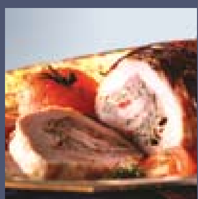
Annual Report 2005

Ingredients for Growth

QAF Limited

Contents





Rationale of QAF Logo
The stylised bread-like icon portrays our core business in food.

The two extendable open-ended arms signify our ability to grow and expand our business strategically.

The colour blue represents our significant presence in overseas markets. The colour green represents our reputation for providing fresh and quality products.

The logo as a whole personifies our corporate identity - a focused and progressive food company making strategic moves all the time.

Chairman's Statement

2005 was a good year for the QAF Group and new records were set for Group sales and profitability. Group revenue reached $885.9 million and Group profit before taxation and Group profit after taxation for the financial year ended 31 December 2005 ('FY2005') were $31.2 million and $26.3 million, respectively. The strategies and policies which have been implemented in recent years have now borne fruit and the Group has now reached a higher plane.

Although the regional markets may still face certain challenges, I am confident that the QAF Group will continue to achieve success in the coming years.

The Directors are pleased to recommend a first and final dividend of 2.0 cents per stock unit less tax at 20% for FY2005.

On behalf of the Board, I would like to thank all the QAF Group's stockholders, bankers, customers, employees, suppliers and business associates for supporting the Group and helping it attain its success.

Didi Dawis
Chairman
3 March 2006

"2005 was a good year for the QAF Group and new records were set for Group sales and profitability..."


Reaching Out
to Wider Markets
Enriched with
Vitamins and minerals
Gardenia
WHITE BREAD

Group Managing Director's Report

2005 was another eventful year for the QAF Group. The Group achieved new records in terms of Group revenue and profitability. The major business segments comprising of Food Manufacturing, Bakery and Primary Production achieved increases in both turnover and operating profits. The Group also made a number of strategic acquisitions so as to position itself in the fast growing food production industry in China.

Consistent with our goal of establishing the QAF Group in leading positions in the fast growing regional food industry, the Group has made a number of major strategic acquisitions in 2005. After establishing itself as a leading producer of livestock and meat in Australia and a leading exporter of Australian meat to the markets of Singapore and Japan through QAF Meats, the Group has bought a 55% stake in China Food Industries Limited ('CFI'), a Singapore public listed company, which is a major producer of pork meat and livestock in Shandong Province, China. CFI has a fully integrated farming operation which includes a feedmill, breeding and commercial farms and an abattoir. It also owns and operates a large soya bean crushing plant. The acquisition of CFI allows the QAF Group to enter the fast growing food production and meat industries in China which also have the potential to supply meat products to the Group's already established markets in the region.

In June 2005, the Group also acquired a 51% stake in Shaanxi Hengxing Fruit Juice Co Ltd ('Shaanxi Hengxing') which is situated in Shaanxi Province, China. Shaanxi Hengxing is one of the largest producers of apple juice concentrates in both China and the world. The company has access to a large supply of apples from both its own farms as well as third party contract growers and its products are exported to all the major markets of the United States, Canada, Australia, the European Union and Russia. The acquisition of Shaanxi Hengxing allows the QAF Group to enter a new core business which has a large potential for growth. Plans are being formulated to develop this business further especially in several complementary and related downstream businesses such as consumer apple juice production, apple pomace processing for animal feed and fructose extraction, a high value added by-product.

The Group has also in 2005 taken a strategic stake of 22.24% in Zhongguo Jilong Limited, another public listed company in Singapore, which is involved in the production and sale of preserved and processed vegetable and fruit products, peanut oil, beverages and freeze dried food products in China. Zhongguo Jilong is situated in Shandong Province, China and is involved in another fast growing segment of China's food industry.

Group revenue for the financial year ended 31 December 2005 ('FY2005') increased significantly by 43% to $885.9 million from $620.0 million for the financial year ended 31 December 2004 ('FY2004'). This increase in Group revenue came about as a result of turnover increases from the Group's major business segments of Food Manufacturing, Bakery and Primary Production. So as to better align the Group's business segments, a Bakery segment has been formed in FY2005 for all of the Group's bakery operations and this segment is now separated from the Group's Food Manufacturing segment.

Shaanxi Hengxing, the apple juice concentrate manufacturer in China and Challenge Australian Dairy Pty Ltd, the Group's dairy products manufacturer in Western Australia, contributed to the increase in sales from the Food Manufacturing segment. The Group's bakery operations in Malaysia and the Philippines increased their sales as they made further gains in market penetration with higher production capacities. Within the Primary Production business segment, CFI and QAF Meats, the fully integrated producer of meat in Australia, contributed to the increase in Group revenue. Oxdale Dairy Enterprise Pty Ltd, the Group's dairy producer in Australia, also increased its revenue as it raised its number of milking cows significantly in 2005.

Group profit before tax ('PBT') for FY2005 increased by a significant 85% to $31.2 million when compared to the PBT of $16.9 million for FY2004. We are pleased to note that contributions to Group profitability came from all of the Group's business segments of Food Manufacturing, Bakery, Primary Production and Trading & Logistics. Shaanxi Hengxing contributed to the increased profitability of the Group's Food Manufacturing segment. The Gardenia bakery operations in Malaysia and the Philippines performed well, achieving significant increases in profitability through increased sales and market shares as well as from production and distribution efficiencies. Significant operating profits also were achieved by QAF Meats of Australia which achieved gains from productivity, cost efficiencies and the successful launch of value added products. Profitability was also restored in the Trading & Logistics segment which underwent rationalisation programmes in the operations.

Share of profits of associated companies increased by 181% to $1.8 million in FY2005 compared to $0.7 million in FY2004. This was largely due to the Group's share of both its 23.4% associate, PSC Corporation Limited, and its 22.2% associate, Zhongguo Jilong Limited. PSC Corporation Limited is listed on the SGX-ST and its principal activities include the supply of provisions and household consumer products as well as the provision of management services to the Econ Minimart and I-Econ chain of stores.

Group profit after tax ('PAT') rose by a significant 114% to $26.3 million for FY2005 from $12.3 million for FY2004. The increase in Group PAT was more than the increase in Group PBT as QAF Meats of Australia has no tax charge for FY2005 due to carried forward tax credits which were not recognised previously.

The Group's Gardenia bakery operations continued to perform well in Malaysia and the Philippines. Gardenia Bakeries (KL) Sdn Bhd ('GBKL'), the Group's 70% owned bakery subsidiary in Malaysia, increased its sales and market share and achieved new records in terms of both turnover and profits. In the face of rising production and distribution costs, the company achieved improved profitability by increasing efficiency and the introduction of new products. GBKL's new Gardenia Bonanza was well received by customers in the price sensitive segment of the market while the innovative Gardenia Breakthru product appeals to the health conscious market segment with the product's special functional ingredients and diabetic friendly attributes. With its present 4 plants with 4 automated bread production lines and 3 bun and roll lines as well as its excellent distribution network of more than 20,000 outlets in West Malaysia, GBKL is the largest bakery operation in South East Asia.

Gardenia Bakeries (Philippines) Inc ('Gardenia Philippines'), the Group's wholly owned bakery operation in the Philippines also performed well in 2005. Sales grew by about 25% to cross the one billion peso mark for the first time. Sales for FY2005 reached Php1.2 billion or $37.5 million. Gardenia Philippines further improved on its already dominant position in the Metro Manila branded loaf bread market in which Gardenia is the top brand. The company has also expanded its market geographically and Gardenia products are now selling well in the northern regions of Luzon as well as in the Visayas islands group in the south. New products such as the No Sugar Added White Sandwich loaf and the Whole-Wheat Bun were introduced in 2005 and were well received by the health conscious segment of the market while Gardenia Philippines' new Twiggies snack cakes are an instant hit in the general market.

Due to the increasing demand for Gardenia products in Malaysia and the Philippines, both GBKL and Gardenia Philippines are now reviewing further investments in plant expansion.

However, Gardenia Singapore continued to face intense competitive pressures and both sales and profitability have fallen. While Gardenia still remains the top brand of bread in Singapore, we are hoping to see improved operating performance in 2006.

