ANNUAL REPORT 2019

KHONG GUAN
LIMITED

Company Registration No. 196000096G

Contents

Corporate Information

Directors

Chew Soo Lin (Chairman)
Chew Soo Eng (Managing Director)
Tay Kwang Lip Willie (Lead Independent Director)
Chew Kian Boon Daniel
Ng Peng Teng Dr
Yeo Jih-Shian
Tan Tiong Huat Alex (Appointed on 01.04.2019)

Audit Committee

Tay Kwang Lip Willie (Chairman)
Ng Peng Teng Dr
Yeo Jih-Shian

Nominating Committee

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

Remuneration Committee

Tay Kwang Lip Willie (Chairman)
Ng Peng Teng Dr
Yeo Jih-Shian

Company Secretary

Koe Eng Chuan

Registered Office

2 MacTaggart Road #03-01
Khong Guan Building
Singapore 368078
Telephone No. 62822511
Fax No. 62855868
www.khongguanlimited.com

Auditor

RT LLP
Public Accountants and
Chartered Accountants
1 Raffles Place, #17-02
One Raffles Place
Singapore 048616
Audit Partner: Ong Kian Meng
(Appointed since financial year ended
31 July 2018)

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 LIMITED will be held at its office at 2 MacTaggart Road #04-01, Khong Guan Building, Singapore 368078 on Thursday, 28 November 2019 at 11.00 a.m. to transact the following business:

Ordinary Business

1. To adopt the audited financial statements for the financial year ended 31 July 2019 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 $0.02 per ordinary share for the financial year ended 31 July 2019. **(Resolution 2)**

3. To approve the payment of Directors' fees of $81,000 (2018: $73,000) for the financial year ended 31 July 2019. **(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 note the retirement of Dr Ng Peng Teng, who retires in accordance with Article 105(c) of the Company's Articles of Association and will not be seeking re-election.

   Note: Upon retirement of Dr Ng Peng Teng, he will relinquish his positions as member of Audit, Remuneration and Nominating Committees.

6. To re-elect Mr Tan Tiong Huat Alex, 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 5)**

7. To re-appoint RT LLP as Independent Auditor and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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 7)**

   "That:

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

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

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

10. Share Issue Mandate **(Resolution 8)**

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

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

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

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

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

provided that:

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

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

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

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

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

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

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

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

NOTICE OF BOOKS CLOSURE

NOTICE IS ALSO HEREBY GIVEN that the Transfer Book and Register of Members of the Company will be closed on 6 December 2019 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 5 December 2019 will be registered to determine members' entitlements to the proposed dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with Shares at 5.00 p.m. on 5 December 2019 will be entitled to the proposed dividend. Payment of the dividend, if approved by shareholders at the Annual General Meeting, will be made on 12 December 2019.

By Order of the Board
Koe Eng Chuan
Company Secretary

Singapore, 12 November 2019

NOTE: A member of the Company entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the registered office of the Company at 2 MacTaggart Road #03-01 Khong Guan Building, Singapore 368078 (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 representative(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

The Group's revenue increased marginally from $58.0 million in the financial year ended 31 July 2018 to $59.0 million in the financial year ended 31 July 2019, primarily due to an increase in turnover from our trading subsidiary Swee Hin Chan Co Sdn Bhd "SHC" based in Penang. This subsidiary's increase in sales of starches contributed to the improvement in group turnover.

Another trading subsidiary Tong Guan Food Products Sdn Bhd "TGF" operating in Sabah, maintained its performance for the year. Other than sales of biscuits which continued to grow, sales of wheat flour were lower due to keen competition. All other edible oil products and non-edible products consisting of popular and branded household items generally did well.

During the year, the Group recorded a pre-tax loss of $0.5 million as compared to a pre-tax profit of $1.7 million a year ago. This was due mainly to the following:

a) the combined net profit of SHC and TGF decreased to $0.8 million in FY2019, from $1.5 million in the preceding year due to the following:

    i) SHC's gross profit decreased primarily due to greater competition in the starch market, as well as reduced profit margin for the sales of wheat flour;

    ii) TGF's gross profit decreased due primarily to intense market competition of wheat flour and edible oil;

b) higher depreciation and amortisation expenses;

c) the loss was partially offset by marginally higher share of result from our 30% held associate, United Malayan Flour (1996) Sdn Bhd ("UMF"), due to better performance of its oats milling operations which contributed positively to UMF's operating profit despite its core flour milling business being adversely affected by higher wheat grain prices.

Dividend

A first and final tax exempt one-tier dividend of $0.02 per ordinary share for the financial year ended 31 July 2019 has been recommended by the Directors for approval by shareholders at the forthcoming Annual General Meeting.

Prospects

Factors such as market competition, higher cost of raw materials and fluctuations in foreign currency exchange rates that have negatively impacted the Group operating results in the past year are expected to remain as challenges to be managed in the immediate future. To mitigate these factors, business units within the Group will continue to ensure timely purchases of goods and raw materials, improvements in marketing efforts and strategies for both local and export markets.

In addition, the Group is constructing a new warehouse, which would increase TGF's handling capacity, improve its ability to compete and enable it to expand its operations in Sabah.

Chairman's Statement

Amidst a cautious economic outlook in Singapore, the Company remains active in searching for tenants to lease the remaining space in its heritage industrial building. It faces competition from both recently completed projects as well as older developments in its vicinity.

Acknowledgements

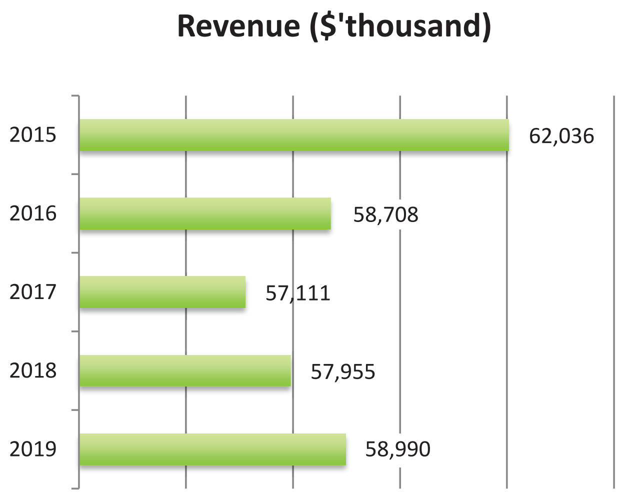
On behalf of the Board of Directors, I would like to extend our appreciation to our shareholders, customers and business associates for their continued support as well as to the management and staff of the Group for their dedication and hard work.

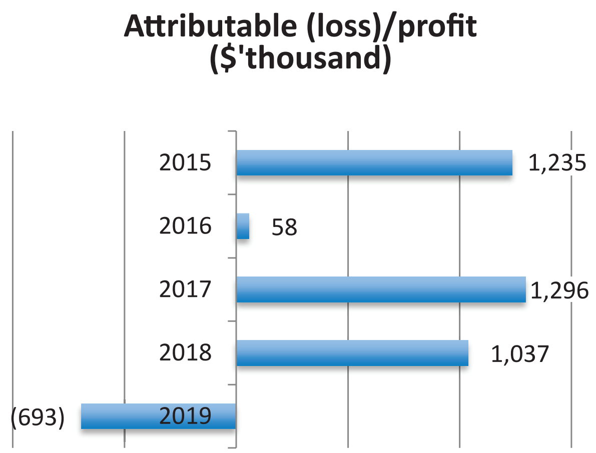
Last but not least, I would also like to thank my fellow Directors for their invaluable guidance and advice.

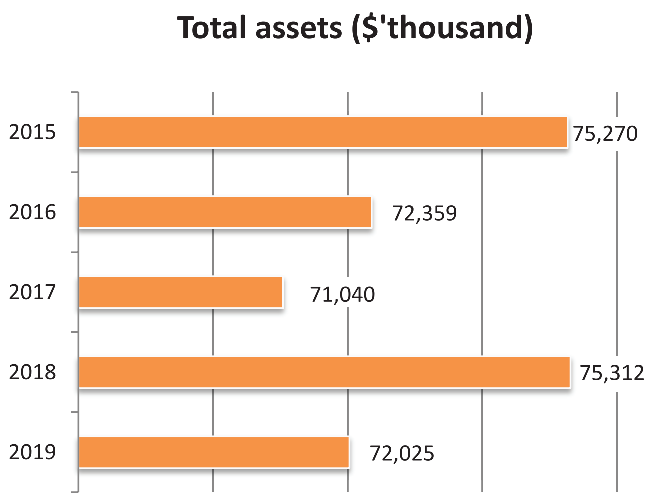
Chew Soo Lin
Chairman

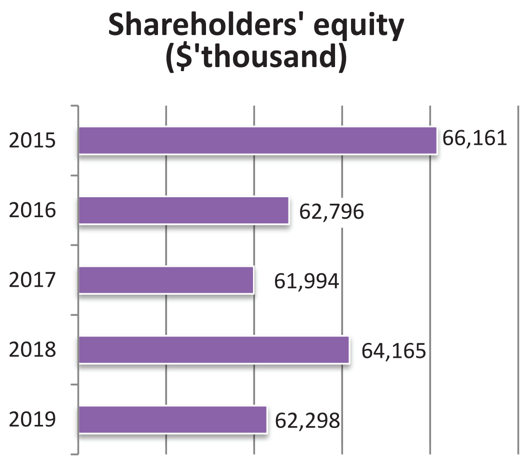
Group Financial Highlights as at 31 July 2019

($'thousand)	2019	2018	2017	2016	2015
Revenue	58,990	57,955	57,111	58,708	62,036
Attributable (loss)/profit	(693)	1,037	1,296	58	1,235
Total assets	72,025	75,312	71,040	72,359	75,270
Shareholders' equity	62,298	64,165	61,994	62,796	66,161

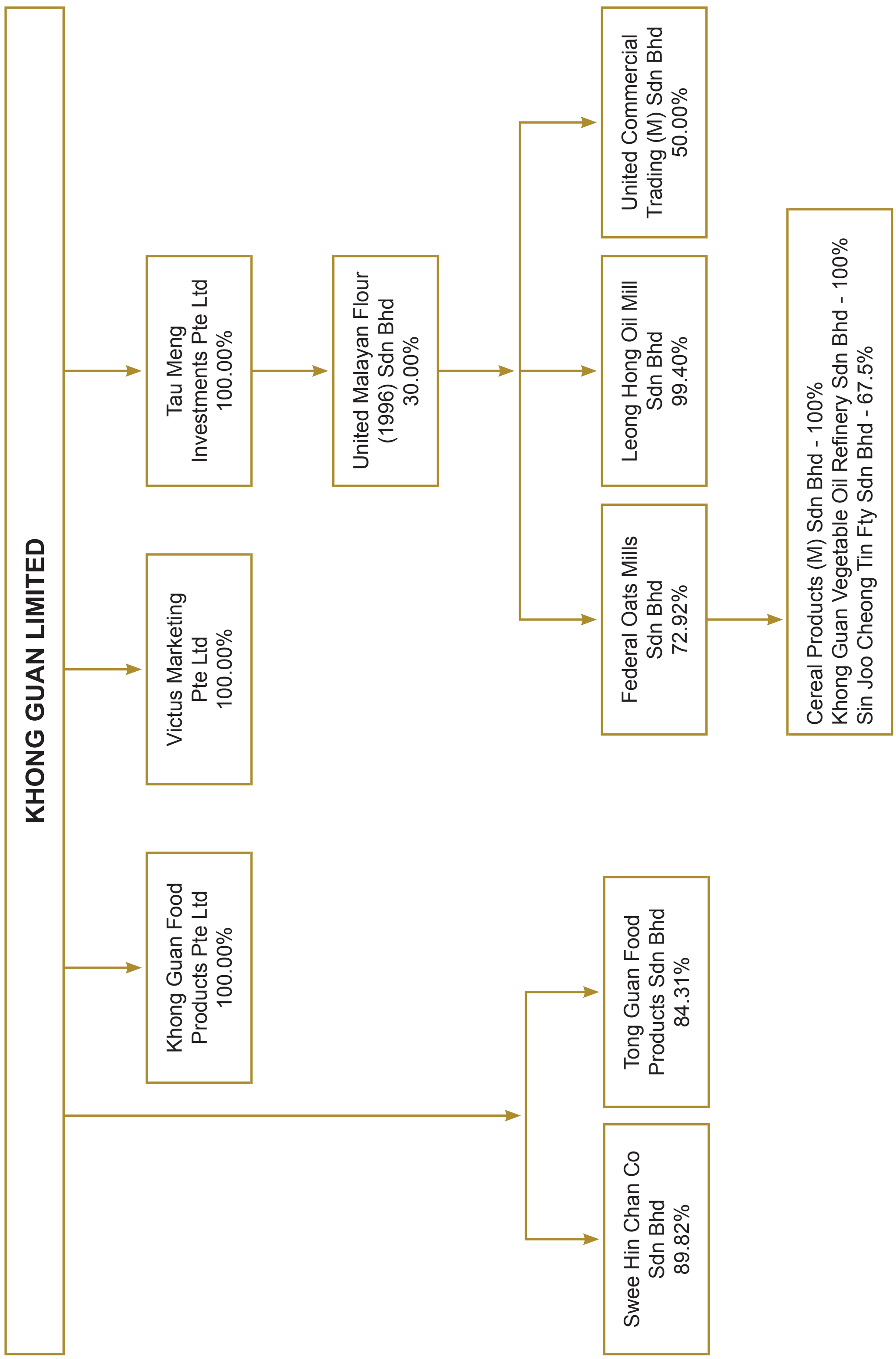








Group Structure



Corporate Governance

The Board of Directors (the “Board”) of Khong Guan Limited (‘the Company”) is committed to maintaining good corporate governance for the Company and its subsidiaries (the “Group”) in accordance with the principles and guidelines set out in the Code of Corporate Governance 2012 (“the Code”).

The revised Code of Corporate Governance (the “2018 Code”), which was issued by the Monetary Authority of Singapore on 6 August 2018, supersedes and replaces the Code. The 2018 Code will be effective for financial years beginning from 1 January 2019. The Group will review and present its compliance with the 2018 Code in the next Annual Report.

This report outlines the main corporate governance practices during the financial year ended 31 July 2019 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. The Board sets the values and standards for the Group to ensure that the reputation of the Group is being upheld. In setting strategic objectives, the Board has also considered environmental, social and governance (ESG) factors to ensure sustainability of the Group’s business.

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 carried out by the Board and supported by three 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. The Board accepts that while these Board Committees have the authority to examine specific issues which are spelt out in the Terms of Reference of the respective Board Committees and that they will report to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

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.

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

The number of Board and Board Committee meetings held in the financial year ended 31 July 2019 and the attendance of Directors during these meetings is as follows:

Total held in FY2019	Board 3	Audit Committee 3	Nominating Committee 2	Remuneration Committee 1
Chew Soo Lin	3	NA	2	NA
Chew Soo Eng	3	NA	NA	NA
Tay Kwang Lip Willie	3	3	2	1
Ng Peng Teng Dr	2	1	1	1
Chew Kian Boon Daniel	3	NA	NA	NA
Yeo Jih-Shian	3	3	NA	1
Tan Tiong Huat Alex *	NA	NA	NA	NA

* Mr Tan Tiong Huat Alex was appointed as a Director on 1 April 2019.

Management briefs new Directors on the Group's business and strategic direction, as well as governance practices. All Directors are appointed to the Board by way of formal letter of appointment indicating their role, obligations, among other matters, duties and responsibilities as a member of the Board.

