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## Corporate Information

### Directors

Chew Soo Lin (Chairman)  
Chew Soo Eng (Managing Director)  
Tay Kwang Lip Willie (Lead Independent Director)  
Chew Kian Boon Daniel  
Yeo Jih-Shian  
Tan Tiong Huat Alex  
Hew Moh Yung

### Auditor

RT LLP  
Public Accountants and  
Chartered Accountants  
297 South Bridge Road  
Singapore 058839  
Audit Partner: Ravinthran Arumugam  
(Appointed since financial year ended  
31 July 2020)

### Audit Committee

Tay Kwang Lip Willie (Chairman)  
Yeo Jih-Shian  
Tan Tiong Huat Alex

### Registrar

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

### Nominating Committee

Yeo Jih-Shian (Chairman)  
Chew Soo Lin  
Tay Kwang Lip Willie

### Bankers

Standard Chartered Bank  
DBS Bank Ltd  
RHB Bank Berhad

### Remuneration Committee

Tan Tiong Huat Alex (Chairman)  
Tay Kwang Lip Willie  
Yeo Jih-Shian

### Company Secretary

Nor Hafiza Alwi

### Registered Office

2 MacTaggart Road #03-01  
Khong Guan Building  
Singapore 368078  
Telephone No. 62822511  
Fax No. 62855868  
[www.khongguanlimited.com](http://www.khongguanlimited.com)

# Chairman's Statement

## Review of Operations

Our Group's manufacturing and trading activities in Malaysia continue to face a challenging environment as we navigate through the ongoing Covid-19 pandemic. The varying degrees of movement controls imposed across Malaysia during the period affected business operations. This was exacerbated by the surge in global freight rates and commodity prices which impacted raw material cost and selling expenses significantly.

Despite these challenges, the Group managed to increase its sales turnover to \$62,327,000 from \$60,508,000 mainly due to contribution from Tong Guan Food Products Sdn. Bhd. ("TGF"), our subsidiary in Sabah, whose business involves the distribution of FMCG products. TGF, since securing a new distributorship in Sabah, Malaysia in February 2020, has continued to expand its range of products and geographical coverage. TGF was able to offset the decrease in sales from its other core segments and increase its revenue by 4.7% to \$35,639,000 from \$34,052,000.

Swee Hin Chan Company Sdn. Berhad ("SHC"), our subsidiary in Penang, an importer and distributor of food and non-food ingredients managed to maintain its revenue at approximately \$25,000,000 on the back of better selling prices of its starches which offset the decrease in sales from its other product categories.

The combined profit after tax of TGF and SHC for the year totalled \$1,633,000, a 58% improvement over the previous year's profit after tax of \$1,031,000.

The turnover of the associate, United Malayan Flour (1996) Sdn Bhd ("UMF"), decreased by 4.9% to \$80,534,000 (2020: \$84,709,000) as a result of lower domestic and export sales. The performance of UMF was affected by the impact of the pandemic across its export markets and the surge in global freight rates, as well as an increase in income tax expense following a clarification by the Inland Revenue Board of Malaysia on the eligibility criteria on the reinvestment allowance in the year 2021. The impact of this clarification resulted in a reduction of \$1,689,000 in the deferred tax assets recognised, with a corresponding increase in income tax expense for the new oats processing plant owned by Federal Oats Mills Sdn Bhd, a subsidiary of UMF. As a result, UMF's profit attributable to equity holders of the company decreased significantly by 94.3% to \$364,000 (2020: \$6,431,000).

The Group had taken the opportunity during the uptick in the stock market in November 2020 to liquidate part of its portfolio of quoted share investments. For the full year, the total income received from quoted investments increased to \$95,000 from \$11,000 on profits from sales of quoted investments and dividend income.

## Dividend

After considering our operating results and the uncertainties in the current environment, the Directors propose a first and final one-tier dividend of \$0.02 (2020: \$0.02) per ordinary share for the financial year ended 31 July 2021 for approval by shareholders at the forthcoming Annual General Meeting.

## Prospects

The Group's subsidiaries in Malaysia continue to operate under challenging conditions due to market uncertainties caused by the pandemic, high freight rates, rising commodity prices and disruptions to the global supply chain. While we had experienced a decrease in sales in some of our product segments, we have also expanded the range of products that we carry in order to reach a larger customer base.

## Chairman's Statement

With Singapore and Malaysia planning to move ahead from a pandemic to endemic recovery phase, the Group is hopeful that this should lead the way for other countries in the region to gradually open up their borders. We expect this to lead to an increase in consumption for products carried and manufactured by the Group.

Ongoing weather issues in key wheat and oat exporting countries have also posed challenges to the Group's associate, UMF, which is involved in wheat and oat milling, as raw material prices have increased significantly and the availability of these products have been affected due to disruptions to the global supply chain. UMF remains focused on navigating these challenges and ensuring minimal disruption to the supply chain.

The Group remains cautiously optimistic that progress with the global recovery from the pandemic will lead to improved business conditions.

### Investment in SGProtein Pte. Ltd. ("SGProtein")

We are pleased to update that our investment in SGProtein is progressing as planned and the installation of the plant and machinery at Commonwealth Capital building is ongoing. We expect that commercial production will commence in 2022, which will enable the Group to participate in the plant-based food segment.

### Acknowledgements

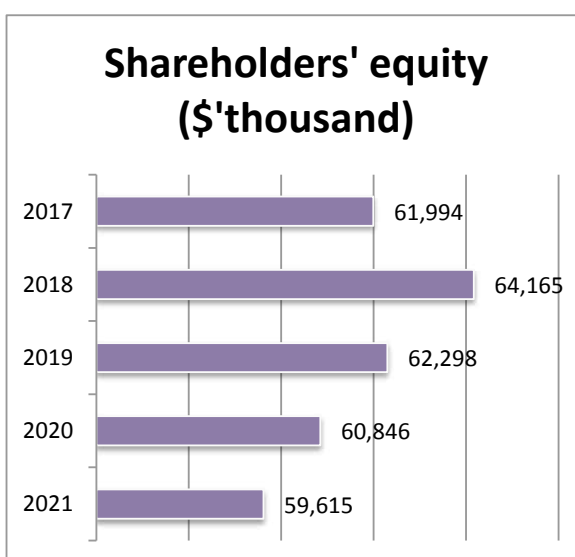
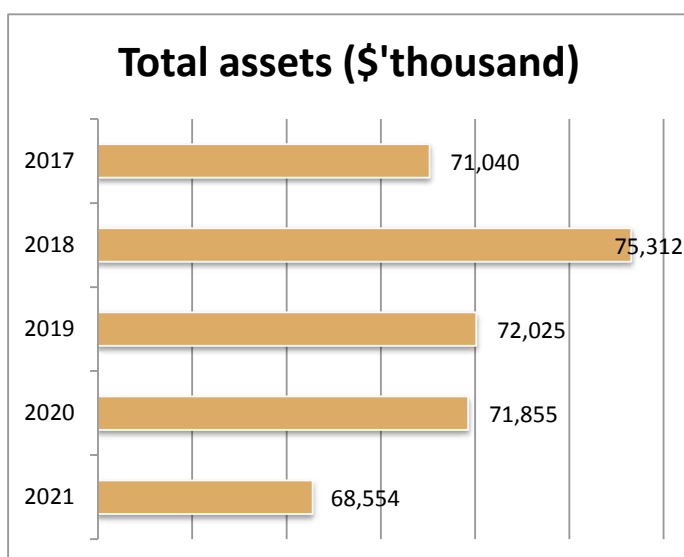
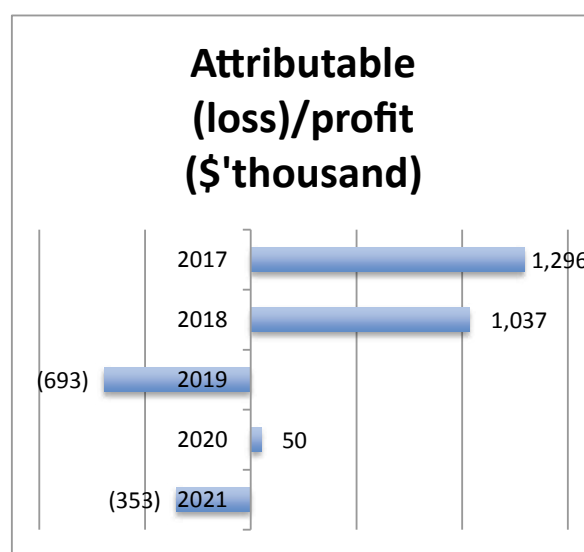
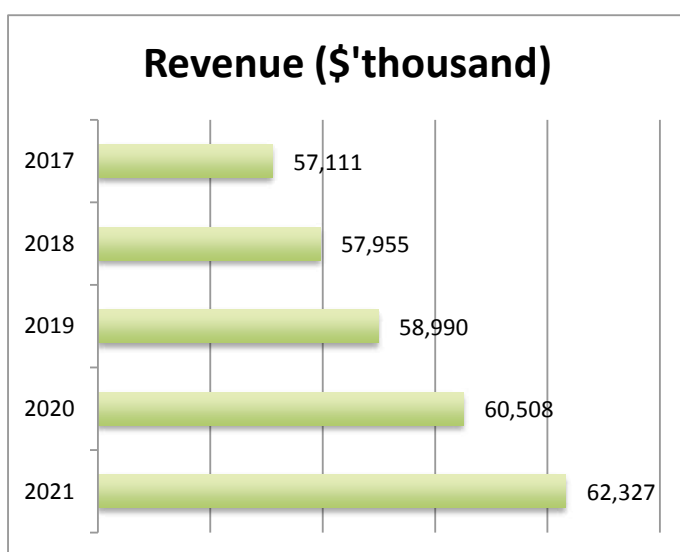
On behalf of the Board of Directors, I would like to extend our appreciation to our shareholders, customers and business associates for their continued support as well as to the Management and staff of the Group for their dedication and diligence while navigating through the Covid-19 pandemic.

Last but not least, I would also like to thank my fellow Directors for their contributions and services rendered to the Company.

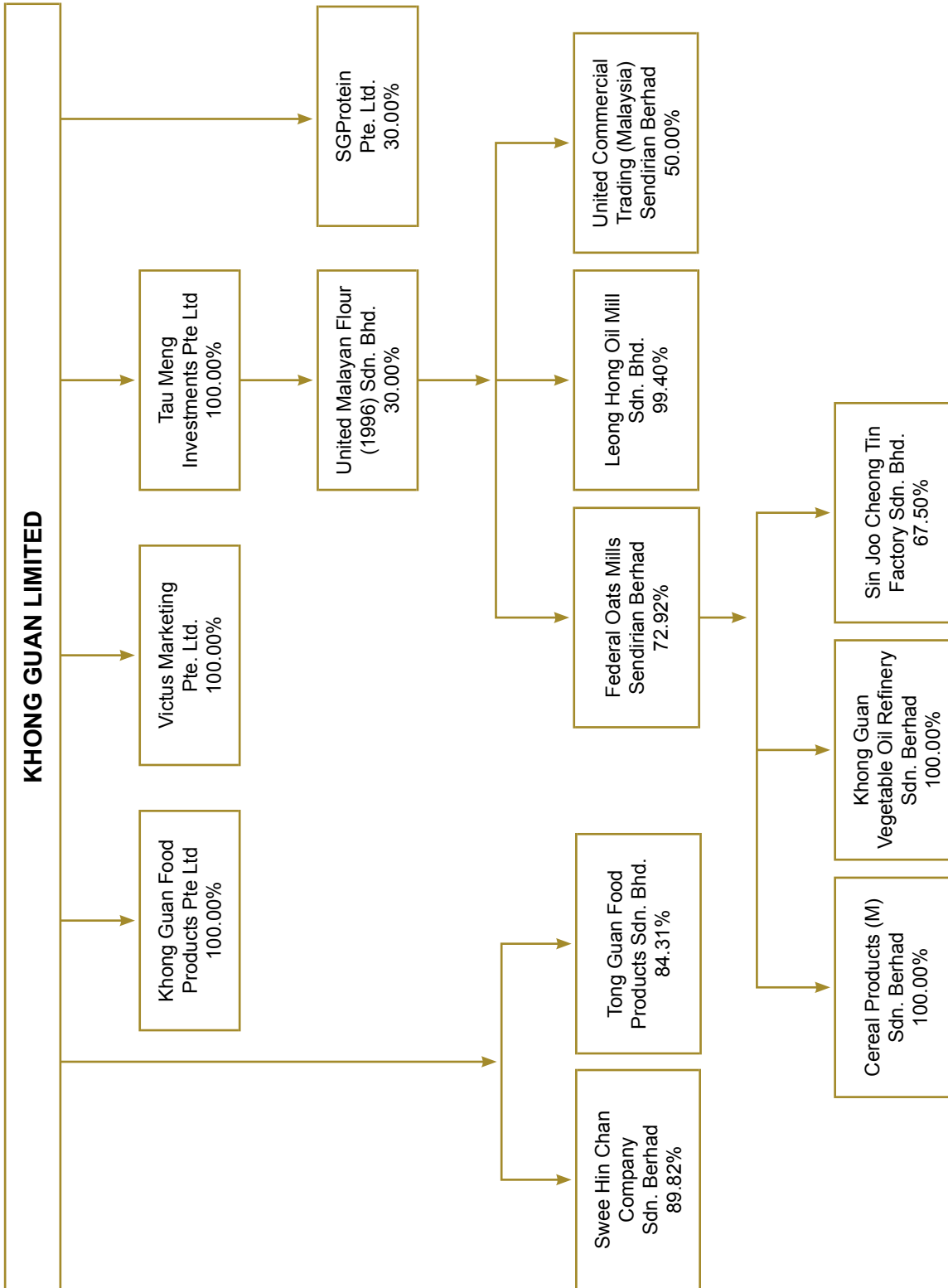
**Chew Soo Lin**  
Chairman

## Group Financial Highlights as at 31 July 2021

	2021	2020	2019	2018	2017
<b>(\$'thousand)</b>					
Revenue	62,327	60,508	58,990	57,955	57,111
Attributable (loss)/profit	(353)	50	(693)	1,037	1,296
Total assets	68,554	71,855	72,025	75,312	71,040
Shareholders' equity	59,615	60,846	62,298	64,165	61,994



# Group Structure



# Corporate Governance

## INTRODUCTION

Khong Guan Limited (the Company and together with its subsidiaries, the Group) is committed to maintaining good corporate governance in accordance with the principles and provisions set out in the Code of Corporate Governance 2018 (the “Code”).

This report describes the corporate governance processes and practices of the Company and the Group that were in place throughout the financial year ended 31 July 2021, with specific reference made to the principles and provisions of the Code which was issued on 6 August 2018 and which forms part of the continuing obligations under the SGX-ST Listing Manual of the SGX-ST.

The Board of Directors (the “Board”) is pleased to confirm that for the financial year ended 31 July 2021, the Company and the Group have adhered to the principles and provisions as outlined in the Code. Where there are deviations from the provisions of the Code, the Company has provided reasons and explanations on the Company’s practices.

## BOARD MATTERS

### PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

#### Provision 1.1: Role and Duties of the Board

The principal functions of the Board are to provide guidance and to decide on certain important matters, including those involving the review and approval of strategic plans, directions 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 make decisions in the interests of the Company.

#### Conflict of Interest

Internal guidelines have been established which requires all Board members who have a potential conflict of interest in a particular agenda item to recuse themselves from the discussion involving the relevant Board discussion. This policy also applies to all Board Committees.

## Corporate Governance

### Provision 1.2: Board Orientation, Training and Updates

All Directors are appointed to the Board by way of formal letter of appointment which sets out among others, their roles, obligations, duties and responsibilities as a member of the Board.

The Management (comprising the Executive Directors and Key Management Personnel) briefs new Directors on the Group's business and strategic directions, as well as governance practices. This briefing also includes site visits to the Group's facilities to ensure that they are familiar with the Group's businesses, directions and policies.

The Management will monitor new laws, regulations and commercial development when they become available and will keep the Board informed accordingly. The Directors are also kept abreast of any developments which are relevant to the Group, which have an important bearing on the Group and the Directors' obligations to the Group, from time to time.

For any first-time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she will be required to attend programmes conducted by the Singapore Institute of Directors, in order to acquire relevant knowledge of what is expected of a listed company director.

The Directors are encouraged to attend appropriate or relevant courses, conferences and seminars and receive training to improve themselves in the discharge of their duties and responsibilities.

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 and the external auditor update the AC and the Board on new and revised financial reporting standards as and when these are issued. 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.

### Provision 1.3: Internal guidelines on matters requiring Board's approval

Matters which are specifically reserved to the Board for decision-making include those (1) involving the review and approval of strategic plans, (2) directions and policies, (3) material acquisitions or joint ventures or investments and disposals of assets, (4) authorisation of banking facilities and corporate guarantees, (5) corporate or financial restructuring, (6) share issuances, (7) dividends and other returns to shareholders, (8) public announcements to be released via SGXNet, including half-yearly and full year financial announcements and (9) any matters relating the Company's Annual General Meeting, Board and Board Committees.

### Provision 1.4: Delegation of Authority to Board Committees

To facilitate effective management, the Board has delegated certain functions to the Board Committees namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (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.