In the Group's Primary Production segment, QAF Meats achieved increased sales and profitability in 2005. QAF Meats remains the largest producer of meat in Australia and the region. The company increased sales into the retail segment of the market and production levels at the farm operations improved further with higher productivity. During the year, QAF Meats achieved success in reducing production costs further. These factors have resulted in a significant increase in profitability. Going forward, QAF Meats will be developing more products for the higher margin fresh retail sector and has embarked on a number of programmes to reduce production cost further as well as increasing the productivity of its breeders.

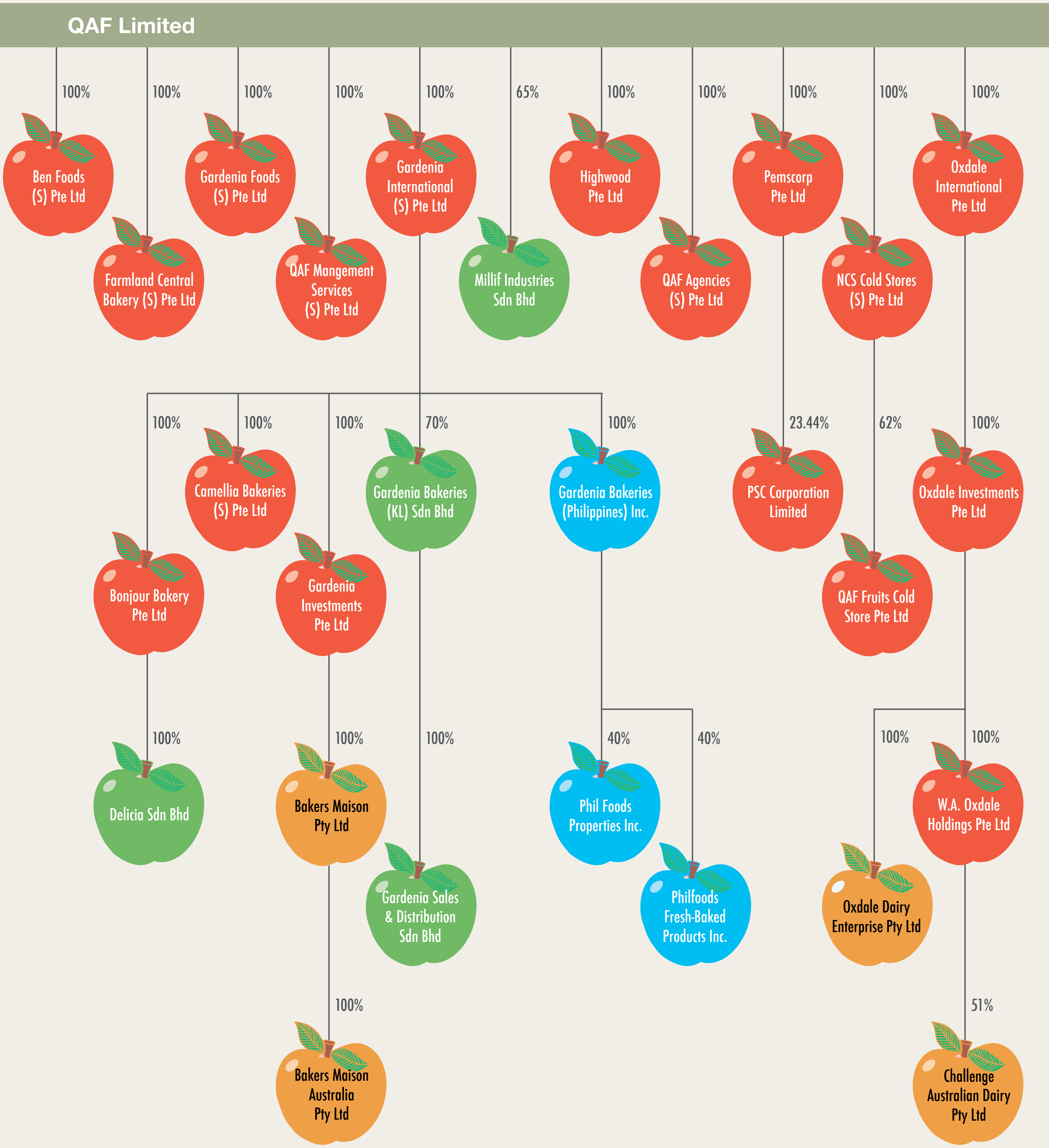
We are also pleased to note that our entry into the dairy producing industry in late 2004 has borne fruit. The QAF Group has 2 large dairy farms in Cobram, Victoria, Australia and has increased the cow population to almost 2,000 and this makes it one of the larger dairy producers in Australia.

The success of the QAF Group in building up its regional business has continued to attract awards and accolades. International Enterprise Singapore ('IE Singapore') has again ranked QAF in a high position within the top 100 Singapore companies which achieved the highest overseas revenue. QAF is also ranked number 6 in the top 10 Singapore companies which have the largest revenue contribution from Oceania which comprises Australia, New Zealand and the Pacific Islands. These awards are given to recognise the success of Singapore companies which are charting new frontiers and which are developing Singapore's external economy. The latest Oppenheimer Top 100 List of food and beverage manufacturers in Australia has also included QAF on the list. These awards, along with those given in the recent past, show that QAF is recognised as a fast growing food group with established businesses in the regional food industry.

Looking ahead, the Asian markets may face threats from volatile fuel prices, interest and exchange rates. In some Asian countries, political tension and the threat of terrorism remain high. There is also the risk of a human flu pandemic transmitted from poultry. These risks can result in economic dislocations in some Asian markets. However, I am very confident that the QAF Group with its successful and dominant positions in sectors of the regional food industry which are growing rapidly, will overcome the challenges and continue on its path of growth. Over the years, management has developed businesses which have built up key competitive advantages which have enabled the Group to achieve success despite all the challenges. The Group expects increases in revenue from its main business segments of Food Manufacturing, Bakery and Primary Production. Furthermore, management is confident of increased profit contributions from the businesses which were acquired in recent years as well as from the Group's main existing businesses.

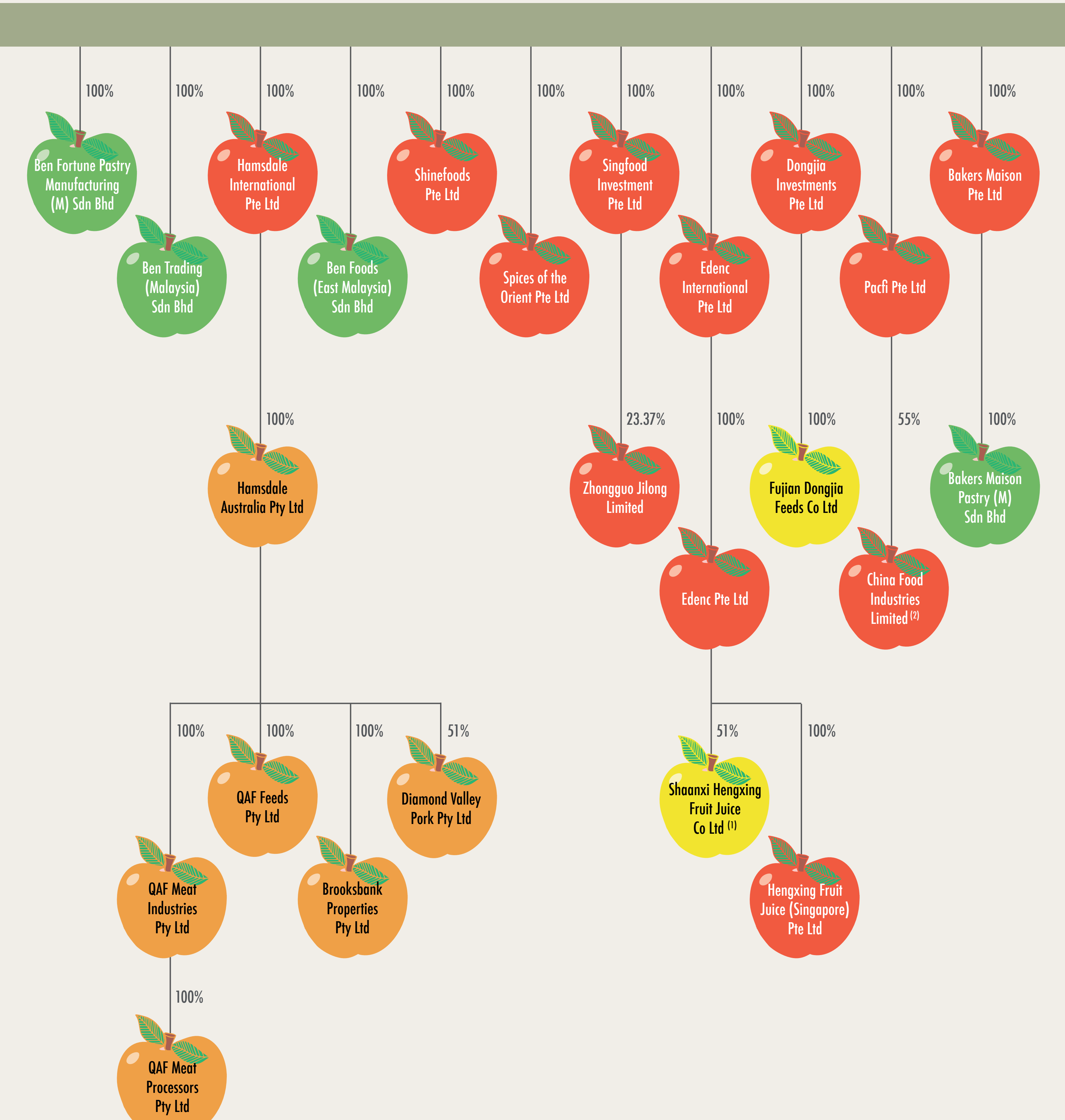
Tan Kong King
Group Managing Director
3 March 2006

