QAF Limited

(Company Registration No : 195800035D)

Third Quarter Unaudited Financial Statement for the Period Ended 30 September 2008

1(a) The following statements in the form presented in the group's most recently audited annual financial statements:-

(i) An income statement for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year:-

Income Statement	**Group**		
(in Singapore Dollars)	3rd Quarter ended		
	30/09/2008	30/09/2007	+ / (-)
	S$'000	S$'000	%
Revenue	201,474	236,933	(15)
Costs and expenses			
Costs of materials	121,480	141,814	(14)
Staff costs	38,364	43,443	(12)
Amortisation and depreciation	6,969	9,031	(23)
Repairs and maintenance	6,017	6,164	(2)
Distribution and transportation expenses	4,129	10,365	(60)
Other operating expenses	27,218	22,137	23
Total costs and expenses	204,177	232,954	(12)
(Loss)/Profit from operating activities	(2,703)	3,979	n.m.
Finance costs	(2,309)	(5,054)	(54)
Exceptional item	(1,558)	-	n.m.
Share of losses of associated and joint venture companies	(12,093)	(7)	n.m.
Loss before taxation	(18,663)	(1,082)	n.m.
Taxation			
- Current period	(862)	(1,778)	(52)
- Over/(Under) provision in prior periods	14	(63)	n.m.
	(848)	(1,841)	(54)
Loss after taxation	(19,511)	(2,923)	n.m.
Attributable to:			
Shareholders of the Company	(21,605)	(2,286)	n.m.
Minority interests	2,094	(637)	n.m.
	(19,511)	(2,923)	n.m.

n.m. = not meaningful

(i) NOTES TO THE INCOME STATEMENT

Please see section 8 for commentaries on the income statement.

The Group's "Exceptional Item" comprise:

	Group	
	3rd Quarter ended	
	30/09/2008	30/09/2007
	S$'000	S$'000
Impairment on long-term investment	(1,558)	-

(ii) **The following items, if significant, must be included in the income statement or in the notes to the income statement for current financial period reported on and the corresponding period of the immediately preceding financial year:-**

The Group's (loss)/profit from operating activities is stated after (charging) / crediting:

	Group		
	3rd Quarter ended		+ / (-)
	30/09/2008	30/09/2007	%
	S$'000	S$'000	
Other income including interest income	2,789	1,684	66
Allowance for doubtful debts (charged)/written-back and debts (written off)/written-back	(85)	(79)	8
Allowance for inventory obsolescence (charged)/written-back	(674)	(2)	n.m.
Foreign exchange (loss)/gain	(7,394)	708	n.m.
Gain on disposal of property, plant & equipment	86	64	34

1(b)(i) A balance sheet for the company and group, together with a comparative statement as at the end of the immediately preceding financial year:-

