KHONG GUAN

FLOUR MILLING LIMITED

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

ANNUAL REPORT 2016

Contents

Corporate Information

Directors

Chew Soo Lin (Chairman)
Chew Soo Eng (Managing Director)
Tay Kwang Lip Willie (Lead Independant Director)
Sam Teng Choong
Ng Peng Teng Dr
Chew Kian Boon Daniel (Appointed on 25 February 2016)

Audit Committee

Tay Kwang Lip Willie (Chairman)
Sam Teng Choong
Ng Peng Teng Dr

Nominating Committee

Tay Kwang Lip Willie (Chairman)
Chew Soo Lin
Ng Peng Teng Dr

Remuneration Committee

Tay Kwang Lip Willie (Chairman)
Sam Teng Choong
Ng Peng Teng Dr

Company Secretary

Koe Eng Chuan

Registered Office

85 Playfair Road, #07-01
Tong Yuan Industrial Building
Singapore 368000
Telephone No. 62822511
Fax No. 62855868

Auditor

RT LLP
Public Accountants and Chartered Accountants
1 Raffles Place, #17-02
One Raffles Place
Singapore 048616
Audit Partner: Su Chun Keat
(appointed since financial year ended 31 July 2016)

Registrar

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

Bankers

Standard Chartered Bank
DBS Bank Ltd
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 the Banquet Hall (Level 3), The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046 on Friday, 25 November 2016 at 10.00 a.m. to transact the following business:-

Ordinary Business

1. To adopt the audited financial statements for the financial year ended 31 July 2016 and the Independent Auditor's Report and Directors' Statement thereon. **(Resolution 1)**

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 2016. **(Resolution 2)**

3. To approve the payment of Directors' fees of $84,000 (2015: $84,000) for the financial year ended 31 July 2016. **(Resolution 3)**

4. To re-elect Mr Chew Soo Lin, 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. **(Resolution 4)**

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

5. To re-elect Mr Tay Kwang Lip Willie, 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. **(Resolution 5)**

   Note:- Mr Willie Tay will, upon re-election, remain as the Chairman of the Audit, Remuneration and Nominating Committees. Mr Willie Tay is considered as an Independent Director.

6. To re-elect Mr Chew Kian Boon Daniel, who retires in accordance with Article 110(a) of the Company's Articles of Association and who being eligible, offers himself for re-election, as a Director of the Company. **(Resolution 6)**

7. To re-appoint RT LLP as Independent Auditor and to authorise the Directors to fix their remuneration. **(Resolution 7)**

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 **(Resolution 8)**

   "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 **(Resolution 9)**

"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 8 December 2016 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 7 December 2016 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 7 December 2016 will be entitled to the proposed dividend. Payment of the dividend, if approved by shareholders at the Annual General Meeting, will be made on 15 December 2016.

By Order of the Board
Koe Eng Chuan
Company Secretary

Singapore, 10 November 2016

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.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agent or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representatives(s) to the Company (or its agent or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Chairman's Statement

Review of Operations

Group turnover for the year was lower at $58,708,000 compared to $62,036,000 for the previous year mainly due to the weaker Ringgit and a reduction in sales of short-term investments. Group profit for the financial year was lower as a result of the reduced turnover, lower margins due to market competition as well as the depreciation in the Ringgit.

Trading Operations

Tong Guan Food Products Sdn Bhd 'TGF'

TGF has branches located at the major towns and has established a good and strong distribution network all over Sabah.

Turnover of TGF, an established wholesaler and distributor of wheat flour, biscuits, edible and non-edible goods in the state of Sabah, grew steadily in spite of a generally weaker consumer market following the introduction of the 6% GST last year. Sales of biscuits decreased slightly as a result of the imposition of the GST and the security issues in the coastal towns. Wheat flour market was very competitive as flour millers lowered their selling prices due to cheaper cost of wheat grains.

Swee Hin Chan Co Sdn Bhd 'SHC'

SHC, based in Penang, deals mainly in wheat flour, animal feeds and starches. Due to the lower cost of wheat grains, sales of wheat flour was very competitive and resulted in a slimmer profit margin. Likewise, sales of animal feeds were affected as cheaper imported maize was used to substitute for wheat bran and pollard by the feed mills. SHC maintained its position as a leading importer of starches and continued to perform satisfactorily.

The combined profit of the two Malaysian trading subsidiaries before taxation was $2,337,000 (2015: $3,612,000) after translating from the Ringgit which had weakened by about 11% during the year.

Manufacturing Operations

United Malayan Flour (1996) Sdn Bhd "UMF", a 30% equity held associate operating flour and oats mill in Butterworth, Penang made a steady improvement on its operating results. Profit after tax rose from RM13,465,000 to RM16,167,000 on a slightly lower turnover caused by the reduction in selling prices. Lower cost of wheat grains and the increased export of oats products contributed towards better profitability.

The group turnover of UMF was RM248,427,000 as compared with RM251,254,000 a year ago. After the currency conversion, our share of the results from UMF increased from $1,523,000 to $1,622,000 net of tax.

Redevelopment of Existing Property

The redevelopment of the existing heritage building began following the award of the building contract in March, 2016. Piling works have been completed and the construction works is progressing as per schedule.

Chairman's Statement

Dividend

A first and final tax exempt one-tier dividend of $0.03 per ordinary share for the financial year ended 31 July 2016 has been recommended by the Directors for approval by shareholders at the forthcoming Annual General Meeting.

Prospects

The instability in the financial markets and the slowdown in the global economic situation may have an impact on the group's operating results.

The two trading subsidiaries in Malaysia have established their respective market position and should be able to improve their operating results for the coming year. The associated flour mill in Malaysia should improve its profitability due mainly to better performance by its oats milling subsidiary.

In view of the above, the Directors are cautiously optimistic that the group's operating results is likely to improve in the coming financial year.

Acknowledgements

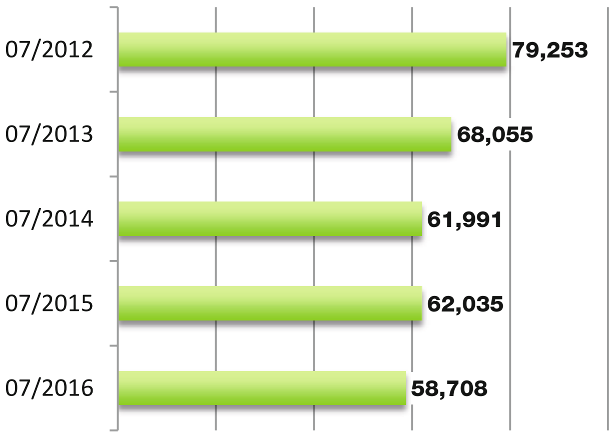
On behalf of the Board of Directors, I would like to take this opportunity to extend our deepest appreciation to our shareholders, customers and business associates for their continued support. In addition, I would like to extend our appreciation to the management and staff of the group for their hard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

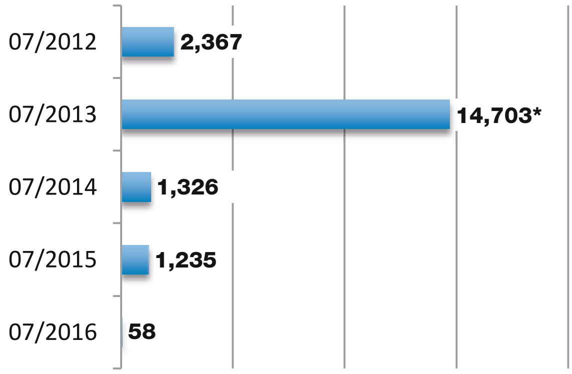
Group Financial Highlights as at 31 July 2016

	07/2016	07/2015	07/2014	07/2013	07/2012
($'thousand)					
Revenue	58,708	62,035	61,991	68,055	79,253
Attributable profit	58	1,235	1,326	14,703	2,367
Total assets	72,359	75,270	77,486	77,111	75,375
Shareholders' equity	62,796	66,161	68,929	68,769	66,682
	193,921	204,701	209,732	228,638	223,677

Revenue ($'thousand)

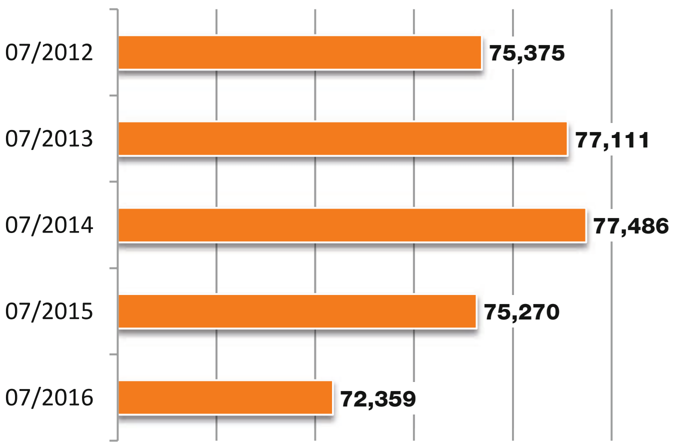


Attributable profit ($'thousand)