Group Structure
as at 3 March 2006



Legend

- Singapore
- Malaysia
- Philippines
- Australia
- China



Notes:

This chart does not reflect interests of QAF in subsidiaries which are currently dormant and QAF's associated companies' interests in their respective subsidiaries and associated companies.

(1) Shaanxi Hengxing Fruit Juice Co Ltd holds the interests in 8 wholly-owned companies, namely Yangling Hengxing Seeding Co Ltd, Shaanxi Hengxing Fruit Juice Co Ltd Heyang Plant, Linyi Hengxing Fruit Juice Co Ltd, Zhongning Hengxing Fruit Juice Co Ltd, Qixian Hengxing Fruit Juice Co Ltd, Chunhua Hengxing Fruit Juice Co Ltd, Jingchuan Hengxing Fruit Juice Co Ltd and Hengxing North America, Inc.

(2) China Food Industries Limited holds the interests in 3 wholly-owned companies, namely Thye Seng Trading Co Pte Ltd, Junan Hengxing Foodstuffs Co Ltd and Shandong Xinquan Grain & Oil Co Ltd.

Board of Directors

Didi Dawis *Chairman*

Andree Halim *Vice Chairman*

Tarn Teh Chuen

Tan Kong King *Group Managing Director*

Phua Bah Lee

Kelvin Chia Hoo Khun

Derek Cheong Kheng Beng

Tan Hin Huat

Corporate Data

Registered And Corporate Office

150 South Bridge Road
#09-04 Fook Hai Building
Singapore 058727
Tel 6538 2866
Fax 6538 6866

Secretary

Ms Lee Woan Ling

Place Of Incorporation

Singapore

Date Of Incorporation

3 March 1958

Company Registration No.

195800035D

Registrar

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte Ltd)
8 Cross Street
#11-00 PWC Building
Singapore 048424
Tel 6236 3333
Fax 6236 3405

Audit Committee

Mr Kelvin Chia Hoo Khun
Mr Phua Bah Lee
Mr Tan Hin Huat

Auditors

Ernst & Young
10 Collyer Quay
#21-01 Ocean Building
Singapore 049315

Audit Partner
Mr Nagaraj Sivaram
(Since the financial year ended 31 December 2003)

Principal Bankers

DBS Bank Limited
Rabobank International
Sumitomo Mitsui Banking Corporation
United Overseas Bank Limited

Directors of the Company

Information as at 3 March 2006

Didi Dawis, aged 60, was appointed as a Director of the Company on 15 March 1988 and has been holding the position as Chairman of the Board since July 1990. He was last re-elected to the Board on 30 April 2004. As an established entrepreneur, Mr Dawis has interests in various businesses in Indonesia including being the sole franchise holder of Video Ezy, trading and distribution of building materials, real estate development, hotel and banking; some of which corporations he is also acting as the president director or chairman. He had also been the owner and joint-venture partner of a news magazine and a newspaper in Indonesia for some 8 years. Mr Dawis was instrumental in setting up the social lottery enterprise for the Indonesian Department of Social Affairs from 1986 to 1993 and is a member of the councils of several charitable and civic associations in Indonesia. As from July 2004, he has assumed the post as the vice-chairman of the Indonesian Chamber of Commerce and Industry, Kadin Indonesia-China Committee.

Andree Halim, aged 58, was appointed as a Director and Vice Chairman of the Company on 11 October 2003. He was last re-elected to the Board on 30 April 2004. Mr Halim graduated with a diploma in Business Studies from the South East London Technical College of United Kingdom. Mr Halim is an entrepreneur and holds interests in a wide range of businesses. He is the Vice-Chairman of Peaktop International Holdings Limited, a corporation listed in the Hong Kong Stock Exchange. He also holds directorships in various other private enterprises.

Tan Kong King, aged 55, was first appointed as a non-executive Director of the Company on 15 June 1995 and assumed the position as the Group Managing Director of the QAF Group in January 1996. Since then, Mr Tan has streamlined and refocused the QAF Group in the food industry, expanding the Group's existing bakery segment in markets where there are long term demand and prospects, disposing off the various insignificant non-food related operations and leading the QAF Group into a diversity of new food-related segments, such as the piggery and meat production, dairy and milk industry and fruit juice concentrate industry, which set the ground for the Group's further growth and expansion. In the early part of his career, Mr Tan had worked with an international accounting firm for 5 years. Subsequent to which he joined and assumed the managing directorship for the KMP Private Ltd group of companies from 1981 to 2004 Mr Tan has over 25 years of experience in managing group companies to-date and has much knowledge in the area of corporate restructuring and financing, investment strategies as well as group operations management. Mr Tan holds a B. Sc. Economics degree from the London School of Economics, University of London.

Directorships in companies listed in the Singapore Stock Exchange:

- Zhongguo Jilong Limited (non-executive director, appointed in 2004)
- China Food Industries Limited (executive chairman, appointed in 2005)
- PSC Corporation Limited (non-executive director, appointed in 2005)

Directorship in company listed in the Hong Kong Stock Exchange:

- Peaktop International Holdings Limited (non-executive director, appointed in 2005)

Tarn Teh Chuen, aged 46, was appointed as a Director on 15 June 1995 and last re-elected to the Board on 29 April 2005. Ms Tarn was made an executive Director and as the Head of Treasury for the QAF Group in 1998 taking charge of the planning and management of group financing matters. Ms Tarn started working for KMP Pte Ltd group of companies in 1983 as an accountant and assumed the post of group financial controller from 1990 until 2004. She has over 16 years of experience in the structuring of loans and group financing to-date. She graduated with a Bachelor of Accountancy degree from the National University of Singapore.

Directorships in companies listed in the Singapore Stock Exchange:

- China Food Industries Limited (non-executive director, appointed in 2005)
- Zhongguo Jilong Limited (non-executive director, appointed in 2005)

Derek Cheong Kheng Beng, aged 51, was appointed as a Director on 18 January 1996 and last re-elected to the Board on 30 April 2004. Mr Cheong was made an executive Director and as Head of Corporate Development for the QAF Group in January 2002 taking charge of matters in relation to mergers, acquisitions and business development. Prior to this appointment, he was the senior vice president of Business Development with the KMP Pte Ltd group of companies for 7 years. He had also worked as a treasury manager in a Singapore listed construction and engineering company, a corporate manager of United Industrial Corporation Limited as well as an assistant manager of Loans & Syndications in a merchant bank in Singapore before joining the KMP Group. Mr Cheong graduated with a Bachelor of Commerce degree from the University of Toronto, Canada. He also holds a Master of Business Administration from the University of British Columbia, Canada.

