share of results	1,540,714	1,279,816
Dividends received	(610,170)	(491,259)
Disposal	(366,526)	—
Balance at end of the financial year	9,927,141	9,363,123

GROUP	**Henan Khong Guan Cereal and Oil Food Products Company Limited**	**United Malayan Flour (1996) Sdn Bhd**	**Borneo Can Sendirian Berhad**	**Total**
As at 31 July 2015	**$**	**$**	**$**	**$**
Summarised balance sheet				
Current assets	—	49,918,600	673,577	50,592,177
Includes:-				
- Cash and cash equivalents	—	16,608,716	7,238	16,615,954
Current liabilities	—	(4,226,781)	(12,929)	(4,239,710)
Includes:-				
- Financial liabilities (excluding trade payables)	—	(2,805,739)	(3,335)	(2,809,074)
Non-current assets	—	25,052,224	67,541	25,119,765

7. INVESTMENTS IN ASSOCIATES – *cont'd*

GROUP As at 31 July 2015	Henan Khong Guan Cereal and Oil Food Products Company Limited $	United Malayan Flour (1996) Sdn Bhd $	Borneo Can Sendirian Berhad $	Total $
Non-current liabilities	–	(1,930,219)	–	(1,930,219)
Includes:-				
- Financial liabilities	–	–	–	–
- Other liabilities	–	(565,110)	–	(565,110)
Net assets	–	68,813,824	728,189	69,542,013
Summarised statement of Comprehensive income				
Revenue	13,824,865	94,722,795	292,785	108,840,445
Interest income	60,763	486,924	–	547,687
Expenses				
Includes:-				
- Depreciation and amortisation	(53,432)	(2,191,460)	(11,808)	(2,256,700)
- Interest expense	–	(10,031)	–	(10,031)
Profit/(loss) from continuing operations	98,796	8,127,363	(48,397)	8,177,762
Income tax (expense)/refund	(23,553)	(1,700,028)	3,230	(1,720,351)
Post-tax profit/(loss) - continuing	75,243	6,427,335	(45,167)	6,457,411
Post-tax profit/(loss) - discontinued	–	–	–	–
Other comprehensive income	–	22,514	–	22,514
Total comprehensive income	75,243	6,449,849	(45,167)	6,479,925
Dividend received from associated company	–	610,170	–	610,170

7. INVESTMENTS IN ASSOCIATES – *cont'd*

GROUP

As at 31 July 2014	Henan Khong Guan Cereal and Oil Food Products Company Limited $	United Malayan Flour (1996) Sdn Bhd $	Borneo Can Sendirian Berhad $	Total $
Summarised balance sheet				
Current assets	6,260,066	50,055,863	768,273	57,084,202
Includes:-				
- Cash and cash equivalents	5,286,926	19,870,847	8,479	25,166,252
Current liabilities	(114,299)	(5,871,236)	(19,526)	(6,005,061)
Includes:-				
- Financial liabilities (excluding trade payables)	(74,717)	(3,940,181)	(8,246)	(4,023,144)
Non-current assets	859,283	27,597,113	86,089	28,542,485
Non-current liabilities	–	(1,002,838)	–	(1,002,838)
Includes:-				
- Financial liabilities	–	–	–	–
- Other liabilities	–	(569,164)	–	(569,164)
Net assets	7,005,050	70,778,902	834,836	78,618,788
Summarised statement of Comprehensive income				
Revenue	18,211,302	90,653,203	598,699	109,463,204
Interest income	98,140	191,126	–	289,266
Expenses				
Includes:-				
- Depreciation and amortisation	(153,704)	(1,949,727)	(12,143)	(2,115,574)
- Interest expense	–	(19,821)	(677)	(20,498)
Profit/(loss) from continuing operations	57,819	5,735,550	(15,242)	5,778,127
Income tax (expense)/refund	(18,427)	(683,384)	(11,586)	(713,397)
Post-tax profit/(loss) - continuing	39,392	5,052,166	(26,828)	5,064,730
Post-tax profit/(loss) - discontinued	–	–	–	–
Other comprehensive loss	–	(140,464)	–	(140,464)
Total comprehensive income	39,392	4,911,702	(26,828)	4,924,266
Dividend received from associated company	–	471,661	19,598	491,259

7. **INVESTMENTS IN ASSOCIATES** – *cont'd*

GROUP	**Henan Khong Guan Cereal and Oil Food Products Company Limited**		**United Malayan Flour (1996) Sdn Bhd**		**Total**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**	**$**	**$**
Net assets						
At begining of the financial year	7,005,050	7,157,466	70,778,902	68,122,486	77,783,952	75,279,952
Profit for the year	75,243	39,392	6,427,335	5,052,166	6,502,578	5,091,558
Dividend paid						
- company	–	–	(2,035,800)	(1,570,185)	(2,035,800)	(1,570,185)
- subsidiary company	–	–	(160,038)	(151,786)	(160,038)	(151,786)
Other comprehensive income/(loss)	–	–	22,514	(140,464)	22,514	(140,464)
Foreign exchange differences	588,342	(191,808)	(6,219,089)	(533,315)	(5,630,747)	(725,123)
Disposal	(7,668,635)	–	–	–	(7,668,635)	–
At end of the financial year	–	7,005,050	68,813,824	70,778,902	68,813,824	77,783,952
Associates' non-controlling interest	–	–	(8,715,615)	(8,284,620)	(8,715,615)	(8,284,620)
Nets assets attributable to the Group	–	7,005,050	60,098,209	62,494,282	60,098,209	69,499,332
Interest in associated companies	–	2,844,050	18,029,463	18,748,285	18,029,463	21,592,335
Add:-						
Carrying value of individually immaterial associated companies					205,265	232,339
Carrying value of Group's interest in associated companies					18,234,728	21,824,674