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 GUIDANCE

The Company endeavours to maintain a strong and independent element on the Board. Out of seven Board members, the Company has four 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 NC 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 Peng Teng who has served as an Independent Director of the Company for more than nine years, is retiring and will not seek re-election in the coming annual general meeting. The Board is in the process of identifying a suitable Independent Director to replace Dr Ng.

The Company does not have a written policy with regard to diversity of Board composition. However, it will consider the benefits of all aspects of diversity, including skills, experience, background, gender, age, ethnicity, and other relevant factors in identifying Director nominees.

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

The Board comprises the following members:

Executive Directors

Chew Soo Lin
Chew Soo Eng
Chew Kian Boon Daniel

Independent Directors

Tay Kwang Lip Willie
Ng Peng Teng Dr
Yeo Jih-Shian
Tan Tiong Huat Alex (appointed on 1 April 2019)

The Board is of the view that the current Board, with independent Non-Executive Directors making up more than 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 operations.

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

The Independent Directors meet at least once a year or on a need-be basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors as well as to review any other matters that must be raised privately.

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 four Independent Directors, there are sufficient checks and safeguards to ensure that the process of decision making by the Board is independent and based on shared agreement without any individual exercising any significant concentration of control or authority.

The roles and responsibilities of the Chairman and the Managing Director are distinct and separate. This is to ensure appropriate balance of power and accountability in decision making. 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 and facilitating its effectiveness, ensuring the Board members are provided with accurate, timely and clear information and approves the agenda of each Board meeting. The Chairman monitors communications between the Company and its shareholders, between Board and management and between independent and non-independent directors with a view to encourage constructive relation and dialogue between them.

Mr Tay Kwang Lip Willie as the Lead Independent Director, meets at least once annually with other Independent Directors without the presence of the 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 two of whom 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, evaluating the performances of the Directors, to identify new Directors who have the diversity of experience and appropriate knowledge and skills to contribute effectively to the Board and reviewing Board's succession plans for Directors, particularly the Chairman and the Managing Director. Each member of the NC abstains from voting on any resolutions, making any recommendations and participating in any deliberations of the NC in respect of the assessment of his performance and re-nomination as a Director.

New Directors are at present appointed by way of a Board resolution, after the NC approves their appointment. The Company's Articles of Association provide that one-third of the Directors shall retire by rotation at each annual general meeting and if eligible, they may offer themselves for re-election.

In considering the appointment of any new Director, the NC ensures that the new Director possesses the necessary skills, knowledge and experience that could facilitate the Board in making sound and well-considered decisions. The NC will meet with the selected candidate to assess his/her suitability, before making its recommendations to the Board for the Board's approval.

The NC recommends:

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

2. Mr Tan Tiong Huat Alex – retiring under the Constitution of the Company and being eligible, be nominated for re-election.

Dr Ng Peng Teng – retiring by rotation, is not seeking re-election.

None of the Directors exceeds the maximum number of listed board representations determined by the NC and the Board, which is six. Notwithstanding that one of the Directors has multiple Board representations, the NC is satisfied that this Director is able to and has been adequately carry out his duties as a Director of the Company. This Director's multiple directorships is disclosed in the Director's profile.

The Board does not have any alternate director.

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 that each Director can contribute to the effectiveness of the Board with an independent and objective perspective.

The performance evaluation of an individual Director includes his contributions to the development of strategy, availability at Board meetings (as well as informal contribution via email and telephone), interactive skills, degree of preparedness, industry and business knowledge and experience which are crucial to the Group's business.

The NC 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 and its Chairman. The assessment comprises self-assessment, Board assessment and peer evaluations.

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

PRINCIPLE 6: ACCESS TO INFORMATION

In order to ensure that the Board is able to fulfil its responsibilities, Management provides the Board members with timely half-yearly management financial statements, half-yearly interested parties transactions report and explanation on material variances to enable them to oversee the Group's operational and financial performance. Directors are also informed on a regular basis and as and when there are any significant developments or events relating to the Group's business operations.

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 the Managing Director, to render the advice. The cost of such independent professional advice will be borne by the Company.

The appointment and the removal of the Company Secretary are subject to the approval of the Board.

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)
Yeo Jih-Shian
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 reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

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 and 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 Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

Having reviewed and considered the variable components of the Executive Directors and the key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

The Board has also recommended a fixed fee for Non-Executive Directors, which is appropriate and not excessive, taking into account the effort, time spent and responsibilities of each Non-Executive Director. The fees of Non-Executive Directors are subject to shareholders' approval at the Annual General Meeting.

Mr Chew Kian Hong Michael, an immediate family member of the Managing Director, 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 each of the Group's Executive Directors and Non-Executive Directors for the year ended 31 July 2019 are set out below:

Name of Director	Salary $	Bonus and Benefits $	Fees $	Total $
Chew Soo Lin	257,695	78,565	—	336,260
Chew Soo Eng	386,611	124,106	—	510,717
Chew Kian Boon Daniel	145,486	39,505	—	184,991
Tay Kwang Lip Willie	—	—	40,000	40,000
Ng Peng Teng Dr	—	—	18,000	18,000
Yeo Jih- Shian	—	—	18,000	18,000
Tan Tiong Huat Alex	—	—	5,000	5,000

Note : Mr Chew Kian Boon Daniel is the 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 also the key management of the Group. The other key management staff for the Group (who is not a Director) received remuneration for the financial year ended 31 July 2019 of less than $250,000.

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 Chairman and Managing Director have provided assurance to the Board on the integrity of the Group's financial statements and the effectiveness of the Group's risk management and internal controls.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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 respective operational, financial and compliance risks management.

Corporate Governance

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS – *cont'd*

The Group operates within a low overall risk range. The Group's lowest risk appetite relates to safety and compliance objectives including health, safety and financial reporting with almost zero risk tolerance and marginally higher risk appetite towards its strategic and operational objectives with low to medium risk tolerance.

The AC has assumed a risk oversight role to assess the risk management as part of the Group's efforts to strengthen its risk management processes and framework and overseeing the formulation, update and maintenance of an adequate and effective risk management and internal control systems.

Risk assessment and evaluation have become an essential part of the business planning and monitoring process. The Group has put in place risk monitors on its risk profile which summarizes the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks for review by the AC and the Board annually.

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 in accordance with COSO Framework for internal audit works. 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 improvement are reported to the AC.

PRINCIPLE 12: AUDIT COMMITTEE

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

Tay Kwang Lip Willie (Chairman)
Ng Peng Teng Dr
Yeo Jih-Shian

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

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

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

PRINCIPLE 12: AUDIT COMMITTEE – *cont'd*

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

The Board and the AC are satisfied that the appointments of different auditors for the Group's overseas subsidiaries and associate 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.

Minutes of the AC meeting 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 716 of the Listing Manual issued by SGX in relation to its auditors.

The aggregate amount of fees paid/payable to the external auditors of the Company and subsidiaries for audit services was $68,603. There were no material non-audit services provided by the external auditors for the financial year ended 31 July 2019.

The AC 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 actions. The AC has 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.

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

Financial Matters

During the financial year, the AC reviewed the half-year and full-year financial statements of the Company and the Group, including announcements relating thereto, released to Shareholders via SGXNet.

In the review of the financial statements for FY 31 July 2019, the AC had discussed with the Management and the external auditors on changes to accounting standards and significant issues and assumptions that impact the financial statements. The most significant matters had also been included in the Independent Auditor's Report to Shareholders under "Key Audit Matter". Following the review, the AC concurred and agreed with the external auditors and the Management on their assessment, judgements and estimates on the Key Audit Matter reported by the external auditors.

PRINCIPLE 12: AUDIT COMMITTEE – *cont'd*

The following is the key audit matter raised by the external auditors:

Significant Matter	How the AC reviewed this matter and what decisions were made
Valuation of trade receivables The Group has trade receivables amounting to $9,830,906 (2018: $11,208,324). Allowance on impairment of receivables made were $720,163 (2018: $511,299). Details of the trade receivables are disclosed in Note 12. Management uses a provision matrix to measure the lifetime expected credit loss ("ECL") allowance for trade receivables. This provision matrix is estimated based on historical credit loss experience based on past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status, as adjusted in, the provision matrix. Upon adoption of SFRS(I) 9 *Financial Instruments*, the Group has recognized an additional impairment loss of $225,276 on the Group's trade receivables, resulting in a decrease in retained profits and non-controlling interest of $196,825 and $28,451 respectively as at 1 August 2018. During the current financial year, an amount of $13,782 of impairment loss has been made recognized in profit or loss upon adoption of SFRS(I) 9.	AC has discussed with Management on the recoverability of the trade receivables taken into consideration whether these trade receivables are active, their credit profiles and their payment history and subsequent payments to assess the recoverability of the trade receivables. The AC has also discussed with Management on the computation of the provision matrix used to measure the lifetime expected credit loss allowance for trade receivables, which is estimated based on historical credit loss experience with respect to past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Based on the above, the AC considered this approach and methodology including provision matrix used by Management to arrive at the expected credit loss to be reasonable and appropriate.

PRINCIPLE 13: INTERNAL AUDIT ('IA')

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 to satisfy that the Group's internal controls are adequate.

The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The IA reports primarily to the Chairman of the AC and has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

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. This outfit is helmed by a qualified member of Malaysia Institute of Certified Public Accountants.

PRINCIPLE 13: INTERNAL AUDIT ('IA') – *cont'd*

The Board with the concurrence of the AC is of the opinion that the system of the Company's internal controls, addressing financial, operational and compliance 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.

PRINCIPLE 14: SHAREHOLDERS RIGHTS
PRINCIPLE 15: 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. The Company ensures that price-sensitive information is publicly released, and is announced on an immediate basis where required under the Listing Manual of the SGX-ST. Where an immediate announcement is not possible, the announcement is made as soon as possible to ensure that shareholders and the public have fair access to the information.

The Company allows corporations which provide nominee or custodial services to appoint more than two proxies to attend the general meetings.

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

The Group does not have a fixed dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

PRINCIPLE 16: CONDUCT OF SHAREHOLDERS' MEETINGS

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 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 needs not be a member of the Company.

The Company acknowledges that voting by poll in all its general meetings is integral to the enhancement of corporate governance. The Company adheres to the requirements of the Listing Manual of the SGX-ST and the Code. 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.

ADDITIONAL INFORMATION
Interested Person Transactions (“IPT”)
(Listing Manual Rule 907)

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 2019 are set out below:

Name of Interested Person	Aggregate value of all IPT during the financial year under review (excluding transactions less than $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 $100,000)
	$	$
Purchases from		
Chung Ying Confectionery & Food Products Sdn Bhd	—	2,328,000
Federal Oats Mills Sdn Bhd *	—	274,000
Khong Guan Biscuit Factory (Borneo) Sdn Bhd	—	4,615,000
Leong Hong Oil Mill Sdn Bhd *	—	475,000
United Malayan Flour (1996) Sdn Bhd	—	12,796,000
Sales to		
Cereal Products (M) Sdn Bhd *	—	116,000
Khian Guan Biscuit Manufacturing Co Sdn Bhd	—	641,000
Khong Guan Biscuit Factory (Johore) Sdn Bhd	—	341,000
Poh Seng Trading (Ipoh) Sdn Bhd	—	1,516,000
Sunshine Traders Sdn Bhd	—	688,000

Note
* subsidiary companies of United Malayan Flour (1996) Sdn Bhd

MATERIAL CONTRACTS

Except as disclosed in Note 33 (Related Party Disclosures) of the Notes to the Financial Statements, there were no material contracts of the Company and its subsidiaries involving the interests of any Director or controlling shareholders, were subsisting at or entered into since the end of the last financial year.

DEALING IN SECURITIES

(Listing Manual Rule 1207(19))

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.

SUSTAINABILITY REPORTING

The Company published its inaugural Sustainability Report for the period from 1 August 2017 to 31 July 2018 (FY2018) in January 2019. It was prepared with reference to the Global Reporting Initiative's Sustainability Reporting Standards and captured the Group's environment, social and governance issues in FY2018 for all the entities in the Group. The Company will be publishing its 2nd Sustainability Report in the later part of 2019.

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. He then joined the Khong Guan Group of Companies, assuming responsibilities in general and financial management and was subsequently appointed director of several companies in the Group.

Mr Chew is an Independent Director of China Real Estate Grp Ltd, Duty Free International Limited, MTQ Corporation Limited and Kim Hin Joo (Malaysia) Berhad.

Chew Soo Eng

Mr Chew, who is an Executive Director, was appointed 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

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.

Yeo Jih-Shian

Mr Yeo was appointed as a Non-Executive and Independent Director in February 2018. He is a member of the Audit and Remuneration Committees.

Mr Yeo has more than 20 years of experience as a lawyer qualified in New York and Singapore and has been named as a Leading Lawyer by Chambers Global and IFLR. He was previously a Principal at the Singapore member office of a global law firm and led on many international capital markets transactions in the Asia Pacific region. Mr Yeo graduated in 1992 from the University of Oxford.

Mr Yeo also serves on the board of HCSA Community Services, a charity with Institute of Public Character status.

Tan Tiong Huat Alex

Mr Tan was appointed as a Non-Executive and Independent Director on 1 April 2019.

Mr Tan holds an MBA degree from Nanyang Technological University. He has been a corporate finance professional since 1994. He has successfully completed several initial public and reverse take-over on the Catalist and Main Board of SGX. He also advises Catalist-listed companies on compliance with SGX-Catalist Rules as CEO of ZICO Capital Pte Ltd, a position he held since 2016. Mr Tan was CEO of Canaccord Genuity Singapore Pte Ltd (legacy Collins Steward Pte Limited) between February 2008 to April 2016.

KEY MANAGEMENT EXECUTIVES

Chew Soo Lin

Please refer to Directors' profile.

Chew Soo Eng

Please refer to Directors' profile.

Chew Kian Boon Daniel

Please refer to Directors' profile.

Disclosure of Information on Directors Seeking Re-Election

	Chew Soo Lin	Tan Tiong Huat Alex
Date of Appointment	24.09.1998	01.04.2019
Date of last re-appointment (if applicable)	25.11.2016	Not Applicable
Age	71	51
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board is of the view that Mr Chew Soo Lin has sufficient experience to assume the responsibility of holding the executive position.	The Board accepted recommendation for re-appointment after reviewed his academic and professional qualifications and working experiences.
Whether appointment is executive, and if so, the area of responsibility	Executive	Non-Executive
Job Title	Chairman of the Company Nominating Committee Member	Independent Director
Professional qualifications	Chartered Accountant	MBA (Nanyang Technological University)
Working experience and occupation(s) during the past 10 years	Holds an executive position in Khong Guan group of companies assuming responsibilities in general and financial management and an independent director of several listed companies.	CEO - ZICO Capital Pte Ltd (August 2016 to Present) CEO - Canaccord Genuity Singapore Pte Ltd (February 2009 to April 2016)
Shareholding interest in the Company and its subsidiaries	6,000 shares in Khong Guan Limited 4,000 shares in Tong Guan Food Products Sdn Bhd (subsidiary)	Nil
Any relationship (including immediate family relationship(s) with any existing Director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	Cousin of Mr Chew Soo Eng	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes
Other Principal Commitments including Directorships	Past (for the last 5 years) JCG Investment Holdings Ltd Present Duty Free International Ltd MTQ Corporation Limited China Real Estate Grp Ltd Kim Hin Joo (Malaysia) Berhad	Past (for the last 5 years) Nil Present Nil

Disclosure of Information on Directors Seeking Re-Election

	Chew Soo Lin	Tan Tiong Huat Alex
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial offer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

Disclosure of Information on Directors Seeking Re-Election

	Chew Soo Lin	Tan Tiong Huat Alex
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issue any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

Directors' Statement for the financial year ended 31 July 2019

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Khong Guan Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 July 2019 and the statement of financial position of the Company as at 31 July 2019.