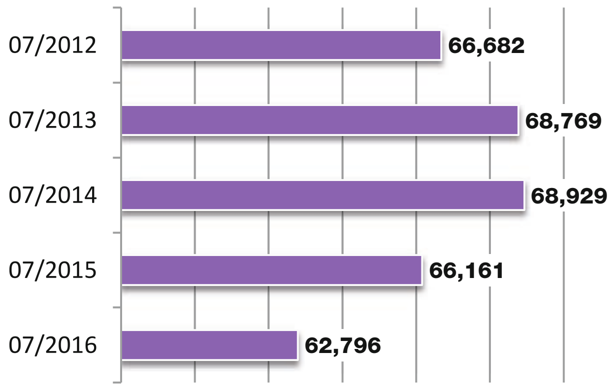


* Included gain on disposal of long-term unquoted investment

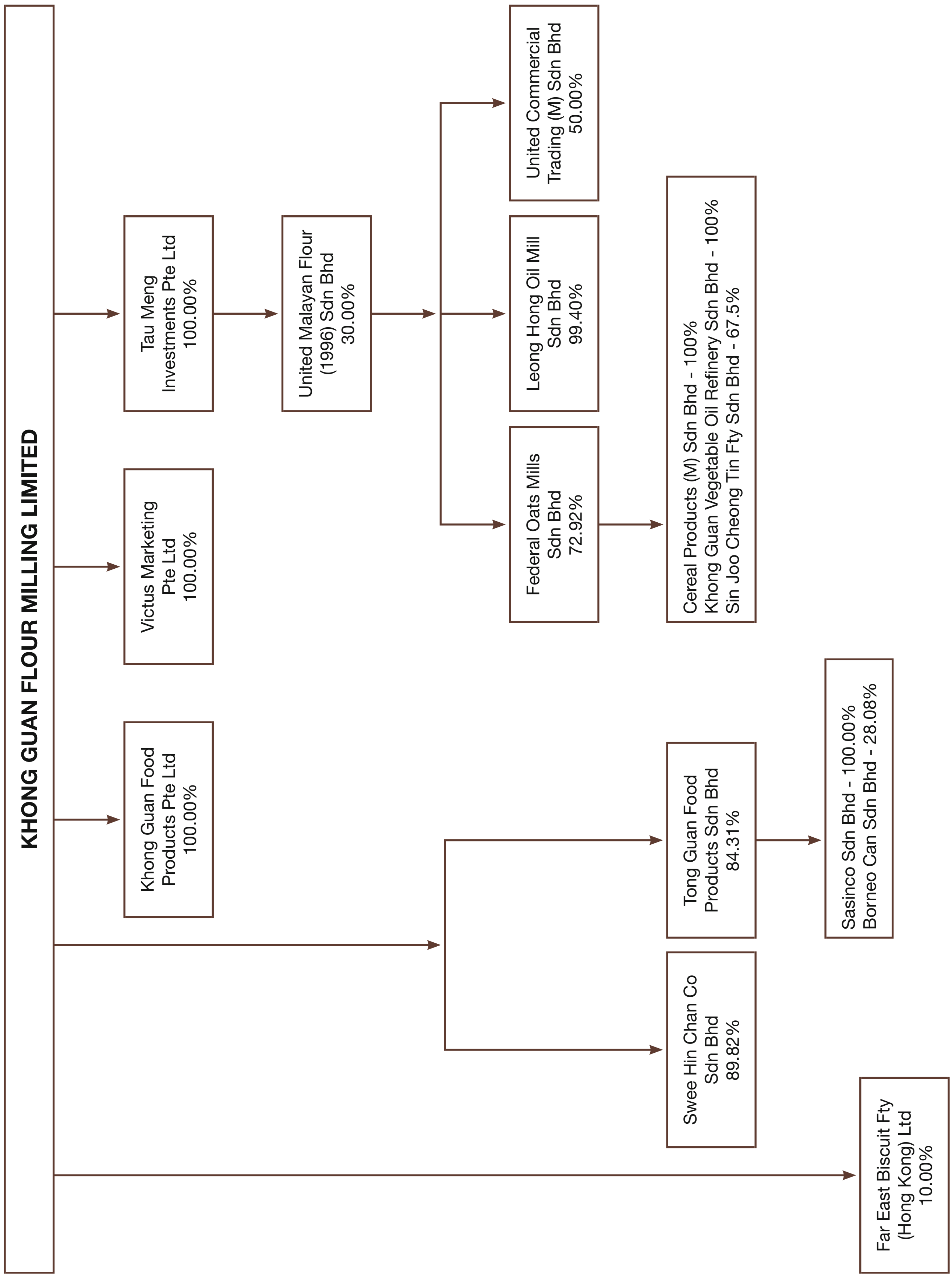
Total assets ($'thousand)



Shareholders' equity ($'thousand)



Group Structure



Corporate Governance

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

This report outlines the main corporate governance practices during the financial year ended 31 July 2016 that were in place throughout the financial year, with specific references to each of the principles of the Code and where appropriate, we have provided explanations for deviations from 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.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

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"). The Board Committees operate within clearly defined terms of reference and they play an important role in ensuring good corporate governance in the Company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance.

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 2016 and the attendance of Directors during those meetings is as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held in FY2016	4	3	2	1
Chew Soo Lin	4	NA	1	NA
Chew Soo Eng	4	NA	NA	NA
Tay Kwang Lip Willie	4	3	2	1
Sam Teng Choong	3	3	NA	NA
Ng Peng Teng Dr	4	1	2	1
Chew Kian Boon Daniel	2	NA	NA	NA

Notes: -
1) Mr Chew Kian Boon Daniel was appointed as a Director on 25 February 2016.
2) Mr Chew Soo Lin, Mr Sam Teng Choong and Dr Ng Peng Teng were appointed as members of Nominating, Remuneration and Audit committees respectively on 25 February 2016.

PRINCIPLE 1: THE BOARD'S CONDUCT OF ITS AFFAIRS – *cont'd*

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. During the year, Mr Chew Kian Boon Daniel was appointed as an Executive Director of the Company. Prior to his appointment as a Director, he was already involved in managing the business activities within the Group and had been invited to attend our Board meetings since 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 as and when they are issued.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE

The Company endeavors to maintain a strong and independent element on the Board. Out of six Board members, the Company has three 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. Dr Ng has served as an Independent Director of the Company for more than 9 years and the Board has rigorously reviewed his independence under the Code. Dr Ng has no association with the management and he has devoted and expressed his individual viewpoints on Board matters and objectively presents the issues to the board members. The Nominating Committee and the Board have concurred that Dr Ng Peng Teng continued to demonstrate strong independence in character and judgement in the discharge of his responsibilities as a Director of the Company.

Furthermore, having gained in-depth understanding of business and operating environment of the Group, Dr Ng is able to provide the Company with valuable experience and knowledge of the industry. After weighing the need for the Board's renewal against tenure for relative benefits, the Board has determined that Dr Ng Peng Teng continues to be considered independent notwithstanding he has served on the Board for more than nine years from the date of his appointment.

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 necessary to enhance the effectiveness of the Board in carrying out its responsibilities.

PRINCIPLE 2: BOARD COMPOSITION AND BALANCE *– cont'd*

The Board comprises the following members:

Executive Directors

Chew Soo Lin
Chew Soo Eng
Chew Kian Boon Daniel

Independent Directors

Tay Kwang Lip Willie
Ng Peng Teng Dr
Sam Teng Choong

The Board is of the view that the current Board, with Independent Non-Executive Directors making up one half 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 three 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 meets 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 of whom two of them are Independent and Non-Executive:

Tay Kwang Lip Willie (Chairman)
Chew Soo Lin
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 recommends their appointment. The Company's Articles of Association provides that one-third of the Directors shall retire by rotation at each annual general meeting and if eligible, they may offer themselves for re-election.

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

The NC recommends

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

- Tay Kwang Lip Willie retiring by rotation 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.

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.

Corporate Governance

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)
Sam Teng Choong
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.

An immediate family member of the Managing Director, Mr Chew Kian Hong Michael, had received remuneration in the band between $100,001 and $150,000 during the financial year.

REMUNERATION COMMITTEE – *cont'd*

The remuneration components paid to the Directors for the year ended 31 July 2016 are set out below:

Name of Director	Salary $'000	Bonus and Benefits $'000	Fees $'000	Total $'000
Chew Soo Lin	201.5	77.3	29.7	308.5
Chew Soo Eng	332.2	122.1	17.7	472.0
Tay Kwang Lip Willie	–	–	37.0	37.0
Sam Teng Choong	–	–	16.0	16.0
Ng Peng Teng Dr	–	–	13.5	13.5
Chew Kian Boon Daniel	124.7	34.0	6.0	164.7

Note: Mr Chew Kian Boon Daniel is a son of Mr Chew Soo Eng and nephew of Mr Chew Soo Lin.

Key Management Remuneration

Mr Chew Soo Lin, Mr Chew Soo Eng and Mr Chew Kian Boon Daniel who are Executive Directors of the Company are the only key management staff of the Group. The other management staff for the Group (who are not Directors) received remuneration for the financial year ended 31 July 2016 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.

The Board has also taken steps to ensure compliance with legislative and regulatory requirements. In line with the requirements under the rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in respect of the half yearly financial statements. For the financial year under review, the Group Managing Director has provided assurance to the Board on the integrity of the Group's financial statements.

PRINCIPLE 11: AUDIT COMMITTEE

The Audit Committee ("AC") comprises the following members:

Tay Kwang Lip Willie (Chairman)
Sam Teng Choong
Ng Peng Teng Dr

All members of the AC 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 AC. The Board is satisfied that all members of the AC are appropriately qualified to discharge their responsibilities.

PRINCIPLE 11: AUDIT COMMITTEE – *cont'd*

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.

Changes to accounting standards and issues which have a direct impact on financial statements, will be highlighted to the AC, from time to time, by the external auditors. The external auditors will work with Management to ensure that the Group complies with all the new accounting standards, if applicable.

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.

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 meetings are given to the Board members for their information and review.

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 in place a 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.