## Corporate Governance

### Provision 1.5: Meetings of Board and Board Committees

The Constitution of the Company provides for the Directors to participate in Board meetings by teleconference or videoconference means. Directors with multiple Board representations must ensure that sufficient time and attention are given to the affairs of the Company.

The number of Board and Board Committees meetings held in the financial year ended 31 July 2021 and the attendance of Directors during these meetings is as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total held in FY2021	3	5	1	1
Chew Soo Lin	3	NA*	1	NA*
Chew Soo Eng	3	NA*	NA*	NA*
Chew Kian Boon Daniel	3	NA*	NA*	NA*
Tay Kwang Lip Willie	3	5	1	1
Yeo Jih-Shian	3	5	1	1
Tan Tiong Huat Alex	3	5	NA*	1
Hew Moh Yung	3	NA*	NA*	NA*

\*NA – Not applicable

In addition to the above formal meetings, the Board and the various Board Committees met informally or as working sessions on numerous occasions during the year.

### Provision 1.6: Access to information

To enable the Board to fulfil its responsibilities, the Management provides adequate and timely information to the Board to make informed decisions. All scheduled Board and Board Committees' meetings are planned in advanced of each financial year and meeting papers are normally circulated to the Directors at least one week before the meetings. All Directors have unrestricted access to the Management and free to request for additional information when necessary.

In order to ensure that the Board is able to fulfil its responsibilities, prior to scheduled meetings, the Management provides the Board members with timely information such as management financial statements, interested person transactions reports and explanations on material variances. This would also enable the Directors to oversee the Group's operational and financial performance more effectively. The Directors are also informed on a regular basis as and when there are any significant developments or events relating to the Group's business operations.

The Management and the Company's internal and external auditors, who can provide insight and views on matters under 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.

## Corporate Governance

### Provision 1.7: Separate and Independent Access to Management and Company Secretary

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 in furtherance of their duties, the Company will appoint a professional advisor, subject to approval 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. The Board has appointed Ms Nor Hafiza Alwi of ZICO Corporate Services Pte. Ltd., as Company Secretary in place of Mr Koe Eng Chuan who retired on 16 March 2021.

### PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

#### Provision 2.1: Independence of Directors

As set out under the Code, an Independent Director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.

The NC deliberates annually to determine the independence of a Director. In determining whether a Director is independent, the NC has adopted the definition in the Code of what constitutes an Independent Director as well as other relevant circumstances and facts. The NC has mandated that every Director provides a declaration of his or her independence to the NC and the Board for deliberation.

#### Provision 2.2: Independent Directors comprising Majority of the Board

#### Provision 2.3: Proportion of Non-Executive Director

The Company endeavours to maintain a strong and independent element on the Board. Out of seven Board members, the Company has four Independent Directors. This is in line with the Code's provision which requires Independent Directors to make up the majority of the Board where the Chairman is not independent. The relevant provision is to be effective on 1 January 2022.

#### Provision 2.4: Board Composition, Size and Diversity

The Board comprises the following members:

##### Executive Directors

Chew Soo Lin  
Chew Soo Eng  
Chew Kian Boon Daniel

##### Independent Directors

Tay Kwang Lip Willie (Lead Independent Director)  
Yeo Jih-Shian  
Tan Tiong Huat Alex  
Hew Moh Yung

## Corporate Governance

### Provision 2.4: Board Composition, Size and Diversity – *cont'd*

The current Board, with Independent Non-Executive Directors making up more than 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. To further strengthen good corporate governance, as the Chairman is not independent, a Lead Independent Director is appointed.

The size and composition of the Board are reviewed at least annually to ensure that the Board has the appropriate mix of expertise, skills, knowledge and experience diversity for effective decision-making. The Board, in concurrence with the NC, is of the view that the current number of seven (7) Directors and the composition is appropriate and effective, taking into consideration the scope and nature of the Group's operations. No individual or small group of individuals dominate the Board's decision-making.

The Board's objective in its composition is to achieve a good mix of directors with diverse and appropriate professional background and experience to facilitate a robust decision-making process in the best interests of the Company and the Group.

In recent years, the composition of the Board has been rejuvenated through the appointment of new independent directors who brought with them diverse professional qualifications and backgrounds to the Board. The Board also recognizes that over time, these Independent Directors have developed significant insights of the Group's business and operations, and have been able to provide stability and valuable contributions objectively to the Board.

The Directors are from a diverse age group (between 46 and 73) and possess the appropriate balance and mix of skills, knowledge and experience (such as legal, corporate finance and industrial) to guide and assist the Board in its endeavours.

The Board provides diversity of expertise, invaluable experiences and knowledge in areas such as accounting, legal, finance, strategic planning, corporate finance and restructuring, investment, business management and development, risk management, corporate communication, governance and industry knowledge. This diversity facilitates constructive debate on the business activities of the Company and enables Management to benefit from a diverse and objective set of perspectives on issues that are brought before the Board.

The Board, in concurrence of the NC, is of the view that the current Directors possess the necessary competencies to provide the Management with a diverse and objective perspective on issues so as to lead and govern the Company effectively.

The Company embraces diversity and will consider the benefits of various aspects of diversity, including skills, experience, background, gender, age and other relevant factors in identifying Director nominees.

The Board is of the view that the present Board has an appropriate level of independence and diversity of thought and background to enable it to make decisions in the best interests of the Group.

The Board does not have any alternate Director.

## Corporate Governance

### Provision 2.5: Meeting of Non-Executive Directors

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 (“MD”)

#### Provision 3.1: Different roles of Chairman and MD

The Company has a separate Chairman and MD. Mr Chew Soo Lin is the Executive Chairman and Mr Chew Soo Eng is the MD. Both Mr Chew Soo Lin and Mr Chew Soo Eng are part of the executive management team and are cousins. All major decisions made by the Chairman and the MD are reviewed by the Board. As the Company has a relatively simple organization structure and the Board is constituted by a majority of Independent Directors, the Board is of the opinion that this arrangement does not undermine the ability of the Board to exercise independent decision making, without any individual exercising any significant concentration of control or authority.

#### Provision 3.2: Roles and responsibilities of the Chairman and the MD

The Company aims to ensure a balance of power and authority between the Chairman and the MD with a clear division of responsibility between the running of the Board and the Company's business, respectively. The positions, roles and responsibilities of the Chairman and MD are separate and clearly defined.

#### Chairman

The Chairman is responsible for leadership of the Board in ensuring the effectiveness of the functions of the Board. He is responsible for:

- a) Leading the Board in the deliberations of strategic matters of the Group and in overseeing the Management of the Group;
- b) Ensuring the effective conduct of the Board;
- c) Maintaining a relationship of trust with and between the Executive Directors and Non-Executive Independent Directors;
- d) Ensuring the provision of accurate, timely and clear information to Directors;
- e) Ensuring effective communication with shareholders.
- f) Setting the agenda for Board meetings and ensuring that all relevant issues are on the agenda, in consultation with the MD and the Company Secretary.

The Chairman is also responsible for managing the business of the Board to ensure that:

- All Directors are properly briefed on issues arising at Board meetings.
- Sufficient time is allowed for the discussion of complex or contentious issues and where appropriate, arranging for informal meetings beforehand to enable thorough preparation for the Board discussion.
- The issues discussed are forward looking and strategic in nature.

## Corporate Governance

### Provision 3.2: Roles and responsibilities of the Chairman and the MD – cont'd

#### MD

All authorities conferred by the Board on the Management will be delegated through the MD. The MD shall be held accountable for his exercising of these authorities. He is responsible for:

- a) Ensuring the success of the Company's governance and management functions
- b) The day-to-day operation of the Group's business.
- c) Implementing the policies, strategies and decisions adopted by the Board.
- d) All authorities conferred by the Board on the Management will be delegated through the MD. The MD shall be held accountable for his exercising of these authorities.

### Provision 3.3: Lead Independent Director

To ensure good corporate governance practice and that there is no concentration of power and authority, the Company has appointed Mr Tay Kwang Lip Willie as the Lead Independent Director. The Lead Independent Director meets at least once annually with other Independent Directors without the presence of Executive Directors and after such meetings, he provides feedback to the Executive Chairman. The Lead Independent Director 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

### Provision 4.1 and 4.2: Membership and Roles and Responsibilities of the NC

The NC comprises the following three members, two of whom including the Chairman are independent and non-executive:

Yeo Jih-Shian (Chairman)  
Tay Kwang Lip Willie  
Chew Soo Lin

The Lead Independent Director is a member of the NC.

The principal functions of the NC include:

- Electing an Independent Director from amongst them as its Chairman.
- Identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.
- Facilitating Board induction and training of newly appointed Directors.
- Evaluating the balance of skills, knowledge and experience on the Board and in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment of Director.

## Corporate Governance

### Provision 4.1 and 4.2: Membership and Roles and Responsibilities of the NC – cont'd

- Carrying out an annual review of the effectiveness of the Board as a whole; the Board Committees and the contribution of each individual Director, including Independent Non-Executive Directors.
- Giving consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company as to what skills and expertise are needed on the Board in the future.
- Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board to ensure the appropriate Board balance and size and making recommendations to the Board with regard to any changes.
- Reviewing the leadership needs of the Group, both executive and non-executive, with a view to ensuring the continued ability of the Group to compete effectively in the market place.
- Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of duties and responsibilities and to act in the best interest of the Company.

### Provision 4.3: Selection, Appointment and Re-appointment of Directors

New Directors are at present appointed by way of a Board resolution, after the NC approves their appointment. The NC does not usually but may consider engaging the services of search consultants to identify prospective Board candidates if the need so arises. The NC currently considers recommendations and referrals from other sources, provided the prospective candidates meet the qualification criteria established for the particular appointment.

In considering the appointment of any new Director, the NC ensures that the new Director is aligned with Group's strategic directions and possesses the necessary skills, knowledge and experience that could facilitate the Board in making sound and well-considered decisions. The NC also identifies other core competencies that will complement the existing Directors on the Board.

A new director is required to declare if he or she has any adverse track record or are under investigation by the regulators in any of the Boards served before the appointment.

The NC will meet with the selected candidate to assess his/her suitability, before making its recommendations to the Board for its approval.

### Process of Re-appointment of Directors

Succession planning is an important part of the governance process. The NC will seek to refresh the Board membership from time to time, progressively and in an orderly manner to avoid losing institutional memory.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. A newly appointed Director must also be subject to retirement and re-election at the AGM immediately following his/her appointment. Thereafter, such Director is subject to retirement by rotation once every three years.

All appointments and re-appointments of Directors are first reviewed and considered by the NC before recommending them to the Board for approval.

## Corporate Governance

### Provision 4.3: Selection, Appointment and Re-appointment of Directors – *cont'd*

#### Process of Re-appointment of Directors – *cont'd*

The NC recommends:

1. Mr Chew Soo Eng – retiring by rotation, and being eligible, be nominated for re-election.
2. Mr Chew Kian Boon Daniel – retiring by rotation, and being eligible, be nominated for re-election.

#### Succession Planning For Key Management Personnel ("KMP")

In its long-term drive towards excellence, the Company recognizes the importance of sustainable leadership and succession planning of KMP. The MD takes charge of the succession planning of the KMP of the Group. The Company follows the prevailing national guidelines for retirement age. To minimize disruptions to the Group's operations, the retired KMP may be hired on a year-to-year basis to provide continuity and orderly replacement of that KMP.

#### Provision 4.4: NC to determine Director's independence

The NC deliberates annually to determine the independence of a Director bearing in mind the salient factors set out in the Code as well as all other relevant circumstances and facts. No member of the NC participates in the deliberation in respect of his own status as an Independent Director. Each retiring Independent Director has confirmed that he does not have any relationship with his fellow Directors nor with the Company and its substantial shareholders.

At the date of this Report, the Company does not have any Independent Director who has served for more than nine years from the date of his first appointment.

#### Provision 4.5: Commitment of Directors sitting on multiple boards

None of the Directors exceeds the maximum number of listed board representations determined by the NC and the Board, which is six. Notwithstanding that two of the Directors have multiple board representations, the NC is satisfied that these Directors are able to and have been adequately carrying out their duties as Directors of the Company. The relevant Directors' multiple directorships are disclosed in the Directors' profile.

### PRINCIPLE 5: BOARD PERFORMANCE

#### Provision 5.1 and 5.2: Board and individual Director Evaluation Process

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.

## Corporate Governance

### Provision 5.1 and 5.2: Board and individual Director Evaluation Process– *cont'd*

#### Board evaluation

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.

#### Evaluation of individual Director

The performance evaluation of a 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 and operations.

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 for the Group and to ensure that the long-term objective of enhancing shareholders' value is achieved.

The NC has reviewed the overall performance of the Board, Board Committees and each Director for FY2021 and is satisfied that the Board as a whole and Board Committees have met the performance evaluation criteria and objectives and each Director has contributed effectively and demonstrated commitment to his respective role, including commitment of time for the Board and Board Committee meetings and any other duties in FY2021.

All NC members have abstained from the voting or review process of any matters in connection with the assessment of his/her performance or re-appointment as a Director of the Company.

During the financial year ended 31 July 2021, the Company did not engage any external facilitator for Board and Director assessment.

# Corporate Governance

## REMUNERATION MATTERS

### PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

#### Provision 6.1 and 6.2: Remuneration Committee – Membership and Functions

The RC comprises the following three members who are all Independent and Non-Executive Directors:

Mr Tan Tiong Huat Alex (Chairman)  
Mr Tay Kwang Lip Willie  
Mr Yeo Jih-Shian

The principal functions of the RC include:

- Electing an Independent Non-Executive Director from amongst its members as its Chairman.
- Establishing, reviewing and recommending to the Board the remuneration packages of the Executive Directors, and to ensure their remuneration package are aligned with strategies and long-term objectives of the Group.
- Recommending the remuneration for the key management staff and to ensure that the remuneration reflect the responsibilities and commitments that go with it.
- Reviewing and recommending to the Board for endorsement guidelines for directors' fees of Non-Executive Directors.
- Reviewing and approving succession plans for key positions.

No Director will be involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberation.

The RC reviews the Company's obligations arising in the event of termination of the Executive Directors and KMP'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 KMP aims to be fair, linking rewards to corporate and individual performance.

#### Provision 6.3: All Aspect of Remuneration

The Group sets remuneration packages which are in line with the market and sufficient to attract, retain and motivate KMP 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.

## Corporate Governance

### Provision 6.4: RC's Access to Advice on Remuneration Matters

The RC from time to time, may seek expert advice on the remuneration of all Directors and KMP. There being no necessity, the RC did not seek the service of an external remuneration consultant in financial year ended 31 July 2021.

### PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

#### Provision 7.1 and 7.2: Remuneration of Executive Directors, KMPs and Non-Executive Directors

Having reviewed and considered the variable components of the Executive Directors and the KMP, 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.

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

Mr Chew Kian Hong Michael, an immediate family member of the MD and Chew Kian Boon Daniel, received remuneration in the band between \$100,001 and \$250,000 during the financial year ended 31 July 2021.

#### Provision 7.3: Retention of Directors and KMPs

The Company advocates a performance-based remuneration system that is flexible and responsive to the market, and the performance of the Group's business units and individual employees. In designing the compensation structure, the Company seeks to ensure that the level and mix of remuneration is transparent, competitive, relevant and appropriate in finding balance between the current and longer term objectives of the Company so as to be able to attract and motivate talents without being excessive and hereby maximise value for shareholders.

## Corporate Governance

### PRINCIPLE 8: DISCLOSURE ON REMUNERATION

#### Provision 8.1 and 8.3: Remuneration of Directors and Top KMP

The Company adopts an overall remuneration policy for employees, comprising a fixed component in the form of a base salary and a variable component in the form of bonus and benefits that is linked to the performance of the Group, the industry and the economy. In reviewing its remuneration policy, the Company generally takes into account compensation and employment conditions within the industry and in comparable companies.

The remuneration components paid to each of the Group's Executive Directors and Non-Executive Directors for the year ended 31 July 2021, are set out below:

Name of Director	Salary \$	Bonus and Benefits \$	Fees \$	Total \$
Chew Soo Lin	219,998	99,593	—	319,591
Chew Soo Eng	363,578	126,701	—	490,279
Chew Kian Boon Daniel	123,060	46,900	—	169,960
Tay Kwang Lip Willie	—	—	41,000	41,000
Yeo Jih-Shian	—	—	19,500	19,500
Tan Tiong Huat Alex	—	—	19,000	19,000
Hew Moh Yung	—	—	15,000	15,000

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

#### KMP's remuneration

Mr Chew Soo Lin, Mr Chew Soo Eng and Mr Chew Kian Boon Daniel who are Executive Directors of the Company are also KMPs of the Group. The other KMP, Mr Chew Kian Hong Michael, received remuneration for the financial year ended 31 July 2021 of less than \$250,000.

#### Provision 8.2: Employee related to Directors/MD

Mr Chew Kian Hong Michael, an immediate family member of the MD and Mr Chew Kian Boon Daniel, received remuneration in the band between \$100,001 and \$250,000 during the financial year.

Saved as disclosed above, the Group does not have any employees who are substantial shareholders of the Company, or are immediate family members of a Director, the MD or a substantial shareholder of the Company, and whose remuneration exceeds \$100,000 during the year.