7. **INVESTMENTS IN ASSOCIATES** – *cont'd*

Details of the associates are as follows:-

Name of company	Principal activities	Place of incorporation/ business	Effective interest held by group 2015 %	2014 %
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
Held by Tau Meng Investments Pte. Ltd.				
United Malayan Flour (1996) Sdn. Bhd. +	Milling and trading of wheat flour and related products	Malaysia	30.00	30.00
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	23.67

Audited by Henan Junguangxin Accountant Firm Co.,Ltd, The People's Republic of China.
+ Audited by Ernst & Young, Malaysia
@ Audited by Deloitte KassimChan, Malaysia

8. LONG-TERM INVESTMENTS

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

	GROUP 2015 $	GROUP 2014 $	COMPANY 2015 $	COMPANY 2014 $
Available-for-sale financial assets				
Unquoted equity investments:-				
At fair value				
Balance at beginning of the financial year	608,906	650,498	608,906	650,498
Fair value loss (Note 22)	(33,906)	(41,592)	(33,906)	(41,592)
Disposal	(575,000)	—	(575,000)	—
Balance at end of the financial year	—	608,906	—	608,906
Unquoted equity investments:-				
At cost	1,280,657	1,283,920	1,245,504	1,245,504
Less:- Impairment loss				
Balance at beginning of the financial year	(350,472)	(350,561)	(339,888)	(339,888)
Currencies translation differences	899	89	—	—
Balance at end of the financial year	(349,573)	(350,472)	(339,888)	(339,888)
	931,084	933,448	905,616	905,616
Total equity investments	931,084	1,542,354	905,616	1,514,522

8. **LONG-TERM INVESTMENTS** – *cont'd*

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

	GROUP			
	2015		2014	
	At fair value $	At cost $	At fair value $	At cost $
Unquoted equity investments:-				
- Singapore	–	–	608,906	–
- Malaysia	–	25,468	–	27,832
- Hong Kong	–	905,616	–	905,616
	–	931,084	608,906	933,448

	COMPANY			
	2015		2014	
	At fair value $	At cost $	At fair value $	At cost $
Unquoted equity investments:-				
- Singapore	–	–	608,906	–
- Hong Kong	–	905,616	–	905,616
	–	905,616	608,906	905,616

The available-for-sale unquoted equity investment is carried at its cost because fair value cannot be reliably measured. This investment is not quoted on any market. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. Consequently, it is carried at cost less provision for impairment. The Group does not intend to dispose this investment in the foreseeable future.

During the financial year, no additional impairment loss has been recognised against the unquoted equity investment based on the review of the recoverable amount of its investment.

9. INVENTORIES

	GROUP		COMPANY	
	2015	2014	2015	2014
	$	$	$	$
Trading inventories				
- at cost	6,062,247	5,664,029	29,031	49,467
Goods-in-transit				
- at cost	113,300	368,801	–	–
Allowance for obsolete inventories				
Balance at beginning of the financial year	(24,377)	–	–	–
Reversal/(charge) for the financial year	23,444	(24,377)	–	–
Translation difference	933	–	–	–
Balance at end of the financial year	–	(24,377)	–	–
	6,175,547	6,008,453	29,031	49,467

The cost of inventories recognised as an expense as included in the consolidated statement of comprehensive income amounted to $52,421,492 (2014: $53,073,852).

In 2015, $23,444 of write-down of inventories was reversed to the profit or loss as the Group is able to claim refund from suppliers.

10. SHORT-TERM INVESTMENTS

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

	GROUP	
	2015	2014
	$	$
Held for trading		
Equity investments quoted in:-		
- Singapore	5,478,004	5,232,452
- Malaysia	2,365,643	2,593,659
- Hong Kong	2,961	2,852
	7,846,608	7,828,963

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

	GROUP	
	2015	2014
	$	$
Singapore Dollars	5,427,770	5,176,100
Ringgit Malaysia	2,365,643	2,593,659
United States Dollars	50,234	56,352
Hong Kong Dollars	2,961	2,852
	7,846,608	7,828,963

11. TRADE RECEIVABLES

	GROUP		COMPANY	
	2015 $	2014 $	2015 $	2014 $
Third parties	10,593,907	9,888,596	359,420	401,289
Related parties	158,725	192,268	—	—
	10,752,632	10,080,864	359,420	401,289
Less:- Allowance for doubtful trade receivables				
Balance at beginning of the financial year	(35,528)	(47,171)	(25,487)	(29,487)
Allowance (made)/written back for the financial year	(19,239)	5,764	1,000	4,000
Bad debts written off	—	5,649	—	—
Currency translation differences	1,835	230	—	—
Balance at end of the financial year	(52,932)	(35,528)	(24,487)	(25,487)
	10,699,700	10,045,336	334,933	375,802