Balance Sheets	**Group**		**Company**	
(in Singapore Dollars)	30/09/2008 S$'000	31/12/2007 S$'000	30/09/2008 S$'000	31/12/2007 S$'000
Current assets				
Biological assets	52,600	66,118	-	-
Inventories	69,151	314,328	-	-
Trade receivables	74,181	162,817	-	-
Other receivables	57,841	55,502	110,088	155,083
Tax recoverable	801	528	224	-
Short-term investments	-	144	-	-
Cash and deposits	38,434	55,581	10,682	2,630
Non-current assets held for sale	3,259	4,170	-	-
	296,267	659,188	120,994	157,713
Non-current assets				
Property, plant & equipment	229,112	353,205	2,515	2,599
Investment properties	20,958	21,812	-	-
Subsidiary companies	-	-	107,948	113,040
Advances to subsidiary companies	-	-	105,234	41,175
Associated and joint venture companies	19,436	4,513	-	-
Advances to associated and joint venture companies	2,398	2,751	-	-
Pension assets	2,399	2,643	-	-
Long-term investments	231	2,998	-	-
Intangibles	1,002	1,188	3,254	3,466
Non-current biological assets	-	7,114	-	-
Deferred tax assets	980	996	-	-
	276,516	397,220	218,951	160,280
Total assets	572,783	1,056,408	339,945	317,993
Current liabilities				
Trade payables	57,715	125,139	48	12
Other payables	46,938	94,550	11,420	14,151
Short-term borrowings	93,355	365,492	52,329	19,865
Long-term loans and finance leases - current portion	16,718	34,245	15,996	23,256
Provision for taxation	3,258	3,077	-	323
	217,984	622,503	79,793	57,607
Non-current liabilities				
Other payables	9,808	11,576	-	-
Long-term loans and finance leases	56,877	65,166	46,000	49,000
Deferred tax liabilities	13,319	15,693	440	440
	80,004	92,435	46,440	49,440
Total liabilities	297,988	714,938	126,233	107,047
Net assets	274,795	341,470	213,712	210,946
Capital and reserves				
Share capital	195,123	195,123	195,123	195,123
Reserves	50,615	95,846	18,589	15,823
Interest of shareholders of the Company	245,738	290,969	213,712	210,946
Minority Interests	29,057	50,501	-	-
Total equity	274,795	341,470	213,712	210,946

Please see section 8 for commentaries on the Group's balance sheet.

1(b)(i) NOTES TO THE COMPANY'S BALANCE SHEET

The decrease in Other receivables of $45.0 million and the increase in the Advances to subsidiary companies of $64.1 million is mainly due to the reclassification of intercompany balances from short-term to long-term.

Additionally, the Company had drawn-down additional bank borrowings mainly for its subsidiaries' capital expenditure and working capital purposes.

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

(a) Amount repayable within one year including those on demand

As at 30/09/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
21,007	89,066	274,202	125,535

(b) Amount repayable after one year

As at 30/09/2008		As at 31/12/2007	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
2,840	54,037	7,782	57,384

(c) Details of any collaterals

At the end of the financial period, property, plant & equipment and certain current assets with total net book values of $26,137,000 (as at 31/12/2007: $305,200,000) were pledged to secure certain credit facilities for the Group.

1(c) A cash flow statement for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year:-

	Group	
	3rd Quarter ended	
Cash Flow Statement	30/09/2008	30/09/2007
(in Singapore Dollars)		
	$'000	$'000
Cash flows from operating activities:		
Loss before taxation	(18,663)	(1,082)
Adjustments for:		
Amortisation and depreciation	6,969	9,031
Gain on disposal of property, plant & equipment	(86)	(64)
Share of losses of associated and joint venture companies	12,093	7
Fair value changes on derivative financial instruments	(680)	574
Impairment on long-term investment	1,558	-
Interest expense	2,309	5,054
Interest income	(1,190)	(492)
Exchange differences	(846)	(2,677)
Operating profit before working capital changes	1,464	10,351
Decrease/(increase) in receivables	20,977	(1,188)
Decrease/(increase) in inventories and biological assets	16,253	(89,559)
(Decrease)/Increase in payables	(4,631)	24,089
Cash generated from/(used in) operations	34,063	(56,307)
Interest paid, net	(795)	(3,344)
Income tax paid	(1,900)	(2,302)
Net cash generated from/(used in) operating activities	**31,368**	**(61,953)**
Cash flows from investing activities:		
Purchase of property, plant & equipment and investment properties	(8,625)	(11,804)
Proceeds from disposal of property, plant & equipment	161	339
Purchase of long-term investments	(13)	(14)
Decrease/(increase) in advances to associated and joint venture companies	87	(11)
Purchase of shares in an associated company	(1,505)	-
Incorporation of a subsidiary company, net of cash acquired	-	300
Net cash used in investing activities	**(9,895)**	**(11,190)**
Cash flows from financing activities:		
Proceeds from long-term borrowings	256	588
(Repayment of)/proceeds from short-term borrowings	(21,007)	61,173
Net cash (used in)/provided by financing activities	**(20,751)**	**61,761**
Net increase/(decrease) in cash and cash equivalents	722	(11,382)
Cash and cash equivalents at beginning of period	40,246	57,374
Effect of exchange rate changes on cash and cash equivalents	(2,534)	(98)
Cash and cash equivalents at end of period (Note A)	38,434	45,894