The AC has the explicit authority to conduct investigations into any matters within its terms of reference, including having full access to and co-operation of the Management, has full discretion to invite any Director or executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

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 ensure 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 aggregate amount of fees paid/payable to the external auditors of the Company and subsidiaries for audit services was $66,000. There were no material non-audit services provided by the external auditors for the financial year ended 31 July 2016.

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 does not practise selective disclosure. 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.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licences in providing nominee and custodial services and CPF Board which purchases shares on behalf of CPF investors.

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. There are separate resolutions at the general meetings for each distinct issue. 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.

The Company adheres to the requirements of the Listing Manual of the SGX-ST and the Code and all resolutions at the Company's general meetings are put to vote by poll. The detailed results of each resolution are announced via SGXNET after the general meetings.

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.

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 2016 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	–	11,780,000
Khong Guan Biscuit Factory (Borneo) Sdn Bhd	–	4,283,000
Chung Ying Confectionery & Food Products Sdn Bhd	–	2,534,000
Leong Hong Oil Mill Sdn Bhd	–	1,419,000
Federal Oats Mills Sdn Bhd	–	276,000
Sales to		
Khian Guan Biscuit Manufacturing Co Sdn Bhd	–	303,000
Lian Guan Food Products Sdn Bhd	–	118,000
Lian Seng Hang Sdn Bhd	–	1,096,000
Poh Seng Trading (Ipoh) Sdn Bhd	–	1,479,000
Soon Guan Chan Sdn Bhd	–	368,000
Soon Guan Co Sdn Bhd	–	218,000
Sunshine Traders Sdn Bhd	–	789,000
Thong Hong Trading Sdn Bhd	–	389,000

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

MATERIAL CONTRACTS

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

Profile of Directors and Key Executives

DIRECTORS

Chew Soo Lin

Mr Chew, who is an Executive Director, was appointed Chairman in August 2007.

He is also a member of the Nominating Committee.

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 a Non-Executive and Independent Director in January 2014.

He is the Lead Independent Director and Chairman of the Audit, Remuneration and Nominating Committees.

Before his retirement at the end of 2015, he was the Managing Director of a certified public accounting corporation and was 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.

Ng Peng Teng Dr

Dr Ng was appointed as a Non-Executive and Independent Director in July 2003.

He is a member of the Audit, Remuneration and Nominating Committees.

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.

Profile of Directors and Key Executives

Sam Teng Choong

Mr Sam was appointed as Director in October 2007.

He is a member of the Audit and Remuneration Committees.

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.

Chew Kian Boon Daniel

Mr Daniel Chew was appointed as an Executive Director in February 2016.

Mr Daniel Chew has more than 20 years of experience in flour milling operations. His present assignment includes group's procurement of raw materials, shipping freights and logistics for production planning. He currently also holds a senior managerial position in United Malayan Flour (1996) Sdn Bhd.

Mr Chew graduated with a business studies degree from University of Hull, UK in 1998.

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 2016

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") for the year ended 31 July 2016 and the statement of financial position of the Company as at 31 July 2016.

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 2016 and of the financial performance, 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
Ng Peng Teng Dr
Sam Teng Choong
Chew Kian Boon Daniel (Appointed on 25 February 2016)

In accordance with Articles 105(C) of the Company's Article of Association, Chew Soo Lin and Tay Kwang Lip Willie retire and, being eligible, offer themselves for re-election.

In accordance with Article 110(A) of the Company's Article of Association, Chew Kian Boon Daniel retires and, being eligible, offers himself for 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	
	01.08.2015	31.07.2016	01.08.2015	31.07.2016
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	—	—
Chew Kian Boon Daniel	2,000	2,000	—	—
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
Chew Kian Boon Daniel	34,248	34,248	—	—

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 2016.

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

AUDIT COMMITTEE – *cont'd*

- 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

- 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

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

On behalf of the Board of Directors

Chew Soo Lin
Director

Chew Soo Eng
Director

Singapore, 21 October 2016

Independent Auditor's Report to the Members of Khong Guan Flour Milling Limited for the financial year ended 31 July 2016

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 2016, 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.

Independent Auditor's Report to the Members of Khong Guan Flour Milling Limited for the financial year ended 31 July 2016

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 2016, and of the financial 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, 21 October 2016

Statements of Financial Position as at 31 July 2016

	Note	GROUP 2016 $	GROUP 2015 $	COMPANY 2016 $	COMPANY 2015 $
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment	3	3,671,847	3,738,859	380,820	993,141
Prepaid lease	4	1,599,066	1,791,981	—	—
Investment property	5	5,111,322	4,217,251	5,111,322	4,217,251
Investments in subsidiaries	6	—	—	18,287,368	18,287,368
Investments in associates	7	17,868,652	18,234,728	—	—
Long-term investments	8	929,067	931,084	905,616	905,616
		29,179,954	28,913,903	24,685,126	24,403,376
Current Assets					
Inventories	9	6,488,974	6,175,547	—	29,031
Short-term investments	10	7,265,440	7,846,608	—	—
Trade receivables	11	11,449,328	10,699,700	485,891	334,933
Other receivables	12	335,233	226,122	200,029	134,276
Tax recoverable		150,156	10,931	—	—
Amounts owing by subsidiaries	13	—	—	5,277,299	4,973,000
Fixed deposits	14	14,392,358	16,586,627	14,321,655	16,512,232
Cash and bank balances	15	3,097,488	4,810,354	825,358	1,638,228
		43,178,977	46,355,889	21,110,232	23,621,700
Less:- Current Liabilities					
Trade payables	16	5,513,128	4,816,129	204,855	273,974
Other payables	17	888,606	821,572	510,189	523,818
Provision for taxation		—	207,201	—	—
		6,401,734	5,844,902	715,044	797,792
Net Current Assets		36,777,243	40,510,987	20,395,188	22,823,908
Less:- Non-Current Liabilities					
Provision for retirement benefits	19	307,223	312,556	307,223	312,556
Deferred tax liabilities	20	514,586	577,110	—	—
		821,809	889,666	307,223	312,556
Net Assets		65,135,388	68,535,224	44,773,091	46,914,728
EQUITY					
Share capital	21	33,278,673	33,278,673	33,278,673	33,278,673
Capital reserves	22	140,790	104,446	—	—
Foreign currency translation reserves		(9,102,383)	(6,416,747)	—	—
Retained profits		38,478,910	39,194,865	11,494,418	13,636,055
Attributable to equity holders of the Company		62,795,990	66,161,237	44,773,091	46,914,728
Non-controlling interests		2,339,398	2,373,987	—	—
Total Equity		65,135,388	68,535,224	44,773,091	46,914,728

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

Consolidated Statement of Comprehensive Income
for the financial year ended 31 July 2016

	Note	2016 $	2015 $
Revenue	23	58,708,356	62,035,523
Other income	24	289,389	918,489
Changes in short-term investments		(581,168)	17,645
Changes in inventories		810,367	708,696
Purchases of short-term investments		(1,331,277)	(2,470,396)
Purchases of inventories		(51,900,735)	(53,130,188)
Employee benefits expense		(3,907,092)	(3,977,585)
Depreciation and amortisation expenses			
- property, plant and equipment	3	(503,153)	(472,637)
- prepaid lease	4	(51,668)	(58,250)
Finance costs	25	(4,860)	(2,414)
Share of results of associates, net of tax	7	1,596,416	1,540,714
Other expenses		(2,301,304)	(2,564,298)
Profit before tax	25	823,271	2,545,299
Income tax expense	26	(536,040)	(939,224)
Profit for the financial year		287,231	1,606,075
Profit for the financial year attributable to:-			
Equity holders of the Company		58,421	1,235,042
Non-controlling interests		228,810	371,033
		287,231	1,606,075
Earnings per share for profit attributable to equity holders of the Company (in cents)			
Basic and diluted	27	0.23	4.78

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

Consolidated Statement of Comprehensive Income
for the financial year ended 31 July 2016

	Note	2016 $	2015 $
Profit for the financial year		287,231	1,606,075
Other comprehensive income:-			
Items that may be subsequently reclassified to profit or loss:-			
Fair value loss on long-term unquoted investments	22	—	(33,906)
Reclassification of fair value gain on disposal of long-term unquoted investments	22	—	(325,000)
Share of associates' capital reserve	22	36,344	11,270
Reclassification of translation differences on disposal of an associate		—	(126,998)
Translation differences relating to financial statements of foreign operations		(2,875,500)	(2,962,581)
Other comprehensive income, net of tax		(2,839,156)	(3,437,215)
Total comprehensive income for the financial year		(2,551,925)	(1,831,140)
Total comprehensive income attributable to:-			
Equity holders of the Company		(2,590,871)	(1,993,248)
Non-controlling interests		38,946	162,108
		(2,551,925)	(1,831,140)

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

Consolidated Statement of Changes In Equity
for the financial year ended 31 July 2016

	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 2014		33,278,673	452,082	(3,536,093)	38,734,199	68,928,861	2,294,783	71,223,644
Profit for the financial year		—	—	—	1,235,042	1,235,042	371,033	1,606,075
Other comprehensive income 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
Profit for the financial year		—	—	—	58,421	58,421	228,810	287,231
Other comprehensive income for the financial year		—	36,344	(2,685,636)	—	(2,649,292)	(189,864)	(2,839,156)
Total comprehensive income for the financial year		—	36,344	(2,685,636)	58,421	(2,590,871)	38,946	(2,551,925)
Dividends paid by								
- the Company	28	—	—	—	(774,376)	(774,376)	—	(774,376)
- subsidiaries to non-controlling interests		—	—	—	—	—	(73,535)	(73,535)
At 31 July 2016		33,278,673	140,790	(9,102,383)	38,478,910	62,795,990	2,339,398	65,135,388