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 2019 and of the financial performance, changes in equity and cash flows of the Group for the year then ended; 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
Chew Kian Boon Daniel
Yeo Jih-Shian
Tan Tiong Huat Alex (Appointed on 01.04.2019)

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 in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN SHARES OR 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*

Name of directors	Direct interest: At the beginning of financial year	Direct interest: At the end of financial year	Deemed interest: At the beginning of financial year	Deemed interest: At the end of financial year
Ordinary shares of the Company				
Khong Guan 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	—	—
Ordinary share of subsidiary				
Tong Guan Food Products Sdn. Bhd.				
Chew Soo Lin	4,000	4,000	—	—
Chew Soo Eng	4,000	4,000	—	—
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 2019.

OPTIONS

During the financial year, no share options were granted to subscribe for 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 options 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 the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to external and internal auditors
- Reviewed the half yearly and annual financial statements and the independent 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 and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the 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
- Reported actions and minutes of the AC to the Board of Directors with such recommendations as the AC considered appropriate
- 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, except for two meetings where a member was absent. The AC has also met with internal and the 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.

AUDITOR

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

On behalf of the Board of Directors

Chew Soo Lin
Director

Chew Soo Eng
Director

Singapore, 24 October 2019

Independent Auditor's Report To The Members Of Khong Guan Limited For The Financial Year Ended 31 July 2019

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Khong Guan Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 July 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 July 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key Audit Matters – *cont'd*

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td>

Valuation of trade receivables
(Refer to Note 12 and Note 38)

The Group has trade receivables amounting to $9,830,906 (2018: $11,208,324). Allowance on impairment of receivables made were $720,163 (2018: $511,299). Details of the trade receivables are disclosed in Note 12.

Management uses a provision matrix to measure the lifetime expected credit loss ("ECL") allowance for trade receivables. The provision matrix is estimated based on historical credit loss experience based on past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status, as adjusted, in the provision matrix. Information regarding credit risk exposure and ECL on the Group's trade receivables is disclosed in Note 38.

Upon adoption of SFRS(I) 9 *Financial Instruments*, the Group has recognized an additional impairment loss of $225,276 on the Group's trade receivables, resulting in a decrease in retained profits and non-controlling interest of $196,825 and $28,451 respectively as at 1 August 2018.

During the current financial year, an amount of $13,782 of impairment loss has been made recognized in profit or loss upon adoption of SFRS(I) 9.

We considered this to be a key audit matter as the impairment allowance as well as ECL computation is highly judgmental and involves significant estimation by management.

</td><td>

Our procedures included but were not limited to the following:

- Evaluated Management's assessment of recoverability of the trade receivables by reviewing the debtors' aging, checking for subsequent receipt and analyzing the payment history of debtors with long outstanding receivables;
- Reviewed Management's ECL assessment on trade receivables using historical loss rate adjusted for forward-looking information;
- Considered the adequacy of the Group's disclosure on the trade receivables and the related risk in Note 38 to the financial statements.
- Discussed with the component auditors and reviewed their audit working papers on work done on trade receivables and their ECL assessment and adequacy of allowance of impairment loss on trade receivables.

</td></tr>
</table>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information listed below that is included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

- Corporate Information;
- Notice of Annual General Meeting;
- Chairman's Statement;
- Group Financial Highlights;
- Group Structure;
- Corporate Governance;
- Profile of Directors and Key Executives;
- Disclosure of Information on Directors seeking Re-Election;
- Directors' Statement;
- Analysis of Shareholdings; and
- Form of Proxy

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and SFRS(I)s, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements - *cont'd*

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report To The Members Of Khong Guan Limited For The Financial Year Ended 31 July 2019

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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ong Kian Meng.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 24 October 2019

Statements of Financial Position as at 31 July 2019

	Note	GROUP 2019 $	GROUP 2018 $	COMPANY 2019 $	COMPANY 2018 $
ASSETS AND LIABILITIES					
Non-Current Assets					
Property, plant and equipment	3	5,122,396	3,261,470	965,745	269,162
Prepaid lease	4	1,452,966	1,519,205	—	—
Investment property	5	13,897,029	13,446,604	13,897,029	13,446,604
Investments in subsidiaries	6	—	—	18,287,368	18,287,368
Investment in associate	7	20,059,123	19,700,322	—	—
Long-term investment	8	—	23,799	—	—
Financial assets, at fair value through other comprehensive income	9	279,047	—	—	—
		40,810,561	37,951,400	33,150,142	32,003,134
Current Assets					
Inventories	10	6,816,154	7,683,533	—	7,500
Short-term investments	11	4,657,106	5,424,302	—	—
Trade receivables	12	9,830,906	11,208,324	295,339	317,580
Other receivables	13	523,178	783,332	87,193	350,352
Tax recoverable		235,335	395,543	—	—
Amounts owing by subsidiaries	14	—	—	2,813,000	3,542,300
Fixed deposits	15	2,274,764	4,200,542	2,205,927	4,133,149
Cash and bank balances	16	6,876,563	7,665,345	2,932,517	3,015,977
		31,214,006	37,360,921	8,333,976	11,366,858
Less: Current Liabilities					
Trade payables	17	4,313,128	6,021,313	188,437	328,479
Other payables	18	2,451,438	1,830,641	1,451,703	1,332,093
		6,764,566	7,851,954	1,640,140	1,660,572
Net Current Assets		24,449,440	29,508,967	6,693,836	9,706,286
Less: Non-Current Liabilities					
Provision for retirement benefits	20	279,860	259,068	279,860	259,068
Deferred tax liabilities	21	98,020	403,427	—	—
		377,880	662,495	279,860	259,068
Net Assets		64,882,121	66,797,872	39,564,118	41,450,352
EQUITY					
Share capital	22	33,278,673	33,278,673	33,278,673	33,278,673
Capital reserve	23	357,604	145,710	—	—
Foreign currency translation reserve	24	1,589,101	1,952,709	—	—
Retained profits		27,073,048	28,787,973	6,285,445	8,171,679
Attributable to equity holders of the Company		62,298,426	64,165,065	39,564,118	41,450,352
Non-controlling interests		2,583,695	2,632,807	—	—
Total Equity		64,882,121	66,797,872	39,564,118	41,450,352

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

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income For The Financial Year Ended 31 July 2019

	Note	2019 $	2018 $ (Restated) [Note 42]
Revenue	25	58,990,434	57,955,491
Dividend income	26	157,893	153,369
Other net changes in fair value on financial assets at fair value thorugh profit or loss	11	(112,264)	669,090
Other income	27	296,000	489,968
Changes in inventories		(788,029)	407,098
Purchases of inventories		(52,823,848)	(52,452,751)
Employee benefits expense	28a	(4,334,431)	(3,949,547)
Depreciation and amortisation expenses			
- property, plant and equipment	3	(508,972)	(478,003)
- prepaid lease	4	(51,035)	(51,713)
- investment property	5	(171,718)	—
Share of results of associate, net of tax	7	974,972	891,513
Other expenses		(2,116,370)	(1,959,281)
(Loss)/Profit before tax	28	(487,368)	1,675,234
Income tax expense	29	(94,134)	(432,613)
(Loss)/Profit for the financial year		(581,502)	1,242,621
Profit for the financial year attributable to:			
Equity holders of the Company		(693,153)	1,037,257
Non-controlling interests		111,651	205,364
		(581,502)	1,242,621
Earnings per share for (loss)/profit attributable to equity holders of the Company [in cents]			
Basic and diluted	30	(2.69)	4.02

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

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income For The Financial Year Ended 31 July 2019

	Note	2019 $	2018 $ (Restated) [Note 42]
(Loss)/Profit for the financial year		(581,502)	1,242,621
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net fair value loss on equity investments at fair value through other comprehensive income	9	(15,512)	—
Share of associate's capital reserve on financial assets, at fair value through other comprehensive income	23	(17,593)	—
		(33,105)	—
Items that may be reclassified subsequently to profit or loss:			
Share of associate's capital reserve on long-term investment	23	—	(44,669)
Translation differences relating to financial statements of foreign operations		(389,765)	2,091,506
		(389,765)	2,046,837
Other comprehensive income, net of tax		(422,870)	2,046,837
Total comprehensive income for the financial year		(1,004,372)	3,289,458
Total comprehensive income attributable to:			
Equity holders of the Company		(1,088,288)	2,945,297
Non-controlling interests		83,916	344,161
		(1,004,372)	3,289,458

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

Consolidated Statement Of Changes In Equity
For The Financial Year Ended 31 July 2019

	Note	Share capital $	Capital reserve $	Foreign currency translation reserve $	Retained profits $	Total attributable to equity holders of the Company $	Non-controlling interests $	Total equity $
At 31 July 2018 **(as previously stated)**		33,278,673	145,710	(8,523,108)	39,263,790	64,165,065	2,632,807	66,797,872
*Adoption of SFRS (I) 1	2.2	—	—	10,475,817	(10,475,817)	—	—	—
Adoption of SFRS (I) 9	2.2	—	243,421	—	(247,396)	(3,975)	(877)	(4,852)
At 1 August 2018 (as restated)		33,278,673	389,131	1,952,709	28,540,577	64,161,090	2,631,930	66,793,020
(Loss)/Profit for the financial year		—	—	—	(693,153)	(693,153)	111,651	(581,502)
Other comprehensive income for the financial year		—	(31,527)	(363,608)	—	(395,135)	(27,735)	(422,870)
Total comprehensive income for the financial year		—	(31,527)	(363,608)	(693,153)	(1,088,288)	83,916	(1,004,372)
Dividends paid by								
- the Company	31	—	—	—	(774,376)	(774,376)	—	(774,376)
- subsidiaries to non-controlling interests		—	—	—	—	—	(132,151)	(132,151)
At 31 July 2019		33,278,673	357,604	1,589,101	27,073,048	62,298,426	2,583,695	64,882,121

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

Consolidated Statement Of Changes In Equity
For The Financial Year Ended 31 July 2019

	Note	Share capital $	Capital reserve $	Foreign currency translation reserve $	Retained profits $	Total attributable to equity holders of the Company $	Non-controlling interests $	Total equity $
At 31 July 2017 **(as previously stated)**		33,278,673	190,379	(10,475,817)	39,000,909	61,994,144	2,361,456	64,355,600
*Adoption of SFRS(I) 1	2.2	—	—	10,475,817	(10,475,817)	—	—	—
At 1 August 2017 (as restated)		33,278,673	190,379	—	28,525,092	61,994,144	2,361,456	64,355,600
Profit for the financial year		—	—	—	1,037,257	1,037,257	205,364	1,242,621
Other comprehensive income for the financial year		—	(44,669)	1,952,709	—	1,908,040	138,797	2,046,837
Total comprehensive income for the financial year		—	(44,669)	1,952,709	1,037,257	2,945,297	344,161	3,289,458
Dividends paid by								
- the Company	31	—	—	—	(774,376)	(774,376)	—	(774,376)
- subsidiaries to non-controlling interests		—	—	—	—	—	(72,810)	(72,810)
At 31 July 2018 (as restated)		33,278,673	145,710	1,952,709	28,787,973	64,165,065	2,632,807	66,797,872

Note:
<u>* Adoption of SFRS(I) 1 *First-time Adoption of SFRS(I)s*</u>
The Group is required to retrospectively apply all SFRS(I)s effective at the end of the first SFRS(I)s reporting period which is the financial year ending 31 July 2019, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. The Group has elected the relevant optional exemptions and the exemptions resulting in adjustments to the Group's financial statements is as follows:

<u>Cumulative translation differences</u>

The Group has elected for the optional exemption to reset its cumulative translation differences for all foreign operations to nil at the date of transition at 1 August 2017. As a result, cumulative translation losses of $10,475,817 are reclassified from foreign currency translation reserves to retained profits as at 1 August 2017 for the Group. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before 1 August 2017.

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

Consolidated Statement of Cash Flows
For The Financial Year Ended 31 July 2019

	Note	2019 $	2018 $
Cash flows from operating activities:			
(Loss)/Profit before tax		(487,368)	1,675,234
Adjustments for non-cash and other items:			
Allowance for doubtful trade receivables	28	13,782	53,477
Depreciation and amortisation expenses	28	731,725	529,716
Fair value loss/(gain) on short-term investments	28	195,075	(258,956)
Gain on disposal of property, plant and equipment	27	—	(9,018)
Interest income	27	(105,898)	(140,311)
Provision for retirement benefits	28a	20,792	21,530
Reversal of allowance for doubtful trade receivables	27	(26,191)	—
Share of results of associate, net of tax	7	(974,972)	(891,513)
		(145,687)	(695,075)
Operating (loss)/profit before working capital changes		(633,055)	980,159
Decrease in short-term investments		572,121	670,972
Decrease/(Increase) in inventories		788,029	(407,098)
Decrease/(Increase) in trade and other receivables		1,464,178	(821,716)
(Decrease)/Increase in trade and other payables		(1,022,160)	1,607,971
		1,802,168	1,050,129
Cash generated from operations		1,169,113	2,030,288
Income tax paid		(398,616)	(522,261)
Interest received		105,898	140,311
		(292,718)	(381,950)
Net cash generated from operating activities		876,395	1,648,338
Cash flows from investing activities:			
Purchases of property, plant and equipment	3	(2,443,306)	(319,373)
Addition to investment property	5	(622,143)	(3,978,988)
Proceeds from disposal of property, plant and equipment		56,995	9,018
Dividend received from associate	7	352,941	527,515
Net cash used in investing activities		(2,655,513)	(3,761,828)

Consolidated Statement of Cash Flows
For The Financial Year Ended 31 July 2019

	Note	2019 $	2018 $
Cash flows from financing activities:			
Dividend paid by the Company		(774,376)	(774,376)
Dividends paid by subsidiaries to non-controlling interests		(132,151)	(72,810)
Net cash used in financing activities		(906,527)	(847,186)
Net decrease in cash and cash equivalents		(2,685,645)	(2,960,676)
Cash and cash equivalents at beginning of the financial year		11,865,887	14,722,193
Effects of currency translations on cash and cash equivalents		(28,915)	104,370
Cash and cash equivalents at end of the financial year	32	9,151,327	11,865,887
Represented by:			
Fixed deposits (Note 15)		2,274,764	4,200,542
Cash and bank balances (Note 16)		6,876,563	7,665,345
		9,151,327	11,865,887

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

Notes to the Financial Statements for the financial year ended 31 July 2019

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

1. GENERAL INFORMATION

Khong Guan Limited is a limited liability company listed on the Singapore Exchange Securities Trading Limited. It is incorporated and domiciled in Singapore with the registered office and principal place of business at 2 MacTaggart Road #03-01 Khong Guan Building, Singapore 368078.

The principal activities of the Company are the trading of wheat flour and other edible products and investment holding. The principal activities of the subsidiaries are set out in Note 6.

The consolidated financial statements of the Group and the statement of financial position of the Company were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

The financial statements are presented in Singapore Dollars ("SGD" or "$") except when otherwise indicated.

2.2 ADOPTION OF SFRS(I)s

These financial statements for the year ended 31 July 2019 are the first the Group and the Company have prepared in accordance with SFRS(I)s. Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I)s applicable as at 31 July 2019, together with the comparative period data for the year ended 31 July 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening statements of financial position were not presented as at 1 August 2017, the Group's and the Company's date of transition to SFRS(I)s. This is due to the retrospective application, retrospective restatement or the reclassification did not have any material effect on the information in the statements of financial position at 1 August 2017.