1(c) Note A : Cash and cash equivalents

For the purpose of the consolidated cash flow statement, the consolidated cash and cash equivalents at the end of the financial period comprised the following:

	Group	
	30/09/2008	30/09/2007
	$'000	$'000
Cash and deposits	38,434	51,542
Less: Fixed deposits pledged as security for credit facilities granted to subsidiary companies	-	(5,648)
	38,434	45,894

1(d)(i) A statement for the company and group showing all changes in equity, together with a comparative statement for the corresponding period of the immediately preceding financial year:-

Statement of Changes in Equity
(In Singapore Dollars)

Group	Share capital	Fair value/ revaluation reserve	Capital reserve	Revenue reserve	Foreign currency translation reserve	Minority interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2008	195,123	2,263	19,005	61,435	6,164	28,215	312,205
Exchange differences arising on consolidation	-	-	-	-	(16,647)	(1,252)	(17,899)
Net (loss)/profit for the financial period	-	-	-	(21,605)	-	2,094	(19,511)
Balance at 30 Sept 2008	195,123	2,263	19,005	39,830	(10,483)	29,057	274,795
Balance at 1 July 2007	195,123	2,353	18,421	79,240	10,646	46,648	352,431
Transfer between reserves	-	-	1	(1)	-	-	-
Exchange differences arising on consolidation	-	-	-	-	322	(462)	(140)
Acquisition of shares in a subsidiary company	-	-	-	-	-	300	300
Net loss for the financial period	-	-	-	(2,286)	-	(637)	(2,923)
Balance at 30 Sept 2007	195,123	2,353	18,422	76,953	10,968	45,849	349,668

Company	Share capital	Capital reserve	Revenue reserve	Total
	$'000	$'000	$'000	$'000
Balance at 1 July 2008	195,123	1,705	19,706	216,534
Net loss for the financial period	-	-	(2,822)	(2,822)
Balance at 30 Sept 2008	195,123	1,705	16,884	213,712
Balance at 1 July 2007	195,123	1,705	13,612	210,440
Net profit for the financial period	-	-	886	886
Balance at 30 Sept 2007	195,123	1,705	14,498	211,326

1(d)(ii) Details of any changes in the company's issued share capital.

For the quarter ended 30 September 2008, there has been no change to the issued and paid-up share capital of the Company.

The number of shares that may be issued on conversion of all outstanding warrants and options were as follows:

	As at 30/09/2008	As at 30/09/2007
Outstanding warrants	77,876,343	77,876,343
Outstanding options	14,519,000	14,599,000

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

N.A.

4. Whether the same accounting policies and methods of computation as in the company's most recently audited financial statements have been applied.

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the previous year ended 31 December 2007.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

N.A.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year:

	3rd Quarter ended 30/09/2008	3rd Quarter ended 30/09/2007
(a) Based on weighted average number of ordinary shares	(4.8) cents	(0.5) cents
(b) Based on a fully diluted basis	(4.8) cents	(0.5) cents

7. Net asset value for the company and group per ordinary share based on issued share capital of the company at the end of the period reported on:

	As at 30/09/2008	As at 31/12/2007
(a) Group	54.5 cents	64.5 cents
(b) QAF Limited	47.4 cents	46.8 cents

8. **Review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

3Q 2008 vs 3Q 2007

Group net revenue decreased by 15% to $201.5 million for the third quarter ended 30 September 2008 ('3Q 2008') from $236.9 million for the third quarter ended 30 September 2007 ('3Q 2007'). This decrease is mainly attributable to the deconsolidation of the financial results of Shaanxi Hengxing Fruit Juice Co. Ltd. ('Shaanxi Hengxing') from that of the Group's as the Group has sold part of its shareholdings in Shaanxi Hengxing in January 2008 thereby reducing the Group's stake to 46.5% of the company's total shareholdings. The company is now an associated company of the Group.