# Corporate Governance

## ACCOUNTABILITY AND AUDIT

### PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

#### Provision 9.1: Nature and Extent of Risks

##### Risk Management

The Board is responsible for the governance of risk. The Board ensures that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, determines 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 heads of business units take ownership and accountability for risks at their respective levels. The individual business units through a detailed key risk register, updates the Board on their operational, financial and compliance risk management system.

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).

Instead of setting a separate board risk committee, 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, in overseeing the formulation, update and maintenance of an adequate and effective risk management and internal control system.

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

Further, due to the global Covid-19 pandemic, the Company has carried out additional risk assessments and analysis of the Group's financial liquidity and the disruption to the Group's supply chain. These assessments are disclosed in the Chairman's statement.

## Corporate Governance

### Provision 9.1: Nature and Extent of Risks – *cont'd*

#### Internal controls

Internal controls have been implemented to enhance the Group's functions in the areas of finance, operations, compliance and information technology. The internal control measures aim to ensure that the Group's assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

The system of internal controls and risk management established by the Group provide reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

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 for internal audit works. The internal auditor has unrestricted access to the AC on internal audit matters. The AC reviews and endorses the internal audit plan and internal audit reports of the Group. Any material non-compliance or failures in the internal audit function and recommendations for improvements are reported to the AC.

### Provision 9.2: Assurance from Chairman and MD

For the financial year under review, the Board has received written assurance from the Chairman and MD:

- i) that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- ii) that the Group's risk management and internal control system in place were adequate and effective to address the financial, operational, compliance and information technology risks in the context of the current scope of the Group's business operations.

# Corporate Governance

## PRINCIPLE 10 : AUDIT COMMITTEE

### Provision 10.1 and 10.2: AC Composition, Role and Duties

The AC comprises the following members:

Tay Kwang Lip Willie (Chairman)  
Yeo Jih-Shian  
Tan Tiong Huat, Alex

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 include:

- Reviewing 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;
- Reviewing the scope and results of the audit and its cost-effectiveness and the independence and objectivity of the external auditor;
- Reviewing the effectiveness and adequacy of the internal audit function and procedures;
- Providing oversight on Group's risk management;
- Making 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;
- Reviewing the assurance from the MD and the Chairman on financial records and financial statements;
- Reviewing interested person transactions within the scope of Chapter 9 of the SGX-ST's Listing Rules.

The number of meetings convened by the AC is set out in Principle 1: Provision 1.5: Meetings of the Board and Board Committees.

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 were 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 auditors and recommends their appointment to the Board.

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

## Corporate Governance

### Provision 10.1 and 10.2: AC Composition, Role and Duties – cont'd

The aggregate amount of fees paid/payable to the external auditor of the Company and subsidiaries for audit services was \$73,632 for the financial year ended 31 July 2021. There were no material non-audit services provided by the external auditor for the financial year ended 31 July 2021.

### Financial Matters

During the financial year, the AC reviewed the half-yearly 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 year ended 31 July 2021, the AC discussed with the Management and the external auditor 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 Matters". Following the review, the AC concurred and agreed with the external auditor and the Management on their assessment, judgements and estimates on the Key Audit Matters reported by the external auditor.

The following are the key audit matter raised by the external auditor:

### KEY AUDIT MATTERS

Significant Matter	How the AC reviewed this matter and what decisions were made
<p><b>Valuation of trade receivables (Refer to Note 11 and Note 38)</b></p> <p>The Group has trade receivables amounting to \$9,456,142 (2020: \$10,272,086). Allowance on impairment of receivables made were \$689,717 (2020: \$774,500). Details of the trade receivables are disclosed in Note 11.</p> <p>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.</p> <p>During the current financial year, an amount of \$17,556 (2020: \$117,100) of impairment loss has been recognised in profit or loss.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>

## Corporate Governance

### Provision 10.3: Director who was Former Partner of the Company's Existing Auditors

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

### Provision 10.4: Internal Audit Function

The Board recognizes the importance of good corporate governance practices and a sound system of internal controls in safeguarding shareholders' investment as well as the Group's assets. With the assistance of the external and internal auditors, the AC conducts annual review of their reports on the system of internal controls and to satisfy that the Group's internal controls are adequate.

The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The internal auditor 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 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 the Malaysia Institute of Certified Public Accountants.

The Board, with the concurrence of the AC, is of the opinion that 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.

The Company has in place an Anti-Bribery & Corruption Policy for its Malaysian subsidiary companies in line with the Malaysian government's anti-corruption requirements and a Whistleblowing Policy where the staff of the Group and third parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. The AC has explicit authority to conduct investigations into any matters within its terms of reference, including full access to and co-operation of the Management, 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.

There were no reported incident pertaining to corruption, bribery or whistleblowing during the financial year ended 31 July 2021 and until the date of this annual report.

### Provision 10.5: Meeting auditors without the Management

The AC meets with the external auditor and the internal auditor, at least once a year, without the presence of the Management, to review any matter that might be raised. These meetings enable the auditors to raise any issues in the course of their work directly to the AC.

# Corporate Governance

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

#### Provision 11.1: Opportunity for Shareholders to Participate and Vote at General 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. The external auditor and the Management are also available at the Annual General Meeting (“AGM”) to respond to, and to assist the Directors in responding to shareholders’ queries.

In accordance with the Company’s Constitution, each shareholder may appoint not more than two proxies to attend and vote on their behalf. A proxy need not be a member of the Company.

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 Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Listing Rules 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.

In view of the current COVID-19 situation in Singapore, the forthcoming AGM to be held in respect of FY 2021 will be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, will be put in place for the AGM to be held in 30 December 2021.

The Annual Report, notice of AGM and proxy form (“AGM documents”) will only be available to shareholders through electronic means via publication on the company’s website and on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>. Printed copies of the AGM documents will not be sent to shareholders.

#### Provision 11.2: Resolutions at General Meetings

The Board ensures that resolutions on substantially separate issues or matters are “unbundled” or are not made inter-conditional on each other but as separate items at general meetings.

#### Provision 11.3: Attendance at AGMs

All members of the Board, in particular, the Chairman of the Board and the respective Chairman of the Board Committees and the Management are in attendance at the AGM and other general meetings to assist the Directors in addressing any relevant queries by shareholders. The Company’s external auditor are also present at the AGM to address shareholders’ queries about the conduct of the audit and the preparation and content of the auditor’s report.

## Corporate Governance

### Provision 11.4: Absentia voting

The Company's Constitution permits voting in absentia by mail, electronic mail or facsimile. However, such voting methods would need to be cautiously evaluated to ensure that the authenticity of the vote and the shareholders' identity is not compromised.

### Provision 11.5: Minutes of meetings

The Company Secretary will prepare minutes of the general meetings held and a copy of such minutes will be made available through its announcement via SGXNET and the Company's website after the general meetings.

### Provision 11.6: Dividend policy

The Company 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 12: ENGAGEMENT WITH SHAREHOLDERS

### Provision 12.1: 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, AGM, 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 Rules 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.

### Provision 12.2 and 12.3: Investor Relations Policy

Even though the Company does not have a specific investor relations policy, the AGMs provide a principal forum for dialogue and interaction with shareholders. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters.

## Corporate Governance

### PRINCIPLE 13: MANAGING STAKEHOLDER RELATIONSHIPS

#### Provision 13.1, 13.2 and 13.3: Engagement with stakeholders

The Company has appropriate channels in place to identify and engage with its material stakeholder groups. It recognises the importance of having intimate knowledge of its business and regular interactions with its stakeholders to determine materials issues for its business.

The Company's approach to stakeholder engagement and material assessment can be found under the "Sustainability Report" uploaded to SGXNET on 31.12.2020.

The Company maintains a corporate website at [www.khongguanlimited.com](http://www.khongguanlimited.com) to communicate and engage with all stakeholders.

### 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 Group's half year and full year financial statements.

### SUSTAINABILITY REPORTING

The Company published its Third Sustainability Report for the period from 1 August 2019 to 31 July 2020 in December 2020. 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 the year 2020 for all entities in the Group. The Company will be publishing its 4th Sustainability Report by December 2021.

## Corporate Governance

### 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 AC. Details of significant interested person transactions for the financial year ended 31 July 2021 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	—	2,161,000
Federal Oats Mills Sendirian Berhad	—	219,000
Khong Guan Biscuit Factory (Borneo) Sdn Bhd	—	4,521,000
Leong Hong Oil Mill Sdn. Bhd.	—	255,000
United Malayan Flour (1996) Sdn. Bhd.	—	11,364,000
Sales to		
Cereal Products (M) Sdn. Berhad	—	278,000
Khian Guan Biscuit Manufacturing Co Sdn Bhd	—	683,000
Khong Guan Biscuit Factory (Johore) Sdn Bhd	—	239,000
Sunshine Traders Sdn Bhd	—	592,000
Corporate Guarantee to third parties on behalf of Tong Guan Food Products Sdn. Bhd. ("TGF")	2,522,000* (RM7,870,000)	

\* The company has provided corporate guarantees to two suppliers of TGF (a 84.31% owned subsidiary of the company) for goods supplied to TGF not exceeding the sum of \$2,522,000 (RM7,870,000). As of 31 July 2021, the amounts outstanding owing to these supplies was \$950,000 (RM2,963,000).

### MATERIAL CONTRACTS

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

## Profile of Directors and Key Executives

### DIRECTORS

#### Chew Soo Lin

Mr Chew, who is an Executive Director, was appointed Chairman in 23 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 11 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 15 January 2014.

He is the Lead Independent Director and Chairman of the Audit Committee, member of the 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.

#### Chew Kian Boon Daniel

Mr Daniel Chew was appointed as an Executive Director in 25 February 2016.

Mr Daniel Chew has more than 20 years of experience in flour milling operations. His present assignment includes the group's procurement of raw material, shipping freight 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.

## Profile of Directors and Key Executives

### Yeo Jih-Shian

Mr Yeo was appointed as a Non-Executive and Independent Director in 1 February 2018. He is the Chairman of the Nominating Committee, 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. He is the Chairman of the Remuneration Committee and member of the Audit Committee.

Mr Tan holds an MBA degree from Nanyang Technological University and Bachelor of Science (Honours) from National University of Singapore. He has been a corporate finance professional since 1994. He has successfully completed numerous initial public offerings and reverse take-overs on the Catalist and Main Board of SGX.

He also advises Catalist-listed companies on compliance with SGX-Catalist Rules. Mr Tan was previously CEO of Canaccord Genuity Singapore Pte Ltd (legacy Collins Steward Pte Limited) between February 2008 to April 2016. He is currently the CEO of ZICO Capital Pte Ltd, a position he held since 2016. He is also currently a "Chartered Valuer and Appraiser" charter holder.

### Hew Moh Yung

Mr Hew was appointed as a Non-Executive and Independent Director on 25 February 2020.

Mr Hew has over 30 years of international management experience in the FMCG industry leading large global companies based in Singapore, Taiwan, Malaysia, Vietnam and Hong Kong. He was Head of Country Management and Vice President of a leading Swiss conglomerate during his 13 year tenure in Hong Kong responsible for Greater China, South Korea and was a Board member of the Swiss Chamber of Commerce in Hong Kong. Mr Hew graduated from the National University of Singapore.

Mr Hew is currently the Chairman of Eu Yan Sang Hong Kong Ltd, and Independent Director of Eu Yan Sang China Ltd, Kim Hin Joo (Malaysia) Berhad and PT Wicaksana Overseas International Tbk.

## 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

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Directors nominated for re-election at the forthcoming AGM is set out below

	Chew Soo Eng	Chew Kian Boon Daniel
Date of Appointment	03.03.2006	25.02.2016
Date of last re-appointment (if applicable)	--	28.11.2018
Age	73	46
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Chew Soo Eng as the Managing Director of the Company was recommended by the Nominating Committee (NC) and accepted by the Board, after taking into consideration his expertise, performance, overall contributions, and competencies in fulfilling his responsibilities. The NC and the Board considered his re-election to be of benefit to the Company.	The re-election of Mr Chew Kian Boon Daniel as an Executive Director of the Company was recommended by the Nominating Committee (NC) and accepted by the Board, after taking into consideration his expertise, performance, overall contributions and competencies in fulfilling his responsibilities. The NC and the Board considered his re-election to be of benefit to the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive	Executive
Job Title	Managing Director of the Company	Executive Director
Professional qualifications	Please refer to the respective Director's profiles on page 29	
Working experience and occupation(s) during the past 10 years	Please refer to the respective Director's profiles on page 29	
Shareholding interest in the Company and its subsidiaries	201,666 shares in Khong Guan Limited 4,000 shares in Tong Guan Food Products Sdn. Bhd. (subsidiary)	2,000 shares in Khong Guan Limited 34,248 shares in Tong Guan Food Products Sdn. Bhd. (subsidiary)
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 Lin	Son of Mr Chew Soo Eng
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) Nil  Present Managing Director of United Malayan Flour (1996) Sdn Bhd	Past (for the last 5 years) Nil  Present Senior General Manager of United Malayan Flour (1996) Sdn Bhd
<b>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given</b>		
(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

## Disclosure of Information on Directors Seeking Re-Election

	Chew Soo Eng	Chew Kian Boon Daniel
(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 Eng	Chew Kian Boon Daniel
(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 issued 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

## Disclosure of Information on Directors Seeking Re-Election

	Chew Soo Eng	Chew Kian Boon Daniel
Any prior experience as a director of a listed company?	Not applicable	Not applicable
If yes, please provide details of prior experience.	This is a re-election of a director	This is a re-election of a director
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.		
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)		

## **Directors' Statement for the financial year ended 31 July 2021**

The directors 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 2021 and the statement of financial position of the Company as at 31 July 2021.

### **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 2021 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  
Chew Kian Boon Daniel  
Yeo Jih-Shian  
Tan Tiong Huat Alex  
Hew Moh Yung

### **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' Statement for the financial year ended 31 July 2021

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

Name of directors	<u>Direct interest</u>		<u>Deemed interest</u>	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<b>Ordinary shares of the Company Khong Guan Limited</b>				
Chew Soo Lin	31,000	31,000	—	—
Chew Soo Eng	201,666	201,666	19,200	19,200
Chew Kian Boon Daniel	2,000	2,000	—	—
<b>Ordinary shares of subsidiary Tong Guan Food Products Sdn. Bhd.</b>				
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 2021.

### 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.

## Directors' Statement for the financial year ended 31 July 2021

### 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's 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's 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 in a private session, as well as other committees and management in separate executive sessions, to discuss any matters that these groups believe should be discussed 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 five meetings during the year with full attendance from all members. The AC has also met with the internal and external auditors, without the presence of the Company's management, at least once a year.

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

### 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, 26 November 2021

# Independent Auditor's Report to the members of Khong Guan Limited for the financial year ended 31 July 2021

## 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 2021, 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 2021 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.

## Independent Auditor's Report to the members of Khong Guan Limited for the financial year ended 31 July 2021

### Key Audit Matters – cont'd

Key audit matter	How the matter was addressed in the audit
<p><b>Valuation of trade receivables</b> (Refer to Note 11 and Note 38)</p> <p>The Group has trade receivables amounting to \$9,456,142 (2020: \$10,272,086). Allowance on impairment of trade receivables made were \$689,717 (2020: \$774,500). Details of the trade receivables are disclosed in Note 11.</p> <p>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.</p> <p>During the current financial year, an amount of \$17,556 (2020: \$117,100) of impairment loss has been recognised in profit or loss.</p> <p>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.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Evaluated Management's assessment of recoverability of the trade receivables by reviewing the debtors' aging, checking for subsequent receipts and analyzing the payment history of debtors with long outstanding receivables;</li> <li>• Reviewed Management's ECL assessment on trade receivables using historical loss rate adjusted for forward-looking information;</li> <li>• Considered the adequacy of the Group's disclosure on the trade receivables and the related risk in Note 38 to the financial statements.</li> <li>• 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.</li> <li>• Challenged the component auditors on their assessment of forward-looking rates, among others. We understand that they had used base indicators, such as Moody's rating and national Gross Domestic Products to independently assess forward-looking rates used by the subsidiaries. We concur with the component auditors' assessment that there were no material variances between rates used by the subsidiaries and the benchmark measures used by the component auditors.</li> </ul>

# **Independent Auditor's Report to the members of Khong Guan Limited for the financial year ended 31 July 2021**

## **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;
- 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
- Notice of Annual General Meeting; 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.