The principal adjustments made by the Group on adoption of SFRS(I)s and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)s

SFRS(I)s allow first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I)s. The Group has applied the following exemptions:

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

2.2 ADOPTION OF SFRS(I)s – *cont'd*

Exemptions applied on adoption of SFRS(I)s – *cont'd*

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I)s, or acquisitions of interests in associates and joint ventures that occurred before 1 August 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I)s is the same as previously reported under Financial Reporting Standards ("FRSs").

- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I)s. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 August 2018. As a result, an amount of $10,475,817 was adjusted against the opening retained profits as at 1 August 2018.

- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures related to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRSs except that in the current financial year, the Group has adopted all the SFRS(I)s which are effective for the Group's annual financial periods beginning on or after 1 August 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

<u>SFRS(I) 1 *First-time Adoption of SFRS(I)s*</u>

The Group is required to retrospectively apply all SFRS(I)s effective at the end of the first SFRS(I)s reporting period which is the financial year ending 31 July 2019, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. The Group has elected the relevant optional exemptions and the exemptions resulting in adjustments to the Group's financial statements is as follows:

<u>Cumulative translation differences</u>

The Group has elected for the optional exemption to reset its cumulative translation differences for all foreign operations to nil at the date of transition at 1 August 2017. As a result, cumulative translation losses of $10,475,817 are reclassified from foreign currency translation reserves to retained profits as at 1 August 2017 for the Group. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before 1 August 2017.

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

2.2 **ADOPTION OF SFRS(I)s** – *cont'd*

New accounting standards effective on 1 January 2018 – *cont'd*

SFRS(I) 9 *Financial Instruments*

On 1 August 2018, the Group adopted SFRS(I) 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained profits at the date of initial application, 1 August 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

The effect of adopting SFRS(I) 9 for the Group as at 1 August 2018 were at follows:

	Reference	Increase/(Decrease) $
Assets		
Investment in associate	(c)	(50,571)
Long-term investment	(a)	(23,799)
Financial assets, at fair value through other comprehensive income	(a)	294,794
Trade receivables	(b)	(225,276)
Total assets		**(4,852)**
Total adjustment on equity:		
Retained profits	(b),(c)	(247,396)
Capital reserve	(a)	243,421
Non-controlling interests	(a), (b)	(877)
		(4,852)

The nature of the adjustments are described below:

(a) Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

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

2.2 ADOPTION OF SFRS(I)s – *cont'd*

New accounting standards effective on 1 January 2018 – *cont'd*

SFRS(I) 9 *Financial Instruments* – *cont'd*

(a) Classification and measurement – *cont'd*

The classification and measurement requirements of SFRS(I) 9 did not have a significant impact to the Group except upon adoption of SFRS(I) 9, the Group measures its currently held available-for-sale ("AFS") unquoted equity investment at FVOCI, beginning 1 August 2018. The Company elected to classify irrevocably its unquoted equity investment under this category at the date of initial application as it intends to hold these investments for long-term appreciation. The impact arising from this change resulted in an increase in carrying value of $270,995 (Note 9 and Note 39(d)) to the unquoted equity investment with a corresponding adjustment to capital reserve and non-controlling interests of $243,421 and $27,574 respectively at 1 August 2018.

The Group has not designated any financial liabilities at FVPL. There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of SFRS(I) 9, the Group had the following required or elected reclassifications as at 1 August 2018:

		SFRS(I) 9 measurement category		
		FVPL	**FVOCI**	**Amortised cost**
FRS39 measurement category	**$**	**$**	**$**	**$**
Loans and receivables				
Trade receivables (Note 12)	11,208,324	—	—	10,983,048
Other receivables (Note 13)	783,332	—	—	783,332
Financial assets at FVPL				
Short-term investments (Note 11)	5,424,302	5,424,302	—	—
AFS				
Long term investment (unquoted) (Note 8 and Note 9)	23,799	—	294,794	—
		5,424,302	**294,794**	**11,766,380**

(b) Impairment

SFRS(I) 9 requires the Group to record expected credit losses ("ECLs") on its financial assets measured at amortised cost, debt securities at FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

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

2.2 **ADOPTION OF SFRS(I)s** – *cont'd*

New accounting standards effective on 1 January 2018 – *cont'd*

SFRS(I) 9 *Financial Instruments* – *cont'd*

(b) Impairment – *cont'd*

Upon adoption of SFRS(I) 9, the Group recognised additional impairment of $225,276 on the Group's trade receivables, resulting in a decrease in retained profits and non-controlling interests of $196,825 and $28,451 respectively as at 1 August 2018.

The reconciliation for allowance for doubtful receivable for the Group are as follow:

	Allowance for impairment under FRS 39 as at 31 July 2018	Remeasurement	ECL under SFRS(I) 9 as at 1 August 2018
	$	$	$
Loan and receivables under FRS 39/Financial assets at amortised cost under SFRS(I) 9	511,299	225,276	736,575

(c) Other adjustments

In addition to the adjustments described above, investment in associate and retained profits have been adjusted by $50,571 due to share of additional impairment recognised on the associate's trade receivables upon adoption of SFRS(I) 9 as at 1 August 2018 (Note 7).

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

SFRS(I) 15 Revenue from *Contracts with Customers* supersedes FRS 11 *Construction Contracts*, FRS 18 *Revenue* and related interpretations and it applies, with limited e xceptions, to all revenue arising from contracts with customers. SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SFRS(I) 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

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

2.2 ADOPTION OF SFRS(I)s – *cont'd*

New accounting standards effective on 1 January 2018 – *cont'd*

SFRS(I) 15 *Revenue from Contracts with Customers* – *cont'd*

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 August 2017. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been lower;

- For completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year ended 31 July 2018. Had the Group elected not to apply this practical expedient, the amount of revenue recorded for the prior year would have been lower;

- For the comparative year ended 31 July 2018, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

Based on the management's assessment, the initial application of SFRS(I) 15 has no significant impact to the Group's financial statements.

Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
SFRS(I) 16 *Leases*	1 January 2019
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policies on adoption of SFRS(I) 16 is described below.

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

2.2 **ADOPTION OF SFRS(I)s** – *cont'd*

Standards issued but not yet effective – *cont'd*

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on statements of financial position. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained profits at the date of initial application, 1 August 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 August 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 August 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 August 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 for the financial year ending 31 July 2020.

On the adoption of SFRS(I) 16, the Group expects an increase in total assets and total liabilities, EBITDA and gearing ratio.

2.3 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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

In the process of applying the Group's accounting policies, which are described in Note 2.4 to 2.26 to the financial statements, management had made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

(ii) Classification of land and building as investment property or property, plant and equipment

Management's initial intention to purchase the land and building is for investment purpose. During the current financial year, the redevelopment of land and building (total of 8 storeys) have been completed. Out of the 8 storeys, 2 storeys were occupied by the owner which is the Company, and the remaining 6 storeys were leased out to tenants, out of which 2 storeys have been leased out and the remaining of 4 storeys were still in vacant condition. Management has assessed that there is significant portion (75%) held to earn rentals or for capital appreciation or both. Consequently, management decided to classify the whole land and building under investment property based on their judgement above. The carrying amounts of the Group's and Company's investment property as at the end of the financial year are disclosed in Note 5.

(b) Critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

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

(i) Valuation of unquoted equity investment at FVOCI

The Group has investments in unquoted equity instruments amounting to $279,047 as at 31 July 2019. Upon adoption of SFRS(I) 9, the unquoted equity instruments are measured at FVOCI. The fair value of the instrument is estimated at Level 3 by using unobservable inputs for the investment in unquoted equity investment. The non-observable input has been disclosed in Note 39(d) and the carrying amounts of the Group's unquoted equity investment as at the end of the financial year are disclosed in Note 8 and 9.

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

The cost, less the residual values, of property, plant and equipment and investment property are depreciated on the straight-line method over their estimated economic useful lives. Management estimates the economic useful lives of property, plant and equipment and investment property are to be within 5 to 999 years and 50 years respectively. 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 as at the end of the financial year are disclosed in Note 3 and Note 5 respectively.

(iii) Allowance for inventory obsolescence

At the end of the financial year, 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 end of financial year, no allowance for inventory obsolescence is made.

(iv) Allowance for doubtful trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 38.

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

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

(iv) Allowance for doubtful trade receivables – *cont'd*

The carrying amounts of trade receivables and the allowance for doubtful trade receivables as at 31 July 2019 are disclosed in Note 12.

(v) Income tax

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

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

2.4 GROUP ACCCOUNTING

(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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which that control ceases.

In preparing the consolidated financial statements, intercompany transactions and balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. 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 profit or loss and other 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.

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

2.4 **GROUP ACCCOUNTING** – *cont'd*

(a) Subsidiaries – *cont'd*

(ii) Acquisition of subsidiaries and businesses

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

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 identifiable net assets.

The excess of (a) 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 (b) fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) Disposals of subsidiaries or businesses

When a change in the Group'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 previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained profits if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest 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 and associates in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

Changes in the Group'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 Company. 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 within equity attribute to the equity holders of the Company.

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

2.4 **GROUP ACCCOUNTING** – *cont'd*

(c) Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies. 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 associates 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 associates are adjusted against the carrying amount of the investment. Dividends received from associates are recognised as a reduction of the carrying amount of the investment. When the Group's share of losses in an associate equals to or exceeds its interest in the associate, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to make, or has made, payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its shares of the profits equals the share of losses not recognised.

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 are 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 losses significant influence. If the retained equity interest in the former associates is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

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

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

2.5 **PROPERTY, PLANT AND EQUIPMENT**

(a) Measurement

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses if any.

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 (such as the cost of work-in-progress on the renovation of property, plant and equipment).

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(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 and buildings	25 to 999
Motor vehicles	5 to 10
Office equipment and fittings	5 to 10

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

Assets under work-in-progress which are related to the replacing a component of an item of property, plant and equipment are not depreciated as these assets are not yet available for use.

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

(c) Subsequent expenditure

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item (such as the cost for work-in-progress) if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as 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. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – *cont'd*

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 financial year. The effects of any revision are recognised in profit or loss when the changes arise.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

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

Investment property is professionally appraised every five years or when necessary.

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 such investments in subsidiaries and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.8 FINANCIAL INSTRUMENTS

These accounting policies are applied on and after the Group's initial application date of SFRS(I) 9, 1 August 2018:

(a) Financial assets

Classification and measurement

Financial assets are classified into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

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

2.8 **FINANCIAL INSTRUMENTS**– *cont'd*

(a) Financial assets - *cont'd*

Classification and measurement - *cont'd*

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of trade and other receivables (excluding prepayments), amounts owing by subsidiaries, fixed deposits and cash and bank balances.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL.

(a) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(b) FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI

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

2.8 **FINANCIAL INSTRUMENTS**– *cont'd*

(a) Financial assets - *cont'd*

At subsequent measurement - *cont'd*

(i) Debt instruments - *cont'd*

(b) FVOCI - *cont'd*

are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

(c) FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of profit or loss and other comprehensive income within other net changes in fair value of financial assets at fair value through profit or loss in the period in which they arise, except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 38 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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.

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

2.8 **FINANCIAL INSTRUMENTS**– *cont'd*

(a) Financial assets - *cont'd*

Recognition and derecognition - *cont'd*

Financial assets are derecognised when the rights to receive cash flows from the financial assets expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, the Group becomes a party to contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

2.8 **FINANCIAL INSTRUMENTS**– *cont'd*

These accounting policies are applied before the Group's initial application date of SFRS(I) 9, 1 August 2018:

(a) Financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. 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 expected to be realised later than 12 months after the end of the financial year which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", "fixed deposits", "cash and cash equivalents" and "amounts owing by subsidiaries" on the statement of financial position.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Long-term investment is classified in this category and it is presented as non-current assets unless the investment matures or management intends to dispose of the asset within 12 months after the end of the financial year.

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 recognised in the fair value reserve relating to that asset is reclassified to the consolidated statement of comprehensive income.

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

2.8 **FINANCIAL INSTRUMENTS**– *cont'd*

(a) Financial assets - *cont'd*

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.

Subsequent measurement

Available-for-sale financial assets 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 available-for-sale financial assets are recognised separately in profit or loss when available-for-sale equity securities are carried at fair value. Changes in their fair values of financial assets (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

Impairment

The Group assesses at the end of each financial year 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 impairment allowance 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 years.

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

2.8 FINANCIAL INSTRUMENTS– *cont'd*

(a) Financial assets - *cont'd*

Impairment - *cont'd*

(ii) Financial asset, available-for-sale (carried at cost)

If there is objective evidence of impairment (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 cumulative 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 through profit or loss in subsequent periods.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, the Group becomes a party to contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

2.9 IMPAIRMENT OF FINANCIAL ASSETS

These accounting policies are applied on and after the Group's initial application date of SFRS(I) 9, 1 August 2018:

The Group recognises an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 38 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

These accounting policies are applied before the Group's initial application date of SFRS(I) 9, 1 August 2018:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has 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 financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

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

2.9 IMPAIRMENT OF FINANCIAL ASSETS – *cont'd*

Financial assets carried at amortised cost – *cont'd*

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.10 INVENTORIES

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Costs include 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.

2.11 CASH AND CASH EQUIVALENTS

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

For the purposes of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

2.12 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 financial year. 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.

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

2.12 FAIR VALUE ESTIMATION OF FINANCIAL ASSETS AND LIABILITIES – *cont'd*

The fair values of financial instruments that are not traded in active market (such as unquoted equity investments) are determined by using valuation techniques such as asset-based approach.

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 units ("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.

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

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

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

2.14 TAXES

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either to other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

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 associate, 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 financial year; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *cont'd*

2.14 TAXES – *cont'd*

(c) Goods and Service Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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.

2.16 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 ("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 exchange 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 financial year are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments) and financial liabilities. 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.

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

2.16 CURRENCY TRANSLATION – *cont'd*

(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 financial year;

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

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

2.17 SHARE CAPITAL

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

2.18 DIVIDENDS TO COMPANY'S SHAREHOLDERS

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

2.19 REVENUE RECOGNITION

These accounting policies are applied on and after the Company's initial application date of SFRS(I) 15, 1 August 2018:

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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

2.19 REVENUE RECOGNITION – *cont'd*

(a) Sale of goods – Trading income

Revenue from sale of goods is recognised upon transfer of control of the goods to the customer when the performance obligation is completed. Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return goods.

(b) Dividend income

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

(c) Rental Income

Rental income from operating leases is recognised on a straight-line basis over the lease term.

These accounting policies are applied before the Company's initial application date of SFRS(I) 15, 1 August 2018:

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) Dividend income

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

(c) Rental Income

Rental income from operating leases is recognised on a straight-line basis over the lease term.

2.20 INTEREST INCOME

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

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

2.21 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.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

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. The Singapore companies in the Group make contributions to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the same year as the employment that gives rise to the contributions.

(b) Provision for retirement benefits

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

The liability recognised in the statement of financial position in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the end of the financial year 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.

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

2.22 EMPLOYEE BENEFITS – *cont'd*

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An provision is made for estimated liability for annual leave as a result of services rendered by employees up to statement of financial position date.

2.23 LEASES

(a) When the Group is the lessee:

The Group leases land and buildings under operating leases from related and 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 building under operating leases to non-related parties.

Lessor - Operating leases

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

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

2.24 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief decision maker who is responsible for allocating resources and assessing performance of the operating segments.

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

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.