QAF Meats, the Group's fully integrated producer of meat in Australia, faced sharp escalations in grain prices, on a world wide basis. This, coupled with a drought in Australia in 2007, have led to a very high cost of animal feed and high production costs. Management has implemented a programme to reduce costs which includes destocking and the reduction of animal inventory. This has led to a reduction of animals for sale and, hence, a reduction of sales revenue for QAF Meats in 3Q 2008 as compared to that of 3Q 2007.

On the other hand, the core businesses of the Group achieved increases in revenue. All the Group's bakery operations in Singapore, Malaysia, the Philippines and Australia achieved increases in sales. The Gardenia operations in Malaysia and the Philippines have continued to increase their respective market shares. Gardenia Singapore has achieved successes both in the increase of sales of existing products as well as in the launch of new products. Challenge Australian Dairy Pty Ltd ('Challenge'), which manufactures and sells a range of milk and dairy products in Australia, achieved higher revenues from both the export and domestic markets. Sales have also increased for Ben Foods (S) Pte. Ltd., the Group's wholesale food distribution company in Singapore.

The Group incurred a loss before taxation of $18.7 million for 3Q 2008 compared to a loss before taxation of $1.1 million for 3Q 2007. As announced by the Group on 3 October 2008 in its Profit Warning for the Third Quarter ended 30 September 2008, the operating losses were mainly caused by the Group's primary production division and from the Group's share of losses from associate companies. QAF Meats purchased most of its grain and feed requirements at the harvest season at the end of 2007, at a time which saw a sharp escalation of grain prices which resulted from very high world wide price increases as well as from a severe drought in Australia. This led to high production costs. On the other hand, selling prices of QAF Meats' products could not be increased to levels that could compensate for the production cost increases.

The general sharp escalation of costs such as wheat flour, fuel and diesel prices has also posed challenges for the Gardenia bakery operations. However, the increased sales volume and the successful launches of new products have offset the negative effect of the cost increases and the bakery operations have achieved increased profitability.

Certain expenses of the Group decreased in 3Q 2008 over that of 3Q 2007 due mainly to the deconsolidation of Shaanxi Hengxing's financial results from that of the Group's. As a result of the said deconsolidation, Cost of materials declined by 14% to $121.5 million, Amortisation and depreciation declined by 23% to $7.0 million, Distribution and transportation expenses declined by 60% to $4.1 million and Group interest expenses also decreased by 54% to $2.3 million in 3Q 2008.

Other income including interest income increased by 66% to $2.8 million in 3Q 2008 as compared to $1.7 million in 3Q 2007. This arose because QAF Meats achieved increased miscellaneous income in 3Q 2008. In addition, interest income from Shaanxi Hengxing is now classified under the Group's Other income including interest income, upon Shaanxi Hengxing becoming an associated company of the Group. This interest income from Shaanxi Hengxing was previously eliminated from the Group's accounts when Shaanxi Hengxing's financial results were consolidated with that of the Group's when the company was a subsidiary of the Group.

8. Review of the performance of the group (cont'd)

3Q 2008 vs 3Q 2007 (cont'd)

The Group had a provision for unrealised Foreign Exchange loss of $7.4 million in 3Q 2008 as compared to a Foreign Exchange gain of $0.7 million. The loss arose as there were inter-company loans made to the Group's Australian operating subsidiaries to fund the latter's working capital requirements. These inter-company loans were denominated in Australian dollars which have since depreciated against the Singapore dollar.