Directorship in company listed in the Singapore Stock Exchange:

- PSC Corporation Limited (non-executive director, appointed in 2005)

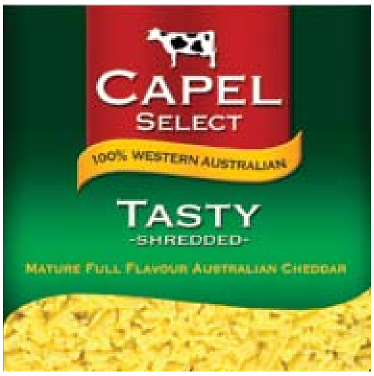
Phua Bah Lee, aged 73, was appointed as an independent non-executive Director on 8 January 1990. He was last re-elected to the Board on 29 April 2005. Mr Phua was an established member of the Government of Singapore having served as the Parliamentary Secretary of the Ministry of Communications from 1968 to 1971 and as the Senior Parliamentary Secretary of the Ministry of Defence from 1972 to 1988. He was a Member of Parliament for the Tampines Constituency from 1968 to 1988. Mr Phua graduated from the Nanyang University in Singapore with a degree in Bachelor of Commerce.

Directorships in companies listed in the Singapore Stock Exchange:

- Singapura Finance Ltd (non-executive director, appointed in 1988)
- Wing Tai Holdings Ltd (non-executive director, appointed in 1989)
- GP Batteries International Ltd (non-executive director, appointed in 1991)
- Metro Holdings Limited (non-executive director, appointed in 1993)
- Pan-United Corporation Ltd (non-executive director, appointed in 1993)
- GP Industries Ltd (non-executive director, appointed in 1995)

Kelvin Chia Hoo Khun, aged 54, was appointed as an independent non-executive Director of the Company on 25 January 2000. He was last re-elected to the Board on 29 April 2005. Mr Chia is the senior managing partner of Kelvin Chia Partnership, a regional law firm with offices in Singapore, Vietnam, China, North Korea and Myanmar. He specialises in the investment laws in various developing countries in the region and commercial litigation in Singapore. Mr Chia is also a director of Bausch & Lomb Singapore Pte Ltd, Spear Leeds & Kellogg (Singapore) Pte Ltd and several other private companies. Mr Chia holds a Bachelor of Law degree from the University of Singapore.

Tan Hin Huat, aged 53, was appointed as an independent non-executive Director of the Company on 2 September 2002. He was last re-elected to the Board on 29 May 2003. Mr Tan is currently a Senior Vice President of EFG Bank, Singapore Branch (Merchant Bank). He has more than 25 years of working experience in regional banking business covering the area of corporate banking, trade finance and private banking. Prior to joining EFG Private Bank group, he was the Head of Private Banking of ING Bank N.V. Singapore for over 5 years. He had also worked for a number of other major international banks including American Express Bank, Chemical Bank, Credit Lyonnais and ING Bank N.V. Mr Tan holds a Bachelor of Commerce degree from Nanyang University, Singapore.



Food Manufacturing

Shaanxi Hengxing Fruit Juice Co Ltd ('Shaanxi Hengxing')

The QAF Group acquired 51% of Shaanxi Hengxing in June 2005. Shaanxi Hengxing is the largest producer of apple juice concentrates in the world. It produces approximately 20% of China's total annual production of 500,000 MT of apple juice concentrates. China in turn produces 50% of the world's total annual production which makes it the world's largest supplier of apple juice concentrates. Headquartered in the main apple growing region of Shaanxi in China, the company has 9 production facilities located in 4 provinces which are capable of producing a total of 225,000 MT of apple concentrate products per annum with a total requirement of about 1.5 million MT of apples per annum. The apples are sourced from the company's own farms as well as from third party farmers who plant and grow apple trees as well as harvest them for the company.

Over 96% of Shaanxi Hengxing's products are exported to the major markets of the United States, Canada, the European Union, Russia and Australia. World demand for apple juice concentrates are growing steadily with the most rapid growth coming from China and Russia. The largest markets for apple juice concentrates currently are North America and the European Union.

The production and sale of apple juice concentrates is a new core business of the Group and it is expected that this business will be a major contributor to the Group's future performance and profitability. The QAF Group intends to grow this business both organically as well as regionally. In particular, the Group intends to develop and grow several complementary and related downstream businesses such as consumer apple juice production, apple pomace processing and fructose extraction. China's relatively low but rising domestic consumption of fruit juice gives Shaanxi Hengxing the opportunity to develop and produce its own line of apple juices and fruit-based beverages to tap into this large domestic consumer market. With higher disposable incomes and the adoption of western lifestyles and diets, QAF is poised to reap the benefits of a boom in the domestic fruit juice market. Apple pomace is a by-product of the apple juice concentrate extraction process and can be used as animal feed. The apple pomace produced by the Shaanxi Hengxing operations can be processed into animal feed in other QAF Group subsidiaries' feedmills in Shandong and Fujian to supply the Group's existing livestock operations in China or sold to third parties so as to generate additional

sources of revenue. Another natural by-product is fructose which is being increasingly used by food manufacturers as a sweetener in processed foods such as bakery and confectionery products rather than cane sugar. The demand for fructose as a healthier alternative to cane sugar is on the uptrend as fructose is sweeter than cane sugar but contains half the calories. Furthermore, Shaanxi Hengxing's international and domestic distribution network also provides the QAF Group with new markets and opportunities for the development and expansion of its existing food business.

Challenge Australian Dairy Pty Ltd ('Challenge')

51% owned Challenge is one of the leading companies in Western Australia which is involved in the trading of raw milk as well as the manufacturing and processing of fresh milk, cheese, butter, milk and whey powders as well as other dairy products. These products are exported as well as sold in the Australian markets. The company has 2 production facilities located at Western Australia – Capel and Boyanup.

The other 49% shareholder of Challenge is Challenge Dairy Co-operative Ltd ('CDC'), a co-operative whose shareholder members are current dairy farmers in Western Australia. These shareholder members supply milk to the Challenge Group.

CDC shareholder members constitute approximately half of the total number of dairy farmers in the state of Western Australia. The membership base can be expanded and existing members also have the capability to increase their production volumes easily. As such, the volume of raw milk supplies can be increased significantly within a relatively short period of time and Challenge will have access to a sizeable amount of raw milk for its manufacturing and processing operations. This unique arrangement gives Challenge a competitive advantage especially in the current situation of rapidly rising demand in the Asian and global markets.

From its position as a major player in the Western Australian milk and cream market, Challenge is now shifting progressively to the higher value added markets. The company has installed new automated equipment to produce its own range of branded products such as Capel Valley waxed cheeses and cracker rounds which are now listed in a major supermarket chain, Capel Cut which is made for the special needs of the food service industry, the Capel Supreme yoghurt and the new Capel Choice range of value added cheeses such as Cheddar (mild, tasty, vintage), Edam, Gouda, Lite, Mozarella and Romano. The Capel Choice range includes shredded, sliced and block cheese.

Challenge is also embarking on its plan to convert its present Boyanup facility from the production of low margin commodity products such as milk powders, butter and bulk cheese to the production and sale of higher value added frozen cream and concentrate products which have better margins.

In 2005, Challenge started to manufacture cheese, butter and UHT milk for the needs of other subsidiaries in the QAF Group. It is anticipated that Challenge will play an increasingly important role in developing and producing quality milk and dairy products for distribution by other QAF subsidiaries and associated companies in the fast growing Asian markets.

Western Australia is one of the most attractive locations for producing milk for the regional markets. Cost of milk production is among the most competitive by world standards. Productivity and product quality are also one of the highest in the world. The close proximity of Western Australia to the Asian markets also gives it the advantage of

lower freight and transportation cost compared to other milk producing regions. The unique position and location of Challenge give it an advantage to develop, produce and sell unique quality milk and dairy products to the fast growing Asian markets of Japan, China and South East Asia.