2.26 RELATED PARTIES

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold land and Buildings $	Work-in-progress $	Motor vehicles $	Office equipment and fittings $	Total $
Cost					
At 1 August 2017	1,889,816	—	3,191,089	1,338,197	6,419,102
Additions	38,374	—	187,982	93,017	319,373
Disposals	—	—	(68,651)	(1,317)	(69,968)
Currency translation difference	110,236	—	100,207	65,920	276,363
At 31 July 2018	2,038,426	—	3,410,627	1,495,817	6,944,870
Transfer to work-in-progress	—	54,312	—	(54,312)	—
Additions	—	1,453,792	57,369	932,145	2,443,306
Disposals	—	—	(1)	(151,799)	(151,800)
Currency translation difference	(20,068)	6,508	(18,692)	(11,656)	(43,908)
At 31 July 2019	2,018,358	1,514,612	3,449,303	2,210,195	9,192,468
Accumulated Depreciation					
At 1 August 2017	567,303	—	1,881,553	675,520	3,124,376
Charge for the year	53,967	—	294,655	129,381	478,003
Disposals	—	—	(68,651)	(1,317)	(69,968)
Currency translation difference	33,616	—	84,441	32,932	150,989
At 31 July 2018	654,886	—	2,191,998	836,516	3,683,400
Charge for the year	53,837	—	273,872	181,263	508,972
Disposals	—	—	(1)	(94,804)	(94,805)
Currency translation difference	(6,184)	—	(15,146)	(6,165)	(27,495)
At 31 July 2019	702,539	—	2,450,723	916,810	4,070,072
Net Carrying Amount					
At 31 July 2018	1,383,540	—	1,218,629	659,301	3,261,470
At 31 July 2019	1,315,819	1,514,612	998,580	1,293,385	5,122,396

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

COMPANY	Motor vehicles $	Office equipment and fittings $	Total $
Cost			
At 1 August 2017	444,952	211,806	656,758
Additions	—	1,950	1,950
At 31 July 2018	444,952	213,756	658,708
Additions	15,256	864,467	879,723
Disposals	—	(151,799)	(151,799)
At 31 July 2019	460,208	926,424	1,386,632
Accumulated Depreciation			
At 1 August 2017	192,652	122,035	314,687
Charge for the year	44,596	30,263	74,859
At 31 July 2018	237,248	152,298	389,546
Charge for the year	47,046	79,099	126,145
Disposals	—	(94,804)	(94,804)
At 31 July 2019	284,294	136,593	420,887
Net Carrying Amount			
At 31 July 2018	207,704	61,458	269,162
At 31 July 2019	175,914	789,831	965,745

Leasehold land and buildings of the Group with a total net carrying amount of $320,024 (2018: $341,468) have been mortgaged to secure banking facilities granted to a subsidiary (Note 19).

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

Location	Site area (sq. m)	Tenure
TTB 2195, Lot 10, Ming Huat Commercial Warehouse, Tawau, Sabah	410	999 years from 1905
TD 2205, Lot 20, Ming Huat Commercial Warehouse, Tawau, Sabah	377	999 years from 1905

4. PREPAID LEASE

	GROUP	
	2019	2018
	$	$
Cost		
Balance at beginning of the financial year	1,968,692	1,860,625
Currency translation difference	(19,382)	108,067
Balance at end of the financial year	1,949,310	1,968,692
Accumulated Amortisation		
Balance at beginning of the financial year	449,487	375,335
Charge for the year (Note 28)	51,035	51,713
Currency translation difference	(4,178)	22,439
Balance at end of the financial year	496,344	449,487
Net Carrying Amount	1,452,966	1,519,205

Prepaid lease of the Group with a total net carrying amount of $328,513 (2018: $338,453) have been mortgaged to secure banking facilities granted to a subsidiary (Note 19).

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 $	Building $	Total $
Cost				
At 1 August 2017	3,879,481	5,588,135	—	9,467,616
Additions	—	3,978,988	—	3,978,988
At 31 July 2018	3,879,481	9,567,123	—	13,446,604
Additions	—	622,143	—	622,143
Transfer to Building	—	(10,189,266)	10,189,266	—
At 31 July 2019	3,879,481	—	10,189,266	14,068,747
Accumulated Depreciation				
At 1 August 2017 and 31 July 2018	—	—	—	—
Addition	—	—	171,718	171,718
At 31 July 2019	—	—	171,718	171,718
Carrying Amount				
At 31 July 2018	3,879,481	9,567,123	—	13,446,604
At 31 July 2019	3,879,481	—	10,017,548	13,897,029
Fair Value				
At 31 July 2018				24,000,000
At 31 July 2019				24,000,000

The following amounts are recognised in profit or loss:

	GROUP AND COMPANY 2019 $	GROUP AND COMPANY 2018 $
Rental income from investment property (Note 27)	137,529	—
Direct operating expenses arising from:		
- Investment property that generated rental income	39,780	—
- Investment property that did not generate rental income	93,924	63,608

The investment property of the Group is leased to non-related parties tenants under operating leases [Note 37(b)].

The Company's investment property was appraised as at 31 July 2017 by an independent valuer, Edmund Tie & Company (SEA) Pte Ltd, at a fair value of $24,000,000 (Level 3 fair value hierarchy) [Note 2.6].

5. INVESTMENT PROPERTY – *cont'd*

In accordance with the valuation report dated 1 August 2017, 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.

Management is of the view that there is no material movement in the fair value of the investment property since the last valuation as there is no significant fluctuation in the price of similar land and building within the same vicinity.

Details of the investment property are as follows:

Location	**Land area** (sq. m)	**Tenure**
2 MacTaggart Road, Khong Guan Building	832	Freehold

6. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2019 **$**	**2018** **$**
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

6. INVESTMENTS IN SUBSIDIARIES *– cont'd*

The Group has the following subsidiaries as at 31 July 2019 and 31 July 2018:

Name of subsidiary	Principal activities	Place of incorporation/ business	Percentage of equity held %
<u>Held by the Company</u>			
Khong Guan Food Products Pte. Ltd.^	Trading in quoted investments	Singapore	100.00
Victus Marketing Pte. Ltd.^	Trading in quoted investments	Singapore	100.00
Tau Meng Investments Pte. Ltd. ^	Investment holding	Singapore	100.00
Swee Hin Chan Company Sdn. Berhad #	Wholesaler of wheat flour, general goods and related products	Malaysia	89.82
Tong Guan Food Products Sdn. Bhd.@	Wholesaler of wheat flour, biscuits and other consumer goods	Malaysia	84.31

^ Audited by RT LLP

Audited by Ernst & Young, Malaysia

@ Audited by Deloitte PLT

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

Carrying value of non-controlling interests

	2019 $	2018 $
Swee Hin Chan Company Sdn Berhad ("SHC")	813,464	813,852
Tong Guan Food Products Sdn. Bhd. ("TGFP")	1,770,231	1,818,955
	2,583,695	2,632,807

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 that are material 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 2019 and 31 July 2018.

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

Summarised statement of financial position

As at 31 July 2019	SHC $	TGFP $
Current		
Assets	7,463,944	11,672,599
Liabilities	(2,116,108)	(2,947,870)
Total current net assets	5,347,836	8,724,729
Non-current		
Assets	2,678,278	2,624,782
Liabilities	(31,699)	(66,321)
Total non-current assets	2,646,579	2,558,461
Net assets	7,994,415	11,283,190

Summarised statement of comprehensive income

For the year ended 31 July 2019	SHC $	TGFP $
Revenue	26,698,960	31,079,358
Profit before tax	486,924	744,762
Income tax expense	(145,253)	(254,706)
Post-tax profit from continuing operation	341,671	490,056
Other comprehensive income	(95,125)	(115,086)
Total comprehensive income	246,546	374,970
Total comprehensive income allocated to non-controlling interests	25,087	58,829
Dividend paid to non-controlling interests	40,331	91,820

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

Summarised statement of financial position

	SHC $	TGFP $
As at 31 July 2018		
Current		
Assets	8,269,642	13,706,521
Liabilities	(2,800,739)	(3,331,404)
Total current net assets	5,468,903	10,375,117
Non-current		
Assets	2,557,931	1,285,612
Liabilities	(28,605)	(66,980)
Total non-current assets	2,529,326	1,218,632
Net assets	7,998,229	11,593,749

Summarised statement of comprehensive income

	SHC $	TGFP $
For the financial year ended 31 July 2018		
Revenue	24,628,518	32,183,345
Profit before tax	862,430	1,191,160
Income tax expense	(229,802)	(292,500)
Post-tax profit from continuing operation	632,628	898,660
Post-tax profit from discontinued operation	—	—
Other comprehensive income	420,300	612,079
Total comprehensive income	1,052,928	1,510,739
Total comprehensive income allocated to non-controlling interests	107,139	237,022
Dividend paid to non-controlling interests	20,214	52,596

6. INVESTMENTS IN SUBSIDIARIES – *cont'd*

Summarised cash flows

For the financial year ended 31 July 2019	SHC $	TGFP $
Cash flows from operating activities		
Cash generated from operations	474,974	1,938,480
Interest income	2,251	—
Income tax paid	(141,893)	(254,706)
Net cash generated from operating activities	335,332	1,683,774
Net cash used in investing activities	(90,028)	(1,473,555)
Net cash used in financing activities	(396,360)	(585,248)
Net decrease in cash and cash equivalents	(151,056)	(375,029)
Cash and cash equivalents at beginning of the year	943,558	1,734,591
Exchange loss on cash and cash equivalents	(10,022)	(18,893)
Cash and cash equivalents at end of the year	782,480	1,340,669

For the year ended 31 July 2018	SHC $	TGFP $
Cash flows from operating activities		
Cash generated from operations	602,477	1,743,931
Interest income	3,402	—
Income tax paid	(226,039)	(294,184)
Net cash generated from operating activities	379,840	1,449,747
Net cash used in investing activities	(140,936)	(167,469)
Net cash used in financing activities	(198,660)	(335,238)
Net increase in cash and cash equivalents	40,244	947,040
Cash and cash equivalents at beginning of the year	853,258	733,237
Exchange gain on cash and cash equivalents	50,056	54,314
Cash and cash equivalents at end of the year	943,558	1,734,591

7. INVESTMENT IN ASSOCIATE

	GROUP	
	2019	**2018**
	$	**$**
Unquoted equity investments, at cost	12,035,540	12,035,540
Share of post-acquisition reserve	13,287,063	12,715,603
Share of capital reserve	127,812	145,405
Foreign currency translation reserve	(5,391,292)	(5,196,226)
	20,059,123	19,700,322
Movements for share of post-acquisition reserve:		
Balance at beginning of the financial year	12,715,603	12,351,605
Effects of adoption of SFRS(I) 9	(50,571)	—
Share of results	974,972	891,513
Dividend received	(352,941)	(527,515)
Balance at end of the financial year	13,287,063	12,715,603

Summarised statement of financial position

United Malayan Flour (1996) Sdn Bhd (*)

Current assets	47,021,429	57,751,965
Include:		
- Cash and cash equivalents	14,996,016	25,156,776
Current liabilities	(6,544,409)	(6,815,164)
Include:		
- Financial liabilities (excluding trade payables)	(1,775,897)	(2,088,163)
Non-current assets	57,254,794	35,088,244
Non-current liabilities	(18,679,141)	(9,136,162)
Include:		
- Financial liabilities	(16,477,536)	(6,907,477)
- Other liabilities	(654,475)	(644,643)
Net assets	79,052,673	76,888,883

* The entity is a group of companies that consist of Federal Oats Mills Sdn. Bhd., Leong Hong Oil Mill Sdn. Bhd. and United Commercial Trading (M) Sdn. Bhd..

7. INVESTMENT IN ASSOCIATE – *cont'd*

Summarised statement of comprehensive income

	For the year ended	
United Malayan Flour (1996) Sdn Bhd	**2019** **$**	**2018** **$**
Revenue	77,119,652	81,148,176
Interest income	431,224	472,666
Expenses		
Include:		
- Depreciation and amortisation	(1,744,526)	(1,900,174)
Profit before tax	5,715,509	5,210,083
Income tax expense	(1,369,276)	(1,314,297)
Post-tax profit		
- Continuing	4,346,233	3,895,786
Other comprehensive income	(30,532)	(148,469)
Total comprehensive income	4,315,701	3,747,317
Dividend received from associate	352,941	527,515

Reconciliation of Summarised Financial Information

United Malayan Flour (1996) Sdn Bhd (*)		
Net assets		
At beginning of the financial year	76,888,883	70,841,114
Effects of adoption of SFRS(I) 9	(168,572)	—
Profit for the financial year	4,346,233	3,895,786
Dividends paid		
- Company	(1,189,080)	(1,787,940)
- Subsidiary company	(51,378)	(49,764)
Other comprehensive income	(30,532)	(148,469)
Foreign exchange differences	(742,881)	4,138,156
At end of the financial year	79,052,673	76,888,883
Associate's non-controlling interests	(12,188,930)	(11,195,636)
Net assets attributable to the Group	66,863,743	65,693,247
Interest in associate	20,059,123	19,700,322
Carrying value of Group's interest in associate	20,059,123	19,700,322

7. INVESTMENT IN ASSOCIATE – *cont'd*

Details of the associate as at 31 July 2019 and 2018 are as follows:

Name of company	Principal activities	Place of incorporation/ business	Effective interest held by Group
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

+ Audited by Ernst & Young, Malaysia

8. LONG-TERM INVESTMENT

Long-term investment is classified as available-for-sale financial assets as follows:

	GROUP	
	2019	**2018**
	$	**$**
Unquoted equity investments, at cost	23,799	30,503
Reclassification at 1 August 2018	(23,799)	—
Less: Impairment loss		
Balance at beginning of the financial year	—	(6,336)
Currency translation difference	—	(368)
Balance at end of the financial year	—	(6,704)
	—	23,799

* See Note 2.2 for details of reclassification as at 1 August 2018 on adoption of SFRS(I) 9.

	GROUP
	2018
	$
Unquoted equity investments:	
- Malaysia	23,799

The Group has elected to measure this long-term investment at FVOCI due to the Group's intention to hold this equity investment for long-term appreciation (Note 9).

9. FINANCIAL ASSETS, AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	GROUP	
	2019	2018
	$	$
Financial assets, at FVOCI		
Reclassification at 1 August 2018, at cost	23,799	—
Currency translation difference	(235)	—
	23,564	—
Add: Fair value changes		
Balance at beginning of the financial year	—	—
Effect of adoption of SFRS(I) 9	270,995	—
Fair value loss	(15,512)	—
Balance at end of the financial year	255,483	—
	279,047	—

* See Note 2.2 for details of reclassification as at 1 August 2018 on adoption of SFRS(I) 9.

	GROUP	
	2019	2018
	$	$
Non-current assets		
Unquoted equity investments:		
- Malaysia	279,047	—

10. INVENTORIES

	GROUP		COMPANY	
	2019	2018	2019	2018
	$	$	$	$
Trading inventories, at cost	5,742,749	6,601,536	—	7,500
Goods-in-transit, at cost	1,073,405	1,081,997	—	—
	6,816,154	7,683,533	—	7,500

The cost of inventories recognised as an expense as included in the consolidated statement of profit or loss and other comprehensive income amounted to $53,611,876 (2018: $51,994,823).