## Independent Auditor's Report to the members of Khong Guan Limited for the financial year ended 31 July 2021

### 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 2021**

### **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. Ravinthran Arumugam.

#### **RT LLP**

Public Accountants and  
Chartered Accountants

Singapore, 26 November 2021

## Statements of Financial Position as at 31 July 2021

	Note	GROUP		COMPANY	
		2021 \$	2020 \$	2021 \$	2020 \$
<b>ASSETS AND LIABILITIES</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	3	4,522,987	4,950,767	705,561	832,317
Right-of-use assets	4	2,223,857	2,380,341	-	-
Investment property	5	13,401,826	13,603,713	13,401,826	13,603,713
Investments in subsidiaries	6	-	-	18,287,368	18,287,368
Investments in associates	7	22,053,440	21,076,458	1,500,000	-
Financial assets at fair value through other comprehensive income	8	268,501	270,931	-	-
Deferred tax assets	21	15,828	15,995	-	-
		42,486,439	42,298,205	33,894,755	32,723,398
<b>Current Assets</b>					
Inventories	9	7,168,841	7,179,794	-	13,500
Short-term investments	10	1,791,230	2,931,486	-	-
Trade receivables	11	9,456,142	10,272,086	312,206	315,451
Other receivables	12	182,047	355,074	78,803	136,817
Tax recoverable		153,005	184,349	-	-
Amounts owing by subsidiaries	13	-	-	275,000	1,378,000
Fixed deposits	14	2,226,288	2,260,472	2,226,288	2,211,415
Cash and bank balances	15	5,089,586	6,373,988	1,831,704	2,353,353
		26,067,139	29,557,249	4,724,001	6,408,536
<b>Less: Current Liabilities</b>					
Trade payables	16	4,554,281	6,547,509	272,946	301,611
Other payables	17	1,339,942	1,477,291	377,793	535,605
Lease liabilities	18	49,501	58,691	-	-
Current income tax liabilities		65,271	-	-	-
		6,008,995	8,083,491	650,739	837,216
Net Current Assets		20,058,144	21,473,758	4,073,262	5,571,320
<b>Less: Non-Current Liabilities</b>					
Lease liabilities	18	21,079	66,136	-	-
Provision for retirement benefits	20	290,367	259,887	290,367	259,887
Deferred tax liabilities	21	76,494	67,672	-	-
		387,940	393,695	290,367	259,887
Net Assets		62,156,643	63,378,268	37,677,650	38,034,831
<b>EQUITY</b>					
Share capital	22	33,278,673	33,278,673	33,278,673	33,278,673
Capital reserve	23	307,575	335,886	-	-
Foreign currency translation reserve	24	290,500	624,281	-	-
Retained profits		25,738,184	26,607,199	4,398,977	4,756,158
Attributable to equity holders of the Company		59,614,932	60,846,039	37,677,650	38,034,831
Non-controlling interests		2,541,711	2,532,229	-	-
Total Equity		62,156,643	63,378,268	37,677,650	38,034,831

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 2021

	Note	2021 \$	2020 \$
Revenue	25	62,326,856	60,508,165
Dividend income	26	60,155	124,919
Other net changes in fair value on financial assets at fair value through profit or loss	10	(72,370)	(508,263)
Other income	27	693,989	712,676
Changes in inventories		54,372	545,828
Purchases of inventories		(55,745,268)	(55,294,780)
Employee benefits expense	28a	(3,909,921)	(4,384,276)
Depreciation and amortisation expenses			
- property, plant and equipment	3	(529,939)	(510,258)
- right-of-use assets	4	(142,405)	(139,816)
- investment property	5	(201,887)	(198,409)
Share of results of associates, net of tax	7	41,697	1,929,369
Finance costs		(7,100)	(6,754)
Other expenses		(2,162,855)	(2,244,304)
<b>Profit before tax</b>	28	405,324	534,097
Income tax expense	29	(555,358)	(343,537)
<b>(Loss)/Profit for the financial year</b>		<u>(150,034)</u>	<u>190,560</u>
<b>(Loss)/Profit for the financial year attributable to :</b>			
Equity holders of the Company		(352,765)	50,401
Non-controlling interests		202,731	140,159
		<u>(150,034)</u>	<u>190,560</u>
<b>Earnings per share for (loss)/profit attributable to equity holders of the Company [in cents]</b>			
Basic and diluted	30	<u>(1.37)</u>	<u>0.20</u>

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 2021

	Note	2021 \$	2020 \$
<b>(Loss)/Profit for the financial year</b>		(150,034)	190,560
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss:			
Share of associate's capital reserve on financial assets at fair value through other comprehensive income	23	<u>(28,311)</u>	<u>(21,718)</u>
		<u>(28,311)</u>	<u>(21,718)</u>
Items that may be reclassified subsequently to profit or loss:			
Translation differences relating to financial statements of foreign operations		<u>(357,001)</u>	<u>(1,031,202)</u>
		<u>(357,001)</u>	<u>(1,031,202)</u>
Other comprehensive income, net of tax		<u>(385,312)</u>	<u>(1,052,920)</u>
<b>Total comprehensive income for the financial year</b>		<u><u>(535,346)</u></u>	<u><u>(862,360)</u></u>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		(714,857)	(936,137)
Non-controlling interests		<u>179,511</u>	<u>73,777</u>
		<u><u>(535,346)</u></u>	<u><u>(862,360)</u></u>

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

## Consolidated Statement Of Changes In Equity for the financial year ended 31 July 2021

	Note	Share capital \$	Capital reserve \$	Foreign currency translation reserve \$	Retained profits \$	Total attributable to equity holders of the Company \$	Non- controlling interests \$	Total equity \$
<b>At 1 August 2020</b>		33,278,673	335,886	624,281	26,607,199	60,846,039	2,532,229	63,378,268
(Loss)/Profit for the financial year		-	-	-	(352,765)	(352,765)	202,731	(150,034)
Other comprehensive income for the financial year		-	(28,311)	(333,781)	-	(362,092)	(23,220)	(385,312)
Total comprehensive income for the financial year		-	(28,311)	(333,781)	(352,765)	(714,857)	179,511	(535,346)
Dividends paid by - the Company	31	-	-	-	(516,250)	(516,250)	-	(516,250)
- subsidiaries to non-controlling interests		-	-	-	-	-	(170,029)	(170,029)
<b>At 31 July 2021</b>		<u>33,278,673</u>	<u>307,575</u>	<u>290,500</u>	<u>25,738,184</u>	<u>59,614,932</u>	<u>2,541,711</u>	<u>62,156,643</u>

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

## Consolidated Statement Of Changes In Equity for the financial year ended 31 July 2021

	Note	Share capital \$	Capital reserve \$	Foreign currency translation reserve \$	Retained profits \$	Total attributable to equity holders of the Company \$	Non- controlling interests \$	Total equity \$
<b>At 1 August 2019</b>		33,278,673	357,604	1,589,101	27,073,048	62,298,426	2,583,695	64,882,121
Profit for the financial year		-	-	-	50,401	50,401	140,159	190,560
Other comprehensive income for the financial year		-	(21,718)	(964,820)	-	(986,538)	(66,382)	(1,052,920)
Total comprehensive income for the financial year		-	(21,718)	(964,820)	50,401	(936,137)	73,777	(862,360)
Dividends paid by - the Company	31	-	-	-	(516,250)	(516,250)	-	(516,250)
- subsidiaries to non-controlling interests		-	-	-	-	-	(125,243)	(125,243)
<b>At 31 July 2020</b>		33,278,673	335,886	624,281	26,607,199	60,846,039	2,532,229	63,378,268

## Consolidated Statement of Cash Flows for the financial year ended 31 July 2021

	Note	2021 \$	2020 \$
<b>Cash flows from operating activities:</b>			
Profit before tax		405,324	534,097
Adjustments for non-cash and other items:			
Allowance on impairment of trade receivables	28	17,556	117,100
Bad debts written off		-	8,396
Depreciation and amortisation expenses	28	874,231	848,483
Fair value loss on short-term investments	28	107,614	397,643
Gain on disposal of financial assets at fair value through other comprehensive income		-	(656)
Gain on disposal of property, plant and equipment		(8,915)	-
Inventory written off	9	147,463	114,904
Interest expense		7,100	6,754
Interest income	27	(35,626)	(65,883)
Property, plant and equipment written off	3	3,997	-
Provision for retirement benefits	28a	30,480	14,994
Reversal of allowance on impairment of trade receivables	27	(26,057)	(27,361)
Share of results of associates, net of tax	7	(41,697)	(1,929,369)
		<u>1,076,146</u>	<u>(514,995)</u>
Operating profit before working capital changes		1,481,470	19,102
Decrease in short-term investments		1,032,642	1,327,977
Increase in inventories		(201,835)	(660,732)
Decrease/(Increase) in trade and other receivables		949,623	(587,080)
(Decrease)/Increase in trade and other payables		(2,018,255)	1,516,579
		<u>(237,825)</u>	<u>1,596,744</u>
<b>Cash generated from operations</b>		<b>1,243,645</b>	<b>1,615,846</b>
Income tax paid		(479,446)	(388,006)
Interest received		35,626	65,883
Payment of retirement benefits		-	(34,967)
		<u>(443,820)</u>	<u>(357,090)</u>
<b>Net cash generated from operating activities</b>		<b>799,825</b>	<b>1,258,756</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment	3	(223,674)	(1,368,297)
Acquisition of a newly incorporated associate	7	(1,500,000)	-
Proceeds from disposal of property, plant and equipment		18,287	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		-	1,641
Dividend received from associate	7	352,365	353,172
<b>Net cash used in investing activities</b>		<b>(1,353,022)</b>	<b>(1,013,484)</b>

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

## Consolidated Statement of Cash Flows for the financial year ended 31 July 2021

	Note	2021 \$	2020 \$
<b>Cash flows from financing activities:</b>			
Dividend paid by the Company		(516,250)	(516,250)
Dividends paid by subsidiaries to non-controlling interests		(170,029)	(125,243)
Repayments of lease liabilities		(59,091)	(55,862)
Lease liabilities interest paid		(7,100)	(6,754)
<b>Net cash used in financing activities</b>		<u>(752,470)</u>	<u>(704,109)</u>
<b>Net decrease in cash and cash equivalents</b>		(1,305,667)	(458,837)
Cash and cash equivalents at beginning of the financial year		8,634,460	9,151,327
Effects of currency translations on cash and cash equivalents		(12,919)	(58,030)
<b>Cash and cash equivalents at end of the financial year</b>	32	<u><u>7,315,874</u></u>	<u><u>8,634,460</u></u>
		<b>2021 \$</b>	<b>2020 \$</b>
<b>Represented by:</b>			
Fixed deposits (Note 14)		2,226,288	2,260,472
Cash and bank balances (Note 15)		<u>5,089,586</u>	<u>6,373,988</u>
		<u><u>7,315,874</u></u>	<u><u>8,634,460</u></u>
<b>Cash outflows for leases as a lessee</b>			
		<b>2021 \$</b>	<b>2020 \$</b>
Included in net cash generated from operating activities:			
Payment relating to short-term leases		12,640	-
Included in net cash used in financing activities:			
Lease liabilities interest paid		7,100	6,754
Repayment of lease liabilities		<u>59,091</u>	<u>55,862</u>
		<u><u>78,831</u></u>	<u><u>62,616</u></u>

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

# Notes to the Financial Statements for the financial year ended 31 July 2021

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

On 1 August 2020, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

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
Amendments to SFRS(I) 3 <i>Business Combinations - Reference to the Conceptual Framework</i>	1 January 2022
Amendments to SFRS(I) 16 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 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

Description	Effective for annual periods beginning on or after
Annual improvements to SFRS (I) 2018 - 2020	1 January 2022
Amendments to SFRS(I) 1-1 <i>Presentation of Financial Statements - Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to SFRS(I) 1-8: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to SFRS(I) 10 <i>Consolidated Financial Statements</i> and SFRS(I) 1-28 <i>Investments in Associates and Joint Venture - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

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.

#### 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 2.25 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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

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

##### (a) Critical judgements in applying the Group's accounting policies – *cont'd*

- (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. The redevelopment of land and building had a total of 8 storeys. 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 5 storeys have been leased out and the remaining 1 storey was 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.

- (i) Valuation of unquoted equity investment at fair value through other comprehensive income

The Group has investments in unquoted equity instruments, measured at fair value through other comprehensive income, amounting to \$268,501 as at 31 July 2021 (2020: \$270,931). 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.

- (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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

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

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

###### (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 on impairment of 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.

The carrying amounts of trade receivables and the allowance on impairment of trade receivables as at 31 July 2021 are disclosed in Note 11.

###### (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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### 2.4 GROUP ACCOUNTING

##### (a) Subsidiaries

##### (i) Consolidation

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

##### (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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### 2.4 GROUP ACCOUNTING – *cont'd*

##### (a) Subsidiaries – *cont'd*

##### (iii) Disposals of subsidiaries or businesses

When a change in the 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.

##### (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 associate 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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### 2.4 GROUP ACCOUNTING – *cont'd*

##### (c) Associates – *cont'd*

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

Investments in associates are derecognised when the Group loses significant influence. 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.

#### 2.5 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:

	<b>Years</b>
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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

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

(b) Depreciation – *cont'd*

Assets under work-in-progress which are related to 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.

#### 2.6 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:

	<b>Years</b>
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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### 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

##### (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").

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 assets.

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.

###### 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 recognised on trade date – the date on which the Group commits to purchase or sell the asset.

###### 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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

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

##### (a) Financial assets – *cont'd*

###### Subsequent measurement – *cont'd*

##### (i) Debt instruments – *cont'd*

###### (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 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 on 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”.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

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

##### (a) Financial assets – *cont'd*

###### 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.

###### Derecognition

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.

# Notes to the Financial Statements for the financial year ended 31 July 2021

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

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

#### (b) Financial liabilities – *cont'd*

##### 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.

### 2.9 IMPAIRMENT OF FINANCIAL ASSETS

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.

### 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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### 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.

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, right-of-use assets, 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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

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

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

#### 2.14 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 associates, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:

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

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 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

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.

##### (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 recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return goods.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### 2.19 REVENUE RECOGNITION – *cont'd*

(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.

#### 2.21 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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### 2.22 EMPLOYEE BENEFITS – *cont'd*

(b) Provision for retirement benefits – *cont'd*

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

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

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A 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 assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### 2.23 LEASES – *cont'd*

##### (a) When the Group is the lessee: – *cont'd*

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.13.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### 2.23 LEASES – *cont'd*

- (b) When the Group is the lessor:

The Group enters into lease agreements as a lessor with respect to its investment property.

Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies SFRS(I) 15 to allocate the consideration under the contract to each component.

#### 2.24 SEGMENT REPORTING

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

#### 2.25 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).

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### 2.25 RELATED PARTIES – *cont'd*

- (b) An entity is related to the Company if any of the following conditions applies: – *cont'd*
  - (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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 3. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold land and buildings \$	Work- in-progress \$	Motor vehicles \$	Office equipment and fittings \$	Total \$
<b>Cost</b>					
At 31 July 2019	2,018,358	1,514,612	3,449,303	2,210,195	9,192,468
Effects of adoption of SFRS(I) 16	(1,130,209)	-	-	-	(1,130,209)
At 1 August 2019 (restated)	888,149	1,514,612	3,449,303	2,210,195	8,062,259
Transfer from work-in-progress	2,436,683	(2,629,306)	-	192,623	-
Additions	-	1,170,247	81,995	116,055	1,368,297
Written off	-	-	-	(1,945)	(1,945)
Currency translation difference	(22,745)	(55,553)	(50,931)	(34,204)	(163,433)
At 31 July 2020	3,302,087	-	3,480,367	2,482,724	9,265,178
Additions	-	-	131,261	92,413	223,674
Disposals	-	-	(140,583)	-	(140,583)
Adjustment/Written off	(78,081)	-	-	(212,979)	(291,060)
Currency translation difference	(28,388)	-	(19,755)	(11,949)	(60,092)
At 31 July 2021	3,195,618	-	3,451,290	2,350,209	8,997,117
<b>Accumulated Depreciation</b>					
At 31 July 2019	702,539	-	2,450,723	916,810	4,070,072
Effects of adoption of SFRS(I) 16	(183,453)	-	-	-	(183,453)
At 1 August 2019 (restated)	519,086	-	2,450,723	916,810	3,886,619
Charge for the year	49,060	-	250,820	210,378	510,258
Written off	-	-	-	(1,945)	(1,945)
Currency translation difference	(13,997)	-	(45,237)	(21,287)	(80,521)
At 31 July 2020	554,149	-	2,656,306	1,103,956	4,314,411
Charge for the year	66,657	-	246,405	216,877	529,939
Disposals	-	-	(131,211)	-	(131,211)
Written off	-	-	-	(208,982)	(208,982)
Currency translation difference	(6,013)	-	(17,581)	(6,433)	(30,027)
At 31 July 2021	614,793	-	2,753,919	1,105,418	4,474,130
<b>Net Carrying Amount</b>					
At 31 July 2020	2,747,938	-	824,061	1,378,768	4,950,767
At 31 July 2021	2,580,825	-	697,371	1,244,791	4,522,987

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

COMPANY	Motor vehicles \$	Office equipment and fittings \$	Total \$
<b>Cost</b>			
At 1 August 2019	460,208	926,424	1,386,632
Additions	-	2,615	2,615
At 31 July 2020	460,208	929,039	1,389,247
Additions	-	-	-
At 31 July 2021	460,208	929,039	1,389,247
<b>Accumulated Depreciation</b>			
At 1 August 2019	284,294	136,593	420,887
Charge for the year	37,847	98,196	136,043
At 31 July 2020	322,141	234,789	556,930
Charge for the year	37,846	88,910	126,756
At 31 July 2021	359,987	323,699	683,686
<b>Net Carrying Amount</b>			
At 31 July 2020	138,067	694,250	832,317
At 31 July 2021	100,221	605,340	705,561

Leasehold land and buildings of the Group with a total net carrying amount of \$2,484,462 (2020: \$2,648,331) 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
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
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

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 4. RIGHT-OF-USE ASSETS

GROUP	Leasehold land \$	Buildings \$	Total \$
<b>Cost</b>			
At 31 July 2019	-	-	-
Effects of adoption of SFRS(I) 16	2,007,282	1,158,958	3,166,240
At 1 August 2019 (restated)	2,007,282	1,158,958	3,166,240
Additions	-	96,774	96,774
Currency translation difference	(51,407)	(31,067)	(82,474)
At 31 July 2020	1,955,875	1,224,665	3,180,540
Additions	-	5,117	5,117
Currency translation difference	(17,539)	(11,062)	(28,601)
At 31 July 2021	1,938,336	1,218,720	3,157,056
<b>Accumulated Depreciation</b>			
At 31 July 2019	-	-	-
Effects of adoption of SFRS(I) 16	498,696	181,101	679,797
At 1 August 2019 (restated)	498,696	181,101	679,797
Charge for the year	50,756	89,060	139,816
Currency translation difference	(13,499)	(5,915)	(19,414)
At 31 July 2020	535,953	264,246	800,199
Charge for the year	50,369	92,036	142,405
Currency translation difference	(5,594)	(3,811)	(9,405)
At 31 July 2021	580,728	352,471	933,199
<b>Net Carrying Amount</b>			
At 31 July 2020	1,419,922	960,419	2,380,341
At 31 July 2021	1,357,608	866,249	2,223,857

The Group leases several assets including office, warehouse and leasehold land. The lease term for office and warehouse ranges from 14 months to 36 months.