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

Consolidated Statement of Cash Flows
for the financial year ended 31 July 2016

	2016 $	2015 $
Cash flows from operating activities:-		
Profit before tax	823,271	2,545,299
Adjustments for non-cash and other items:-		
Allowance for doubtful trade receivables	11,023	27,116
Allowance for obsolete inventories no longer required	—	(23,444)
Bad debts written off	8,790	10,933
Depreciation and amortisation expenses	554,821	530,887
Fair value loss on short-term investments	811,997	1,047,452
Gain on disposal of an associate	—	(17,859)
Gain on disposal of long-term unquoted investment	(4,287)	—
Reclassification of fair value gain on disposal of long-term unquoted investment	—	(325,000)
Net gain on disposal of property, plant and equipment	(31,768)	(90,326)
Interest expense	4,860	2,414
Interest income	(158,900)	(163,841)
Provision for retirement benefits	26,100	32,292
Reversal of allowance for doubtful trade receivables	(2,570)	(7,877)
Share of results of associates, net of tax	(1,596,416)	(1,540,714)
	(376,350)	(517,967)
Operating profit before working capital changes	446,921	2,027,332
Increase in short-term investments	(230,829)	(1,065,097)
Increase in inventories	(810,367)	(685,252)
Increase in trade and other receivables	(1,862,608)	(1,324,047)
Increase in trade and other payables	1,157,777	719,823
	(1,746,027)	(2,354,573)
Cash used in operations	(1,299,106)	(327,241)
Income tax paid	(784,527)	(762,992)
Interest paid	(4,860)	(2,414)
Interest received	158,900	163,841
Payment of retirement benefits	(31,433)	—
	(661,920)	(601,565)
Net cash used in operating activities	(1,961,026)	(928,806)
Cash flows from investing activities:-		
Purchases of property, plant and equipment	(834,440)	(1,273,536)
Addition to investment property	(894,071)	(337,770)
Proceeds from disposal of property, plant and equipment	221,996	90,326
Proceeds from disposal of long-term unquoted investment	4,287	575,000
Proceeds from disposal of an associate	—	3,004,327
Dividends received from associates	524,442	610,170
Net cash (used in)/generated from investing activities	(977,786)	2,668,517
	(2,938,812)	1,739,711

Consolidated Statement of Cash Flows
for the financial year ended 31 July 2016

	2016 $	2015 $
Cash flows from financing activities:-		
Dividends paid by the Company	(774,376)	(774,376)
Dividends paid by subsidiaries to non-controlling interests	(73,535)	(82,904)
Net cash used in financing activities	(847,911)	(857,280)
Net (decrease)/increase in cash and cash equivalents	(3,786,723)	882,431
Cash and cash equivalents at beginning of the financial year	21,396,981	20,624,095
Effects of currency translations on cash and cash equivalents	(120,412)	(109,545)
Cash and cash equivalents at end of the financial year (Note 29)	17,489,846	21,396,981

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

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 Directors' Statement.

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 2015, the Group adopted the new or amended FRS and Interpretations to FRS (“INT FRS”) that are mandatory for application from that date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

2.3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

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

(a) Critical accounting estimates and assumptions

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

The cost, less the residual values, of investment property 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 property 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.

(iv) Income tax

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

2. SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

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

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

(iv) Income tax – *cont'd*

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

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

Impairment of financial assets available-for-sale

Equity investment at fair value

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.

Equity investment at cost

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 $929,067 (2015: $931,084).

The cumulative amount of impairment loss recognised for the Group's available-for-sale financial assets was $346,494 (2015: $349,573) (Note 8).

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.

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

2.4 **GROUP ACCOUNTING** – *cont'd*

(a) Subsidiaries - *cont'd*

(i) Consolidation - *cont'd*

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 building	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 PROPERTY

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 property over the estimated useful lives as follows:-

	Years
Building	50

No depreciation is provided on freehold land.

The residual values, useful lives and depreciation method of investment property 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 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 property, 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 Dollar ("$"), 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 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 difference	(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
Additions	—	—	—	611,841	222,599	834,440
Disposals	—	—	—	(570,037)	(256,903)	(826,940)
Currency translation difference	(2,500)	(6,532)	(160,384)	(136,356)	(90,313)	(396,085)
At 31 July 2016	29,066	75,969	1,865,312	3,164,550	1,345,690	6,480,587
Accumulated Depreciation						
At 1 August 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 difference	(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
Charge for the year	32	1,538	52,700	321,540	127,343	503,153
Disposals	—	—	—	(415,143)	(221,569)	(636,712)
Currency translation difference	(91)	(4,426)	(37,789)	(111,315)	(34,393)	(188,014)
At 31 July 2016	1,089	52,781	484,004	1,699,187	571,679	2,808,740
Net Carrying Amount						
At 31 July 2015	30,418	26,832	1,556,603	1,354,997	770,009	3,738,859
At 31 July 2016	27,977	23,188	1,381,308	1,465,363	774,011	3,671,847

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

COMPANY	**Motor vehicles $**	**Office equipment and fittings $**	**Total $**
Cost			
At 1 August 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
Additions	–	131,527	131,527
Disposals	(649,901)	(257,721)	(907,622)
At 31 July 2016	445,105	206,967	652,072
Accumulated Depreciation			
At 1 August 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
Charge for the year	102,697	34,240	136,937
Disposals	(78,324)	(222,387)	(300,711)
At 31 July 2016	182,086	89,166	271,252
Net Carrying Amount			
At 31 July 2015	937,293	55,848	993,141
At 31 July 2016	263,019	117,801	380,820

Leasehold land and buildings of the Group with a total net carrying amount of $372,466 (2015: $424,033) 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 $29,066 and $75,969 [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	
	2016	2015
	$	$
Cost		
Balance at beginning of the financial year	2,106,712	2,302,288
Currency translation difference	(166,799)	(195,576)
Balance at end of the financial year	1,939,913	2,106,712
Accumulated Amortisation		
Balance at beginning of the financial year	314,731	283,381
Charge for the year	51,668	58,250
Currency translation difference	(25,552)	(26,900)
Balance at end of the financial year	340,847	314,731
Net Carrying Amount	1,599,066	1,791,981

Prepaid lease of the Group with a total net carrying amount of $346,658 (2015: $383,606) 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 PROPERTY

GROUP AND COMPANY	Freehold land $	Construction-in-progress $	Total $
Cost			
At 1 August 2014	3,879,481	—	3,879,481
Additions	—	337,770	337,770
At 31 July 2015	3,879,481	337,770	4,217,251
Additions	—	894,071	894,071
At 31 July 2016	3,879,481	1,231,841	5,111,322
Net Carrying Amount			
At 31 July 2015	3,879,481	337,770	4,217,251
At 31 July 2016	3,879,481	1,231,841	5,111,322
Fair Value			
At 31 July 2015			12,500,000
At 31 July 2016			12,500,000

The freehold building has no value in the accounts.

The redevelopment of the existing heritage building is expected to be completed within two years from the date of award of contract.

The following amounts are recognised in profit or loss:-

	GROUP AND COMPANY 2016 $	2015 $
Rental income from investment property (Note 24)	13,434	82,134
Direct operating expenses arising from:-		
- Investment property that generated rental income	1,157	7,061
- Investment property that did not generate rental income	15,154	9,523

5. **INVESTMENT PROPERTY** – *cont'd*

The investment property of the Group was 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).

In accordance with the valuation report dated 23 September 2014, the valuation methodology used in determining the fair value of the investment property is the "Market Value Approach". Under this approach, the valuation is based on the highest value at which the sale interest in property might reasonably be expected to have been completed at the date of valuation.

Key Assumptions used in the Valuation Report

The following describes the key assumptions used in deriving at the fair value of the investment property: a) a willing seller; b) prior to the date of valuation, there had been a reasonable period (having regard to the natures of the property and the state of the market) for the proper marketing of the interest, for the agreement of price and terms for the completion of the sale; c) no account is taken of any additional bid by a prospective purchaser with a special interest; and d) both parties to the transaction had acted knowledgeably, prudently and without compulsion.

The management is of the view that there is no material movement in fair value since then.

This property is professionally appraised every five years.

Details of the investment property is as follows:-

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

6. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2016	2015
	$	$
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 2016 %	2015 %
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 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 confirm 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.

6. INVESTMENTS IN SUBSIDIARIES – *cont'd*

Carrying value of non-controlling interests

	2016 $	2015 $
Swee Hin Chan Company Sdn Berhad	741,129	748,270
Tong Guan Food Products Sdn. Bhd.	1,598,269	1,625,717
	2,339,398	2,373,987

Summarised financial of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests to the Group. These are presented before their inter-company eliminations.

There were no transactions with non-controlling interests for the financial year ended 31 July 2016 and 31 July 2015.