11. SHORT-TERM INVESTMENTS

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

	GROUP	
	2019	2018
	$	$
Held for trading		
Equity investments quoted in:		
- Singapore	2,895,984	3,290,395
- Malaysia	1,761,122	2,133,907
	4,657,106	5,424,302
Financial assets at FVPL:		
At the beginning of the financial year	5,424,302	5,836,318
Purchases	1,890,623	1,644,022
Disposals	(2,462,744)	(2,314,994)
Net movement in short-term investments	(572,121)	(670,972)
Net unrealised (loss)/gain in fair value on short term investment (Note 28)	(195,075)	258,956
At end of the financial year	4,657,106	5,424,302
Other net changes in fair value on financial assets at FVPL:		
- Realised	82,811	410,134
- Unrealised	(195,075)	258,956
Total gains	(112,264)	669,090

Short-term investments are denominated in the following currencies:

Singapore Dollar	2,877,592	3,269,220
Ringgit Malaysia	1,761,122	2,133,907
United States Dollar	18,392	21,175
	4,657,106	5,424,302

12. TRADE RECEIVABLES

	GROUP		COMPANY	
	2019	2018	2019	2018
	$	$	$	$
Trade receivables:				
- Third parties	10,398,157	11,710,322	295,339	317,580
- Related parties	152,912	9,301	—	—
	10,551,069	11,719,623	295,339	317,580
Less:				
Allowance for doubtful receivables	(720,163)	(511,299)	—	—
	9,830,906	11,208,324	295,339	317,580

Trade receivables are denominated in the following currencies:

Singapore Dollar	295,339	397,332	295,339	317,580
Ringgit Malaysia	9,535,567	10,810,992	—	—
	9,830,906	11,208,324	295,339	317,580

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2018: 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 financial year are analysed as follows:

	GROUP	COMPANY
	2018	2018
	$	$
Not past due and not impaired (a)	8,100,426	221,556
Past due but not impaired (b)	3,107,898	96,024
	11,208,324	317,580
Impaired receivables (c)		
Individually assessed	511,299	—
Allowance for doubtful receivables	(511,299)	—
	—	—
	11,208,324	317,580

(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.

12. **TRADE RECEIVABLES** – *cont'd*

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

	GROUP 2018 $	COMPANY 2018 $
Less than 30 days	1,891,240	96,024
31 to 60 days	499,802	—
61 to 90 days	166,293	—
More than 90 days	550,563	—
	3,107,898	96,024

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

Prior to 2018, impaired receivables, individually determined at the end of the financial year, relate to debtors who are in significant financial difficulties and have defaulted in payments. These receivables are not secured by any collateral.

The Group's trade receivables that are impaired as at 31 July 2018 and the movements of the allowance accounts used to record impairment are as follow:

	GROUP 2018 $
Trade receivables – nominal amounts	11,719,623
Less: Allowance for impairment	(511,299)
	11,208,324
Movement in allowance accounts:	
Balance at beginning of the year	(442,507)
Allowance made	(53,477)
Written off	10,252
Currency translation difference	(25,567)
Balance at end of the year	(511,299)

From 1 August 2018, the allowance is computed based on expected credit losses of trade receivables.

12. **TRADE RECEIVABLES** – *cont'd*

(c) Impaired receivables – *cont'd*

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL is as follow:

	GROUP
	2019
	$
Movement in allowance accounts:	
At 31 July 2018 under FRS 39	(511,299)
Effects of adoption of SFRS(I) 9 (Note 2.2)	(225,276)
At 1 August 2018 under SFRS(I) 9	(736,575)
Allowance made	(13,782)
Allowance written back	26,191
Currency translation difference	4,003
At 31 July 2019	(720,163)

13. **OTHER RECEIVABLES**

	GROUP		COMPANY	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Sundry receivables	383,711	343,114	—	—
Interest receivable	2,998	6,070	2,998	6,070
Deposits	33,925	300,829	7,913	278,254
Prepayments	102,544	133,319	76,282	66,028
	523,178	783,332	87,193	350,352

Sundry receivables relate to goods returned to suppliers. The outstanding amounts due from these suppliers arising from these returned goods will be used to offset against future purchases.

Other receivables are denominated in the following currencies:

	GROUP		COMPANY	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Singapore Dollar	93,842	351,601	84,195	344,282
Ringgit Malaysia	429,336	431,731	2,998	6,070
	523,178	783,332	87,193	350,352

14. AMOUNTS OWING BY SUBSIDIARIES

	COMPANY	
	2019	2018
	$	$
Amounts owing by subsidiaries, non-trade	3,160,000	3,800,300
Less: Allowance for doubtful receivable		
Balance at beginning of the financial year	(258,000)	(304,000)
Allowance (made)/written back for the year	(89,000)	46,000
Balance at end of the financial year	(347,000)	(258,000)
	2,813,000	3,542,300

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

Amounts owing by subsidiaries are denominated in Singapore Dollar.

15. FIXED DEPOSITS

Fixed deposits of the Group and Company are placed with licensed financial institutions and mature within one month (2018: one month) from the end of the financial year. The effective interest rate as at 31 July 2019 is 3.10% (2018: 3.35%).

Fixed deposits are denominated in Ringgit Malaysia.

16. CASH AND BANK BALANCES

Cash and bank balances are denominated in the following currencies:

	GROUP		COMPANY	
	2019	2018	2019	2018
	$	$	$	$
Singapore Dollar	4,739,793	4,968,521	2,928,060	3,010,784
Ringgit Malaysia	2,135,170	2,695,179	4,457	5,193
Hong Kong Dollar	1,600	1,645	—	—
	6,876,563	7,665,345	2,932,517	3,015,977

17. TRADE PAYABLES

	GROUP		COMPANY	
	2019	2018	2019	2018
	$	$	$	$
Third parties	1,963,937	2,831,951	—	—
Related parties (Note 33)	2,349,191	3,189,362	188,437	328,479
	4,313,128	6,021,313	188,437	328,479

Trade payables are denominated in the following currencies:

	GROUP		COMPANY	
	2019	2018	2019	2018
	$	$	$	$
Singapore Dollar	188,437	328,479	188,437	328,479
Ringgit Malaysia	3,585,814	5,065,578	—	—
United States Dollar	538,877	627,256	—	—
	4,313,128	6,021,313	188,437	328,479

Trade payables are non interest-bearing and are normally settled within 30 to 90 days (2018: 30 to 90 days).

Included in trade payables is an aggregate amount of $469,704 [equivalent to RM1,415,198] (2018: $400,510 [equivalent to RM1,194,840]) which is secured by corporate guarantees provided by the Company to certain suppliers of a subsidiary [Note 36 (b)].

18. OTHER PAYABLES

	GROUP		COMPANY	
	2019	2018	2019	2018
	$	$	$	$
Sundry payables	1,354,091	1,073,994	922,735	864,229
Dividend payables	169,201	167,866	169,201	167,866
Rental deposit received	39,140	—	39,140	—
Accrued expenses	889,006	588,781	320,627	299,998
	2,451,438	1,830,641	1,451,703	1,332,093

Non-trade payables are non-interest bearing and are normally settled within 90 (2018: 90) days or on demand.

Included in sundry payables is an amount of $922,735 (2018: $864,229) relating to amounts owing to contractors for the construction of the investment property which was completed in the current financial year.

Dividend payables relates to accumulated approved dividends from prior periods that have yet to be claimed by shareholders.

18. OTHER PAYABLES – *cont'd*

The payables are denominated in the following currencies:

	GROUP		COMPANY	
	2019	2018	2019	2018
	$	$	$	$
Singapore Dollar	1,512,151	1,391,632	1,451,703	1,332,093
Ringgit Malaysia	939,287	439,009	—	—
	2,451,438	1,830,641	1,451,703	1,332,093

19. BANK FACILITIES

The subsidiaries have unused banking facilities which were secured by:

(a) mortgages over leasehold land and buildings with a total net carrying amount of $320,024 (2018: $341,468) (Note 3) of the Group;

(b) mortgages over prepaid lease payments with a total net carrying amount of $328,513 (2018: $338,453) (Note 4) of the Group;

(c) corporate guarantees from the Company [see Note 36 (a)]; and

(d) a negative pledge by a subsidiary.

20. PROVISION FOR RETIREMENT BENEFITS

	GROUP AND COMPANY	
	2019	2018
	$	$
Balance at beginning of the financial year	259,068	237,538
Provision made	20,792	21,530
Balance at end of the financial year	279,860	259,068

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

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

	GROUP AND COMPANY	
	2019	2018
	$	$
Obligations recognised in the statement of financial position for:		
Pension benefits	279,860	259,068
Expenses charged to profit or loss:		
Pension benefits (Note 28a)	20,792	21,530
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	279,860	259,068
The amounts recognised in profit or loss are as follows:		
Current service cost	18,239	18,790
Interest cost	208	215
Remeasurement - loss from change in financial assumptions	2,345	2,525
	20,792	21,530

Movements in the defined benefit obligation are as follows:

	2019	2018
Balance at beginning of the financial year	259,068	237,538
Current service cost	18,239	18,790
Interest cost	208	215
Actuarial loss	2,345	2,525
Balance at end of the financial year	279,860	259,068

The significant actuarial assumptions used were as follows:

	GROUP AND COMPANY	
	2019	2018
Discount rate	1.0%	1.0%
Salary increment rate	6.0%	6.0%

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

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 5.4%	Increase by 5.9%
Salary increment rate	2.0%	Increase by 1.8%	Decrease by 1.8%

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

21. DEFERRED TAX LIABILITIES

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

	GROUP	
	2019 $	2018 $
Deferred tax liabilities		
Fair value gains on short-term investments	—	307,842
Excess of carrying amount over tax written down value of property, plant and equipment and others	98,020	95,585
	98,020	403,427

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	
	2019 $	2018 $
Deferred tax liabilities		
Balance at beginning of the financial year	403,427	487,919
(Credited)/charged to profit or loss		
- Current	(304,647)	(91,608)
- Prior years	166	1,958
Currency translation difference	(926)	5,158
Balance at end of the financial year	98,020	403,427
Net deferred taxation credited to profit or loss (Note 29)	(304,481)	(89,650)

21. DEFERRED TAX LIABILITIES – *cont'd*

Until the end of the prior financial year, the Group had elected to remain on the pre-FRS 39 tax treatment from the adoption of FRS 39 *Financial Instruments: Recognition & Measurement* which was effective for annual periods beginning on or after 1 January 2005. Under the pre-FRS 39 tax treatment, the Group was taxed on its gains on short-term investments only on a realisation basis. As a result of the adoption of the pre-FRS 39 tax treatment, deferred tax liabilities amounted to $307,842 were recognised on unrealised fair value gains on short-term investments at the end of the prior financial year.

However, during the current financial year, with the adoption of SFRS(I) 9 *Financial Instruments*, the Group has applied the SFRS(I) 9 accounting treatment for tax purposes. The alignment of tax treatment with SFRS(I) 9 accounting treatment would mean that all gains or losses (including the related exchange differences) in respect of financial assets on revenue account recognised in the profit and loss account will be taxed or allowed as a deduction, regardless of whether the gains or losses are realised or not. As a result of the adoption of the SFRS(I) 9 tax treatment, the carrying amount of relevant deferred tax liabilities amounted to $307,842 is reversed to profit or loss in the current financial year.

In addition, there is a temporary difference amounted to $3,195 [2018: ($91,608)] has been charged/(credited) to profit or loss in the current financial year.

22. SHARE CAPITAL

	GROUP AND COMPANY	
	2019	**2018**
	$	**$**
Issued and fully paid:		
25,812,520 (2018: 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.

23. CAPITAL RESERVE

	GROUP	
	2019	**2018**
	$	**$**
NON-DISTRIBUTABLE		
Balance at beginning of the financial year	145,710	190,379
Effects of adoption of SFRS(I) 9	243,421	—
Share of associate's capital reserve on:		
- Financial assets, at fair value through other comprehensive income	(17,593)	—
- Long-term investment	—	(44,669)
Fair value loss on long-term investment	(13,934)	—
Balance at end of the financial year	357,604	145,710

Capital reserve represents fair value reserve.

24. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

25. REVENUE

	GROUP	
	2019 $	2018 $ (Restated) [Note 42]
Type of good or services:		
Sale of goods to:		
- Third parties	58,312,164	57,694,142
- Related parties	678,270	261,349
	58,990,434	57,955,491
Timing of transfer of good or services:		
At a point of time	58,990,434	57,955,491
Over time	—	—
	58,990,434	57,955,491

26. DIVIDEND INCOME

	GROUP	
	2019 $	2018 $ (Restated) [Note 42]
Gross dividends from:		
- Financial assets, at FVOCI	6,094	6,109
- Short-term investments	151,799	147,260
	157,893	153,369

27. OTHER INCOME

	GROUP	
	2019	2018
	$	$
Reversal of allowance for doubtful trade receivables (Note 12)	26,191	—
Rental income (Note 5)	137,529	—
Gain on disposal of property, plant and equipment	—	9,018
Transport charges received	—	1,280
Government grants	6,559	11,307
Interest income	105,898	140,311
Management fee received from a related party	19,000	12,000
Foreign exchange gain, net	—	274,114
Sundry income	823	41,938
	296,000	489,968

28. (LOSS)/PROFIT BEFORE TAX

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

	GROUP	
	2019	2018
	$	$
The aggregate amount of:		
- Audit fees paid to the Company auditors	52,914	49,021
- Non-audit fees paid to the Company auditors	1,200	—
- Audit fees paid to subsidiaries auditors	15,689	15,727
- Non-audit fees paid to subsidiaries auditors	6,694	1,291
Allowance for doubtful trade receivables	13,782	53,477
Depreciation and amortisation		
- Property, plant and equipment (Note 3)	508,972	478,003
- Prepaid lease (Note 4)	51,035	51,713
- Investment property (Note 5)	171,718	—
Foreign exchange loss, net	83,244	—
Operating lease expense	58,308	144,998
Fair value loss/(gain) on short-term investment	195,075	(258,956)

28a. EMPLOYEE BENEFITS EXPENSE

	GROUP	
	2019	2018
	$	$
Employee benefits:		
Salaries	2,815,918	2,461,049
Employee Contribution to Central Provident Fund	288,955	295,160
Provision for retirement benefits (Note 20)	20,792	21,530
Other	29,873	28,265
	3,155,538	2,806,004
Directors' remuneration:		
Salaries and bonus		
- Directors of the Company	1,021,747	991,707
- Directors of subsidiaries	105,147	100,521
Contributions to provident funds		
- Directors	51,999	51,315
	1,178,893	1,143,543
	4,334,431	3,949,547

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

29. INCOME TAX EXPENSE

	GROUP	
	2019	2018
	$	$
Current taxation:		
Malaysian tax	332,825	520,815
Tax deducted at source	2,017	2,038
	334,842	522,853
Prior year's under/(over)provision	63,773	(590)
	398,615	522,263
Deferred taxation:		
Current	(304,647)	(91,608)
Prior year's underprovision	166	1,958
	(304,481)	(89,650)
	94,134	432,613

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

	GROUP	
	2019	2018
	$	$
(Loss)/Profit before tax	(487,368)	1,675,234
Tax at the applicable rate of 17% (2018: 17%)	(82,853)	284,789
Tax effects of:		
Expenses not deductible for tax purposes	179,274	86,622
Income not subject to tax	(78,630)	(83,187)
Share of results of associate	(165,745)	(151,558)
Difference in tax rate of other countries	86,228	143,765
Deferred tax benefits not recognised	152,171	292,614
Deferred tax relating to short-term investments	307,842	91,727
Utilisation of unabsorbed losses	(62,230)	(143,790)
	336,057	520,982
Reversal of deferred tax	(307,842)	(91,727)
Withholding tax	1,980	1,990
Prior year's underprovision	63,939	1,368
Tax expense	94,134	432,613

29. INCOME TAX EXPENSE – *cont'd*

At the end of the financial year, the Group has estimated unabsorbed tax losses totaling $31,734,000 (2018: $31,199,000) available for offsetting against future taxable profit earned by respective entities 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 $5,394,000 (2018: $5,304,000) 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.

30. EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the (loss)/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	
	2019	**2018**
Net (loss)/profit attributable to ordinary equity holders on issue applicable to basic and diluted earnings per share [$]	(693,153)	1,037,257
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]	(2.69)	4.02

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

31. DIVIDENDS

The final tax exempt one-tier dividend of $0.03 (2018: one-tier dividend of $0.03) per ordinary share amounting to $774,376 (2018: $774,376) declared for the financial year ended 31 July 2018 (2018: declared for the financial year ended 31 July 2017) was approved and paid during the financial year ended 31 July 2019 (2018: approved and paid during the financial year ended 31 July 2018).

The directors propose a final tax exempt one-tier dividend of $0.02 per ordinary share amounting to $516,250 in respect of the financial year ended 31 July 2019. 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.

32. CASH AND CASH EQUIVALENTS

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

	GROUP	
	2019	2018
	$	$
Fixed deposits (Note 15)	2,274,764	4,200,542
Cash and bank balances (Note 16)	6,876,563	7,665,345
Representing cash and cash equivalents in the statement of cash flows	9,151,327	11,865,887

33. 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 Note 28a and 34 to the financial statements.

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions with related parties took place at terms agreed between the parties during the financial year:

	GROUP		COMPANY	
	2019	2018	2019	2018
	$	$	$	$
Purchases from				
- Associate	11,507,859	11,582,451	999,859	947,505
- Related parties	7,772,715	8,628,040	2,880	4,200
Management fees received from subsidiaries	—	—	39,579	39,801
Rental paid to a related party	13,467	80,804	13,467	80,804

34. DIRECTORS' REMUNERATION

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

	GROUP	
	2019 Number of directors	2018 Number of directors
Below $100,000	4	3
$100,001 to $250,000	1	1
$250,001 to $500,000	1	2
$500,001 to $750,000	1	—

35. 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 mainly Singapore and Malaysia; and

(c) Investment holding – holding of shares in Singapore and Malaysia for dividend income.

Management monitors the results of each of the above operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment 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 and Malaysia. 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.

35. SEGMENT INFORMATION – *cont'd*

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

BUSINESS SEGMENTS

2019	Trading of wheat flour and consumer goods $	Investment trading $	Investment holding $	Group $
Revenue				
External revenue	58,990,434	—	—	58,990,434
Results				
(Loss)/Profit before interest, taxation, depreciation and amortisation	(442,264)	(523,743)	129,494	(836,513)
Depreciation and amortisation	(672,149)	(59,576)	—	(731,725)
Operating (loss)/profit	(1,114,413)	(583,319)	129,494	(1,568,238)
Interest expense				—
Interest income				105,898
Share of results of associate, net of tax				974,972
Taxation				(94,134)
Loss after tax				(581,502)
Assets and Liabilities				
Segment assets	44,194,030	6,835,998	313,372	51,343,400
Associate				20,059,123
Unallocated assets				622,044
				72,024,567
Segments liabilities	5,460,686	51,849	8,599	5,521,134
Unallocated liabilities				1,621,312
				7,142,446
Other segments information				
Expenditure for non-current assets	3,065,449	—	—	3,065,449
Other non-cash items:				
Foreign exchange loss	82,442	802	—	83,244

35. SEGMENT INFORMATION – *cont'd*

BUSINESS SEGMENTS – *cont'd*

	Trading of wheat flour and consumer goods $	Investment trading $	Investment holding $	Group $
2018				
Revenue				
External revenue [Restated (Note 42)]	57,955,491	—	—	57,955,491
Results				
Profit before interest, taxation, depreciation and amortisation	759,189	277,437	136,500	1,173,126
Depreciation and amortisation	(469,566)	(60,150)	—	(529,716)
Operating profit	289,623	217,287	136,500	643,410
Interest expense				—
Interest income				140,311
Share of results of associate, net of tax				891,513
Taxation				(432,613)
Profit after tax				1,242,621
Assets and Liabilities				
Segment assets	46,920,076	7,865,080	82,116	54,867,272
Associate				19,700,322
Unallocated assets				744,727
				75,312,321
Segments liabilities	6,809,623	51,468	8,071	6,869,162
Unallocated liabilities				1,645,287
				8,514,449
Other segments information				
Expenditure for non-current assets	4,298,361	—	—	4,298,361
Other non-cash items:				
Allowance for doubtful trade receivables	53,477	—	—	53,477

35. SEGMENT INFORMATION – *cont'd*

GEOGRAPHICAL SEGMENTS

2019	Singapore $	Malaysia $	Group $
Revenue			
External revenue	1,212,116	57,778,318	58,990,434
Assets			
Segment assets	27,522,843	23,820,557	51,343,400
Associate	—	20,059,123	20,059,123
Unallocated assets			622,044
			72,024,567
2018			
Revenue			
External revenue [Restated (Note 42)]	1,143,628	56,811,863	57,955,491
Assets			
Segment assets	29,776,008	25,091,264	54,867,272
Associate	—	19,700,322	19,700,322
Unallocated assets			744,727
			75,312,321

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

36. CONTINGENT LIABILITIES - unsecured

a) The Company has issued corporate guarantees amounting to $1,910,085 [equivalent to RM5,755,000] (2018: $1,929,076 [equivalent to RM5,755,000]) to certain banks for facilities granted to two subsidiaries. The aggregate amount of facilities utilised as at 31 July 2019 and 31 July 2018 was $NIL.

b) The Company has issued corporate guarantees amounting to $2,323,300 [equivalent to RM7,000,000] (2018: $2,346,400 [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.

37. COMMITMENTS

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

The Group leases premises 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 financial year but not recognised as liabilities, are as follows:

	GROUP	
	2019	2018
	$	$
Not later than one year	51,212	40,844
Between one and five years	69,533	5,866
	120,745	46,710

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

The Group and Company lease out premises to third 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 financial year but not recognised as receivables, are as follows:

	GROUP AND COMPANY	
	2019	2018
	$	$
Not later than one year	184,980	—
Between one and five years	147,170	—
	332,150	—

(c) Capital commitments

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

	GROUP		COMPANY	
	2019	2018	2019	2018
	$	$	$	$
Property, plant and equipment	970,364	702,008	—	643,560
Investment property	—	891,154	—	891,154

38. FINANCIAL RISK MANAGEMENT

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

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

Market risk

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's interest rate exposure relates primarily from its fixed deposits (see Note 15).

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 financial year, if interest rates had been 100 (2018: 100) basis points higher/lower with all other variables held constant, the effect on the Group's profit before tax would have been $22,748 (2018: $42,005) higher/lower, arising mainly as a result of higher/lower interest income on fixed deposits. The methods and assumptions used are consistent with previous financial year.

(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 financial year 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.

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

Market risk – *cont'd*

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

Entities within the Group, including the Group's associate 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 $
31 July 2019					
Assets					
Financial assets, at FVOCI	279,047	—	—	—	279,047
Short-term investments	1,761,122	—	18,392	2,877,592	4,657,106
Trade and other receivables	9,948,240	—	—	303,300	10,251,540
Fixed deposits	2,274,764	—	—	—	2,274,764
Cash and bank balances	2,135,170	1,600	—	4,739,793	6,876,563
	16,398,343	1,600	18,392	7,920,685	24,339,020
Liabilities					
Trade and other payables	4,525,101	—	538,877	1,700,588	6,764,566
	4,525,101	—	538,877	1,700,588	6,764,566
Net financial assets/ (liabilities)	11,873,242	1,600	(520,485)	6,220,097	17,574,454
Less: Net financial assets denominated in the respective entities' functional currencies	7,822,337	—	—	6,220,097	14,042,434
Currency exposure of financial assets/ (liabilities)	4,050,905	1,600	(520,485)	—	3,532,020

38. 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 $
31 July 2018					
Assets					
Long-term investment	23,799	—	—	—	23,799
Short-term investments	2,133,907	—	21,175	3,269,220	5,424,302
Trade and other receivables	11,182,587	—	—	675,750	11,858,337
Fixed deposits	4,200,542	—	—	—	4,200,542
Cash and bank balances	2,695,179	1,645	—	4,968,521	7,665,345
	20,236,014	1,645	21,175	8,913,491	29,172,325
Liabilities					
Trade and other payables	5,504,587	—	627,256	1,720,111	7,851,954
	5,504,587	—	627,256	1,720,111	7,851,954
Net financial assets/ (liabilities)	14,731,427	1,645	(606,081)	7,193,380	21,320,371
Less: Net financial assets denominated in the respective entities' functional currencies	8,373,878	—	—	7,193,380	15,567,258
Currency exposure of financial assets/ (liabilities)	6,357,549	1,645	(606,081)	—	5,753,113

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

Market risk – *cont'd*

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

COMPANY	Ringgit Malaysia ("RM") $	Singapore Dollar ("SGD") $	Total $
2019			
Assets			
Trade and other receivables	2,998	303,252	306,250
Amounts owing by subsidiaries	—	2,813,000	2,813,000
Fixed deposits	2,205,927	—	2,205,927
Cash and bank balances	4,457	2,928,060	2,932,517
	2,213,382	6,044,312	8,257,694
Liabilities			
Trade and other payables	—	1,640,140	1,640,140
	—	1,640,140	1,640,140
Net financial assets	2,213,382	4,404,172	6,617,554
Less: Net financial assets denominated in the Company's functional currency	—	4,404,172	4,404,172
Currency exposure of financial assets	2,213,382	—	2,213,382
2018			
Assets			
Trade and other receivables	6,070	595,834	601,904
Amounts owing by subsidiaries	—	3,542,300	3,542,300
Fixed deposits	4,133,149	—	4,133,149
Cash and bank balances	5,193	3,010,784	3,015,977
	4,144,412	7,148,918	11,293,330
Liabilities			
Trade and other payables	—	1,660,572	1,660,572
	—	1,660,572	1,660,572
Net financial assets	4,144,412	5,488,346	9,632,758
Less: Net financial assets denominated in the Company's functional currency	—	5,488,346	5,488,346
Currency exposure of financial assets	4,144,412	—	4,144,412

38. **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% (2018: 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:

	2019 Decrease/ (increase) Net loss $	2018 Increase/ (decrease) Net profit $
GROUP		
RM against SGD		
- Strengthened	40,509	63,575
- Weakened	(40,509)	(63,575)
HKD against SGD		
- Strengthened	16	16
- Weakened	(16)	(16)
USD against SGD		
- Strengthened	(5,205)	(6,061)
- Weakened	5,205	6,061

	2019	2018
	Decrease/(increase)	
	Net loss $	Net loss $
COMPANY		
RM against SGD		
- Strengthened	22,134	41,444
- Weakened	(22,134)	(41,444)

(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.

38. **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 financial year, if prices for equity securities listed in Singapore and Malaysia changed by 10% (2018: 10%) and 5% (2018: 5%) respectively, with all other variables including tax rate being held constant, the effects on (loss)/profit after tax would have been:

	2019	2018
	Decrease/ (increase) Loss after tax $	Increase/ (decrease) Profit after tax $
GROUP		
Listed in Singapore		
- Increased by	289,598	329,040
- Decreased by	(289,598)	(329,040)
Listed in Malaysia		
- Increased by	88,056	106,695
- Decreased by	(88,056)	(106,695)

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligation resulting in a loss to the Group. The Group's exposure to credit risk mainly relates to long-term and short-term investments, fixed deposits, cash and bank balance, amount owing by subsidiaries, trade and other receivables.

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. Cash and fixed deposits are placed with major banks and financial institutions.

For trade and other receivables, the 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.

38. **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.

Where applicable, the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

Where applicable, the Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 60 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

38. FINANCIAL RISK MANAGEMENT – *cont'd*

Credit risk – *cont'd*

The Group's current credit risk grading framework comprises the following categories:

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >60 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >120 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit-impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the Group's and Company's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

				GROUP		
	Note	Category	12-month or lifetime ECL	Gross carrying amount $	Loss allowance $	Net carrying amount $
31 July 2019						
Trade receivables	12	Note B	Lifetime ECL (simplified)	10,551,069	(720,163)	9,830,906
Other receivables	13	Note A	12-month ECL	420,634	—	420,634
Fixed deposits	15	Note A	12-month ECL	2,274,764	—	2,274,764
Cash and bank balances	16	Note A	12-month ECL	6,876,563	—	6,876,563
					(720,163)	
1 August 2018						
Trade receivables	12	Note B	Lifetime ECL (simplified)	11,719,623	(511,299)	11,208,324
Other receivables	13	Note A	12-month ECL	650,013	—	650,013
Fixed deposits	15	Note A	12-month ECL	4,200,542	—	4,200,542
Cash and bank balances	16	Note A	12-month ECL	7,665,345	—	7,665,345
					(511,299)	

38. FINANCIAL RISK MANAGEMENT – *cont'd*

Credit risk – *cont'd*

				COMPANY		
	Note	Category	12-month or lifetime ECL	Gross carrying amount $	Loss allowance $	Net carrying amount $
31 July 2019						
Trade receivables	12	Note C	Lifetime ECL (simplified)	295,339	—	295,339
Other receivables	13	Note A	12-month ECL	10,911	—	10,911
Amounts owing by subsidiaries	14	Note A	12-month ECL	3,160,000	(347,000)	2,813,000
Fixed deposits	15	Note A	12-month ECL	2,205,927	—	2,205,927
Cash and bank balances	16	Note A	12-month ECL	2,932,517	—	2,932,517
					(347,000)	
1 August 2018						
Trade receivables	12	Note C	Lifetime ECL (simplified)	317,580	—	317,580
Other receivables	13	Note A	12-month ECL	284,324	—	284,324
Amounts owing by subsidiaries	14	Note A	12-month ECL	3,800,300	(258,000)	3,542,300
Fixed deposits	15	Note A	12-month ECL	4,133,149	—	4,133,149
Cash and bank balances	16	Note A	12-month ECL	3,015,977	—	3,015,977
					(258,000)	

Other receivables, amounts owing by subsidiaries, fixed deposits, cash and bank balances (Note A)

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Fixed deposits and cash and bank balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Trade receivables of the Group (Note B)

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

In measuring the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

The Group determines the expected credit losses by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of trade receivables is presented based on their past due status in terms of the provision matrix.

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

Credit risk – *cont'd*

Trade receivables of the Group (Note B) – *cont'd*

Upon adoption of SFRS(I) 9 Financial Instruments, the Group has recognized an additional impairment loss of $225,276 on the Group's trade receivables, resulting in a decrease in retained profits and non-controlling interests of $196,825 and $28,451 respectively as at 1 August 2018.

During the current financial year, an amount of $13,782 of impairment loss has been made recognized in profit or loss upon adoption of SFRS(I) 9.

Summarised below is the information about the credit risk exposure and ECL on the Group's trade receivables using provision matrix:

	Trade receivables				
	Days past due				
	Current $	More than 30 days past due $	More than 60 days past due $	More than 90 days past due $	Total $
31 July 2019					
Total gross carrying amount	7,096,278	1,850,156	605,322	999,313	10,551,069
ECL	(13,481)	(6,456)	(4,621)	(695,605)	(720,163)
					9,830,906
31 July 2018					
Total gross carrying amount	9,991,666	499,802	166,293	1,061,862	11,719,623
Allowance for impairment	—	—	—	(511,299)	(511,299)
					11,208,324

Information regarding loss allowance movement of trade receivables disclosed in Note 12.