Leasehold land of the Group with a total net carrying amount of \$358,056 (2020: \$367,796) have been mortgaged to secure banking facilities granted to a subsidiary (Note 19).

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 4. RIGHT-OF-USE ASSETS – cont'd

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
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

### 5. INVESTMENT PROPERTY

GROUP AND COMPANY	Freehold land \$	Building \$	Total \$
<b>Cost</b>			
At 1 August 2019	3,879,481	10,189,266	14,068,747
Adjustment	-	(94,907)	(94,907)
At 31 July 2020 and 31 July 2021	<u>3,879,481</u>	<u>10,094,359</u>	<u>13,973,840</u>
<b>Accumulated Depreciation</b>			
At 1 August 2019	-	171,718	171,718
Charge for the year	-	198,409	198,409
At 31 July 2020	-	370,127	370,127
Charge for the year	-	201,887	201,887
At 31 July 2021	-	<u>572,014</u>	<u>572,014</u>
<b>Carrying Amount</b>			
At 31 July 2020	<u>3,879,481</u>	<u>9,724,232</u>	<u>13,603,713</u>
At 31 July 2021	<u>3,879,481</u>	<u>9,522,345</u>	<u>13,401,826</u>
<b>Fair Value</b>			
At 31 July 2020			<u>21,000,000</u>
At 31 July 2021			<u>21,000,000</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 5. INVESTMENT PROPERTY – cont'd

The following amounts are recognised in profit or loss:

	<b>GROUP AND COMPANY</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Rental income from investment property (Note 27)	<u>415,767</u>	<u>169,692</u>
Direct operating expenses arising from:		
- Investment property that generated rental income	115,800	65,621
- Investment property that did not generate rental income	<u>35,851</u>	<u>82,413</u>

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

The Company's investment property was appraised as at 31 July 2020 by an independent valuer, Edmund Tie & Company (SEA) Pte Ltd, at a fair value of \$21,000,000 (Level 3 fair value hierarchy) [Note 2.6].

In accordance with the valuation report dated 7 October 2020, 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 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.

There is an increase in the fair value of similar land and building within the same vicinity since the last valuation as price and rentals of industrial property have increased.

Details of the investment property are as follows:

<b>Location</b>	<b>Land area</b> (sq. m)	<b>Tenure</b>
2 MacTaggart Road, Khong Guan Building	832	Freehold

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 6. INVESTMENTS IN SUBSIDIARIES

	COMPANY	
	2021 \$	2020 \$
Unquoted equity investments, at cost	20,649,874	20,649,874
Less: Impairment losses	<u>(2,362,506)</u>	<u>(2,362,506)</u>
	<u>18,287,368</u>	<u>18,287,368</u>

The Group has the following subsidiaries as at 31 July 2021 and 31 July 2020:

Name of subsidiary	Principal activities	Place of incorporation/ business	Percentage of equity held %
<b><u>Held by the Company</u></b>			
Khong Guan Food Products Pte Ltd <sup>^</sup>	Trading in quoted investments	Singapore	100.00
Victus Marketing Pte. Ltd. <sup>^</sup>	Trading in quoted investments	Singapore	100.00
Tau Meng Investments Pte Ltd <sup>^</sup>	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. <sup>@</sup>	Wholesaler of wheat flour, biscuits and other consumer goods	Malaysia	84.31

<sup>^</sup> 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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Carrying value of non-controlling interests

	2021 \$	2020 \$
Swee Hin Chan Company Sdn. Berhad (“SHC”)	784,560	772,622
Tong Guan Food Products Sdn. Bhd. (“TGFP”)	1,757,151	1,759,607
	<u>2,541,711</u>	<u>2,532,229</u>

#### 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 2021 and 31 July 2020.

#### Summarised statement of financial position

<b>As at 31 July 2021</b>	<b>SHC \$</b>	<b>TGFP \$</b>
<b>Current</b>		
Assets	7,043,741	11,321,152
Liabilities	(1,645,568)	(3,664,349)
Total current net assets	<u>5,398,173</u>	<u>7,656,803</u>
<b>Non-current</b>		
Assets	2,312,186	3,640,591
Liabilities	-	(97,573)
Total non-current assets	<u>2,312,186</u>	<u>3,543,018</u>
<b>Net assets</b>	<u>7,710,359</u>	<u>11,199,821</u>

#### Summarised statement of comprehensive income

##### **For the year ended 31 July 2021**

Revenue	<u>25,264,767</u>	<u>35,639,350</u>
<b>Profit before tax</b>	1,303,878	882,498
Income tax expense	(334,074)	(219,307)
<b>Post-tax profit from continuing operation</b>	969,804	663,191
Other comprehensive income	(71,040)	(101,922)
Total comprehensive income	<u>898,764</u>	<u>561,269</u>
Total comprehensive income allocated to non-controlling interests	<u>91,453</u>	<u>88,058</u>
Dividends paid to non-controlling interests	<u>79,515</u>	<u>90,514</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Summarised statement of financial position

<b><u>As at 31 July 2020</u></b>	<b>SHC</b> <b>\$</b>	<b>TGFP</b> <b>\$</b>
<b>Current</b>		
Assets	7,725,840	12,089,289
Liabilities	<u>(2,590,002)</u>	<u>(4,587,551)</u>
Total current net assets	<u>5,135,838</u>	<u>7,501,738</u>
<b>Non-current</b>		
Assets	2,457,197	3,847,543
Liabilities	-	<u>(133,808)</u>
Total non-current assets	<u>2,457,197</u>	<u>3,713,735</u>
<b>Net assets</b>	<u>7,593,035</u>	<u>11,215,473</u>

#### Summarised statement of comprehensive income

<b><u>For the year ended 31 July 2020</u></b>		
Revenue	<u>25,115,632</u>	<u>34,052,428</u>
<b>Profit before tax</b>	517,607	854,721
Income tax expense	<u>(126,527)</u>	<u>(215,010)</u>
<b>Post-tax profit from continuing operation</b>	391,080	639,711
Other comprehensive income	<u>(201,880)</u>	<u>(292,178)</u>
Total comprehensive income	<u>189,200</u>	<u>347,533</u>
Total comprehensive income allocated to non-controlling interests	<u>19,252</u>	<u>54,525</u>
Dividend paid to non-controlling interests	<u>60,094</u>	<u>65,149</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Summarised cash flows

	SHC \$	TGFP \$
<b><u>For the year ended 31 July 2021</u></b>		
Cash flows from operating activities:		
Cash generated from operations	950,900	671,077
Interest income	85	-
Income tax paid	<u>(267,741)</u>	<u>(209,728)</u>
<b>Net cash generated from operating activities</b>	683,244	461,349
<b>Net cash used in investing activities</b>	(57,455)	(166,219)
<b>Net cash used in financing activities</b>	<u>(781,440)</u>	<u>(643,112)</u>
<b>Net decrease in cash and cash equivalents</b>	(155,651)	(347,982)
Cash and cash equivalents at beginning of the year	599,529	1,720,821
Exchange loss on cash and cash equivalents	<u>(2,939)</u>	<u>(9,980)</u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>440,939</u></u>	<u><u>1,362,859</u></u>

#### Summarised cash flows

	SHC \$	TGFP \$
<b><u>For the year ended 31 July 2020</u></b>		
Cash flows from operating activities:		
Cash generated from operations	614,219	2,456,844
Interest income	2,661	-
Income tax paid	<u>(174,091)</u>	<u>(211,915)</u>
<b>Net cash generated from operating activities</b>	442,789	2,244,929
<b>Net cash used in investing activities</b>	(17,488)	(1,346,553)
<b>Net cash used in financing activities</b>	<u>(590,580)</u>	<u>(477,866)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(165,279)	420,510
Cash and cash equivalents at beginning of the year	782,480	1,340,669
Exchange loss on cash and cash equivalents	<u>(17,672)</u>	<u>(40,358)</u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>599,529</u></u>	<u><u>1,720,821</u></u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 7. INVESTMENTS IN ASSOCIATES

	GROUP		COMPANY	
	2021 \$	2020 \$	2021 \$	2020 \$
Unquoted equity investment, at cost	13,535,540	12,035,540	1,500,000	-
Share of post-acquisition reserves	14,552,592	14,863,260	-	-
Share of capital reserve	77,783	106,094	-	-
Foreign currency translation reserve	(6,112,475)	(5,928,436)	-	-
	<u>22,053,440</u>	<u>21,076,458</u>	<u>1,500,000</u>	<u>-</u>

Movements for share of post- acquisition reserves:

	GROUP	
	2021 \$	2020 \$
Balance at beginning of the financial year	14,863,260	13,287,063
Share of results	41,697	1,929,369
Dividend received	(352,365)	(353,172)
Balance at end of the financial year	<u>14,552,592</u>	<u>14,863,260</u>

*Summarised statement of financial position*

	2021 \$	2020 \$
<b>United Malayan Flour (1996) Sdn. Bhd. (*)</b>		
<b>Current assets</b>	<u>46,489,278</u>	<u>50,194,992</u>
<i>Include:</i>		
- Cash and cash equivalents	12,657,293	14,215,857
<b>Current liabilities</b>	<u>(10,995,943)</u>	<u>(11,835,542)</u>
<i>Include:</i>		
- Financial liabilities (excluding trade payables)	(5,218,782)	(5,990,383)
<b>Non-current assets</b>	<u>57,604,481</u>	<u>61,076,004</u>
<b>Non-current liabilities</b>	<u>(11,355,327)</u>	<u>(15,329,102)</u>
<i>Include:</i>		
- Financial liabilities	(9,819,800)	(13,851,539)
- Other liabilities	(838,361)	(696,888)
<b>Net assets</b>	<u>81,742,489</u>	<u>84,106,352</u>

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

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Summarised statement of financial position – cont'd

	2021	2020
	\$	\$
<b>SGProtein Pte. Ltd.</b>		
<b>Current assets</b>	3,721,333	-
<i>Include:</i>		
- Cash and cash equivalents	3,119,520	-
<b>Current liabilities</b>	(226,790)	-
<i>Include:</i>		
- Financial liabilities (excluding trade payables)	(211,942)	-
<b>Non-current assets</b>	1,859,668	-
<b>Non-current liabilities</b>	(1,629,238)	-
<i>Include:</i>		
- Financial liabilities	(1,629,238)	-
- Other liabilities	-	-
<b>Net assets</b>	3,724,973	-

#### Summarised statement of comprehensive income

	For the year ended	
	2021	2020
	\$	\$
<b>United Malayan Flour (1996) Sdn. Bhd.</b>		
Revenue	80,533,774	84,709,208
Interest income	171,230	284,546
Expenses		
<i>Include:</i>		
- Depreciation and amortisation	(3,027,346)	(2,702,833)
- Interest expenses	(468,508)	(462,149)
<b>Profit before tax</b>	2,014,641	4,912,106
Income tax (expense)/benefit	(2,333,952)	3,686,086
<b>Post-tax (loss)/profit from continuing operations</b>	(319,311)	8,598,192
Other comprehensive income	(94,868)	(72,936)
Total comprehensive income	(414,179)	8,525,256
Dividend received from associate	352,365	353,172

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

Summarised statement of comprehensive income – cont'd

SGProtein Pte. Ltd.	For the year ended	
	2021	2020
	\$	\$
Revenue	-	-
Interest income	-	-
Expenses		
<i>Include:</i>		
- Depreciation and amortisation	(50,633)	-
- Interest expenses	(13,401)	-
<b>Loss before tax</b>	(225,027)	-
Income tax expense	-	-
<b>Post-tax loss from continuing operations</b>	(225,027)	-
Other comprehensive income	-	-
Total comprehensive income	(225,027)	-
Dividend received from associate	-	-

Reconciliation of Summarised Financial Information

United Malayan Flour (1996) Sdn. Bhd.	2021	2020
	\$	\$
<b>Net assets</b>		
<b>At beginning of the financial year</b>	84,106,352	79,052,673
(Loss)/Profit for the financial year	(319,311)	8,598,192
Dividends paid		
- Company	(1,172,160)	(1,181,160)
- Subsidiary company	(49,313)	(163,000)
Other comprehensive income	(94,868)	(72,936)
Foreign exchange differences	(728,211)	(2,127,417)
<b>At end of the financial year</b>	81,742,489	84,106,352
Associate's non-controlling interests	(13,005,995)	(13,851,492)
Net assets attributable to the Group	68,736,494	70,254,860

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Reconciliation of Summarised Financial Information – cont'd

<b>SGProtein Pte. Ltd.</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Net assets</b>		
<b>At beginning of the financial year</b>	3,950,000	-
Loss for the financial year	(225,027)	-
<b>At end of the financial year</b>	<u>3,724,973</u>	<u>-</u>
<b>Nets assets attributable to the Group</b>		
United Malayan Flour (1996) Sdn. Bhd.	68,736,494	70,254,860
SGProtein Pte. Ltd.	3,724,973	-
	<u>72,461,467</u>	<u>70,254,860</u>
Group's share of net assets	21,738,440	21,076,458
Goodwill	315,000	-
<b>Carrying value of Group's interest in associates</b>	<u>22,053,440</u>	<u>21,076,458</u>

Details of the associates as at 31 July 2021 are as follows:

<b>Name of company</b>	<b>Principal activities</b>	<b>Place of incorporation /business</b>	<b>Percentage of equity held %</b>
<b><u>Held by the Company</u></b>			
SGProtein Pte. Ltd. <sup>^</sup>	Manufacturing of plant-based protein products and research and experimental development on food science.	Singapore	30.00
<b><u>Held by Tau Meng Investments Pte Ltd</u></b>			
United Malayan Flour (1996) Sdn. Bhd. <sup>+</sup>	Milling and trading of wheat flour and related products	Malaysia	30.00

Details of the associate as at 31 July 2020 are as follows:

<b>Name of company</b>	<b>Principal activities</b>	<b>Place of incorporation /business</b>	<b>Percentage of equity held %</b>
<b><u>Held by Tau Meng Investments Pte Ltd</u></b>			
United Malayan Flour (1996) Sdn. Bhd. <sup>+</sup>	Milling and trading of wheat flour and related products	Malaysia	30.00

<sup>^</sup> Audited by RT LLP

<sup>+</sup> Audited by Ernst & Young, Malaysia



## Notes to the Financial Statements for the financial year ended 31 July 2021

### 10. SHORT-TERM INVESTMENTS

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

	GROUP	
	2021	2020
	\$	\$
<i>Held for trading</i>		
Equity investments quoted in:		
- Singapore	204,117	1,198,768
- Malaysia	1,587,113	1,732,718
	1,791,230	2,931,486

	GROUP	
	2021	2020
	\$	\$
<b>Financial assets at FVPL:</b>		
Balance at the beginning of the financial year	2,931,486	4,657,106
Purchases	26,683	507,613
Disposals	(1,059,325)	(1,835,590)
Net movements in short-term investments	(1,032,642)	(1,327,977)
Net unrealised loss in fair value on short-term investments (Note 28)	(107,614)	(397,643)
Balance at end of the financial year	1,791,230	2,931,486
 Other net changes in fair value on financial assets at FVPL:		
- Realised	35,244	(110,620)
- Unrealised	(107,614)	(397,643)
Total loss	(72,370)	(508,263)

Short-term investments are denominated in the following currencies:

	GROUP	
	2021	2020
	\$	\$
Singapore Dollar	204,117	1,198,768
Ringgit Malaysia	1,587,113	1,732,718
	1,791,230	2,931,486

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 11. TRADE RECEIVABLES

	GROUP		COMPANY	
	2021 \$	2020 \$	2021 \$	2020 \$
Trade receivables:				
- Third parties	9,962,697	10,901,799	312,206	315,451
- Related parties	183,162	144,787	-	-
	<u>10,145,859</u>	<u>11,046,586</u>	<u>312,206</u>	<u>315,451</u>
Less:				
Allowance on impairment of trade receivables	(689,717)	(774,500)	-	-
	<u>9,456,142</u>	<u>10,272,086</u>	<u>312,206</u>	<u>315,451</u>

Trade receivables are denominated in the following currencies:

	GROUP		COMPANY	
	2021 \$	2020 \$	2021 \$	2020 \$
Singapore Dollar	312,206	331,501	312,206	315,451
Ringgit Malaysia	9,143,936	9,940,585	-	-
	<u>9,456,142</u>	<u>10,272,086</u>	<u>312,206</u>	<u>315,451</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2020: 30 to 90 days) term. Trade receivables are not secured by any collateral.