Summarised statement of financial position

As at 31 July 2016	Swee Hin Chan Company Sdn. Berhad $	Tong Guan Food Products Sdn. Bhd. $
Current		
Assets	6,372,151	12,649,204
Liabilities	(1,726,444)	(3,903,139)
Total current net assets	4,645,707	8,746,065
Non-current		
Assets	2,660,099	1,511,692
Liabilities	(22,265)	(70,627)
Total non-current assets	2,637,834	1,441,065
Net assets	7,283,541	10,187,130

Summarised statement of comprehensive income

For the year ended 31 July 2016		
Revenue	22,802,250	35,017,611
Profit before tax	989,755	1,321,463
Income tax expense	(270,708)	(329,406)
Post-tax profit from continuing operation	719,047	992,057
Post-tax profit from discontinued operation	–	–
Other comprehensive income	(588,586)	(828,425)
Total comprehensive income	(588,586)	(828,425)

6. INVESTMENTS IN SUBSIDIARIES – *cont'd*

Summarised statement of comprehensive income – cont'd

For the year ended 31 July 2016	Swee Hin Chan Company Sdn. Berhad $	Tong Guan Food Products Sdn. Bhd. $
Total comprehensive income allocated to non-controlling interests	(59,892)	(129,972)
Dividend paid to non-controlling interests	20,415	53,120

Summarised statement of financial position

As at 31 July 2015		
Current		
Assets	5,992,096	12,144,293
Liabilities	(1,596,684)	(3,391,184)
Total current net assets	4,395,412	8,753,109
Non-current		
Assets	2,968,844	1,687,718
Liabilities	(10,536)	(78,750)
Total non-current assets	2,958,308	1,608,968
Net assets	7,353,720	10,362,077

Summarised statement of comprehensive income

For the year ended 31 July 2015		
Revenue	22,305,496	35,912,559
Profit before tax	1,101,450	2,497,623
Income tax expense	(319,404)	(639,922)
Post-tax profit from continuing operation	782,046	1,857,701
Post-tax profit from discontinued operation	–	–
Other comprehensive income	(660,568)	(903,240)
Total comprehensive income	(660,568)	(903,240)
Total comprehensive income allocated to non-controlling interests	(67,215)	(141,710)
Dividend paid to non-controlling interests	23,017	59,887

6. **INVESTMENTS IN SUBSIDIARIES** – *cont'd*

Summarised cash flows

For the year ended 31 July 2016	**Swee Hin Chan Company Sdn. Berhad $**	**Tong Guan Food Products Sdn. Bhd. $**
Cash flows from operating activities		
Cash generated from operations	612,609	858,655
Interest paid	–	(4,860)
Income tax paid	(262,933)	(519,538)
Net cash generated from operating activities	349,676	334,257
Net cash used in investing activities	(86,389)	(160,449)
Net cash used in financing activities	(200,640)	(338,579)
Net increase/(decrease) in cash and cash equivalents	62,647	(164,771)
Cash and cash equivalents at beginning of the year	811,455	725,186
Exchange losses on cash and cash equivalents	(65,015)	(55,397)
Cash and cash equivalents at end of the year	809,087	505,018

7. INVESTMENTS IN ASSOCIATES

	GROUP		COMPANY	
	2016 $	2015 $	2016 $	2015 $
Unquoted equity investments, at cost	12,328,454	12,328,454	–	–
Less:- Impairment losses				
Balance at beginning of the financial year	–	–	–	(1,973,168)
Disposal	–	–	–	1,973,168
Balance at end of the financial year	–	–	–	–
	12,328,454	12,328,454	–	–
Share of post-acquisition reserves	10,999,115	9,927,141	–	–
Share of capital reserve	140,485	104,141	–	–
Foreign currency translation reserves	(5,599,402)	(4,125,008)	–	–
	17,868,652	18,234,728	–	–

Movements for share of post- acquisition reserves		
Balance at beginning of the financial year	9,927,141	9,363,123
Share of results	1,596,416	1,540,714
Dividends received	(524,442)	(610,170)
Disposal	–	(366,526)
Balance at end of the financial year	10,999,115	9,927,141

GROUP

Summarised statement of financial position

As at 31 July 2016	Henan Khong Guan Cereal and Oil Food Products Company Limited $	United Malayan Flour (1996) Sdn Bhd $	Borneo Can Sendirian Berhad $	Total $
Current assets	–	50,823,181	581,701	51,404,882
Includes:-				
- Cash and cash equivalents	–	21,574,947	553,100	22,128,047
Current liabilities	–	(4,052,297)	–	(4,052,297)
Includes:-				
- Financial liabilities (excluding trade payables)	–	(2,432,705)	–	(2,432,705)
Non-current assets	–	23,080,472	–	23,080,472

7. INVESTMENTS IN ASSOCIATES – *cont'd*

GROUP

Summarised statement of financial position – cont'd

As at 31 July 2016	Henan Khong Guan Cereal and Oil Food Products Company Limited $	United Malayan Flour (1996) Sdn Bhd $	Borneo Can Sendirian Berhad $	Total $
Non-current liabilities	–	(1,818,254)	–	(1,818,254)
Includes:-				
- Financial liabilities	–	–	–	–
- Other liabilities	–	(591,013)	–	(591,013)
Net assets	–	68,033,102	581,701	68,614,803

Summarised statement of comprehensive income

For the year ended 31 July 2016				
Revenue	–	83,073,983	219,854	83,293,837
Interest income	–	484,650	–	484,650
Expenses				
Includes:-				
- Depreciation and amortisation	–	(1,917,733)	(6,746)	(1,924,479)
- Interest expense	–	–	–	–
Profit/(loss) from continuing operations	–	8,643,847	(119,740)	8,524,107
Income tax (expense)/refund	–	(2,070,785)	29,179	(2,041,606)
Post-tax profit/(loss) - continuing	–	6,573,062	(90,561)	6,482,501
Post-tax profit/(loss) - discontinued	–	–	–	–
Other comprehensive income	–	108,339	–	108,339
Total comprehensive income	–	6,681,401	(90,561)	6,590,840
Dividend received from associated company	–	524,442	–	524,442

7. INVESTMENTS IN ASSOCIATES – *cont'd*

GROUP

Summarised statement of financial position

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 $
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
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

For the year ended 31 July 2016	Henan Khong Guan Cereal and Oil Food Products Company Limited $	United Malayan Flour (1996) Sdn Bhd $	Borneo Can Sendirian Berhad $	Total $
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	Henan Khong Guan Cereal and Oil Food Products Company Limited		United Malayan Flour (1996) Sdn Bhd		Total	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $
Net assets						
At begining of the financial year	–	7,005,050	68,813,824	70,778,902	68,813,824	77,783,952
Profit for the year	–	75,243	6,573,062	6,427,335	6,573,062	6,502,578
Dividend paid						
- company	–	–	(1,805,760)	(2,035,800)	(1,805,760)	(2,035,800)
- subsidiary company	–	–	(150,104)	(160,038)	(150,104)	(160,038)
Other comprehensive income	–	–	108,339	22,514	108,339	22,514
Foreign exchange differences	–	588,342	(5,506,260)	(6,219,089)	(5,506,260)	(5,630,747)
Disposal	–	(7,668,635)	–	–	–	(7,668,635)
At end of the financial year	–	–	68,033,101	68,813,824	68,033,101	68,813,824
Associates' non-controlling interest	–	–	(9,015,906)	(8,715,615)	(9,015,906)	(8,715,615)
Nets assets attributable to the Group	–	–	59,017,195	60,098,209	59,017,195	60,098,209
Interest in associated companies	–	–	17,705,159	18,029,463	17,705,159	18,029,463
Add:-						
Carrying value of individually immaterial associated companies					163,493	205,265
Carrying value of Group's interest in associated companies					17,868,652	18,234,728

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 2016 %	2015 %
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 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		COMPANY	
	2016 $	2015 $	2016 $	2015 $
Available-for-sale financial assets				
Unquoted equity investments:-				
At fair value				
Balance at beginning of the financial year	–	608,906	–	608,906
Fair value loss (Note 22)	–	(33,906)	–	(33,906)
Disposal	–	(575,000)	–	(575,000)
Balance at end of the financial year	–	–	–	–
Unquoted equity investments:-				
At cost	1,275,561	1,280,657	1,245,504	1,245,504
Less:- Impairment loss				
Balance at beginning of the financial year	(349,573)	(350,472)	(339,888)	(339,888)
Disposal	2,312	–	–	–
Currency translation difference	767	899	–	–
Balance at end of the financial year	(346,494)	(349,573)	(339,888)	(339,888)
	929,067	931,084	905,616	905,616
Total equity investments	929,067	931,084	905,616	905,616

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

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

	GROUP			
	2016		2015	
	At fair value $	At cost $	At fair value $	At cost $
Unquoted equity investments:-				
- Malaysia	–	23,451	–	25,468
- Hong Kong	–	905,616	–	905,616
	–	929,067	–	931,084

	COMPANY			
	2016		2015	
	At fair value $	At cost $	At fair value $	At cost $
Unquoted equity investments:-				
- Hong Kong	–	905,616	–	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	
	2016	2015	2016	2015
	$	$	$	$
Trading inventories				
- at cost	6,244,900	6,062,247	—	29,031
Goods-in-transit				
- at cost	244,074	113,300	—	—
Allowance for obsolete inventories				
Balance at beginning of the financial year	—	(24,377)	—	—
Reversal for the year	—	23,444	—	—
Currency translation difference	—	933	—	—
Balance at end of the financial year	—	—	—	—
	6,488,974	6,175,547	—	29,031

The cost of inventories recognised as an expense as included in the consolidated statement of comprehensive income amounted to $51,090,368 (2015: $52,421,492).