Trade receivables are denominated in the following currencies:-

	GROUP		COMPANY	
	2015 $	2014 $	2015 $	2014 $
Singapore Dollars	334,933	560,179	334,933	375,802
Ringgit Malaysia	10,364,767	9,485,157	—	—
	10,699,700	10,045,336	334,933	375,802

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2014: 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	
	2015 $	2014 $	2015 $	2014 $
Not past due and not impaired (a)	8,446,616	8,583,066	158,079	265,043
Past due but not impaired (b)	2,253,084	1,462,270	176,854	110,759
	10,699,700	10,045,336	334,933	375,802
Impaired receivables (c)				
Individually assessed	52,932	35,528	24,487	25,487
Allowance for doubtful receivables	(52,932)	(35,528)	(24,487)	(25,487)
	—	—	—	—
	10,699,700	10,045,336	334,933	375,802

11. 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	
	2015	2014	2015	2014
	$	$	$	$
Less than 30 days	1,183,570	801,736	65,174	77,574
31 to 60 days	602,534	276,390	57,722	13,517
61 to 90 days	203,158	85,529	43,891	10,940
More than 90 days	263,822	298,615	10,067	8,728
	2,253,084	1,462,270	176,854	110,759

Included in the Group's and Company's trade receivable balance are debtors with a carrying amount of $263,822 (2014: $298,615) and $10,067 (2014: $8,728) respectively, which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

(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.

12. OTHER RECEIVABLES

	GROUP		COMPANY	
	2015	2014	2015	2014
	$	$	$	$
Sundry receivables	37,848	75,728	642	642
Interest receivable	7,111	6,574	7,111	6,574
Deposits	105,188	60,523	75,137	2,167
Prepayments	75,975	87,883	51,386	54,448
	226,122	230,708	134,276	63,831

Other receivables are denominated in the following currencies:-

	GROUP		COMPANY	
	2015	2014	2015	2014
	$	$	$	$
Singapore Dollars	142,626	61,464	128,314	57,883
Ringgit Malaysia	83,496	169,244	5,962	5,948
	226,122	230,708	134,276	63,831

13. AMOUNTS OWING BY SUBSIDIARIES

	COMPANY	
	2015 $	2014 $
Amounts owing by subsidiaries, non-trade	5,300,000	4,600,000
Less:- Allowance for doubtful receivables		
Balance at beginning of the financial year	(114,000)	(170,000)
(Made)/written back for the financial year	(213,000)	56,000
Balance at end of the financial year	(327,000)	(114,000)
	4,973,000	4,486,000

The amounts owing by subsidiaries are unsecured, repayable on demand and interest-free.

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

	COMPANY	
	2015 $	2014 $
Singapore Dollars	4,973,000	4,486,000

14. FIXED DEPOSITS

Fixed deposits of the Group and Company are placed with licensed financial institutions and mature within one month (2014: one month) from the end of the reporting period. The effective interest rate is 0.05% to 3.20% (2014: 0.05% to 3.20%) per annum.

Fixed deposits are denominated in the following currencies:-

	GROUP		COMPANY	
	2015 $	2014 $	2015 $	2014 $
Singapore Dollars	12,500,000	12,500,000	12,500,000	12,500,000
Ringgit Malaysia	4,086,627	4,318,736	4,012,232	4,239,942
	16,586,627	16,818,736	16,512,232	16,739,942

15. CASH AND BANK BALANCES

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	$	$	$	$
Singapore Dollars	3,233,452	2,954,811	1,631,708	1,104,367
Ringgit Malaysia	1,575,036	880,047	6,520	7,086
Hong Kong Dollars	1,866	1,749	—	—
	4,810,354	3,836,607	1,638,228	1,111,453

16. TRADE PAYABLES

	GROUP		COMPANY	
	2015	2014	2015	2014
	$	$	$	$
Third parties	4,050,894	2,067,906	4,507	4,096
Related parties (Note 30)	765,235	2,487,968	269,467	554,838
	4,816,129	4,555,874	273,974	558,934

Trade payables are denominated in the following currencies:-

	GROUP		COMPANY	
	2015	2014	2015	2014
	$	$	$	$
Singapore Dollars	273,974	558,934	273,974	558,934
United States Dollars	172,521	353,603	—	—
Ringgit Malaysia	4,369,634	3,643,337	—	—
	4,816,129	4,555,874	273,974	558,934

Trade payables are non interest-bearing and are normally settled within 30 to 90 days (2014: 30 to 90 days).

Included in trade payables, is an aggregate amount of $868,133 [equivalent to RM2,420,221] (2014: $748,081 [equivalent to RM1,908,370]) which is secured by corporate guarantees provided by the Company to certain suppliers of a subsidiary [Note 33 (b)].

17. OTHER PAYABLES

	GROUP		COMPANY	
	2015 $	2014 $	2015 $	2014 $
Sundry payables	225,564	211,334	163,735	162,415
Deposits				
- related parties	13,179	13,179	13,179	13,179
- third parties	510	510	510	510
Accrued expenses	582,319	542,097	346,394	319,809
	821,572	767,120	523,818	495,913

Non-trade payables are non-interest bearing and are normally settled within 90 (2014: 90) days or on demand.