	GROUP	
	2021 \$	2020 \$
Movement in allowance accounts:		
Balance at the beginning of the financial year	(774,500)	(720,163)
Allowance made	(17,556)	(117,100)
Allowance written back	26,057	27,361
Bad debts written off	75,666	15,900
Currency translation difference	616	19,502
Balance at the end of the financial year	<u>(689,717)</u>	<u>(774,500)</u>

### 12. OTHER RECEIVABLES

	GROUP		COMPANY	
	2021 \$	2020 \$	2021 \$	2020 \$
Sundry receivables	33,770	179,884	-	63,518
Interest receivable	1,367	1,643	1,367	1,643
Deposits	40,078	39,241	2,230	2,710
Prepayments	106,832	134,306	75,206	68,946
	<u>182,047</u>	<u>355,074</u>	<u>78,803</u>	<u>136,817</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 12. OTHER RECEIVABLES – cont'd

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

Other receivables are denominated in the following currencies:

	GROUP		COMPANY	
	2021 \$	2020 \$	2021 \$	2020 \$
Singapore Dollar	85,367	149,880	77,436	135,174
Ringgit Malaysia	96,680	205,194	1,367	1,643
	<u>182,047</u>	<u>355,074</u>	<u>78,803</u>	<u>136,817</u>

### 13. AMOUNTS OWING BY SUBSIDIARIES

	COMPANY	
	2021 \$	2020 \$
Amounts owing by subsidiaries, non-trade	700,000	1,800,000
Less: Allowance on impairment of receivable		
Balance at beginning of the financial year	(422,000)	(347,000)
Allowance made for the year	(3,000)	(75,000)
Balance at end of the financial year	<u>(425,000)</u>	<u>(422,000)</u>
	<u>275,000</u>	<u>1,378,000</u>

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

Amounts owing by subsidiaries are denominated in Singapore Dollar.

### 14. FIXED DEPOSITS

Fixed deposits of the Group and Company are placed with licensed financial institutions and mature within one month (2020: one month) from the end of the financial year. The effective interest rate as at 31 July 2021 is 1.40% (2020: 1.70%).

Fixed deposits are denominated in Ringgit Malaysia.

### 15. CASH AND BANK BALANCES

Cash and bank balances are denominated in the following currencies:

	GROUP		COMPANY	
	2021 \$	2020 \$	2021 \$	2020 \$
Singapore Dollar	3,240,519	4,026,157	1,827,378	2,349,025
Ringgit Malaysia	1,849,067	2,346,275	4,326	4,328
Hong Kong Dollar	-	1,556	-	-
	<u>5,089,586</u>	<u>6,373,988</u>	<u>1,831,704</u>	<u>2,353,353</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 16. TRADE PAYABLES

	GROUP		COMPANY	
	2021 \$	2020 \$	2021 \$	2020 \$
Third parties	2,414,551	3,942,015	6,686	-
Related parties (Note 33)	2,139,730	2,605,494	266,260	301,611
	<u>4,554,281</u>	<u>6,547,509</u>	<u>272,946</u>	<u>301,611</u>

Trade payables are denominated in the following currencies:

	GROUP		COMPANY	
	2021 \$	2020 \$	2021 \$	2020 \$
Singapore Dollar	272,946	301,611	272,946	301,611
Ringgit Malaysia	4,240,151	5,473,140	-	-
United States Dollar	41,184	772,758	-	-
	<u>4,554,281</u>	<u>6,547,509</u>	<u>272,946</u>	<u>301,611</u>

Trade payables are non interest-bearing and are normally settled within 30 to 90 days (2020: 30 to 90 days).

Included in trade payables is an aggregate amount of \$949,740 [equivalent to RM2,963,306] (2020: \$1,716,217 [equivalent to RM5,306,794]) which is secured by corporate guarantees provided by the Company to certain suppliers of a subsidiary [Note 36(b)].

### 17. OTHER PAYABLES

	GROUP		COMPANY	
	2021 \$	2020 \$	2021 \$	2020 \$
Deferred grant income	-	85,985	-	65,913
Rental received in advance	-	7,104	-	7,104
Sundry payables	374,138	219,316	4,356	28,561
Dividend payables	10,174	9,224	10,174	9,224
Rental deposit received	81,580	82,872	81,580	82,872
Accrued expenses	874,050	1,072,790	281,683	341,931
	<u>1,339,942</u>	<u>1,477,291</u>	<u>377,793</u>	<u>535,605</u>

Deferred grant income for the financial year ended 31 July 2020 related to grant provided by the Singapore Government for wages paid to local employees under Jobs Support Scheme ("JSS").

Non-trade payables are non-interest bearing and are normally settled within 90 (2020: 90) days or on demand.

Included in sundry payables is an amount of \$4,356 (2020: \$4,356) relating to amounts owing to contractors for the construction of the investment property which was completed in the prior financial year.

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

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 17. OTHER PAYABLES – cont'd

The payables are denominated in the following currencies:

	GROUP		COMPANY	
	2021 \$	2020 \$	2021 \$	2020 \$
Singapore Dollar	426,132	604,327	377,793	535,605
Ringgit Malaysia	913,810	872,964	-	-
	<u>1,339,942</u>	<u>1,477,291</u>	<u>377,793</u>	<u>535,605</u>

### 18. LEASE LIABILITIES

	GROUP	
	2021 \$	2020 \$
Maturity analysis:		
Year 1	49,501	58,691
Year 2	21,079	47,154
Year 3	-	18,982
	<u>70,580</u>	<u>124,827</u>
Analysed as:		
Current	49,501	58,691
Non-current	21,079	66,136
	<u>70,580</u>	<u>124,827</u>

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's statement of cash flows as cash flows from financing activities.

	GROUP	
	2021 \$	2020 \$
Balance at the beginning of the financial year	124,827	-
Effect of adoption of SFRS(I) 16	-	86,721
Balance at the beginning of the financial year	<u>124,827</u>	<u>86,721</u>
Net financing cash flows	(66,191)	(62,616)
New lease arrangement	5,117	96,774
Lease interest charge	7,100	6,754
Currency translation difference	(273)	(2,806)
Balance at the end of the financial year	<u>70,580</u>	<u>124,827</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 19. BANK FACILITIES

The subsidiaries have unused banking facilities which are secured by:

- (a) mortgages over leasehold land and buildings with a total net carrying amount of \$2,484,462 (2020: \$2,648,331) (Note 3) of the Group;
- (b) mortgages over leasehold land with a total net carrying amount of \$358,056 (2020: \$367,796) (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

	<b>GROUP AND COMPANY</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of the financial year	259,887	279,860
Provision made	30,480	14,994
Payment made	-	(34,967)
Balance at end of the financial year	<u>290,367</u>	<u>259,887</u>

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.

	<b>GROUP AND COMPANY</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Obligations recognised in the statements of financial position for:		
Pension benefits	<u>290,367</u>	<u>259,887</u>
Expenses charged to profit or loss:		
Pension benefits (Note 28a)	<u>30,480</u>	<u>14,994</u>
The amount recognised in the statements of financial position is determined as follows:		
Present value of unfunded obligations and liability recognised in the statements of financial position	<u>290,367</u>	<u>259,887</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

	<b>GROUP AND COMPANY</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
The amounts recognised in profit or loss are as follows:		
Current service cost	28,705	13,258
Interest cost	305	150
Remeasurement – loss from change in financial assumptions	1,470	1,586
	<u>30,480</u>	<u>14,994</u>

Movements in the defined benefit obligation are as follows:

	<b>GROUP AND COMPANY</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Balance at beginning of the financial year	259,887	279,860
Payment made	-	(34,967)
Current service cost	28,705	13,258
Interest cost	305	150
Actuarial loss	1,470	1,586
Balance at end of the financial year	<u>290,367</u>	<u>259,887</u>

The significant actuarial assumptions used were as follows:

	<b>GROUP AND COMPANY</b>	
	<b>2021</b>	<b>2020</b>
Discount rate	1.0%	1.0%
Salary increment rate	<u>6.0%</u>	<u>6.0%</u>

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

	<b>GROUP AND COMPANY</b>		
	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 2.6%	Increase by 2.8%
Salary increment rate	2.0%	Increase by 1.9%	Decrease by 1.9%

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

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 21. DEFERRED TAX ASSETS/LIABILITIES

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

	GROUP	
	2021	2020
	\$	\$
<b>Deferred tax assets</b>		
Allowance on impairment of trade receivables and others	15,828	15,995

	GROUP	
	2021	2020
	\$	\$
<b>Deferred tax liabilities</b>		
Excess of carrying amount over tax written down value of property, plant and equipment and others	76,494	67,672

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	
	2021	2020
	\$	\$
<b>Deferred tax assets</b>		
Balance at beginning of the financial year	15,995	-
(Charged)/Credited to profit or loss		
- Current	664	16,227
- Prior years	(689)	-
Currency translation difference	(142)	(232)
Balance at end of the financial year	15,828	15,995
Net deferred taxation (charged)/credited to profit or loss (Note 29)	(25)	16,227

	GROUP	
	2021	2020
	\$	\$
<b>Deferred tax liabilities</b>		
Balance at beginning of the financial year	67,672	98,020
Charged/(Credited) to profit or loss		
- Current	3,556	12,025
- Prior years	6,023	(40,267)
Currency translation difference	(757)	(2,106)
Balance at end of the financial year	76,494	67,672
Net deferred taxation charged/(credited) to profit or loss (Note 29)	9,579	(28,242)

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 22. SHARE CAPITAL

	<b>GROUP AND COMPANY</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
Issued and fully paid: 25,812,520 (2020: 25,812,520) ordinary shares	<u>33,278,673</u>	<u>33,278,673</u>

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

	<b>GROUP</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
<b>NON-DISTRIBUTABLE</b>		
Balance at beginning of the financial year	335,886	357,604
Share of associate's capital reserve on:		
- Financial assets at FVOCI	(28,311)	(21,718)
Balance at end of the financial year	<u>307,575</u>	<u>335,886</u>

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

	<b>GROUP</b>	
	<b>2021</b>	<b>2020</b>
	\$	\$
<b>Type of good or services:</b>		
Sale of goods to:		
- Third parties	61,512,386	60,029,963
- Related parties	814,470	478,202
	<u>62,326,856</u>	<u>60,508,165</u>
<b>Timing of transfer of good or services:</b>		
At a point of time	<u>62,326,856</u>	<u>60,508,165</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 26. DIVIDEND INCOME

	GROUP	
	2021	2020
	\$	\$
Gross dividends from:		
- Financial assets at FVOCI	-	3,027
- Short-term investments	60,155	121,892
	<u>60,155</u>	<u>124,919</u>

### 27. OTHER INCOME

	GROUP	
	2021	2020
	\$	\$
Reversal of allowance on impairment of trade receivables (Note 11)	26,057	27,361
Rental income	424,233	169,692
Insurance claim	12,976	42,822
Unclaimed dividends declared by the Company	-	161,083
Government grants	150,638	206,056
Interest income	35,626	65,883
Management fee received from a related party	-	10,000
Gain on disposal of property, plant and equipment	8,915	-
Sundry income	35,544	29,779
	<u>693,989</u>	<u>712,676</u>

### 28. PROFIT BEFORE TAX

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

	GROUP	
	2021	2020
	\$	\$
The aggregate amount of:		
- Audit fees paid to the Company auditors	53,770	53,770
- Non-audit fees paid to the Company auditors	1,300	1,300
- Audit fees paid to subsidiaries auditors	19,862	22,147
- Non-audit fees paid to subsidiaries auditors	16,552	10,740
Allowance on impairment of trade receivables	17,556	117,100
Depreciation and amortisation		
- Property, plant and equipment (Note 3)	529,939	510,258
- Right-of-use assets (Note 4)	142,405	139,816
- Investment property (Note 5)	201,887	198,409
Foreign exchange loss, net	32,838	73,204
Net unrealised loss in fair value on short term investments (Note 10)	<u>107,614</u>	<u>397,643</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 28a. EMPLOYEE BENEFITS EXPENSE

	GROUP	
	2021	2020
	\$	\$
Employee benefits:		
Salaries and bonus	2,292,479	2,787,070
Contributions to provident funds	296,851	325,981
Provision for retirement benefits (Note 20)	30,480	14,994
Other	7,680	34,074
	<u>2,627,490</u>	<u>3,162,119</u>
Directors' remuneration:		
Salaries and bonus		
- Directors of the Company	963,654	1,019,340
- Directors of subsidiaries	261,509	144,390
Contributions to provident funds		
- Directors	57,268	58,427
	<u>1,282,431</u>	<u>1,222,157</u>
	<u>3,909,921</u>	<u>4,384,276</u>

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

### 29. INCOME TAX EXPENSE

	GROUP	
	2021	2020
	\$	\$
Current taxation:		
Malaysian tax	564,349	394,757
Tax deducted at source	1,977	2,000
	566,326	396,757
Prior year's overprovision	(20,572)	(8,751)
	545,754	388,006
Deferred taxation:		
Current	2,892	(4,202)
Prior year's under/(over)provision	6,712	(40,267)
	9,604	(44,469)
	<u>555,358</u>	<u>343,537</u>

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

	GROUP	
	2021	2020
	\$	\$
Profit before tax	<u>405,324</u>	<u>534,097</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 29. INCOME TAX EXPENSE – cont'd

	GROUP	
	2021	2020
	\$	\$
Tax at the applicable rate of 17% (2020: 17%)	68,905	90,796
Tax effects of:		
Expenses not deductible for tax purposes	140,689	203,353
Income not subject to tax	(41,813)	(38,608)
Share of results of associates	(7,089)	(327,992)
Difference in tax rate of other countries	153,053	96,067
Deferred tax benefits not recognised	253,496	366,939
	567,241	390,555
Withholding tax	1,977	2,000
Prior year's overprovision	(13,860)	(49,018)
Tax expense	555,358	343,537

At the end of the financial year, the Group has estimated unabsorbed tax losses totaling \$35,317,000 (2020: \$33,826,000) 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 \$6,004,000 (2020: \$5,750,000) 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	
	2021	2020
Net (loss)/profit attributable to ordinary equity holders on issue applicable to basic and diluted earnings per share [\$]	(352,765)	50,401
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]	(1.37)	0.20

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

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 31. DIVIDENDS

The final tax exempt one-tier dividend of \$0.02 per ordinary share amounting to \$516,250 declared for the financial year ended 31 July 2020 was paid during the financial year ended 31 July 2021. (The final tax exempt one-tier dividend of \$0.02 per ordinary share amounting to \$516,250 declared for the financial year ended 31 July 2019 was paid during the financial year ended 31 July 2020.)

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 2021. 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:

	<b>GROUP</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Fixed deposits (Note 14)	2,226,288	2,260,472
Cash and bank balances (Note 15)	5,089,586	6,373,988
Representing cash and cash equivalents in the statement of cash flows	7,315,874	8,634,460

### 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 Notes 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:

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Purchases from				
- Associate	11,230,698	12,572,734	1,187,245	1,150,888
- Related parties	7,353,530	7,526,056	8,910	2,081
- Subsidiary	-	-	14,912	-
Management fees received from subsidiaries	-	-	39,039	39,396

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 34. DIRECTORS' REMUNERATION

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

	GROUP	
	2021 Number of directors	2020 Number of directors
Below \$100,000	4	4
\$100,001 to \$250,000	1	1
\$250,001 to \$500,000	2	1
\$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.