In 2015, $23,444 of write-down of inventories was reversed to profit or loss as the Group was 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	
	2016	2015
	$	$
Held for trading		
Equity investments quoted in:-		
- Singapore	5,029,936	5,478,004
- Malaysia	2,233,690	2,365,643
- Hong Kong	1,814	2,961
	7,265,440	7,846,608

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

	GROUP	
	2016	2015
	$	$
Singapore Dollar	4,991,124	5,427,770
Ringgit Malaysia	2,233,690	2,365,643
United States Dollar	38,812	50,234
Hong Kong Dollar	1,814	2,961
	7,265,440	7,846,608

11. TRADE RECEIVABLES

	GROUP 2016 $	GROUP 2015 $	COMPANY 2016 $	COMPANY 2015 $
Third parties	11,434,824	10,593,907	485,891	359,420
Related parties	26,010	158,725	—	—
	11,460,834	10,752,632	485,891	359,420
Less:- Allowance for doubtful trade receivables				
Balance at beginning of the financial year	(52,932)	(35,528)	(24,487)	(25,487)
Allowance (made)/written back for the year	(8,453)	(19,239)	—	1,000
Bad debts written off	47,808	—	24,487	—
Currency translation difference	2,071	1,835	—	—
Balance at end of the financial year	(11,506)	(52,932)	—	(24,487)
	11,449,328	10,699,700	485,891	334,933

Trade receivables are denominated in the following currencies:-

	GROUP 2016 $	GROUP 2015 $	COMPANY 2016 $	COMPANY 2015 $
Singapore Dollar	485,891	334,933	485,891	334,933
Ringgit Malaysia	10,963,437	10,364,767	—	—
	11,449,328	10,699,700	485,891	334,933

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2015: 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 2016 $	GROUP 2015 $	COMPANY 2016 $	COMPANY 2015 $
Not past due and not impaired (a)	8,779,780	8,446,616	127,003	158,079
Past due but not impaired (b)	2,669,548	2,253,084	358,888	176,854
	11,449,328	10,699,700	485,891	334,933
Impaired receivables (c)				
Individually assessed	11,506	52,932	—	24,487
Allowance for doubtful receivables	(11,506)	(52,932)	—	(24,487)
	—	—	—	—
	11,449,328	10,699,700	485,891	334,933

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	
	2016	2015	2016	2015
	$	$	$	$
Less than 30 days	1,489,129	1,183,570	177,060	65,174
31 to 60 days	560,573	602,534	88,556	57,722
61 to 90 days	550,347	203,158	93,272	43,891
More than 90 days	69,499	263,822	–	10,067
	2,669,548	2,253,084	358,888	176,854

The Group has not recognised an allowance for doubtful receivables for these amounts, 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	
	2016	2015	2016	2015
	$	$	$	$
Sundry receivables	180,769	37,848	122,500	642
Interest receivable	6,699	7,111	6,699	7,111
Deposits	76,563	105,188	25,561	75,137
Prepayments	71,202	75,975	45,269	51,386
	335,233	226,122	200,029	134,276

Other receivables are denominated in the following currencies:-

	GROUP		COMPANY	
	2016	2015	2016	2015
	$	$	$	$
Singapore Dollar	214,854	142,626	194,399	128,314
Ringgit Malaysia	120,379	83,496	5,630	5,962
	335,233	226,122	200,029	134,276

13. AMOUNTS OWING BY SUBSIDIARIES

	COMPANY	
	2016	2015
	$	$
Amounts owing by subsidiaries, non-trade	5,719,299	5,300,000
Less:- Allowance for doubtful receivables		
Balance at beginning of the financial year	(327,000)	(114,000)
Allowance made for the year	(115,000)	(213,000)
Balance at end of the financial year	(442,000)	(327,000)
	5,277,299	4,973,000

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

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

	COMPANY	
	2016	2015
	$	$
Singapore Dollar	5,277,299	4,973,000

14. FIXED DEPOSITS

Fixed deposits of the Group and Company are placed with licensed financial institutions and mature within one month (2015: one month) from the end of the reporting period. The effective interest rate is 0.25% to 3.37% (2015: 0.05% to 3.20%) per annum.

Fixed deposits are denominated in the following currencies:-

	GROUP		COMPANY	
	2016	2015	2016	2015
	$	$	$	$
Singapore Dollar	10,500,000	12,500,000	10,500,000	12,500,000
Ringgit Malaysia	3,892,358	4,086,627	3,821,655	4,012,232
	14,392,358	16,586,627	14,321,655	16,512,232

15. CASH AND BANK BALANCES

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

	GROUP		COMPANY	
	2016	2015	2016	2015
	$	$	$	$
Singapore Dollar	1,757,386	3,233,452	819,362	1,631,708
Ringgit Malaysia	1,338,342	1,575,036	5,996	6,520
Hong Kong Dollar	1,760	1,866	—	—
	3,097,488	4,810,354	825,358	1,638,228

16. TRADE PAYABLES

	GROUP		COMPANY	
	2016	2015	2016	2015
	$	$	$	$
Third parties	3,396,517	4,050,894	—	4,507
Related parties (Note 30)	2,116,611	765,235	204,855	269,467
	5,513,128	4,816,129	204,855	273,974

Trade payables are denominated in the following currencies:-

	GROUP		COMPANY	
	2016	2015	2016	2015
	$	$	$	$
Singapore Dollar	204,855	273,974	204,855	273,974
United States Dollar	135,550	172,521	—	—
Ringgit Malaysia	5,172,723	4,369,634	—	—
	5,513,128	4,816,129	204,855	273,974

Trade payables are non interest-bearing and are normally settled within 30 to 90 days (2015: 30 to 90 days).

Included in trade payables, is an aggregate amount of $943,563 [equivalent to RM2,856,684] (2015: $868,133 [equivalent to RM2,420,221]) which is secured by corporate guarantees provided by the Company to certain suppliers of a subsidiary [Note 33 (b)].

17. OTHER PAYABLES

	GROUP		COMPANY	
	2016	2015	2016	2015
	$	$	$	$
Sundry payables	326,816	225,564	225,651	163,735
Deposits				
- related parties	—	13,179	—	13,179
- third parties	—	510	—	510
Accrued expenses	561,790	582,319	284,538	346,394
	888,606	821,572	510,189	523,818

Non-trade payables are non-interest bearing and are normally settled within 90 (2015: 90) days or on demand.

The payables are denominated in the following currencies:-

	GROUP		COMPANY	
	2016	2015	2016	2015
	$	$	$	$
Singapore Dollar	567,296	583,060	510,189	523,818
Ringgit Malaysia	321,310	238,512	—	—
	888,606	821,572	510,189	523,818

18. BANK FACILITIES

The subsidiaries has unused banking facilities which were secured by:-

(a) mortgages over leasehold land and buildings with a total net carrying amount of $372,466 (2015: $424,033) (Note 3) of the Group;

(b) mortgages over prepaid lease payments with a total net carrying amount of $346,658 (2015: $383,606) (Note 4) of the Group;

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

(d) a negative pledge by a subsidiary.

19. PROVISION FOR RETIREMENT BENEFITS

	GROUP AND COMPANY	
	2016	2015
	$	$
Balance at beginning of the financial year	312,556	280,264
Payment made	(31,433)	—
Provision made	26,100	32,292
Balance at end of the financial year	307,223	312,556

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	
	2016	2015
	$	$
Obligations recognised in the statement of financial position for:-		
Pension benefits	307,223	312,556
Expenses charged to profit or loss:-		
Pension benefits	26,100	32,292

	GROUP AND COMPANY	
	2016	2015
	$	$
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	307,223	312,556

	GROUP AND COMPANY	
	2016	2015
	$	$
The amounts recognised in profit or loss are as follows:-		
Current service cost	23,154	27,976
Interest cost	253	323
Remeasurement - loss from change in financial assumptions	2,693	3,993
	26,100	32,292

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

Movements in the defined benefit obligation are as follows:-

	GROUP AND COMPANY	
	2016	2015
	$	$
Balance at beginning of the financial year	312,556	280,264
Current service cost	23,154	27,976
Interest cost	253	323
Actuarial loss	2,693	3,993
Benefits paid	(31,433)	–
Balance at end of the financial year	307,223	312,556

The significant actuarial assumptions used were as follows:-

	GROUP AND COMPANY	
	2016	2015
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 4.9%	Increase by 5.4%
Salary increment rate	2.0%	Increase by 1.7%	Decrease by 1.7%

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

20. DEFERRED TAX LIABILITIES

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

	GROUP	
	2016	2015
	$	$
Deferred tax liabilities		
Fair value gains on short-term investments	421,694	487,824
Excess of carrying amount over tax written down value of property, plant and equipment and others	92,892	89,286
	514,586	577,110

20. DEFERRED TAX 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	
	2016	2015
	$	$
Deferred tax liabilities		
Balance at beginning of the financial year	577,110	628,250
(Credited)/charged to profit or loss		
- current	(68,762)	(370)
- prior years	13,440	(41,137)
Change in tax rate	—	(34)
Currency translation difference	(7,202)	(9,599)
Balance at end of the financial year	514,586	577,110
Net deferred taxation credited to profit or loss (Note 26)	(55,322)	(41,507)

21. SHARE CAPITAL

	GROUP AND COMPANY	
	2016	2015
	$	$
Issued and fully paid:-		
25,812,520 (2015: 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	
	2016	2015	2016	2015
	$	$	$	$
NON-DISTRIBUTABLE				
Fair value reserve:-				
Unquoted long-term investments				
Balance at beginning of the financial year	—	358,906	—	358,906
Fair value loss (Note 8)	—	(33,906)	—	(33,906)
Reclassification to profit or loss on disposal	—	(325,000)	—	(325,000)
Balance at end of the financial year	—	—	—	—
Other capital reserve:-				
Balance at beginning of the financial year	104,446	93,176	—	—
Share of associates' capital reserve	36,344	11,270	—	—
Balance at end of the financial year	140,790	104,446	—	—
	140,790	104,446	—	—

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	
	2016	2015
	$	$
Sale of goods to:-		
third parties	57,162,271	59,539,191
related parties	100,564	628,269
Sale of short-term investments	1,239,305	1,613,662
Gross dividends from:-		
quoted equity investments	200,046	200,041
unquoted equity investments	6,170	54,360
	58,708,356	62,035,523