Trade receivables of the Company (Note C)

For trade receivables, the Company has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Company determines the ECL by using debtor by debtor basis since the trade receivables of the Company consisted only four third parties. ECL is estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The Company measured the impairment loss allowance using lifetime ECL (simplified) and determined that the ECL is insignificant. Hence, no adjustment is required for ECL.

Exposure to credit risk and credit risk concentration profile

At the end of the reporting period, the Group's maximum exposure to credit risk towards corporate guarantee contracts provided by the Company to the banks for facilities granted to subsidiaries is disclosed in Note 36(a).

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

Credit risk – *cont'd*

Exposure to credit risk and risk concentration profile – cont'd

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables are represented by the carrying amount in statement of financial position. The Group does not hold any collateral on the balance outstanding.

The Group does not have any significant concentration of credit risks with any individual or group of customers as none of this individual or group of customers collectively owned more than 1 % of the total Group's trade receivables.

Information regarding credit enhancements for trade receivables in disclosed in Note 12.

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 financial year is as follows:

	2019		2018	
	$	% of total	$	% of total
By Country				
Singapore	295,339	3	397,332	4
Malaysia	9,535,567	97	10,810,992	96
	9,830,906	100	11,208,324	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.

<u>Analysis of financial instruments by remaining contractual maturities</u>

The table below summarises the maturity profile of the Group's and Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

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

Liquidity risk – *cont'd*

	2019		
	Carrying amount $	**Contractual cashflow $**	**One year or less $**
GROUP:			
Financial assets			
Financial assets, at FVOCI	279,047	279,047	279,047
Short term investments	4,657,106	4,657,106	4,657,106
Trade receivables	9,830,906	9,830,906	9,830,906
Other receivables	420,634	420,634	420,634
Fixed deposits	2,274,764	2,274,764	2,274,764
Cash and bank balances	6,876,563	6,876,563	6,876,563
Total undiscounted financial assets	24,339,020	24,339,020	24,339,020
Financial liabilities			
Trade payables	4,313,128	4,313,128	4,313,128
Other payables	2,451,438	2,451,438	2,451,438
Total undiscounted financial liabilities	6,764,566	6,764,566	6,764,566
Total net discounted financial assets	17,574,454	17,574,454	17,574,454

	2018		
	Carrying amount $	**Contractual cashflow $**	**One year or less $**
GROUP:			
Financial assets			
Long-term investment	23,799	23,799	23,799
Short term investments	5,424,302	5,424,302	5,424,302
Trade receivables	11,208,324	11,208,324	11,208,324
Other receivables	650,013	650,013	650,013
Fixed deposits	4,200,542	4,200,542	4,200,542
Cash and bank balances	7,665,345	7,665,345	7,665,345
Total undiscounted financial assets	29,172,325	29,172,325	29,172,325
Financial liabilities			
Trade payables	6,021,313	6,021,313	6,021,313
Other payables	1,830,641	1,830,641	1,830,641
Total undiscounted financial liabilities	7,851,954	7,851,954	7,851,954
Total net discounted financial assets	21,320,371	21,320,371	21,320,371

38. FINANCIAL RISK MANAGEMENT – *cont'd*

Liquidity risk – *cont'd*

	2019		
	Carrying amount $	Contractual cashflow $	One year or less $
COMPANY:			
Financial assets			
Trade receivables	295,339	295,339	295,339
Other receivables	10,911	10,911	10,911
Amounts owing by subsidiaries	2,813,000	2,813,000	2,813,000
Fixed deposits	2,205,927	2,205,927	2,205,927
Cash and bank balances	2,932,517	2,932,517	2,932,517
Total undiscounted financial assets	8,257,694	8,257,694	8,257,694
Financial liabilities			
Trade payables	188,437	188,437	188,437
Other payables	1,451,703	1,451,703	1,451,703
Total undiscounted financial liabilities	1,640,140	1,640,140	1,640,140
Total net discounted financial assets	6,617,554	6,617,554	6,617,554

	2018		
	Carrying amount $	Contractual cashflow $	One year or less $
COMPANY:			
Financial assets			
Trade receivables	317,580	317,580	317,580
Other receivables	284,324	284,324	284,324
Amounts owing by subsidiaries	3,542,300	3,542,300	3,542,300
Fixed deposits	4,133,149	4,133,149	4,133,149
Cash and bank balances	3,015,977	3,015,977	3,015,977
Total undiscounted financial assets	11,293,330	11,293,330	11,293,330
Financial liabilities			
Trade payables	328,479	328,479	328,479
Other payables	1,332,093	1,332,093	1,332,093
Total undiscounted financial liabilities	1,660,572	1,660,572	1,660,572
Total net discounted financial assets	9,632,758	9,632,758	9,632,758

39. FAIR VALUE MEASUREMENT

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(i) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,

(ii) Level 2 - 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), and

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

Fair value measurements that use inputs of different hierarchy levels are categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the reporting date:

	Fair value measurements at the reporting date using			
	Quoted prices in active markets for identical instruments (Level 1) $	**Significant observable inputs other than quoted prices (Level 2) $**	**Significant unobservable inputs (Level 3) $**	**Total $**
GROUP:				
<u>Financial assets</u>				
2019				
At fair value through other comprehensive income – unquoted equity investments (Note 9)	—	—	279,047	279,047
At fair value through profit or loss – quoted equity investments (Note 11)	4,657,106	—	—	4,657,106
Financial assets as at 31 July 2019	4,657,106	—	279,047	4,936,153

39. FAIR VALUE MEASUREMENT – *cont'd*

(b) Assets measured at fair value – *cont'd*

	Fair value measurements at the reporting date using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant observable inputs other than quoted prices (Level 2) $	Significant unobservable inputs (Level 3) $	Total $
GROUP:				
Financial assets				
2018				
At fair value through profit or loss – quoted equity investments (Note 11)	5,424,302	—	—	5,424,302
Financial assets as at 31 July 2018	5,424,302	—	—	5,424,302

(c) Assets not carried at fair value but which fair value are disclosed

		Fair value measurements at the reporting date using		
	Carrying amount $	Quoted prices in active markets for identical instruments (Level 1) $	Significant observable inputs other than quoted prices (Level 2) $	Significant unobservable inputs (Level 3) $
GROUP AND COMPANY:				
Non-financial assets				
2019				
Investment property	13,897,029	—	—	24,000,000
2018				
Investment property	13,446,604	—	—	24,000,000

39. FAIR VALUE MEASUREMENT – *cont'd*

(d) Level 3 fair value measurement

Information about significant unobservable inputs used in Level 3 fair value measurements

The following table show the information about fair value measurements using significant unobservable inputs (Level 3):

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
GROUP:			
At fair value through other comprehensive income – unquoted equity investments	Asset-based approach	Adjusted net tangible assets value	The estimated fair value would increase (decrease) if net tangible asset value was higher (lower).

Determination of fair values

(a) Financial assets, at FVOCI

(i) United Commercial Trading Sdn. Bhd. ("UCT") - Malaysia

The fair value of the unquoted equity investment at FVOCI as at the end of the reporting period is determined by a valuation technique using the asset-based approach, which takes into consideration the fair value of the adjusted net tangible assets of UTC, who is one of the related parties of the Group, to which is multiplied by the Groups percentage shareholdings in UCT.

Included in UCT's net tangible assets value of RM3,777,617 is an investment property with cost amounting to RM866,016. The fair value of this investment property is RM3,800,000 which is based on the highest and best use basis determined by an independent professionally qualified valuer. Based on this asset-based approach valuation technique, management has determined that the adjusted net tangible asset value which amounted to RM6,711,601, represents the fair value of the unquoted equity investment as at 1 August 2018. Accordingly, the Group's 13.18% share of the fair value of this UTC is RM884,589 resulting in a fair value gain of RM816,589 (approximately $270,995 in Note 9) upon adoption of SFRS(I) 9, as compared with its cost of investments of **RM68,000 as at 1 August 2018.

As at 31 July 2019, the net tangible assets value of UTC is RM3,422,983 which resulted in an adjusted net tangible assets value or fair value of UTC amounting to RM6,356,967. The Group's share of this fair value is RM837,848 and hence a fair value loss of RM46,741 (approximately $15,512 in Note 9) is recognized in other comprehensive income during the current financial year.

(ii) Taiping Advertising Matches Sdn. Bhd. ("TAM") – Malaysia

The fair value of the unquoted equity investment at FVOCI as at the end of the reporting period is determined by a valuation technique using the asset-based approach, which takes into consideration the fair value of the net tangible assets of TAM, to which is multiplied by the Group's percentage shareholdings in TAM.

39. **FAIR VALUE MEASUREMENT** – *cont'd*

(d) Level 3 fair value measurement – *cont'd*

Determination of fair values – *cont'd*

(a) Financial assets, at FVOCI – *cont'd*

(ii) Taiping Advertising Matches Sdn. Bhd. ("TAM") – Malaysia – *cont'd*

The net tangible asset value of TAM is RM1,295,984 and the percentage shareholdings of the Group on TAM is only 0.41%. The Group's share of fair value on TAM which amounted RM5,313 is insignificant as compared with its cost of investment of **RM3,000 as at 1 August 2018. The management is of the view that there is no significant variance between its fair value and cost of investment; therefore the fair value of TAM is determined at cost of RM3,000. This resulted in fair value changes of nil upon the adoption of SFRS(I) 9 as at 1 August 2018 and during the current financial year.

** The total cost of investments which amounted to RM71,000 as at 1 August 2018 is equivalent to approximately $23,799 as disclosed in Note 9, comprising RM68,000 for UTC and RM3,000 for TAM.

(e) Movements in Level 3 assets measured at fair value

	Fair value measurements using significant unobservable inputs (Level 3)	
	Unquoted equity investments $	**Total $**
GROUP:		
2019		
At 1 August 2018	23,799	23,799
Currency translation difference	(235)	(235)
	23,564	23,564
Add: Fair value changes		
Balance at beginning of the financial year	—	—
Effect of adoption of SFRS(I) 9	270,995	270,995
Fair value loss	(15,512)	(15,512)
Net fair value gains recognised in other comprehensive income	255,483	255,483
At 31 July 2019	279,047	279,047

(f) Assets and liabilities not measured at fair value

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.

40. FINANCIAL INSTRUMENT BY CATEGORY

At the reporting date, the aggregate carrying amount of financial assets at amortised cost and financial liabilities at amortised cost are as follows:

	GROUP		COMPANY	
	2019	2018	2019	2018
	$	$	$	$
Financial assets measured at amortised cost				
Trade receivables (Note 12)	9,830,906	11,208,324	295,339	317,580
Other receivables (Note 13)	420,634	650,013	10,911	284,324
Amounts owing by subsidiaries (Note 14)	—	—	2,813,000	3,542,300
Fixed deposits (Note 15)	2,274,764	4,200,542	2,205,927	4,133,149
Cash and bank balances (Note 16)	6,876,563	7,665,345	2,932,517	3,015,977
Total financial assets measured at amortised cost	19,402,867	23,724,224	8,257,694	11,293,330
Financial liabilities measured at amortised cost				
Trade payables (Note 17)	4,313,128	6,021,313	188,437	328,479
Other payables (Note 18)	2,451,438	1,830,641	1,451,703	1,332,093
Total financial liabilities measured at amortised cost	6,764,566	7,851,954	1,640,140	1,660,572

41. 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 2019 and 31 July 2018.

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 2019 and 31 July 2018.

42. COMPARATIVE INFORMATION

During the current financial year, reclassification of certain comparative figures was made in the statement of profit or loss and other comprehensive income to enhance the comparability with the current year's financial statements.

Since the amounts are reclassifications within the statement of profit or loss and other comprehensive income, these reclassifications did not have any effect on the statements of financial position and statement of cash flows.

The effects of the reclassifications are as follows:

Consolidated statement of profit or loss and other comprehensive income

	2018		
	Previously reported $	As restated $	Difference $
Revenue (Note 25)	60,833,988	57,955,491	2,878,497
Changes in short-term investments	(412,016)	—	(412,016)
Purchases of short-term investments	(1,644,022)	—	(1,644,022)
Dividend income (Note 26)	—	153,369	(153,369)
Other net changes in fair value on financial assets at fair value through profit or loss	—	669,090	(669,090)
	58,777,950	58,777,950	—

Analysis of Shareholdings as at 16 OCTOBER 2019

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1 - 99	11	1.48	280	0.00
100 - 1,000	244	32.75	130,375	0.50
1,001 - 10,000	374	50.20	1,416,911	5.49
10,001 - 1,000,000	111	14.90	6,493,629	25.16
1,000,001 & ABOVE	5	0.67	17,771,325	68.85
TOTAL	745	100.00	25,812,520	100.00

SHAREHOLDINGS IN THE HANDS OF THE PUBLIC AS AT 16 OCTOBER 2019

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

TOP TWENTY SHAREHOLDERS AS AT 16 OCTOBER 2019

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
KHONG GUAN DEVELOPMENT PTE LTD	2,899,600	11.23
HONG LEONG FINANCE NOMS PTE LTD	2,000,000	7.75
UNITED OVERSEAS BANK NOMINEES PTE LTD	703,300	2.72
GOH TEE KIA	661,000	2.56
CITIBANK NOMINEES SINGAPORE PTE LTD	455,000	1.76
GOH LAY ENG OR NG QIAN HUI	337,200	1.31
PHILLIP SECURITIES PTE LTD	315,000	1.22
DBS NOMINEES PTE LTD	230,040	0.89
GTK INVESTMENT (S) PTE LTD	214,000	0.83
NG SOO GIAP OR CHEW SOOI GUAT	210,700	0.82
CHEW SOO ENG	201,666	0.78
CHUA PANG	184,000	0.71
TAN KHIOK KWEE	176,000	0.68
WANG TONG PENG @WANG TONG PANG	141,000	0.55
THIA CHENG SONG	123,000	0.48
YAP MUI CHENG,ANGELA	108,000	0.42
GTK HOLDING PTE LTD	100,000	0.39
TOTAL	21,931,231	84.97

Analysis of Shareholdings as at 16 October 2019

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	2,899,600	11.23	—	—
GOH TEE KIA	661,000	2.56	2,548,000 *3	9.87
GTK HOLDING PTE LTD	1,700,000	6.59	250,000 *4	0.97
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 200,000 shares held by G & C General Contractors Pte Ltd, 1,700,000 shares held by GTK Holding Pte Ltd, 414,000 shares held by GTK Investment (S) Pte Ltd, 50,000 shares held by GTK F&B Pte Ltd and 184,000 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 200,000 shares held by G & C General Contractors Pte Ltd and 50,000 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.

KHONG GUAN LIMITED

Company Regn. No. 196000096G
Incorporated in the Republic of Singapore
Registered Office:
2 MacTaggart Road #03-01, Khong Guan Building Singapore 368078

Important:
1. For investors who have used their CPF monies to buy Khong Guan 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 Limited 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.

PROXY FORM

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

of ____ (Address)

being a member/members of Khong Guan 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 its office at 2 MacTaggart Road #04-01, Khong Guan Building, Singapore 368078 on Thursday, 28 November 2019 at 11.00 a.m. 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 Tan Tiong Huat Alex		
6.	To re-appoint an Independent Auditor		
7.	To renew the shareholders' mandate for interested person transactions		
8.	To approve the proposed Share Issue Mandate		

Dated this ________________ day of ______________________ 2019.

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 2 MacTaggart Road #03-01 Khong Guan Building, Singapore 368078, 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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KHONG GUAN
LIMITED