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

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 35. SEGMENT INFORMATION – cont'd

#### BUSINESS SEGMENTS

2021	Trading of wheat flour and consumer goods \$	Investment trading \$	Investment holding \$	Group \$
<b>Revenue</b>				
Total revenue	62,341,768	-	-	62,341,768
Intercompany revenue	(14,912)	-	-	(14,912)
External revenue	62,326,856	-	-	62,326,856
<b>Results</b>				
Profit/(Loss) before interest, taxation, depreciation and amortisation	1,590,242	(425,568)	44,658	1,209,332
Depreciation and amortisation	(822,050)	(52,181)	-	(874,231)
Operating profit/(loss)	768,192	(477,749)	44,658	335,101
Interest expense				(7,100)
Interest income				35,626
Share of results of associates, net of tax				41,697
Taxation				(555,358)
Loss after tax				(150,034)
<b>Assets and Liabilities</b>				
Segment assets	42,580,177	3,383,940	332,051	46,296,168
Associates				22,053,440
Unallocated assets				203,970
				68,553,578
Segments liabilities	5,822,519	42,190	6,149	5,870,858
Unallocated liabilities				526,077
				6,396,935

## Notes to the Financial Statements for the financial year ended 31 July 2021

## 36. SEGMENT INFORMATION – cont'd

## BUSINESS SEGMENTS – cont'd

	Trading of wheat flour and consumer goods \$	Investment trading \$	Investment holding \$	Group \$
<b>2021 – cont'd</b>				
<b>Other segments information</b>				
Expenditure for non-current assets	223,674	-	-	223,674
Other non-cash items:				
Inventory written off	147,463	-	-	147,463
Allowance on impairment of trade receivables	17,556	-	-	17,556
Reversal of allowance on impairment of trade receivables	(26,057)	-	-	(26,057)
Foreign exchange loss, net	32,767	23	48	32,838
<b>2020</b>				
<b>Revenue</b>				
External revenue	60,508,165	-	-	60,508,165
<b>Results</b>				
Profit/(Loss) before interest, taxation, depreciation and amortisation	175,041	(890,645)	109,686	(605,918)
Depreciation and amortisation	(790,445)	(58,038)	-	(848,483)
Operating (loss)/profit	(615,404)	(948,683)	109,686	(1,454,401)
Interest expense				(6,754)
Interest income				65,883
Share of results of associate, net of tax				1,929,369
Taxation				(343,537)
Profit after tax				190,560

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 35. SEGMENT INFORMATION – cont'd

#### BUSINESS SEGMENTS – cont'd

2020 – cont'd	Trading of wheat flour and consumer goods \$	Investment trading \$	Investment holding \$	Group \$
<b>Assets and Liabilities</b>				
Segment assets	45,166,562	4,914,123	316,440	50,397,125
Associate				21,076,458
Unallocated assets				381,871
				71,855,454
Segments liabilities	8,046,339	42,951	5,699	8,094,989
Unallocated liabilities				382,197
				8,477,186
<b>Other segments information</b>				
Expenditure for non-current assets	1,368,297	-	-	1,368,297
Other non-cash items:				
Inventory written off	114,904	-	-	114,904
Allowance on impairment of trade receivables	117,100	-	-	117,100
Reversal of allowance on impairment of trade receivables	(27,361)	-	-	(27,361)
Bad debts written off	8,396	-	-	8,396
Foreign exchange loss, net	71,306	1,898	-	73,204

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 35. SEGMENT INFORMATION – cont'd

#### GEOGRAPHICAL SEGMENTS

	Singapore \$	Malaysia \$	Group \$
<b>2021</b>			
<b>Revenue</b>			
Total revenue	1,437,651	60,904,117	62,341,768
Intercompany revenue	-	(14,912)	(14,912)
External revenue	<u>1,437,651</u>	<u>60,889,205</u>	<u>62,326,856</u>
	Singapore \$	Malaysia \$	Group \$
<b>2021</b>			
<b>Assets</b>			
Segment assets	22,181,101	24,115,067	46,296,168
Associates	<u>1,432,492</u>	<u>20,620,948</u>	22,053,440
Unallocated assets			<u>203,970</u>
			<u>68,553,578</u>
	Singapore \$	Malaysia \$	Group \$
<b>2020</b>			
<b>Revenue</b>			
External revenue	<u>1,340,105</u>	<u>59,168,060</u>	<u>60,508,165</u>
	Singapore \$	Malaysia \$	Group \$
<b>2020</b>			
<b>Assets</b>			
Segment assets	24,586,216	25,810,909	50,397,125
Associate	<u>-</u>	<u>21,076,458</u>	21,076,458
Unallocated assets			<u>381,871</u>
			<u>71,855,454</u>

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 \$320,500 [equivalent to RM1,000,000] (2020: \$323,400 [equivalent to RM1,000,000]) to certain banks for facilities granted to two subsidiaries. The aggregate amount of facilities utilised as at 31 July 2021 and 31 July 2020 was \$NIL.
- (b) The Company has issued corporate guarantees amounting to \$2,522,335 [equivalent to RM7,870,000] (2020: \$2,545,158 [equivalent to RM7,870,000]) 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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 37. COMMITMENTS

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

The Group has leased out their owned investment property to third parties for monthly lease payments. This lease is classified as an operating under SFRS(I) 16 because the risk and reward incidental to ownership of the assets are not substantially transferred.

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	GROUP AND COMPANY	
	2021	2020
	\$	\$
Not later than one year	463,646	415,769
Between one and five years	406,741	372,124
	<u>870,387</u>	<u>787,893</u>

- (b) Capital commitments

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

	GROUP	
	2021	2020
	\$	\$
Property, plant and equipment	<u>-</u>	<u>128,278</u>

### 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.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Market risk – cont'd

##### (i) Interest rate risk

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

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

#### *Sensitivity analysis for interest rate risk*

At the end of the financial year, if interest rates had been 100 (2020: 100) basis points higher/lower with all other variables held constant, the effect on the Group's profit before tax would have been \$22,263 (2020: \$22,605) 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.

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

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Market risk – cont'd

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

The Group's currency exposure is as follows:

	Ringgit Malaysia ("RM") \$	Hong Kong Dollar ("HKD") \$	United States Dollar ("USD") \$	Singapore Dollar ("SGD") \$	Total \$
<b>GROUP</b>					
<b>31 July 2021</b>					
<b>Assets</b>					
Financial assets at FVOCI	268,501	-	-	-	268,501
Short-term investments	1,587,113	-	-	204,117	1,791,230
Trade and other receivables	9,216,921	-	-	314,436	9,531,357
Fixed deposits	2,226,288	-	-	-	2,226,288
Cash and bank balances	1,849,067	-	-	3,240,519	5,089,586
	<u>15,147,890</u>	<u>-</u>	<u>-</u>	<u>3,759,072</u>	<u>18,906,962</u>
<b>Liabilities</b>					
Trade and other payables	5,153,961	-	41,184	699,078	5,894,223
Lease liabilities	70,580	-	-	-	70,580
	<u>5,224,541</u>	<u>-</u>	<u>41,184</u>	<u>699,078</u>	<u>5,964,803</u>
Net financial assets /(liabilities)	9,923,349	-	(41,184)	3,059,994	12,942,159
Less: Net financial assets denominated in the respective entities' functional currencies	6,063,312	-	-	3,059,994	9,123,306
Currency exposure of financial assets /(liabilities)	<u>3,860,037</u>	<u>-</u>	<u>(41,184)</u>	<u>-</u>	<u>3,818,853</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Market risk – cont'd

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

	Ringgit Malaysia ("RM") \$	Hong Kong Dollar ("HKD") \$	United States Dollar ("USD") \$	Singapore Dollar ("SGD") \$	Total \$
<b>GROUP</b>					
<b>31 July 2020</b>					
<b>Assets</b>					
Financial assets at FVOCI	270,931	-	-	-	270,931
Short-term investments	1,732,718	-	-	1,198,768	2,931,486
Trade and other receivables	10,087,087	-	-	405,767	10,492,854
Fixed deposits	2,260,472	-	-	-	2,260,472
Cash and bank balances	2,346,275	1,556	-	4,026,157	6,373,988
	<u>16,697,483</u>	<u>1,556</u>	<u>-</u>	<u>5,630,692</u>	<u>22,329,731</u>
<b>Liabilities</b>					
Trade and other payables	6,346,104	-	772,758	812,849	7,931,711
Lease liabilities	124,827	-	-	-	124,827
	<u>6,470,931</u>	<u>-</u>	<u>772,758</u>	<u>812,849</u>	<u>8,056,538</u>
Net financial assets /(liabilities)	10,226,552	1,556	(772,758)	4,817,843	14,273,193
Less: Net financial assets denominated in the respective entities' functional currencies	6,205,794	-	-	4,817,843	11,023,637
Currency exposure of financial assets /(liabilities)	<u>4,020,758</u>	<u>1,556</u>	<u>(772,758)</u>	<u>-</u>	<u>3,249,556</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Market risk – cont'd

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

	Ringgit Malaysia ("RM") \$	Singapore Dollar ("SGD") \$	Total \$
<b>COMPANY</b>			
<b>31 July 2021</b>			
<b>Assets</b>			
Trade and other receivables	1,367	314,436	315,803
Amounts owing by subsidiaries	-	275,000	275,000
Fixed deposits	2,226,288	-	2,226,288
Cash and bank balances	4,326	1,827,378	1,831,704
	2,231,981	2,416,814	4,648,795
<b>Liabilities</b>			
Trade and other payables	-	650,739	650,739
	-	650,739	650,739
Net financial assets	2,231,981	1,766,075	3,998,056
Less: Net financial assets denominated in the Company's functional currency	-	1,766,075	1,766,075
Currency exposure of financial assets	2,231,981	-	2,231,981
<b>COMPANY</b>			
<b>31 July 2020</b>			
<b>Assets</b>			
Trade and other receivables	1,643	381,679	383,322
Amounts owing by subsidiaries	-	1,378,000	1,378,000
Fixed deposits	2,211,415	-	2,211,415
Cash and bank balances	4,328	2,349,025	2,353,353
	2,217,386	4,108,704	6,326,090
<b>Liabilities</b>			
Trade and other payables	-	764,199	764,199
	-	764,199	764,199
Net financial assets	2,217,386	3,344,505	5,561,891
Less: Net financial assets denominated in the Company's functional currency	-	3,344,505	3,344,505
Currency exposure of financial assets	2,217,386	-	2,217,386

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 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% (2020: 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:

	<b>2021</b> <b><u>Increase/</u></b> <b><u>(Decrease)</u></b> <b>Net profit</b> <b>\$</b>	<b>2020</b> <b><u>Increase/</u></b> <b><u>(Decrease)</u></b> <b>Net profit</b> <b>\$</b>
<b><u>GROUP</u></b>		
RM against SGD		
- Strengthened	38,600	40,208
- Weakened	(38,600)	(40,208)
HKD against SGD		
- Strengthened	-	16
- Weakened	-	(16)
USD against SGD		
- Strengthened	(412)	(7,728)
- Weakened	412	7,728
	<hr/> <hr/>	<hr/> <hr/>
	<b>2021</b> <b><u>Increase/</u></b> <b><u>(Decrease)</u></b> <b>Net profit</b> <b>\$</b>	<b>2020</b> <b><u>Decrease/</u></b> <b><u>(Increase)</u></b> <b>Net loss</b> <b>\$</b>
<b><u>COMPANY</u></b>		
RM against SGD		
- Strengthened	22,320	22,174
- Weakened	(22,320)	(22,174)
	<hr/> <hr/>	<hr/> <hr/>

##### (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.

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% (2020: 10%) and 5% (2020: 5%) respectively, with all other variables including tax rate being held constant, the effects on (loss)/profit after tax would have been:

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Market risk – cont'd

##### (iii) Market price risk – cont'd

	<b>2021</b> <b><u>Decrease/</u></b> <b><u>(Increase)</u></b> <b>Loss</b> <b>after tax</b> <b>\$</b>	<b>2020</b> <b><u>Increase/</u></b> <b><u>(Decrease)</u></b> <b>Profit</b> <b>after tax</b> <b>\$</b>
<b><u>GROUP</u></b>		
Listed in Singapore		
- Increased by	20,412	119,877
- Decreased by	(20,412)	(119,877)
Listed in Malaysia		
- Increased by	79,356	86,636
- Decreased by	(79,356)	(86,636)

#### 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 balances, 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.

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:

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Credit risk – cont'd

- 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 in collecting receivables from the debtor
- There is 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.

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

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Credit risk – cont'd

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:

				<b>GROUP</b>		
	<b>Note</b>	<b>Category</b>	<b>12 month or lifetime ECL</b>	<b>Gross carrying amount \$</b>	<b>Loss allowance \$</b>	<b>Net carrying amount \$</b>
<b>31 July 2021</b>						
Trade receivables	11	Note B	Lifetime ECL (simplified)	10,145,859	(689,717)	9,456,142
Other receivables	12	Note A	12-month ECL	75,215	-	75,215
Fixed deposits	14	Note A	12-month ECL	2,226,288	-	2,226,288
Cash and bank balances	15	Note A	12-month ECL	5,089,586	-	5,089,586
					(689,717)	
<b>31 July 2020</b>						
Trade receivables	11	Note B	Lifetime ECL (simplified)	11,046,586	(774,500)	10,272,086
Other receivables	12	Note A	12-month ECL	220,768	-	220,768
Fixed deposits	14	Note A	12-month ECL	2,260,472	-	2,260,472
Cash and bank balances	15	Note A	12-month ECL	6,373,988	-	6,373,988
					(774,500)	

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 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 \$
<b>31 July 2021</b>						
Trade receivables	11	Note C	Lifetime ECL (simplified)	312,206	-	312,206
Other receivables	12	Note A	12-month ECL	3,597	-	3,597
Amounts owing by subsidiaries	13	Note A	12-month ECL	700,000	(425,000)	275,000
Fixed deposits	14	Note A	12-month ECL	2,226,288	-	2,226,288
Cash and bank balances	15	Note A	12-month ECL	1,831,704	-	1,831,704
					<u>(425,000)</u>	
<b>31 July 2020</b>						
Trade receivables	11	Note C	Lifetime ECL (simplified)	315,451	-	315,451
Other receivables	12	Note A	12-month ECL	67,871	-	67,871
Amounts owing by subsidiaries	13	Note A	12-month ECL	1,800,000	(422,000)	1,378,000
Fixed deposits	14	Note A	12-month ECL	2,211,415	-	2,211,415
Cash and bank balances	15	Note A	12-month ECL	2,353,353	-	2,353,353
					<u>(422,000)</u>	

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Credit risk – cont'd

#### 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.

During the current financial year, an amount of \$17,556 (2020: \$117,100) of impairment loss has been recognised in profit or loss.

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

	<b>Trade receivables</b>				Total \$
	Current \$	More than 30 days past due \$	More than 60 days past due \$	More than 90 days past due \$	
<b>31 July 2021</b>					
Total gross carrying amount	7,116,669	1,530,963	547,214	951,013	10,145,859
ECL	(8,815)	(4,656)	(3,878)	(672,368)	<u>(689,717)</u>
					<u>9,456,142</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Credit risk – cont'd

#### Trade receivables of the Group (Note B) - cont'd

	Trade receivables				Total \$
	Current \$	More than 30 days past due \$	More than 60 days past due \$	More than 90 days past due \$	
<b>31 July 2020</b>					
Total gross carrying amount	7,971,698	1,477,638	389,163	1,208,087	11,046,586
ECL	(13,364)	(5,658)	(96,437)	(659,041)	(774,500)
					<u>10,272,086</u>

Information regarding loss allowance movement of trade receivables disclosed in Note 11.

#### 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).

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 is disclosed in Note 11.

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:

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Credit risk – cont'd

By Country	2021		2020	
	\$	% of total	\$	% of total
Singapore	312,206	3	331,501	3
Malaysia	9,143,936	97	9,940,585	97
	<u>9,456,142</u>	<u>100</u>	<u>10,272,086</u>	<u>100</u>

#### 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.

#### Analysis of financial instruments by remaining contractual maturities

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.

	2021			
	Carrying amount \$	Contractual cash flow \$	One year or less \$	Over one year \$
<b>GROUP:</b>				
<b><u>Financial assets</u></b>				
Financial assets at FVOCI	268,501	268,501	268,501	-
Short-term investments	1,791,230	1,791,230	1,791,230	-
Trade receivables	9,456,142	9,456,142	9,456,142	-
Other receivables	75,215	75,215	75,215	-
Fixed deposits	2,226,288	2,226,288	2,226,288	-
Cash and bank balances	5,089,586	5,089,586	5,089,586	-
Total undiscounted financial assets	<u>18,906,962</u>	<u>18,906,962</u>	<u>18,906,962</u>	<u>-</u>
<b><u>Financial liabilities</u></b>				
Trade payables	4,554,281	4,554,281	4,554,281	-
Other payables	1,339,942	1,339,942	1,339,942	-
Lease liabilities	70,580	73,843	51,241	22,602
Total undiscounted financial liabilities	<u>5,964,803</u>	<u>5,968,066</u>	<u>5,945,464</u>	<u>22,602</u>
Total net undiscounted financial assets/(liabilities)	<u>12,942,159</u>	<u>12,938,896</u>	<u>12,961,498</u>	<u>(22,602)</u>

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Liquidity risk – cont'd

	Carrying amount \$	2020		Over one year \$
		Contractual cash flow \$	One year or less \$	
<b>GROUP:</b>				
<b><u>Financial assets</u></b>				
Financial assets at FVOCI	270,931	270,931	270,931	-
Short-term investments	2,931,486	2,931,486	2,931,486	-
Trade receivables	10,272,086	10,272,086	10,272,086	-
Other receivables	220,768	220,768	220,768	-
Fixed deposits	2,260,472	2,260,472	2,260,472	-
Cash and bank balances	6,373,988	6,373,988	6,373,988	-
Total undiscounted financial assets	22,329,731	22,329,731	22,329,731	-
<b><u>Financial liabilities</u></b>				
Trade payables	6,547,509	6,547,509	6,547,509	-
Other payables	1,384,202	1,384,202	1,384,202	-
Lease liabilities	124,827	128,697	59,268	69,429
Total undiscounted financial liabilities	8,056,538	8,060,408	7,990,979	69,429
Total net undiscounted financial assets/(liabilities)	14,273,193	14,269,323	14,338,752	(69,429)

	Carrying amount \$	2021		One year or less \$
		Contractual cash flow \$	One year or less \$	
<b>COMPANY:</b>				
<b><u>Financial assets</u></b>				
Trade receivables	312,206	312,206	312,206	312,206
Other receivables	3,597	3,597	3,597	3,597
Amounts owing by subsidiaries	275,000	275,000	275,000	275,000
Fixed deposits	2,226,288	2,226,288	2,226,288	2,226,288
Cash and bank balances	1,831,704	1,831,704	1,831,704	1,831,704
Total undiscounted financial assets	4,648,795	4,648,795	4,648,795	4,645,795
<b><u>Financial liabilities</u></b>				
Trade payables	272,946	272,946	272,946	272,946
Other payables	377,793	377,793	377,793	377,793
Total undiscounted financial liabilities	650,739	650,739	650,739	650,739
Total net undiscounted financial assets	3,998,056	3,998,056	3,998,056	3,998,056

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

#### Liquidity risk – cont'd

	Carrying amount \$	2020 Contractual cash flow \$	One year or less \$
<b>COMPANY:</b>			
<b><u>Financial assets</u></b>			
Trade receivables	315,451	315,451	315,451
Other receivables	67,871	67,871	67,871
Amounts owing by subsidiaries	1,378,000	1,378,000	1,378,000
Fixed deposits	2,211,415	2,211,415	2,211,415
Cash and bank balances	2,353,353	2,353,353	2,353,353
Total undiscounted financial assets	6,326,090	6,326,090	6,326,090
<b><u>Financial liabilities</u></b>			
Trade payables	301,611	301,611	301,611
Other payables	462,588	462,588	462,588
Total undiscounted financial liabilities	764,199	764,199	764,199
Total net undiscounted financial assets	5,561,891	5,561,891	5,561,891

### 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 categorised 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:

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 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 \$
<b>GROUP:</b>				
<b>Financial assets</b>				
<b>2021</b>				
At FVOCI – unquoted equity investments (Note 8)	-	-	268,501	268,501
At FVPL – quoted equity investments (Note 10)	1,791,230	-	-	1,791,230
Financial assets as at 31 July 2021	1,791,230	-	268,501	2,059,731
<b>2020</b>				
At FVOCI – unquoted equity investments (Note 8)	-	-	270,931	270,931
At FVPL – quoted equity investments (Note 10)	2,931,486	-	-	2,931,486
Financial assets as at 31 July 2020	2,931,486	-	270,931	3,202,417

#### (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) \$
<b>GROUP AND COMPANY:</b>				
<b>Non-financial assets</b>				
<b>2021</b>				
Investment property	13,401,826	-	-	21,000,000
<b>2020</b>				
Investment property	13,603,713	-	-	21,000,000

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 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
<b>GROUP:</b> At FVOCI – 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

###### Financial assets at FVOCI

The total cost of investments which amounted to RM68,000 as at 1 August 2020 is equivalent to approximately \$21,991 as disclosed in Note 8, comprising one company, UCT.