The payables are denominated in the following currencies:-

	GROUP		COMPANY	
	2015 $	2014 $	2015 $	2014 $
Singapore Dollars	583,060	550,917	523,818	495,913
Ringgit Malaysia	238,512	216,203	–	–
	821,572	767,120	523,818	495,913

18. AMOUNTS OWING TO BANKS

	GROUP	
	2015 $	2014 $
Bank overdraft	–	31,248

In 2014, the bank overdraft bore interest at 7.62% per annum.

The banking facilities were secured by:-

(a) mortgages over leasehold land and buildings with a total net carrying amount of $424,033 (2014: $484,755) (Note 3) of the Group;

(b) mortgages over prepaid lease payments with a total net carrying amount of $383,606 (2014: $427,022) (Note 4) of the Group;

(c) corporate guarantees from the Company [see Note 33(a)]; and

(d) a negative pledge by a subsidiary.

Bank overdraft was denominated in Ringgit Malaysia.

19. PROVISION FOR RETIREMENT BENEFITS

	GROUP AND COMPANY	
	2015	2014
	$	$
Balance at beginning of the financial year	280,264	255,933
Provision made	32,292	24,331
Balance at end of the financial year	312,556	280,264

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.

	GROUP AND COMPANY	
	2015	2014
	$	$
Obligations recognised in the statement of financial position for:-		
Pension benefits	312,556	280,264
Expenses charged to profit or loss:-		
Pension benefits	32,292	24,331

	GROUP AND COMPANY	
	2015	2014
	$	$
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	312,556	280,264

	GROUP AND COMPANY	
	2015	2014
	$	$
The amounts recognised in profit or loss are as follows:-		
Current service cost	27,976	21,404
Interest cost	323	243
Remeasurement - loss from change in financial assumptions	3,993	2,684
	32,292	24,331

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

Movement in the defined benefit obligation is as follows:-

	GROUP AND COMPANY	
	2015	**2014**
	$	**$**
Balance at beginning of the financial year	280,264	255,933
Amount recognised in profit or loss	32,292	24,331
Balance at end of the financial year	312,556	280,264

There is no benefit paid during the financial year 2015 and 2014.

The significant actuarial assumptions used were as follows:-

	GROUP AND COMPANY	
	2015	**2014**
Discount rate	1.0%	1.0%
Salary increment rate	6.0%	6.0%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:-

		GROUP AND COMPANY Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 4.7%	Increase by 5.2%
Salary increment rate	2.0%	Decrease by 4.0%	Increase by 8.0%

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

20. DEFERRED TAX ASSETS/LIABILITIES

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

	GROUP	
	2015	**2014**
	$	**$**
Deferred tax assets		
Provisions and other temporary differences	–	–
Deferred tax liabilities		
Fair value gains on short-term investments	487,824	496,415
Excess of carrying amount over tax written down value of property, plant and equipment and others	89,286	131,835
	577,110	628,250

20. DEFERRED TAX ASSETS/LIABILITIES – *cont'd*

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	
	2015	**2014**
	$	**$**
Deferred tax assets		
Balance at beginning of the financial year	–	8,117
Charged to profit or loss		
- current	–	(7,961)
- prior years	–	–
Currency translation differences	–	(156)
Balance at end of the financial year	–	–
Deferred tax liabilities		
Balance at beginning of the financial year	628,250	591,292
(Credited)/charged to profit or loss		
- current	(370)	26,546
- prior years	(41,137)	10,454
Change in tax rate	(34)	–
Currency translation differences	(9,599)	(42)
Balance at end of the financial year	577,110	628,250
Net deferred taxation (credited)/charged to profit or loss (Note 26)	(41,507)	44,961

21. SHARE CAPITAL

	GROUP AND COMPANY	
	2015	**2014**
	$	**$**
Issued and fully paid:-		
25,812,520 (2014: 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	
	2015	2014	2015	2014
	$	$	$	$
NON-DISTRIBUTABLE				
Fair value reserve:-				
Unquoted long-term investments				
Balance at beginning of the financial year	358,906	400,498	358,906	400,498
Fair value loss (Note 8)	(33,906)	(41,592)	(33,906)	(41,592)
Reclassification to profit or loss on disposal	(325,000)	—	(325,000)	—
Balance at end of the financial year	—	358,906	—	358,906
Other capital reserve:-				
Balance at beginning of the financial year	93,176	117,324	—	—
Share of associates' capital reserve	11,270	(24,148)	—	—
Balance at end of the financial year	104,446	93,176	—	—
	104,446	452,082	—	358,906

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

Other capital reserve records the share of the associates' capital reserve which represents fair value reserve and surplus on disposal of investments.