24. OTHER INCOME

	GROUP 2016 $	GROUP 2015 $
Reversal of allowance for doubtful trade receivables	2,570	7,877
Reversal of allowance for obsolete inventories	—	23,444
Gain on disposal of property, plant and equipment	31,768	90,326
Gain on disposal of an associate	—	17,859
Gain on disposal of long-term unquoted investment	4,287	—
Reclassification from other comprehensive income on disposal of long-term unquoted investment	—	325,000
Transport charges received	7,652	105,937
Government grants	51,332	67,183
Interest income	158,900	163,841
Management fee received from a related party	12,000	12,000
Rental from investment property received from		
- associates	13,179	79,074
- third parties	255	3,060
Sundry income	7,446	22,888
	289,389	918,489

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 2016 $	GROUP 2015 $
The aggregate amount of:-		
- audit fees paid to the external auditors	65,908	69,986
- non-audit fees paid to the external auditors	8,172	6,327
Allowance for doubtful trade receivables	11,023	27,116
Contributions to provident funds		
- directors	49,307	29,309
- employees	279,640	296,444
Directors' remuneration		
- directors of the Company	926,481	765,356
- directors of subsidiaries	98,511	100,015
Foreign exchange loss, net	283,935	395,721
Bank interest expenses	4,860	2,414
Operating lease expense	58,654	62,959
Retainer fee paid to a firm in which a director of the company is the sole principal	—	3,000
Provision for retirement benefits	32,292	32,292
Allowance for obsolete inventories no longer required	—	(23,444)
Fair value loss on short term investment	811,997	1,047,452
Bad debts written off	8,790	10,933

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

26. INCOME TAX EXPENSE

	GROUP	
	2016 $	2015 $
Current taxation:-		
Malaysian tax	602,413	938,831
Tax deducted at source	2,056	2,301
	604,469	941,132
Prior year's (over)/underprovision	(13,107)	39,599
	591,362	980,731
Deferred taxation:-		
Current	(68,762)	(370)
Prior year's under/(over)provision	13,440	(41,137)
	(55,322)	(41,507)
	536,040	939,224

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

	2016 $	2015 $
Profit before tax	823,271	2,545,299
Tax at the applicable rate of 17%	139,956	432,701
Tax effects of:-		
Expenses not deductible for tax purposes	172,119	203,386
Income not subject to tax	(79,190)	(179,675)
Share of results of associates	(271,390)	(261,921)
Difference in tax rate of other countries	159,829	288,127
Deferred tax benefits not recognised	412,361	455,541
Others	—	364
	533,685	938,523
Withholding tax	2,022	2,239
Prior year's under/(over)provision	333	(1,538)
Tax expense	536,040	939,224

At the end of the reporting period, the Group has estimated unabsorbed tax losses totaling $28,883,000 (2015: $26,456,000) 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 $4,910,000 (2015: $4,498,000) 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 financial year.

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

	GROUP	
	2016	**2015**
Net profit attributable to ordinary equity holders on issue applicable to basic and diluted earnings per share ($)	58,421	1,235,042
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)	0.23	4.78

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 (2015: one-tier dividend of $0.03) per ordinary share amounting to $774,376 (2015: $774,376) declared for the financial year ended 31 July 2015 (2015: declared for the financial year ended 31 July 2014) was approved and paid during the financial year ended 31 July 2016 (2015: 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 2016. 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	
	2016	**2015**
	$	**$**
Fixed deposits (Note 14)	14,392,358	16,586,627
Cash and bank balances (Note 15)	3,097,488	4,810,354
	17,489,846	21,396,981

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	
	2016	2015	2016	2015
	$	$	$	$
Purchases from				
- associate	10,446,331	15,317,203	1,249,798	1,601,775
- related parties	8,422,830	8,082,410	5,175	1,096
Rental income received from an associate	13,179	79,074	13,179	79,074
Management fees received from subsidiaries	–	–	40,443	44,787
Amount due from subsidiaries	–	–	419,299	700,000
Rental paid to a related party	67,337	–	67,337	–

31. DIRECTORS' REMUNERATION

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

	GROUP	
	2016 Number of directors	2015 Number of directors
Below $100,000	3	4
$100,001 to $250,000	1	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

2016	**Trading of wheat flour and consumer goods** $	**Investment trading** $	**Investment holding** $	**Group** $
Revenue				
External revenue	57,262,835	1,239,305	206,216	58,708,356
Results				
Profit/(loss) before interest, taxation, depreciation and amortisation	452,505	(1,010,106)	185,237	(372,364)
Depreciation and amortisation	(499,913)	(54,908)	–	(554,821)
Operating (loss)/profit	(47,408)	(1,065,014)	185,237	(927,185)
Interest expense				(4,860)
Interest income				158,900
Share of results of associates, net of tax				1,596,416
Taxation				(536,040)
Profit after tax				287,231
Assets and Liabilities				
Segment assets	44,415,253	8,766,654	970,748	54,152,655
Associates				17,868,652
Unallocated assets				337,624
				72,358,931
Segments liabilities	6,325,034	50,036	7,071	6,382,141
Unallocated liabilities				841,402
				7,223,543

32. SEGMENT INFORMATION – *cont'd*

BUSINESS SEGMENTS – *cont'd*

2016 – *cont'd*	**Trading of wheat flour and consumer goods $**	**Investment trading $**	**Investment holding $**	**Group $**
Other segments information				
Expenditure for non-current assets	1,288,711	439,800	–	1,728,511
Other non-cash items:-				
Allowance for doubtful trade receivables	8,453	–	–	8,453
Bad debts written off	8,790	–	–	8,790
Foreign exchange loss	274,628	8,400	907	283,935
2015				
Revenue				
External revenue	60,167,460	1,613,662	254,401	62,035,523
Results				
Profit/(loss) 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/(loss)	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

32. SEGMENT INFORMATION – *cont'd*

BUSINESS SEGMENTS – *cont'd*

2015 – *cont'd*	**Trading of wheat flour and consumer goods $**	**Investment trading $**	**Investment holding $**	**Group $**
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
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
Bad debts written off	10,933	–	–	10,933
Foreign exchange loss	384,432	11,069	220	395,721

GEOGRAPHICAL SEGMENTS

2016	**Singapore $**	**Malaysia $**	**The People's Republic of China $**	**Group $**
Revenue				
External revenue	2,888,495	55,819,861	–	58,708,356
Assets				
Segment assets	30,415,745	22,831,294	905,616	54,152,655
Associates	–	17,868,652	–	17,868,652
Unallocated assets				337,624
				72,358,931
2015				
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

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 $1,900,877 [equivalent to RM5,755,000] (2015: $2,064,319 [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 and 31 July 2016 was $NIL .

b) The Company has issued corporate guarantees amounting to $2,312,100 [equivalent to RM7,000,000] (2015: $2,510,900 [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 period but not recognised as liabilities, are as follows:-

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Not later than one year	123,450	84,506	80,804	67,337
Between one and five years	83,789	94,272	13,468	94,272
	207,239	178,778	94,272	161,609

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

The Group and Company lease out premises 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 period but not recognised as receivables, are as follows:-

	GROUP AND COMPANY	
	2016	**2015**
	$	**$**
Not later than one year	–	26,613
Between one and five years	–	–
	–	26,613

34. COMMITMENTS – *cont'd*

(c) Capital commitments

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

	GROUP		COMPANY	
	2016 $	2015 $	2016 $	2015 $
Property, plant and equipment	98,858	167,149	–	79,224
Investment property	8,774,846	614,774	8,774,846	614,774

35. 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).

The Group places surplus funds with major financial institutions as fixed deposits to generate interest income. Interest rates on fixed deposits 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 (2015: 100) basis points higher/lower with all other variables held constant, the effect on the Group's profit before tax would have been $143,924 (2015: $165,866) higher/lower, arising mainly as a result of higher/lower interest income on fixed deposits. 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 Dollar ("HKD") $	United States Dollar ("USD") $	Singapore Dollar ("SGD") $	Total $
2016					
Assets					
Long-term investments	23,451	905,616	—	—	929,067
Short-term investments	2,233,690	1,814	38,812	4,991,124	7,265,440
Trade and other receivables	11,062,870	—	—	650,489	11,713,359
Fixed deposits	3,892,358	—	—	10,500,000	14,392,358
Cash and bank balances	1,338,342	1,760	—	1,757,386	3,097,488
	18,550,711	909,190	38,812	17,898,999	37,397,712
Liabilities					
Trade and other payables	5,494,033	—	135,550	772,151	6,401,734
	5,494,033	—	135,550	772,151	6,401,734
Net financial assets/ (liabilities)	13,056,678	909,190	(96,738)	17,126,848	30,995,978
Less:- Net financial assets denominated in the respective entities' functional currencies	6,900,763	—	—	17,126,848	24,027,611
Currency exposure of financial assets/ (liabilities)	6,155,915	909,190	(96,738)	—	6,968,367

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

Market risk – *cont'd*

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

Group	Ringgit Malaysia ("RM") $	Hong Kong Dollar ("HKD") $	United States Dollar ("USD") $	Singapore Dollar ("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*

Company	Ringgit Malaysia ("RM") $	Hong Kong Dollar ("HKD") $	Singapore Dollar (functional currency) ("SGD") $	Total $
2016				
Assets				
Long-term investments	—	905,616	—	905,616
Trade and other receivables	5,630	—	635,021	640,651
Amounts owing by subsidiaries	—	—	5,277,299	5,277,299
Fixed deposits	3,821,655	—	10,500,000	14,321,655
Cash and bank balances	5,996	—	819,362	825,358
	3,833,281	905,616	17,231,682	21,970,579
Liabilities				
Trade and other payables	—	—	715,044	715,044
	—	—	715,044	715,044
Net financial assets	3,833,281	905,616	16,516,638	21,255,535
Less:- Net financial assets denominated in the Company's functional currency	—	—	16,516,638	16,516,638
Currency exposure of financial assets	3,833,281	905,616	—	4,738,897
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 Company's functional currency	—	—	18,718,777	18,718,777
Currency exposure of financial assets	4,024,714	905,616	—	4,930,330

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% (2015: 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:-

	2016 Increase/(decrease)		2015 Increase/(decrease)	
	Net profit $	Equity $	Net profit $	Equity $
Group				
RM against SGD				
- strengthened	61,559	—	64,966	—
- weakened	(61,559)	—	(64,966)	—
HKD against SGD				
- strengthened	9,091	—	9,014	—
- weakened	(9,091)	—	(9,014)	—
USD against SGD				
- strengthened	(967)	—	(1,223)	—
- weakened	967	—	1,223	—

	2016 Increase/(decrease)		2015 Increase/(decrease)	
	Net profit $	Equity $	Net profit $	Equity $
Company				
RM against SGD				
- strengthened	38,333	—	40,247	—
- weakened	(38,333)	—	(40,247)	—
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.