There is an Exceptional loss of $1.6 million in 3Q 2008 and this is attributable to an impairment provision for its 13.75% stake in Iconic Global Limited ('Iconic'), the former China Food Industries Limited. As highlighted by the Group on 3 October 2008 in its Profit Warning for the Third Quarter ended 30 September 2008, the Group has made the abovementioned provision upon the SGX-ST's rejection of an acquisition proposed by Iconic. The latter has been subsequently delisted by the SGX-ST.

The Group has a Share of losses of associated and joint venture companies of $12.1 million in 3Q 2008 and this Share of losses is mainly attributable to an associate company which is involved in the manufacturing of apple juice concentrate products, based in China. The company purchased its raw materials mainly during the raw apple harvest season which was at the end of 2007 and early 2008, a period when there was a sharp escalation of food prices on a global scale. This has resulted in high production costs. The company's customers are mainly based in the United States and Europe and the markets there have been the worst affected in the current global economic downturn. As such, trading conditions have become very difficult and selling prices have declined. The Group has made a prudent provision for diminution of inventory values for the associate company in light of the fall in selling prices and demand for its products.

It should be noted that while the Group has a loss before taxation of $18.7 million for 3Q 2008, this loss was mainly the result of a provision for Foreign Exchange loss on inter-company loans as well as a provision for diminution of inventory values for an associate company. These provisions are unrealised and they do not have an immediate impact on the Group's operating cash flow.

Group loss after taxation was $19.5 million for 3Q 2008 compared to a Group loss after taxation of $2.9 million for 3Q 2007.

The deconsolidation of Shaanxi Hengxing's financial results from that of the Group's in January 2008 has also resulted in reductions in the Group's Inventories, Trade receivables, Property, plant & equipment, Non-current biological assets, Trade payables, Other payables and Short-term borrowings for 3Q 2008 over that for the financial year ended 31 December 2007 ('FYE 2007'), respectively. Long-term loans and finance leases – current portion declined by about 51% to $16.7 million in 3Q 2008 due to the repayment of such loans. As Shaanxi Hengxing has become an associated company within the Group, the Group's cost of investment in Shaanxi Hengxing is now reclassified as an investment in Associated and joint venture companies. This caused the increase in investment in Associated and joint venture companies in 3Q 2008 over that of FYE 2007.

9. Where a forecast or a prospect statement has been previously disclosed to the shareholders, any variance between it and the actual results.

The directors regard the Group's revenue and profits to be in line with the Profit Warning for the Third Quarter ended 30 September 2008, dated 3 October 2008.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The performances of the Group's Primary Production division and the Group's juice manufacturing associate will continue to be affected by high raw material and production costs in the fourth quarter ending 31 December 2008 ('4Q 2008'). Product selling prices may also continue to face downward pressure due to poor worldwide trading conditions. Foreign Exchange volatility is also likely to continue in 4Q 2008. Although there are now signs which are pointing to an improvement in the overall supply situation of grain and other food raw materials which in turn may lead to a reduction of raw material costs from present levels, the impact can only be felt in the longer term. As such, the business conditions facing the Group will remain uncertain in the near future due to the abovementioned volatile conditions and the Group's overall performance in 4Q 2008 may be affected accordingly.

11. Dividends

(a)	***Current financial period reported on*** Any dividend declared?	No
(b)	***Corresponding period of immediate financial year*** Any dividend declared?	No
(c)	***Date payable***	N.A.
(d)	***Book closing date***	N.A.

12. If no dividend has been declared or recommended, a statement to the effect.

No dividend has been declared/recommended for the quarter ended 30 September 2008.

13. Negative Assurance Confirmation pursuant to Rule 705(4) of the Listing Manual

To the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the unaudited financials of the Group and the Company for the 3rd Quarter ended 30 September 2008 to be false or misleading in any material respect.

BY ORDER OF THE BOARD

Ms Lee Woan Ling
Company Secretary
14/11/2008