23. REVENUE

	GROUP	
	2015	2014
	$	$
Sale of goods to:-		
third parties	59,539,191	58,735,736
related parties	628,269	747,746
Sale of short-term investments	1,613,662	2,291,180
Gross dividends from:-		
quoted equity investments	200,041	205,617
unquoted equity investments	54,360	10,745
	62,035,523	61,991,024

24. OTHER INCOME

	GROUP	
	2015 $	2014 $
Reversal of allowance for doubtful trade receivables	7,877	5,764
Reversal of allowance for obsolete inventories	23,444	—
Bad debts recovered, trade	—	1,939
Gain on disposal of property, plant and equipment	90,326	194,507
Gain on disposal of an associate	17,859	—
Reclassification from other comprehensive income on disposal of long-term unquoted investment	325,000	—
Transport charges received	105,937	—
Government grants	67,183	16,997
Interest income	163,841	187,731
Management fee received from a related party	12,000	12,000
Rental from investment properties received from		
- associates	79,074	79,074
- third parties	3,060	3,060
Sundry income	22,888	6,955
	918,489	508,027

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	
	2015 $	2014 $
The aggregate amount of:-		
- audit fees paid to the external auditors	69,986	61,077
- non-audit fees paid to the external auditors	6,327	5,428
Allowance for doubtful trade receivables	27,116	—
Contributions to provident funds		
- directors	29,309	26,568
- employees	296,444	279,149
Directors' remuneration		
- directors of the Company	765,356	732,296
- directors of subsidiaries	100,015	98,072
Foreign exchange loss, net	395,721	46,700
Bank interest expenses	2,414	6,025
Operating lease expense	62,959	136,881
Retainer fee paid to a firm in which a director of the company is the sole principal	3,000	3,000
Provision for retirement benefits	32,292	24,331
Allowance for obsolete inventories (no longer required)/required	(23,444)	24,377
Fair value loss on short term investment	1,047,452	288,802
Bad debt written off	10,933	—

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

26. INCOME TAX EXPENSE

	GROUP	
	2015	2014
	$	$
Current taxation:-		
Malaysian tax	938,831	491,637
Tax deducted at source	2,301	2,513
	941,132	494,150
Deferred taxation:-		
Current	(370)	34,507
Prior year's (over)/underprovision	(41,137)	10,454
	(41,507)	44,961
	899,625	539,111
Under/(over)provision in prior years		
Current income tax	39,599	(95,498)
	939,224	443,613

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

	2015	2014
	$	$
Profit before tax	2,545,299	2,014,719
Tax at the applicable rate of 17%	432,701	342,502
Tax effects of:-		
Expenses not deductible for tax purposes	203,386	78,991
Income not subject to tax	(179,675)	(156,510)
Share of results of associates	(261,921)	(217,568)
Utilisation of unabsorbed tax losses	—	(4,725)
Difference in tax rate of other countries	288,127	190,799
Deferred tax benefits not recognised	455,541	294,163
Others	364	(1,305)
	938,523	526,347
Withholding tax	2,239	2,310
Prior year's overprovision	(1,538)	(85,044)
Tax expense	939,224	443,613

At the end of the reporting period, the Group has estimated unabsorbed tax losses totaling $25,076,000 (2014: $22,397,000) 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 $4,263,000 (2014: $3,807,000) 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.

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

	GROUP	
	2015	**2014**
Net profit attributable to ordinary equity holders on issue applicable to basic and diluted earnings per share ($)	1,235,042	1,325,622
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share	25,812,520	25,812,520
Basic and diluted (in cents)	4.78	5.14

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

28. DIVIDENDS

The final tax exempt one-tier dividend of $0.03 (2014: one-tier dividend of $0.03) per ordinary share amounting to $774,376 (2014: $774,376) declared for the financial year ended 31 July 2014 (2014: declared for the financial year ended 31 July 2013) was approved and paid during the financial year ended 31 July 2015.

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 2015. 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	
	2015	**2014**
	$	**$**
Fixed deposits (Note 14)	16,586,627	16,818,736
Cash and bank balances (Note 15)	4,810,354	3,836,607
Bank overdraft (Note 18)	–	(31,248)
	21,396,981	20,624,095

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 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 at terms agreed between the parties were as follows:-

	GROUP		COMPANY	
	2015 $	2014 $	2015 $	2014 $
Purchases from				
- associate	15,317,203	16,007,041	1,601,775	1,806,797
- related parties	8,082,410	7,601,519	1,096	23,182
Rental income received from associates	79,074	79,074	79,074	79,074
Management fees received from subsidiaries	–	–	44,787	46,203
Loans to subsidiaries	–	–	700,000	900,000

31. DIRECTORS' REMUNERATION

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

	GROUP	
	2015 Number of directors	2014 Number of directors
Below $100,000	4	4
$100,001 to $250,000	0	0
$250,001 to $500,000	2	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

2015	Trading of wheat flour and consumer goods $	Investment trading $	Investment holding $	Group $
Revenue				
External revenue	60,167,460	1,613,662	254,401	62,035,523
Results				
Profit before interest, taxation, depreciation and amortisation	2,344,780	(1,213,599)	242,864	1,374,045
Depreciation and amortisation	(483,317)	(47,570)	–	(530,887)
Operating profit	1,861,463	(1,261,169)	242,864	843,158
Interest expense				(2,414)
Interest income				163,841
Share of results of associates, net of tax				1,540,714
Taxation				(939,224)
Profit after tax				1,606,075
Assets and Liabilities				
Segment assets	46,376,785	9,629,964	972,425	56,979,174
Associates				18,234,728
Unallocated assets				55,890
				75,269,792
Segments liabilities	5,630,322	51,262	7,980	5,689,564
Unallocated liabilities				1,045,004
				6,734,568