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% (2015: 10%) and 5% (2015: 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:-

	2016		2015	
	Profit after tax $	Other comprehensive income $	Profit after tax $	Other comprehensive income $
Group				
Listed in Singapore				
- increased by	502,994	–	547,800	–
- decreased by	(502,994)	–	(547,800)	–
Listed in Malaysia				
- increased by	111,685	–	118,282	–
- decreased by	(111,685)	–	(118,282)	–

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.

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

Credit risk – *cont'd*

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

There have been no changes in the above policy during the financial 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:-

	2016		2015	
	$	% of total	$	% of total
By Country				
Singapore	485,891	4	334,933	3
Malaysia	10,963,437	96	10,364,767	97
	11,449,328	100	10,699,700	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 one year $
Group	
2016	
Trade and other payables	6,401,734
2015	
Trade and other payables	5,637,701
Company	
2016	
Trade and other payables	715,044
2015	
Trade and other payables	797,792

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 2016 and 31 July 2015.

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

Fair value measurements – *cont'd*

	Level 1 $	Total $
Group		
2016		
Short-term investments	7,265,440	7,265,440
	7,265,440	7,265,440
2015		
Short-term investments	7,846,608	7,846,608
	7,846,608	7,846,608

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

Group and Company	Carrying amount $	Level 1 $	Level 2 $	Level 3 $
2016				
Investment property	5,111,322	–	–	12,500,000
2015				
Investment property	4,217,251	–	–	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. Certain 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 amounts of the different categories of financial instruments are as described in Note 11, Note 12, Note 13, Note 14, Note 15, Note 16 and Note 17 to the financial statements and are as follows:-

	GROUP		COMPANY	
	2016	2015	2016	2015
	$	$	$	$
Loans and receivables	29,203,205	32,246,828	21,064,963	23,541,283
Financial liabilities at amortised cost	6,401,734	5,637,701	715,044	797,792

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 may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 July 2016 and 31 July 2015.

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 2016 and 31 July 2015.

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 2016 or later periods and which the Group has not early adopted:-

Description		Effective date (annual periods beginning on or after)
Amendments to FRS 1	Disclosure Initiative	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, FRS 112 and FRS 28	Investment Entities: Applying the Consolidation Exception (Editorial corrections in June 2015)	1 January 2016
Amendments to FRS 110 and FRS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Improvements to FRS (November 2014)		
Amendments to FRS 19	Employee Benefits	1 January 2016
Amendments to FRS 27	Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 107	Financial Instruments: Disclosures	1 January 2016
Amendments to FRS 7	Disclosure Initiative	1 January 2017
Amendments to FRS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 116	Leases	1 January 2019

The management anticipates that the adoption of the above new standards and amendments to existing standards 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 except for FRS 109, FRS 115 and FRS 116 where management is currently evaluating the potential impact of their application.

Analysis of Shareholdings as at 14 October 2016

ISSUED AND FULLY PAID-UP CAPITAL	:	S$
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	1.39	290	0.00
100 - 1,000	248	31.35	142,693	0.55
1,001 - 10,000	410	51.83	1,510,801	5.85
10,001 - 1,000,000	116	14.67	6,387,411	24.75
1,000,001 & ABOVE	6	0.76	17,771,325	68.85
TOTAL	791	100.00	25,812,520	100.00

SHAREHOLDINGS IN THE HANDS OF THE PUBLIC AS AT 14 OCTOBER 2016

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 14 OCTOBER 2016

NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
KAH HONG PTE LTD	4,670,830	18.10
CEPHEUS CORPORATION PTE LTD	4,502,430	17.44
KHONG GUAN GROUP PTE LTD	3,698,465	14.33
HONG LEONG FINANCE NOMINEES PTE LTD	2,000,000	7.75
KHONG GUAN DEVELOPMENT PTE LTD	1,641,600	6.36
INTER-OCEAN SHIPPING & TRADING PTE LTD	1,258,000	4.87
UNITED OVERSEAS BANK NOMINEES PTE LTD	707,000	2.74
CIMB SECURITIES (S'PORE) PTE LTD	605,200	2.34
DBS VICKERS SECURITIES (S) PTE LTD	300,200	1.16
NG KIM HOCK FREDDIE	292,600	1.13
CITIBANK NOMINEES S'PORE PTE LTD	220,400	0.85
DBS NOMINEES PTE LTD	213,140	0.83
NG SOO GIAP OR CHEW SOOI GUAT	205,700	0.80
CHEW SOO ENG	201,666	0.78
CHUA PANG	170,000	0.66
TAN KHIOK KWEE	163,100	0.63
WANG TONG PENG @ WANG TONG PANG	141,000	0.55
CHONG SHEE JAN	124,800	0.48
THIA CHENG SONG	113,000	0.44
YAP MUI CHENG,ANGELA	108,000	0.42
TOTAL	21,337,131	82.66

SUBSTANTIAL SHAREHOLDERS

	DIRECT INTEREST		DEEMED INTEREST	
NAME OF SHAREHOLDERS	NO. OF SHARES	%	NO. OF SHARES	%
CEPHEUS CORPORATION PTE LTD	5,152,430	19.96	3,694,465 *1	14.31
KAH HONG PTE LTD	4,670,830	18.10	3,694,465 *2	14.31
KHONG GUAN GROUP PTE LTD	3,694,465	14.31	—	—
KHONG GUAN DEVELOPMENT PTE LTD	1,641,600	6.36	—	—
GOH TEE KIA	654,000	2.53	2,473,800 *3	9.58
GTK HOLDING PTE LTD	1,600,000	6.20	378,000 *4	1.46
JIA FENG LIMITED	—	—	3,694,465 *5	14.31

Notes:-

*1 Cepheus Corporation Pte Ltd is deemed to be interested in the 3,694,465 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 3,694,465 shares held by Khong Guan Group Pte Ltd by virtue of the provisions of Section 7 of Companies Act, Cap. 50.

*3 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, 255,800 shares held by GTK Investment (S) Pte Ltd, 70,000 shares held by G C Machinery Pte Ltd, 78,000 shares held by GTK F&B Pte Ltd and 170,000 shares held by Madam Chua Pang (wife) by virtue of the provision of Section 7 of Companies Act, Cap. 50.

*4 GTK Holding Pte Ltd is deemed to be interested in the 300,000 shares held by G & C General Contractors Pte Ltd and 78,000 shares held by GTK F&B Pte Ltd by virtue of the provisions of Section 7 of Companies Act, Cap. 50.

*5 Jia Feng Limited is deemed to be interested in the 3,694,465 shares held by Khong Guan Group Pte Ltd by virtue of the provisions of Section 7 of Companies Act, Cap. 50.

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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

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

FORM OF PROXY

I/We ____________________ (Name) ____________________ (NRIC/Passport No.)

of ____ (Address)

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

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%
and/or (delete as appropriate)				

or failing him/her/them, the Chairman of the Annual General Meeting ("AGM") of the Company as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the AGM to be held at the Banquet Hall (Level 3), The Grassroots' Club, 190 Ang Mo Kio, Avenue 8, Singapore 568046 on Friday, 25 November 2016 at 10.00 am and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

(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 AGM. 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 Mr Chew Soo Lin		
5.	To re-elect Mr Tay Kwang Lip Willie		
6.	To re-elect Mr Chew Kian Boon Daniel		
7.	To re-appoint an Independent Auditor		
8.	To renew the shareholders' mandate for interested person transactions		
9.	To approve the proposed Share Issue Mandate		

Dated this ____________ day of ________________ 2016.

Total No. of Shares in:	No. of Shares
(a) Register of Members	
(b) Depository Register	

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

IMPORTANT
Please read Notes on the reverse.

Notes:-

1. Please insert in the box at the bottom left hand corner of this form, the number of Shares registered in your name in the Register of Members in respect of share certificates held by you and the number of Shares entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited ("CDP"). If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "**Relevant intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50 of Singapore).

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

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 85 Playfair Road #07-01 Tong Yuan Industrial Building, Singapore 368000, not less than 48 hours before the time fixed for holding the AGM.

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. A corporation which is a member may also authorize by resolution of its Directors or other body such person as it thinks fit to act as its representative at the meeting in accordance with Section 179 of the Companies Act, Chapter 50.

8. The Company shall be entitled to reject this instrument of proxy if it is incomplete, not properly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument appointing a proxy or proxies. In addition, in the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument of proxy lodged if such member is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time fixed for holding the AGM as certified by CDP to the Company.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agent or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representatives(s) to the Company (or its agent or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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