Zhongguo Jilong Limited ('Jilong')

The Group's 22.24% associate, Jilong, is listed on the main board of the Singapore Exchange Securities Trading Limited ('SGX-ST'). One of Jilong's principal business is the production of preserved and processed food products in China. Jilong processes and preserves mainly vegetables and fruits produced by its leased and third-party contract farms. These food products are then sold and distributed to customers in China and Japan. The Jilong Group also produces and distributes peanut oil which is used for cooking and food processing. It is also engaged in the sale of the residue from its peanut oil production. Its peanut oil products are sold in different packaging and sizes and are supplied to customers, who are mainly distributors and retailers, in more than 20 provinces in China.

Other products include the production and sale of juice concentrates, fruit juices and purified water marketed under its own brand name. Jilong supplies its beverage products to distributors, wholesalers and retailers and also supplies pure concentrated pear and apple juices to local beverage factories for their further processing.

The Jilong Group is one of the pioneers in China in the commercial production of freeze-dried food products such as freeze-dried vegetables, freeze-dried fruits and freeze-dried meat. It obtains raw materials for its freeze-dried food products from its leased and third-party contract farms and through open market purchases.

The operations of Jilong are located in Laiyang city in Shandong Province. Shandong's climate is highly suitable for the growing and production of fruits, vegetables and peanuts and hence provides Jilong with abundant natural resources for production.

The key strengths of Jilong lie in its strategic location in Shandong with easy access to sea ports which reduces costs of transportation and delivery, its extensive sales network in the PRC and its usage of modern technology and stringent quality control for its production processes.


Fresh
IN SINGAPORE
Hi Calcium Milk Bread
Gardenia
THE ORIGINAL AMERICAN RECIPE
Calcium helps build strong bones and teeth

Bakery

SINGAPORE

Gardenia Foods (S) Pte Ltd ('Gardenia Singapore')

Wholly owned Gardenia Singapore maintained its top position in the Singapore branded bread market. However, the industry faced increased competition in 2005 with a proliferation of new products from existing players as well as the entry of new competitors. Sales were also affected negatively by the price sensitivity of a segment of consumers who switched their purchases towards the low priced large loaves. Despite these challenges, Gardenia maintained its top leadership position by releasing several new products and by launching a successful new branding campaign.

To cater to the growing healthy lifestyle market, Gardenia Singapore launched the Hi Calcium Milk Bread in April 2005. With its high calcium content, this product has become the obvious choice for health-conscious individuals and families. Attractively priced and marketed as the branded loaf with the highest calcium content, this aromatic and soft loaf has boosted Gardenia's white bread market share.

Gardenia's R & D team continues to set the standard for product development in the industry with the launch of the Gardenia Country Loaves range in December 2005. This new range of European-styled loaves includes the Farmer's Loaf, Light Wholemeal Loaf, the Multigrain Country Loaf, the Plain Half Baguette and the Hard Rolls (Plain and Onion). Scrumptious and mouth-watering, the Gardenia Country loaves make a healthy meal or snack anytime of the day.

In May 2005, Gardenia Singapore launched a new TV commercial with the theme "A Healthier Choice for a Healthy Family." This campaign highlights a family of 3 generations enjoying various types of healthy and wholesome Gardenia bread. To reach Singapore's core heartland market, the campaign was extended to bus shelters throughout the country, and was also featured on Gardenia delivery vans. Also in May, a newly-revamped Gardenia website was launched to reinforce Gardenia's positioning and mass appeal in an increasingly sophisticated and net-savvy market as well to create more awareness for its wide range of healthy products.

2005 was also eventful as it marked Gardenia Singapore's first foray into the local arts scene. Gardenia was the official presenter of "Oi! Sleeping Beauty!!!", a musical pantomime which played at

the Drama Centre at the New National Library in December. The musical was very well-received by the public and press, and as the main sponsor, Gardenia gained tremendous publicity. To build up brand visibility prior to its sponsorship of the musical extravaganza, Gardenia also ran the "Win $8,888 Promotion", a National Consumer Promotion to reward its loyal customers. By submitting bread packages with promotional overbands, Gardenia consumers could qualify for a chance in cash prizes as well as tickets to "Oi! Sleeping Beauty!!!". To publicise the promotion, Gardenia ran press advertisements in Today and Lianhe Zaobao.

Bonjour Bakery Pte Ltd ('Bonjour')

Bonjour is the number 2 branded bakery product in the Singapore market. In late June 2005, the Bonjour Softmeal was introduced to the market as a much-improved wholemeal loaf which is very much softer and smoother in texture while at the same time retaining all the healthy attributes of a wholemeal bread.

During the year, the operations of Bonjour were integrated with Gardenia Singapore and this has resulted in greater efficiency and productivity.

MALAYSIA

Gardenia Bakeries (KL) Sdn Bhd ('GBKL')

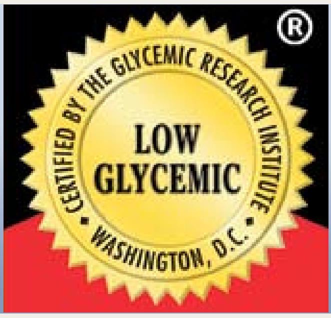
70% owned subsidiary, GBKL, operates the largest bakery operation in Malaysia. Its 4 plants in West Malaysia with 4 bread production lines and 3 bun and roll lines are capable of producing a combined total of about 500 million loaves and buns per annum. This makes GBKL's bakery operations the largest in South East Asia.

After a year of consolidation in 2004, GBKL emerged on a firmer foundation in 2005 and has further entrenched its top position in the bakery industry in Malaysia.

Despite increased competition from other bakeries, turnover for FY2005 reached an all time record of RM311 million. Production costs increased significantly in 2005 especially raw material and fuel costs. However, in spite of these rising production costs, GBKL achieved improved profit margins due to the overall increases in efficiency, better productivity from the rationalisation of product mix, yield improvements and increased selling prices for some of its products. Overall profitability reached a new record.

GBKL's Gardenia Bonanza range of bread products were especially well received by consumers in the price sensitive segment of the market. Gardenia Bonanza offers the high quality and value for money attributes which consumers have always associated with the Gardenia brand of bakery products. Another milestone was reached when the innovative Gardenia Breakthru product, which has been specially formulated with special functional ingredients to enhance consumers' health, was certified a diabetic friendly low glycaemic food by the Glycaemic Research Institute, Washington D.C. in September 2005.

GBKL extended its already wide market coverage by the addition of more sales routes and distribution outlets. Its excellent distribution network now comprises more than 20,000 outlets throughout Peninsular Malaysia. This competitive strength coupled with the company's strong management and control systems are constantly reinforced by on-going brand enhancement programmes. Some of the steps taken to strengthen and enhance the Gardenia brand during 2005 include the introduction of the Gardenia "Baker Man" logo as



well as changes to both product packaging and the design of the Gardenia delivery trucks.

In 2005, GBKL attained the ISI 2020 certification from the Research Institute of Standards in Islam ('RISIS'). This award demonstrates that the company's corporate and management philosophy, principles, culture and practices reflect universally accepted Islamic principles.

It is expected that the momentum set by GBKL will carry it to new milestones in terms of turnover and profitability in the coming years.

THE PHILIPPINES

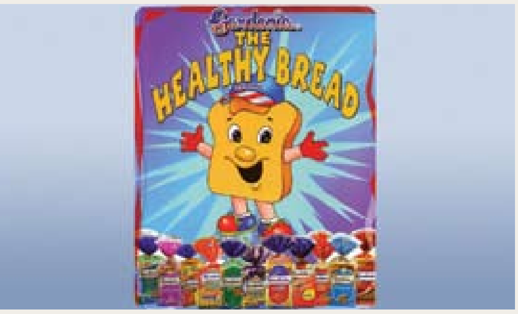
Gardenia Bakeries (Philippines) Inc. ('Gardenia Philippines')

Gardenia Philippines sales grew by another 25% in 2005, breaching the one billion peso net sales mark to end the year at Php1.2 billion ($37.5 million). Market share in the Metro-Manila branded loaf bread segment improved further beyond the 60% mark. This was achieved despite a flat consumer spending trend on bakery products during the year.