32. SEGMENT INFORMATION – *cont'd*

BUSINESS SEGMENTS – *cont'd*

2015 – *cont'd*	**Trading of wheat flour and consumer goods $**	**Investment trading $**	**Investment holding $**	**Group $**
Other segments information				
Expenditure for non-current assets	1,611,306	–	–	1,611,306
Other non-cash items:-				
Allowance for doubtful trade receivables	19,239	–	–	19,239
Foreign exchange loss	384,432	11,069	220	395,721
2014	**$**	**$**	**$**	**$**
Revenue				
External revenue	59,483,482	2,291,180	216,362	61,991,024
Results				
Profit before interest, taxation, depreciation and amortisation	1,174,444	(397,065)	205,878	983,257
Depreciation and amortisation	(384,028)	(46,032)	–	(430,060)
Operating profit	790,416	(443,097)	205,878	553,197
Interest expense				(6,025)
Interest income				187,731
Share of results of associates, net of tax				1,279,816
Taxation				(443,613)
Profit after tax				1,571,106

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

BUSINESS SEGMENTS – *cont'd*

2014 – *cont'd*	**Trading of wheat flour and consumer goods $**	**Investment trading $**	**Investment holding $**	**Group $**
Assets and Liabilities				
Segment assets	43,622,750	9,980,507	1,696,441	55,299,698
Associates				21,824,674
Unallocated assets				362,028
				77,486,400
Segments liabilities	5,368,168	48,023	6,981	5,423,172
Unallocated liabilities				839,584
				6,262,756
Other segments information				
Expenditure for non-current assets	3,554,246	10,557	–	3,564,803
Other non-cash items:-				
Foreign exchange loss	42,557	4,122	21	46,700

GEOGRAPHICAL SEGMENTS

2015	**Singapore $**	**Malaysia $**	**The People's Republic of China $**	**Group $**
Revenue				
External revenue	3,817,468	58,218,055	–	62,035,523
Assets				
Segment assets	33,522,644	22,550,914	905,616	56,979,174
Associates	–	18,234,728	–	18,234,728
Unallocated assets				55,890
				75,269,792
2014				
Revenue				
External revenue	4,737,326	57,253,698	–	61,991,024
Assets				
Segment assets	33,361,935	21,032,147	905,616	55,299,698
Associates	–	18,980,624	2,844,050	21,824,674
Unallocated assets				362,028
				77,486,400

There is no revenue from transactions with a single external customer amounting to 10% or more of the Group's revenue.

33. CONTINGENT LIABILITIES - unsecured

a) The Company has issued corporate guarantees amounting to $2,064,319 [equivalent to RM5,755,000] (2014: $2,255,960 [equivalent to RM5,755,000]) to certain banks for facilities granted to two subsidiaries. The aggregate amount of facilities utilised as at 31 July 2015 was $NIL (2014: $31,248).

b) The Company has issued corporate guarantees amounting to $2,510,900 [equivalent to RM7,000,000] (2014: $2,744,000 [equivalent to RM7,000,000]) to certain suppliers of one subsidiary for credit purchases made from the suppliers

c) 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 Group leases premises from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

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

	GROUP		COMPANY	
	2015	2014	2015	2014
	$	$	$	$
Not later than one year	84,506	38,220	67,337	–
Between one and five years	94,272	14,210	94,272	–
	178,778	52,430	161,609	–

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

The Group and Company lease out premise to related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

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

	GROUP AND COMPANY	
	2015	2014
	$	$
Not later than one year	26,613	29,418
Between one and five years	–	255
	26,613	29,673

34. COMMITMENTS – *cont'd*

(c) Capital commitments

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

	GROUP		COMPANY	
	2015 $	2014 $	2015 $	2014 $
Property, plant and equipment	167,149	–	79,224	–
Investment property	614,774	–	614,774	–

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 14) and bank borrowings obligations (see Note 18).

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

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 100 (2014: 100) basis points higher/lower with all other variables held constant, the effect on the Group's profit before tax would have been $165,866 (2014: $167,875) 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.

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

Market risk – *cont'd*

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

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

The Group's currency exposure is as follows:-

Group	Ringgit Malaysia ("RM") $	Hong Kong Dollars ("HKD") $	United States Dollars ("USD") $	Singapore Dollars ("SGD") $	Total $
2015					
Assets					
Long-term investments	25,468	905,616	–	–	931,084
Short-term investments	2,365,643	2,961	50,234	5,427,770	7,846,608
Trade and other receivables	10,437,641	–	–	412,206	10,849,847
Fixed deposits	4,086,627	–	–	12,500,000	16,586,627
Cash and bank balances	1,575,036	1,866	–	3,233,452	4,810,354
	18,490,415	910,443	50,234	21,573,428	41,024,520
Liabilities					
Trade and other payables	4,608,146	–	172,521	857,034	5,637,701
	4,608,146	–	172,521	857,034	5,637,701
Net financial assets/ (liabilities)	13,882,269	910,443	(122,287)	20,716,394	35,386,819
Less:- Net financial assets denominated in the respective entities' functional currencies	7,385,642	–	–	20,716,394	28,102,036
Currency exposure of financial assets/ (liabilities)	6,496,627	910,443	(122,287)	–	7,284,783