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 UCT, which is one of the related parties of the Group, to which is multiplied by the Group’s percentage shareholdings in UCT.

Included in UCT’s net tangible assets value of RM3,106,612 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 RM6,040,596, represents the fair value of the unquoted equity investment as at 31 July 2021. Accordingly, the Group’s 13.18% share of the fair value of UCT is RM796,151 resulting in a fair value loss of RM41,606 (approximately \$13,335 which is immaterial to be adjusted), as compared with its fair value of RM837,757 as at 1 August 2019.

## Notes to the Financial Statements for the financial year ended 31 July 2021

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

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

GROUP	Fair value measurements using significant unobservable inputs (Level 3)	
	Unquoted equity investments	
	2021	2020
	\$	\$
Financial assets at FVOCI		
Balance at beginning of the financial year	21,991	23,564
Disposal	-	(984)
Currency translation difference	(197)	(589)
	21,794	21,991
Add: Fair value changes		
Balance at beginning of the financial year	248,970	255,483
Currency translation difference	(2,233)	(6,543)
Balance at end of the financial year	246,707	248,940
	268,501	270,931

#### (f) Assets and liabilities not measured at fair value

The carrying amounts of cash and bank balances, fixed deposits, trade and other receivables, trade and other payables and lease liabilities 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	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Financial assets measured at amortised cost</b>				
Trade receivables (Note 11)	9,456,142	10,272,086	312,206	315,451
Other receivables (Note 12)	75,215	220,768	3,597	67,871
Amounts owing by subsidiaries (Note 13)	-	-	275,000	1,378,000
Fixed deposits (Note 14)	2,226,288	2,260,472	2,226,288	2,211,415
Cash and bank balances (Note 15)	5,089,586	6,373,988	1,831,704	2,353,353
Total financial assets measured at amortised cost	16,847,231	19,127,314	4,648,795	6,326,090

## Notes to the Financial Statements for the financial year ended 31 July 2021

### 40. FINANCIAL INSTRUMENT BY CATEGORY – cont'd

	GROUP		COMPANY	
	2021	2020	2021	2020
	\$	\$	\$	\$
<b>Financial liabilities measured at amortised cost</b>				
Trade payables (Note 16)	4,554,281	6,547,509	272,946	301,611
Other payables (Note 17)	1,339,942	1,384,202	377,793	462,588
Lease liabilities (Note 18)	70,580	124,827	-	-
Total financial liabilities measured at amortised cost	5,964,803	8,056,538	650,739	764,199

### 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 2021 and 31 July 2020.

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 2021 and 31 July 2020.

## ANALYSIS OF SHAREHOLDINGS AS AT 19 NOVEMBER 2021

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1 - 99	11	1.44	280	0.00
100 - 1,000	253	33.07	129,775	0.50
1,001 - 10,000	386	50.46	1,476,134	5.72
10,001 - 1,000,000	110	14.38	6,270,006	24.29
1,000,001 & ABOVE	5	0.65	17,936,325	69.49
TOTAL	765	100.00	25,812,520	100.00

## SHAREHOLDINGS IN THE HANDS OF THE PUBLIC AS AT 19 NOVEMBER 2021

The percentage of shareholdings in the hands of the public was approximately 33.36% 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 19 NOVEMBER 2021

NAME OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
KAH HONG PTE LTD	4,670,830	18.10
CEPHEUS CORPORATION PTE LTD	4,302,430	16.67
KHONG GUAN GROUP PTE LTD	3,698,465	14.33
KHONG GUAN DEVELOPMENT PTE LTD	2,899,600	11.23
GTK HOLDING PTE LTD	2,365,000	9.16
UNITED OVERSEAS BANK NOMINEES PTE LTD	916,300	3.55
GOH TEE KIA	661,300	2.56
PHILLIP SECURITIES PTE LTD	337,500	1.31
GOH LAY ENG OR NG QIAN HUI	337,200	1.31
CITIBANK NOMINEES SINGAPORE PTE LTD	266,900	1.03
DBS NOMINEES PTE LTD	251,740	0.97
CHUA PANG	218,800	0.85
NG SOO GIAP OR CHEW SOOI GUAT	210,700	0.82
CHEW SOO ENG	201,666	0.78
WANG TONG PENG @ WANG TONG PANG	141,000	0.54
THIA CHENG SONG	132,000	0.51
YAP MUI CHENG, ANGELA	108,000	0.42
NG POH CHENG	96,000	0.37
CHEW SOO AIK	92,000	0.36
TAN KHIOK KWEE	74,200	0.29
TOTAL	21,981,631	85.16

## ANALYSIS OF SHAREHOLDINGS as at 19 November 2021

### SUBSTANTIAL SHAREHOLDERS

NAME OF SHAREHOLDERS	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
CEPHEUS CORPORATION PTE LTD	5,152,430	19.96	3,694,465 <sup>*1</sup>	14.31
KAH HONG PTE LTD	4,670,830	18.10	3,694,465 <sup>*2</sup>	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	661,300	2.56	2,583,800 <sup>*3</sup>	10.01
GTK HOLDING PTE LTD	2,365,000	9.16	—	—
JIA FENG LIMITED	—	—	3,694,465 <sup>*4</sup>	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 2,365,000 shares held by GTK Holding Pte Ltd and 218,800 shares held by Madam Chua Pang (wife) by virtue of the provisions of Section 7 of Companies Act, Cap. 50.
- \*4 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.

## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of KHONG GUAN LIMITED (“the **Company**”) will be held by way of electronic means on Thursday, 30 December 2021 at 11.00 a.m. to transact the following business:

### Ordinary Business

1. To receive and adopt the audited financial statements for the financial year ended 31 July 2021 together with the Independent Auditor’s Report and Directors’ Statement thereon. **(Resolution 1)**
2. To approve a tax exempt (one-tier) first and final dividend of \$0.02 per ordinary share for the financial year ended 31 July 2021. **(Resolution 2)**
3. To approve the payment of Directors’ fees of \$94,500 (2020: \$90,250) for the financial year ended 31 July 2021. **(Resolution 3)**
4. To re-elect Mr Chew Soo Eng, a Director retiring pursuant to Article 105(B) of the Company’s Constitution. *[See Explanatory Note (i)]* **(Resolution 4)**
5. To re-elect Mr Chew Kian Boon Daniel, a Director retiring pursuant to Article 105(B) of the Company’s Constitution. *[See Explanatory Note (ii)]* **(Resolution 5)**
6. To re-appoint RT LLP as Independent Auditors of the Company for the financial year ending 31 July 2022 and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. 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:

8. 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**”) which has been amended to incorporate certain changes including the revised individual and aggregate thresholds, particulars of which are set out in the Appendix to this Notice of AGM 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 conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier; 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.” *[See Explanatory Note (iii)]*

## Notice of Annual General Meeting

### 9. Share Issue Mandate

(Resolution 8)

"That pursuant to Section 161 of the Act, the Constitution of the Company and Rule 806 of the Listing Manual of the 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 total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (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 existing 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 total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary shareholdings) (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the 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;
  - (b) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VII of Chapter 8 of the Listing Manual of the SGX-ST; and
  - (c) any subsequent consolidation or subdivision of shares;

Adjustments in accordance to sub-paragraph (2)(a) and (2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

- (3) in exercising the authority conferred by this Resolution, 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) all applicable legal requirements under the Act and the Constitution for the time being of the Company; and

## Notice of Annual General Meeting

- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier." [See *Explanatory Note (iv)*]

By Order of the Board  
Nor Hafiza Alwi  
Company Secretary

Singapore, 15 December 2021

### Explanatory Notes:

- (i) Ordinary Resolution 4 - Mr Chew Soo Eng will, upon re-election as a Director, remain as the Managing Director of the Company. Detailed information on Mr Chew Soo Eng can be found in the Annual Report 2021. Save as disclosed therein, there are no other relationships (including immediate family relationships) between Mr Chew Soo Eng and the other Directors of the Company, the Company or its 10% shareholders.
- (ii) Ordinary Resolution 5 - Mr Chew Kian Boon Daniel will, upon re-election as a Director, remain as an Executive Director of the Company. Detailed information on Mr Chew Kian Boon Daniel can be found in the Annual Report 2021. Save as disclosed therein, there are no other relationships (including immediate family relationships) between Mr Chew Kian Boon Daniel and the other Directors of the Company, the Company or its 10% shareholders.
- (iii) Ordinary Resolution 7 - if passed, will renew the IPT Mandate to enable the Company, its subsidiaries and associated companies which are entities at risk as defined under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions between the Group and the classes of Interested Persons as described in the Appendix to the Notice of the AGM dated 15 December 2021. The authority under the renewed IPT Mandate will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next AGM of the Company, or the date by which the next AGM is required by law to be held, whichever is the earlier.
- (iv) Ordinary Resolution 8 - if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of fifty percent (50%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty percent (20%) of the issued share capital of the Company) for such purposes as they consider would be in the interests of the Company. This authority will continue in force until the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.

### Notes:

1. The AGM is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice, Proxy Form and the Annual Report 2021 (collectively, the "Documents") will NOT be sent to members. Instead, these Documents will be sent to members by electronic means via publication on SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (in particular, arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Alternative Arrangements for the AGM to Shareholders dated 15 December 2021 in relation to the Conduct and Proceedings of the Company's AGM on 30 December 2021 at 11.00 a.m. ("Alternative Arrangements for the AGM to Shareholders"). This Alternative Arrangements for the AGM to Shareholders will be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
3. Due to the current COVID-19 restriction orders in Singapore, a member will NOT be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. The accompanying proxy form for the AGM will be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.

## Notice of Annual General Meeting

Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstention from voting, in respect of a Resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as a proxy for that Resolution will be treated as invalid.

Persons who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act, (Cap. 50) of Singapore) should contact their relevant intermediaries through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM. CPF or SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective Agent Banks or SRS Operators to submit their votes by 5.00 pm on 20 December 2021 in order to enable their respective Agent Banks or SRS Operators to submit proxy forms on their behalf not less than 48 hours before the time appointed for holding the AGM.

4. The Chairman of the AGM, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner: (i) if submitted by post, be deposited at the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building, Singapore 048544; or (ii) if submitted via email, please send a scanned PDF copy to [main@zicoholdings.com](mailto:main@zicoholdings.com), in either case, not less than 48 hours before the time appointed for the AGM. A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.
6. The Annual Report 2021 will be made available on the SGX website at the URL <https://www.sgx.com/securities/company-announcements>.
7. Due to the current COVID-19 situation, further measures and/or changes to the AGM arrangements may be made on short notice. Members are advised to check the Company's website for the latest updates on the status of the AGM.
8. The Company would like to thank all Members for their understanding and cooperation to hold the AGM by way of electronic means.

### Personal data privacy:

By pre-registering for the live audio-visual webcast or live audio-only stream, submitting a proxy form appointing the Chairman of the AGM as proxy to vote at the AGM and/or any adjournment thereof, and/or submitting questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing and administration by the Company (or its agents) of proxy forms appointing the Chairman of the Meeting as a proxy for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to the live audio-visual webcast or live audio-only stream to observe the proceedings of the AGM and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from members received before the Meeting and if necessary, following up with the relevant members in relation to such questions;
- (iv) preparation and compilation of the attendance list, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities. Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member of the Company (such as his/her name, his/her presence at the Meeting and any questions he/she may raise or motions he/she propose/second) may be recorded by the Company for such purpose.

### NOTICE OF RECORD DATE

NOTICE IS ALSO HEREBY GIVEN THAT the Company's Register of Members and the Share Transfer Books will be closed at 5.00 p.m. on 7 January 2022 ("**Record Date**"). Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building, Singapore 048544 up to 5.00 p.m. on 7 January 2022 will be registered to determine the Shareholders' entitlement to the proposed Dividend. Shareholders whose Securities Account with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on Record Date will be entitled to such proposed Dividend. The proposed Dividend if approved at the AGM of the Company will be paid on 18 January 2022.

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**KHONG GUAN  
LIMITED**

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

**PROXY FORM**

(Please read notes overleaf before  
completing this Form)

**Important:**

1. In line with the provisions under the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the AGM (as defined below) will be held by electronic means and members will NOT be able to attend the AGM in person. The Notice of AGM will accordingly be sent to members by electronic means via publication on the SGX website at <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed), submission of questions in advance of the AGM, addressing of substantial and relevant questions at, or prior to, the AGM and voting by appointing the Chairman of the AGM as proxy, are set out in the Company's announcement dated 15 December 2021. The announcement will be made available on the SGX website at <https://www.sgx.com/securities/company-announcements>.
3. A member (whether an individual or a corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
4. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM by 5.00 p.m. on 20 December 2021.
5. Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

**PERSONAL DATA PRIVACY:**

By submitting this Proxy Form appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 15 December 2021.

\*I/We \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport/Company Reg. No.)

of \_\_\_\_\_

being a \*member/members of Khong Guan Limited (the "Company"), hereby appoint the Chairman of the Annual General Meeting ("AGM") of the Company as \*my/our proxy to vote for \*me/us on \*my/our behalf at the AGM to be convened and held by electronic means on Thursday, 30 December 2021 at 11.00 a.m. and any adjournment thereof.

\*I/We direct the Chairman of the AGM as \*my/our proxy to vote for or against or to abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder.

No.	Resolutions	For	Against	Abstain
1.	To receive and adopt the Audited Financial Statements			
2.	To approve first and final Dividend			
3.	To approve Directors' Fees			
4.	To re-elect Mr Chew Soo Eng			
5.	To re-elect Mr Chew Kian Boon Daniel			
6.	To re-appoint Independent Auditors			
7.	To renew the shareholders' mandate for interested person transactions			
8.	To approve the Share Issue Mandate			

**NOTE:** Voting on all resolutions will be conducted by poll. If you wish the Chairman of the AGM as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an 'X' in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the AGM as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of ordinary shares that the Chairman of the AGM as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2021.

Total Number of Shares held	
CDP Register	
Register of Members	

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

\*delete as appropriate

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



**Notes:**

1. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. In line with the provisions under the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the AGM will be held by way of electronic means and members of the Company will NOT be able to attend the AGM in person.
3. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
4. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 20 December 2021.
5. The Chairman of the AGM, as proxy, need not be a member of the Company.
6. The instrument appointing the Chairman of the AGM as proxy (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be submitted to the Company in the following manner:
  - (a) by posting a physical copy to the Company's Share Registrar, B.A.C.S. Private Limited at 8 Robinson Road #03-00 ASO Building, Singapore 048544; or
  - (b) by sending a scanned PDF copy via email to [main@zicoholdings.com](mailto:main@zicoholdings.com) orin each case not less than 48 hours before the time appointed for holding the AGM.
7. The instrument appointing the Chairman of the AGM as proxy, when submitted by post to the Company's registered office or by email to the email address provided above, must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its seal or signed by its attorney or officer duly authorised.
8. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument (including any related attachment) appointing the Chairman of the AGM as proxy. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if the member, being the appointor, is not shown to have shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.



**KHONG GUAN**  
LIMITED

Company Registration No. 196000096G