In 2005, a new building in the current facility in Laguna was completed. This building features the biggest bread Distribution Centre in the country which will further reinforce the company's outbound distribution capabilities and this will result in a more efficient daily delivery of fresh breads. This new building will also accommodate the future 6000 loaves per hour plant which is being planned to meet the continuing growing demand for Gardenia bread.

Last year, Gardenia Philippines acquired an existing snack cake production line and installed it in its Laguna International Industrial Park facility. This plant now produces Twiggies, a single-serve snack cake which comes in two flavors: chocolate and vanilla. Perfect for kids and adults alike, the Twiggies experience that has long been in Singapore and Malaysia is now available in the Philippines. Twiggies marks Gardenia Philippines' entry into the rapidly-expanding snack market. Twiggies is an indulgingly delicious cake with an oozing rich sweet filling and a cake-moist goodness in every bite. Gardenia Philippines also introduced the image enhancing Amazing Loaf Line series, whose flavors change every few months. The first offering was the Black Forest Loaf, which is a lusciously soft and moist chocolate bread, with generous twirls of rich chocolate filling, laden with sweet, succulent cherries. A big hit in the market despite its premium price, the Black Forest loaf is being retained in the market for a longer time while another next Amazing Loaf flavor is marketed. Another new product was the No Sugar Added white sandwich loaf, which is targeted mainly for the health conscious segment of the market. It is specially suited for the needs of diabetics. The Whole-wheat bun was also introduced last year and this product is made from all-natural high fiber cracked whole wheat, rich in phytonutrients. This delicious high fiber bread in a bun form deliciously promotes good digestive health and is anticipated to be a success in the large bun and Pandesal market segments.

Gardenia's loaves now reach the northern-most cities of Luzon. Distribution has expanded to the north-eastern provinces of Cagayan Valley and Nueva Vizcaya and has reached the city of Tuguegarao. In the north-western side of Luzon, distribution has now reached all the way to Laoag City in the province of Ilocos Norte including Ilocos Sur and Abra. In the Visayas island group, Gardenia breads now reach Bacolod City in Negros Province, the main sugar cane producing island in the Philippines. Future growth potential is still huge, which includes the rest of the Visayas region, which



holds the country's second largest metropolis, Cebu, and the second biggest island group – Mindanao. While the company has expanded geographically, it has also intensified coverage and penetration, especially in Metro Manila. The company now caters to small neighborhood variety stores in a move that is designed to provide convenience and accessibility of our products to households.

Because of the Gardenia loaf bread popularity, various food companies have tied up with the brand, offering their products as free promotional items. This allows Gardenia to offer value-added products like cheese, peanut butter and juices to its consumers.

The company launched a project which is tied up with the Department of Education to promote healthy eating among school children in both public and private schools. The program features a workbook that is entitled "The Healthy Bread", which was designed to teach grade one students the right food to eat and a lot more about healthy eating. It also features the importance of nutrients which are obtained from bread. The workbook, which was developed in cooperation with the Department of Education offers fun learning in the classrooms and has been incorporated in the school curriculum. The company also enhanced its plant tour program as the latter continues to be an effective way of creating awareness among students and parents as well. Last year, tour visitors numbering 500 to 3,500 daily were being accommodated in the company's two new building auditoriums with 100-person seating capacity each. A photo opportunity area with the Gardenia mascot and giant white loaf bread was in place to allow for the taking of souvenir photos of students visiting the plant. Walkway tunnels to production areas have been transformed to a fantasy and product exhibit trail where young students get amazed. Educational plant tours in Gardenia highlight the state-of-the-art fully-automated breadmaking process in a truly clean and sanitary environment which, when coupled with a presentation about healthy-eating, make Gardenia one of the most student-visited places in the country. After every tour, most students get to purchase Gardenia products at the Bread Store to share with their family at discounted factory prices.

In recognition of Gardenia's exemplary market performance, the company received again in 2005 several awards. Notable were the Annual National Consumers' Award (ANCA) as the "Outstanding Bread Manufacturer" by the Consumers' Union of the Philippines for the second straight year, Superbrands 2005 also for the second straight year, the People's Brand Awards as the "Number 1 Loaf Bread and Pandesal Brand Manufacturer" and the National Shopper's Choice Awards as "Number 1 Innovative Bread Brand".

AUSTRALIA

Bakers Maison Australia Pty Ltd ('Bakers Maison')

The Bakers Maison bakery specialises in the manufacture of quality French style par-baked breads as well as an extensive range of full butter pastries. The bakery is located in East Botany, New South Wales, Australia and is just 15 minutes from the Sydney Kingsford Smith International Airport.

The company's range of par-baked products includes variants of baguette, batards and rolls while the mixed pastries range includes various types of croissants, Danish, snails, muffins and lattice. The Bakers Maison bakery plant manufactures daily fresh products for distribution to cafes, restaurants, hotels, convenience stores and bakery shops within Sydney.



In recent times, the market has become more discerning and are demanding more specialty breads. Customers, especially those in the Food Service segment, require good quality ready-to-use fully baked or frozen products within a short delivery lead time. Bakers Maison has positioned itself well in this market, providing a good range of premium quality products which have the highest quality ingredients. The company uses its own trucks to distribute its daily fresh products efficiently within the Sydney market. It sells direct to bakery cafes, hotels, petrol kiosks, educational institutions, food caterers and wholesalers who in turn distributes Bakers Maison products to airlines, cruise ships, clubs and restaurants.

Since May 2005, Bakers Maison is a major supplier of pastry products to the Starbucks Coffee chain of stores for the whole of Australia. Bakers Maison produces a range of 14 different pastry products, including 3 exclusive ones, for Starbucks Coffee. In addition, Bakers Maison also provides logistic services for Starbucks such as the provision of central cross docking facilities as well as the receiving, reconciling, packing and delivery of food and beverage products to Starbucks from other third party suppliers.

Bakers Maison participated in Fine Foods Show exhibition in Sydney in September 2005 which attracted more than 28,000 visitors from the food service industry. The company's stand attracted a great deal of interest from the visitors and a large number of new market leads were established. Bakers Maison also sponsored the TAFE 2005 WorldSkills competition where young workers from the Hospitality industry had the opportunity to showcase their skills to senior people in the industry.

While Bakers Maison's contribution to the Group may be small in terms of sales and profitability, the company has an established track record of technological expertise in the area of par-baked bakery products which the Group can develop further for its other bakery operations. There is also the potential to export Bakers Maison products to Asian markets.

Primary Production

QAF Meats

QAF Meats is a fully integrated operation in Australia which is involved in stockfeed milling, breeding and farm operations, abattoir (slaughterhouse) operations, deboning, meat cutting as well as distribution. It is the largest producer of pigs and pork meat in Australia and the region. In 2005, QAF Meats sold about 1,045,000 heads or more than 79,000 MT of meat.

In Australia, QAF Meats remains the largest producer with a 20% market share. Its dominance of the market can be clearly seen when its next largest competitor has only a 7% market share. QAF Meats has also a dominant position in the export markets with market shares of 27% and 21% of total Australian pork exports to Singapore and Japan, respectively.

Breeding and farm operations are spread out in 8 company-owned sites spread out in separate locations in the states of New South Wales and Victoria. The sites have a total area of about 100 square kilometres. QAF Meats has also 57 contract growers who are independent farms which breed and grow livestock belonging to and on behalf of QAF Meats.

Production systems at the farm operations are based on the latest methods and technologies which include eco-shelter production systems which are environmentally clean and efficient.
The good health status of the herds are also maintained through the use of all-in-all-out ('AIAO') systems which ensure that sheds are completely cleaned out between batches of animals. Segregated weaning systems ('SEW') are also used to separate and isolate different herd batches as they grow. These production systems reduce the incidence of disease transmission.