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 $
2014					
Assets					
Long-term investments	27,832	905,616	–	608,906	1,542,354
Short-term investments	2,593,659	2,852	56,352	5,176,100	7,828,963
Trade and other receivables	9,654,401	–	–	621,643	10,276,044
Fixed deposits	4,318,736	–	–	12,500,000	16,818,736
Cash and bank balances	880,047	1,749	–	2,954,811	3,836,607
	17,474,675	910,217	56,352	21,861,460	40,302,704
Liabilities					
Trade and other payables	3,859,540	–	353,603	1,109,851	5,322,994
Amounts owing to banks	31,248	–	–	–	31,248
	3,890,788	–	353,603	1,109,851	5,354,242
Net financial assets/ (liabilities)	13,583,887	910,217	(297,251)	20,751,609	34,948,462
Less:- Net financial assets denominated in the respective entities' functional currencies	6,630,778	–	–	20,751,609	27,382,387
Currency exposure of financial assets/ (liabilities)	6,953,109	910,217	(297,251)	–	7,566,075

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 $
2015				
Assets				
Long-term investments	—	905,616	—	905,616
Trade and other receivables	5,962	—	411,861	417,823
Amounts owing by subsidiaries	—	—	4,973,000	4,973,000
Fixed deposits	4,012,232	—	12,500,000	16,512,232
Cash and bank balances	6,520	—	1,631,708	1,638,228
	4,024,714	905,616	19,516,569	24,446,899
Liabilities				
Trade and other payables	—	—	797,792	797,792
	—	—	797,792	797,792
Net financial assets	4,024,714	905,616	18,718,777	23,649,107
Less:- Net financial assets denominated in the respective entities' functional currencies	—	—	18,718,777	18,718,777
Currency exposure of financial assets	4,024,714	905,616	—	4,930,330

Company	Ringgit Malaysia ("RM") $	Hong Kong Dollars ("HKD") $	Singapore Dollars (functional currency) ("SGD") $	Total $
2014				
Assets				
Long-term investments	—	905,616	608,906	1,514,522
Trade and other receivables	5,948	—	433,685	439,633
Amounts owing by subsidiaries	—	—	4,486,000	4,486,000
Fixed deposits	4,239,942	—	12,500,000	16,739,942
Cash and bank balances	7,086	—	1,104,367	1,111,453
	4,252,976	905,616	19,132,958	24,291,550
Liabilities				
Trade and other payables	—	—	1,054,847	1,054,847
	—	—	1,054,847	1,054,847
Net financial assets	4,252,976	905,616	18,078,111	23,236,703
Less:- Net financial assets denominated in the respective entities' functional currencies	—	—	18,078,111	18,078,111
Currency exposure of financial assets	4,252,976	905,616	—	5,158,592

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% (2014: 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:-

	2015 Increase/(decrease)		2014 Increase/(decrease)	
	Net profit $	**Equity $**	**Net profit $**	**Equity $**
Group				
RM against SGD				
- strengthened	64,966	—	69,531	—
- weakened	(64,966)	—	(69,531)	—
HKD against SGD				
- strengthened	48	9,056	46	9,056
- weakened	(48)	(9,056)	(46)	(9,056)
USD against SGD				
- strengthened	(1,223)	—	(2,973)	—
- weakened	1,223	—	2,973	—

	2015 Increase/(decrease)		2014 Increase/(decrease)	
	Net profit $	**Equity $**	**Net profit $**	**Equity $**
Company				
RM against SGD				
- strengthened	40,247	—	42,530	—
- weakened	(40,247)	—	(42,530)	—
HKD against SGD				
- strengthened	—	9,056	—	9,056
- weakened	—	(9,056)	—	(9,056)

(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 (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.

Sensitivity analysis for equity risk

At the end of the reporting period, if prices for equity securities listed in Singapore and Malaysia changed by 10% (2014: 10%) and 5% (2014: 5%) respectively, with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been:-

	2015		2014	
	Profit after tax $	Other comprehensive income $	Profit after tax $	Other comprehensive income $
Group				
Listed in Singapore				
- increased by	547,800	–	523,245	–
- decreased by	(547,800)	–	(523,245)	–
Listed in Malaysia				
- increased by	118,282	–	129,683	–
- decreased by	(118,282)	–	(129,683)	–

	2015		2014	
	Profit after tax $	Other comprehensive income $	Profit after tax $	Other comprehensive income $
Company				
Listed in Malaysia				
- increased by	–	–	–	–
- decreased by	–	–	–	–

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:-

	2015		2014	
	$	**% of total**	**$**	**% of total**
By Country				
Singapore	334,933	3	560,179	6
Malaysia	10,364,767	97	9,485,157	94
	10,699,700	100	10,045,336	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 $
Group	
2015	
Trade and other payables	5,637,701
Amount owing to banks	–
	5,637,701
2014	
Trade and other payables	5,322,994
Amount owing to banks	31,248
	5,354,242
Company	
2015	
Trade and other payables	797,792
2014	
Trade and other payables	1,054,847

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 (i.e. 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 2015 and 31 July 2014.