QAF Meats produces its own stockfeed for its herd's consumption through its company-owned stockfeed mills. It owns and operates one of the largest stockfeed mills in Australia, with a capacity of more than 600,000 MT per year. The main mill is situated in Corowa, NSW while a smaller facility is located in Balpool, NSW. The major raw materials for stockfeed are wheat grain, barley, triticale, canola, other grains and pulses and these are purchased directly from growers in the surrounding area which is a major grain producing region. To ensure that raw materials are sourced at the most competitive price and in the right quantities and quality, QAF Meats purchases the majority of its annual requirements during the annual harvest period of December and January.

Slaughtering and deboning are operated out of QAF Meats' company-owned abattoir and deboning facility at Corowa. The abattoir is the largest abattoir facility in Australia and is situated on one site, with a capacity to slaughter 1 million heads per annum. QAF's abattoir only slaughters livestock produced by QAF Meats so as to prevent possible contamination from external sources which may affect the company's products. The use of the wholly dedicated in-house slaughter facility also allows QAF Meats to achieve the best quality carcases and meat cuts, while at the same time ensuring the maintenance of the highest hygiene and sanitation standards as well as realising the lowest possible cost.

The on-site boning facility is fully integrated with the abattoir. Production flow is synchronised by an 'on-line' computer system which also controls an automated packing system. Automation and the specialisation of cuts reduce unit processing costs as well as wastages. The deboning facilities allow QAF Meats to serve the retail market which buys meat in boxed forms as well as to export chilled meat cuts into Japan.

Operations are supported by "state of the art" quality control and research systems. QAF Meats maintains an on-site National Association of Testing Authority ('NATA') accredited laboratory to ensure highest standards of hygiene and food safety. The operations also have an ISO9000/2000 Certification and work within the guidelines of the Australian Quarantine and Inspection Service ('AQIS') approved Meat Safety and Quality Assurance Standard. Operating procedures based on the above standards have been formulated, developed and maintained for various operational activities such as cleaning, sanitation, hygiene, water supply, animal welfare, training, slaughter, boning and chilling.

In 2005, QAF Meats repositioned itself in the meat industry by becoming a leading producer and distributor of fresh pork in the retail industry. It is now the single largest supplier of pork to a domestic supermarket chain and the products are supplied in vacuum packed cuts, including case ready products. The entire boning room in Corowa is now dedicated to the production of chilled pork for the retail sector. QAF Meats is expecting further growth in this market segment in the near future.

During 2005, QAF Meats developed its own moisture enhanced boneless and bone-in pork cuts. Under its brand "High Country", QAF Meats manufactures and distributes its moisture enhanced products to the food service markets. It also has an arrangement with a major distributor to market this range of products nationally. The success achieved for "High Country" has been so encouraging that QAF Meats has developed another range of moisture enhanced products under another brand, "Murray Valley Pork", which will cater to other regional food service companies and retailers.

Diamond Valley Pork Pty Ltd ('Diamond Valley')

Diamond Valley is a joint-venture company which is 51% owned by the QAF Group. It specialises in the slaughter of sows and has a capacity of 250,000 heads per year. Located at Laverton, Melbourne, Diamond Valley provides slaughter facilities for QAF Meats as well as for other farms and wholesalers.

The company has boning lines with a capacity to process about 300 sows per day. It has also a facility to produce minced meat products for exports, especially to Japan.

Diamond Valley's performance has been encouraging and plans for expansion are being reviewed.

China Food Industries Ltd ('CFI')

CFI is a company which is listed on the SESDAQ board of the SGX-ST. After a partial takeover exercise which was launched in April 2005, the QAF Group successfully completed the acquisition of a 55% interest in the total shareholdings of CFI in June 2005.

CFI has 3 wholly-owned subsidiaries, Junan Hengxing Foodstuffs Co Ltd ('Junan Hengxing'), Shandong Xinquan Grain & Oil Co Ltd ('Xinquan') and Thye Seng Trading Co Pte Ltd ('Thye Seng').

Junan Hengxing operates an integrated farming facility in Shandong Province, China. The integrated operation consists of a feedmill, breeder farms, commercial farms and an abattoir (slaughterhouse). The feedmill has an annual production capacity of 120,000 tonnes per annum of which a significant amount of feed are produced for Junan Hengxing farms' own requirements each year. The company also produces and sells feed to various external customers in Jiangsu, Anwei and Henan provinces.

The company also owns and operates 2 Breeder Farms and 8 Commercial Farms. The Breeder Farms have about 3,000 boars and sows as well as about 11,000 heads of gilts and progeny. The breeders and gilts are sold to external customers as well as being bred for Junan Hengxing's own use at its Commercial Farms. The 8 Commercial Farms have a herd population of about 5,700 breeders and 28,200 progeny. Total annual production is about 123,000 heads.

The company owned abattoir is automated and is capable of slaughtering 1,500 heads per day (or about 500,000 heads per annum). Its blast freezer has a 200 tonnes capacity while its other freezers can hold up to 2,000 tonnes at any one time.

Junan Hengxing's meat products are sold domestically and also exported to Hong Kong, Russia, Ukraine and Eastern Europe.

Xinquan was newly formed and has acquired a new soya bean crushing plant in Shandong. The plant has a processing capacity of 400,000 tonnes per annum and produces soya meal and soya oil products. Presently, the soya meal product is used by CFI's farming operations as animal feed as well as sold to wholesalers and feedmill customers in the region. Soya oil, which is used for cooking oil, is sold to wholesalers and distributors.
The company is considering the development of its own branded retail packs for distribution to consumers directly.

Thye Seng is an established food wholesaler and distributor in Singapore and has been in operations since 1992. In April 2005, Thye Seng was appointed the exclusive distributor of Surimi-based and frozen fish fillet products in Singapore for Ocean International Holdings Limited.

Trading, Distribution and Logistics

Ben Foods (S) Pte Ltd ('Ben Foods')

Wholly-owned Ben Foods is a leading wholesale food distribution company in Singapore. It distributes a wide range of food and beverage products including meat, milk and dairy products, soups, pastry, confectionery, sauces, spreads, snack products, wines and juices. Ben Foods serves a diverse range of customers such as supermarkets, wholesalers, food manufacturers, fast food chains, bakeries, independent retail outlets, hotels, restaurants, flight kitchens and sea vessels in Singapore.

The company has also successfully developed its own prorietary brands such as Cowhead (milk and dairy products), Farmland (processed meat and foodstuff), Haton (seafood products) and Orchard Fresh (juices). In particular, Ben Foods' Cowhead products are widely distributed in Singapore as well as in the region – the Philippines, Vietnam, Cambodia , Myanmar and Macau. Cowhead products include fresh and full cream milk, UHT milk, condensed and evaporated milk, butter and cheddar cheese. Raw materials are sourced from renowned manufacturers in Australia (including the Group's subsidiary Challenge Australian Dairy Pty Ltd in Western Australia), New Zealand and South America.

In 2005, the company introduced another new product under its Farmland proprietary brand called Farmland Oregon Fresh Potato Chips. The product has been well received by the market.

A rationalisation of Ben Foods operations was conducted in 2005 and the company has achieved higher margins on its product sales. At the same time, overhead costs were reduced. As a result, profitability for Ben Foods improved.

NCS Cold Stores (S) Pte Ltd ('NCS')

NCS is a public cold store which is strategically located in Jurong Industrial Estate. It is less than 10 minutes drive from Jurong Port where ships berth for the loading and unloading of marine products. NCS provides for its customers multiple temperature rooms for the storage of cargo, ranging from dry to frozen. It is the largest public cold store in Singapore with a capacity for 14,000 pallets and it occupies a land area of over 27,000 square metres.

Besides storage, the company also provides integrated facilities as a total service for its customers such as container plug-in service, cargo clearance, delivery services as well as rental of office and processing rooms.

In 2005, the company enjoyed a full occupancy rate for its freezer rooms as well as for its dry, air-conditioned and chiller storage rooms which are now almost wholly rented out to long term customers.

To better serve its customers and position itself for future business growth, the company has embarked on a programme to implement the HACCP system which is targeted to be operational in early 2006. NCS will also be upgrading its refrigeration system this year.