35. FINANCIAL RISK MANAGEMENT – *cont'd*

Fair value measurements – *cont'd*

	Level 1 $	Level 2 $	Total $
Group			
2015			
Long-term investments	–	–	–
Short-term investments	7,846,608	–	7,846,608
	7,846,608	–	7,846,608
2014			
Long-term investments	–	608,906	608,906
Short-term investments	7,828,963	–	7,828,963
	7,828,963	608,906	8,437,869

	Level 2 $	Total $
Company		
2015		
Long-term investments	–	–
2014		
Long-term investments	608,906	608,906

Assets not carried at fair value but which fair value are disclosed

Group and Company	Carrying amount $	Level 1 $	Level 2 $	Level 3 $
2015				
Investment properties	4,217,251	–	–	12,500,000
2014				
Investment properties	3,879,481	–	–	12,500,000

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 short-term investments, their fair values are based on market quoted price. Unquoted investments which are stated at fair value are indirectly derived from quoted prices. Unquoted investments are stated at cost less impairment loss, if any, as they have no market price and their fair value cannot be reliably measured by valuation techniques and the Group has no intention to dispose them.

35. FINANCIAL RISK MANAGEMENT – *cont'd*

Financial Instrument by category

The carrying amount of the different categories of financial instruments is as described in Note 11, Note 12, Note 13, Note 14, Note 15, Note 16 and Note 17 to the financial statements and as follows:-

	GROUP		COMPANY	
	2015	2014	2015	2014
	$	$	$	$
Loans and receivables	32,246,828	30,843,504	23,541,283	22,722,580
Financial liabilities at amortised cost	5,637,701	5,354,242	797,792	1,054,847

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 years ended 31 July 2015 and 31 July 2014.

The capital structure of the Group consists of equity attributable to equity holders of the Company.

The Group and the Company are not subject to externally imposed capital requirements for the financial years ended 31 July 2015 and 2014.

37. 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 2015 or later periods and which the Group has not early adopted:-

FRS	Title	Effective date (annual periods beginning on or after)
Amendments to FRS 1	Disclosure Initiative	1 January 2016
Amendments to FRS 16 and FRS 41	Agriculture: Bearer Plants	1 January 2016
Amendments to FRS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 110 and FRS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28	Investment Entities: Applying the consolidation exception	1 January 2016
Amendments to FRS 111	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 114	Regulatory Deferral Accounts	1 January 2016
Improvements to FRS (November 2014)		1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2017
FRS 109	Financial Instruments	1 January 2018

The management anticipates that the adoption of the above FRSs and amendments and improvements 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 15 October 2015

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 - 99	11	1.32	290	0.00
100 - 999	249	29.93	144,993	0.56
1,000 - 10,000	445	53.49	1,674,201	6.49
10,001 - 1,000,000	120	14.42	6,819,111	26.42
1,000,001 & ABOVE	7	0.84	17,173,925	66.53
TOTAL	832	100.00	25,812,520	100.00

SHAREHOLDINGS IN THE HANDS OF THE PUBLIC AS AT 15 OCTOBER 2015

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 15 OCTOBER 2015

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
KHONG GUAN BISCUIT FACTORY (SINGAPORE) PRIVATE LTD	2,375,000	9.20
HONG LEONG FINANCE NOMINEES PTE LTD	2,009,000	7.78
KHONG GUAN DEVELOPMENT PTE LTD	1,641,600	6.36
INTER-OCEAN SHIPPING & TRADING PTE LTD	1,258,000	4.87
GOLDEN RIVER INTERNATIONAL PTE LTD	1,217,065	4.72
UNITED OVERSEAS BANK NOMINEES PTE LTD	734,000	2.84
DBS NOMINEES PTE LTD	656,940	2.55
CIMB SECURITIES (S'PORE) PTE LTD	606,200	2.35
DBS VICKERS SECURITIES (S) PTE LTD	300,200	1.16
TAN KHIOK KWEE	293,300	1.14
NG KIM HOCK FREDDIE	270,000	1.05
NG SOO GIAP OR CHEW SOOI GUAT	205,700	0.80
CHEW SOO ENG	201,666	0.78
CITIBANK NOMINEES S'PORE PTE LTD	200,000	0.77
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	0.46
TOTAL	21,177,731	82.04

Analysis of Shareholdings as at 15 October 2015

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	—	—
GOH TEE KIA	600,000	2.32	2,270,000 *4	8.79
GTK HOLDING PTE LTD	1,600,000	6.20	300,000 *5	1.16

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 300,000 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 interested in the 300,000 shares held by G & C General Contractors Pte Ltd by virtue of the provisions of Section 7 of Companies Act, Cap. 50.

This page is intentionally left blank

KHONG GUAN FLOUR MILLING LIMITED

(Company Regn. No. 196000096G)
(Incorporated in the Republic of Singapore)
Registered Office:
85 Playfair Road #07-01 Tong Yuan Industrial Building, Singapore 368000

FORM OF PROXY

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.

I/We ______________________________ (Name) ______________ (NRIC/Passport No.)

of ____ (Address)

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 at 2 MacTaggart Road (Level 2), Singapore 368078 on Friday, 27 November 2015 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; Dr Ng Peng Teng		
5.	To re-elect Mr Sam Teng Choong under Section 153(6) of the Companies Act, Cap. 50		
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 ______________ 2015.

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 85 Playfair Road #07-01 Tong Yuan Industrial Building, Singapore 368000, 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.