PSC Corporation Ltd ('PSC')

23.4% owned associate PSC is listed on the main board of the SGX-ST. PSC has the largest minimart chain of franchisees in Singapore. The minimart outlets come under the Econ Minimart name and PSC provides these franchisees with management support as well as a reliable supply of high-quality everyday essentials. The company also provides the iEcon franchise which has proven to be successful. The iEcon store provides convenient services to consumers in one location such as AXS machines for convenient payment for services, laundry-collection and other services.

PSC's manufacturing arm in Singapore, Fortune Food Manufacturing is a leading player in the chilled food industry. Its brands, Fortune and SOBE, are highly successful household names. Products manufactured by Fortune Food Manufacturing include chilled tofu, noodles, chin chow and pasteurised soymilk. PSC's Malaysian subsidiary, Tips Industry (M) Sdn Bhd is a leading consumer paper product manufacturer. Tips products include facial tissue, napkins, hand towels, kitchen towels and toilet rolls. Beautex, a household brand of paper tissues, was awarded the Superbrands status.

The company has built numerous successful brands and has developed a comprehensive distribution service for its own proprietary house brands as well as other agency lines. PSC's prominent brands include Royal Umbrella Fragrant Rice, Golden Peony Fragrant Rice, Golden Circle Corn Oil and Soyalite Soyabean Oil. A new brand of rice, Gitangkim, was launched and PSC has the sole distributorship for JA-Zenchu rice, a high quality, authentic Japanese rice grown in Japan.

Others

Oxdale Dairy Enterprise Pty Ltd (‘Oxdale Dairy’)

The Group’s wholly owned subsidiary, Oxdale Dairy, operates 2 dairy producers in Cobram, Victoria, Australia. The 2 dairy producers have a total land area of more than 733 hectares of freehold land and have access to adequate water. The facilities are supported by a good complement of ancillary assets such as 2 rotary dairys (a 42 stand and a 50 stand), irrigation equipment, laneways, barns and electric fences. Todate, the total number of cattle (Freisian, Freisian Jersey Cross, Holstein and Brown Swiss) are about 1,900 and the average number of milking cows is about 1,000.

Oxdale Dairy’s operations have a competitive advantage in that it can utilise the large areas of buffer pasture land belonging to QAF Meats to grow and pasture its dairy cattle population. This advantage allows Oxdale Dairy to increase its herd rapidly without additional large investments in land, water resources and feed lots. Cost of feed is also lower as Oxdale Dairy’s cattle can also graze on QAF Meats’ buffer pasture land.

The performance of Oxdale Dairy continues to be encouraging. Demand for milk by manufacturers continues to be high. Oxdale Dairy should reach its target of achieving an average of 1,500 milking cows and this should make it one of the larger dairy producers in Australia.

In accordance with the listing rules as stated in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), this Report describes the corporate governance processes and activities of QAF Limited ("QAF") and its subsidiaries ("the Group") with specific reference to the principles of the Code of Corporate Governance ("Code").

Principle 1 : Board's Conduct of its Affairs

The Board of Directors of QAF ("Board") is scheduled to meet at least four times a year and as warranted by circumstances. For the financial year under review, the attendance of the directors of the Company ("Directors") at meetings of the Board and Board committees is as follows:

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended
Didi Dawis	4	4	NA	NA	1	1	1	1
Andree Halim	4	4	NA	NA	NA	NA	NA	NA
Tan Kong King	4	4	NA	NA	1	1	NA	NA
Phua Bah Lee	4	4	4	4	1	1	1	1
Tarn Teh Chuen	4	4	NA	NA	NA	NA	NA	NA
Derek Cheong Kheng Beng	4	4	NA	NA	NA	NA	NA	NA
Kelvin Chia Hoo Khun	4	4	4	4	NA	NA	1	1
Tan Hin Huat	4	4	4	4	NA	NA	NA	NA

The Board arranges for telephonic-conferencing for any Director who is otherwise unable to be present physically at the meetings.

The Board is responsible generally for the broad business strategy and financial objectives of the Group, monitoring the performance of the Management, as well as providing oversight in the proper conduct of the Group's business. Specific matters which are referred to the Board for approval include the following:-

- Approval of periodic financial results announcement
- Approval of annual audited consolidated accounts for the Group and the Directors' Report thereto
- Approval of annual budgets for the Group
- Evaluating the adequacy of internal controls
- Approval of major investment or divestment by the Group
- Approval of major funding proposal or bank borrowings
- Approval of major corporate restructuring
- Approval of interim dividends and proposal of final dividends for shareholders' approval
- Approval of issues of shares, warrants and any other equity or debt or convertible securities of the Company

Additionally, the Board delegates and entrusts certain of its functions and power to the Nominating, Audit and Remuneration Committees.

The Management (with the assistance of external professionals when necessary) furnishes the Directors with information concerning the changes in laws, regulations or accounting standards where they may be applicable to the Company and relevant in enabling the Directors to carry out their duties and responsibilities properly. The Group Managing Director briefs the Board at the beginning of each financial year on the general economy trend, specific industry factors and developments affecting the businesses of the Group and the Group's business outlook for the year.

Principle 2 : Board Composition and Balance

The Board comprises eight Directors of whom three are executive Directors and five are non-executive Directors. The non-executive Directors are Mr Didi Dawis (the Chairman of the Board), Mr Andree Halim (Vice-Chairman of the Board), Mr Kelvin Chia Hoo Khun (chairman of Audit Committee), Mr Phua Bah Lee and Mr Tan Hin Huat.

The executive Directors are full-time employees of the Company, comprising Mr Tan Kong King (the Group Managing Director), Ms Tarn Teh Chuen (the Head of Treasury) and Mr Derek Cheong Kheng Beng (the Head of Corporate Development).

The Board considers Mr Phua Bah Lee, Mr Kelvin Chia Hoo Khun and Mr Tan Hin Huat, who are non-executive directors, to be independent Directors. The criterion of independence is based on the principles stated in Paragraph 2.1 of the Code. The Board also considers Mr Didi Dawis, a substantial shareholder of the Company who is deemed interested in approximately 10.42% of the issued shares of the Company, as independent for the purpose and intent of the Code. As aside from his shareholdings, neither Mr Didi Dawis nor his associates have any business transactions or relationship whatsoever with the Company, its related companies or its officers which could interfere with the exercise of his independent business judgement with a view to the best interests of the Company.

Mr Andree Halim is considered as a non-independent Director in view of him having a controlling stake in the share capital of the Company.

The Board is of the view that the current board size of eight directors is appropriate and effective taking into account the nature and scope of the Group's operations and the corporate goals and objectives the Group strives to achieve. As a group, the Board members bring on the Group invaluable knowledge and experience in accounting, finance, legal, business strategies, as well as cross-border investment insights.

Principle 3 : Role of Chairman and Chief Executive Officer ("CEO")

There is a clear division of roles played by the independent Directors (who are non-executive) and the executive Directors (who are involved in the day-to-day management of the Company and/or its subsidiaries), which ensures that there is a balance of power and authority at the top of the Group. To enhance the balance of power, the posts of Chairman and the Group Managing Director are kept separate and these positions are held by Mr Didi Dawis and Mr Tan Kong King respectively, who are not related to each other.

The Board delegates the day-to-day management of the Group to the Group Managing Director, who is assisted by the other executive Directors.

The Chairman, in addition to his duties as non-executive director of the Company, is responsible for the effective working of the Board as a whole.

Principle 4 : Board Membership

The Nominating Committee comprises two non-executive independent Directors and one executive Director, namely Mr Didi Dawis, Mr Phua Bah Lee and Mr Tan Kong King.

The Nominating Committee is charged with the responsibility of sourcing and recommending suitable candidates for the Board's approval if there should be a need to appoint new directors whether to fill vacancies or as additional directors. Any recommendation of the Nomination Committee is subject to the Board's final approval, whose decision shall be final and binding.

The Nominating Committee is also empowered by the Board to decide on the re-appointment of members of the Board subject to retirement by rotation. Article 93 of the Company's Articles of Association requires one third of the Board (other than the Group Managing Director) to retire by rotation at every Annual General Meeting of the Company ("AGM").

Principle 4 : Board Membership (Cont'd)

In deciding whether to nominate Directors to stand for re-election at each AGM, the Nominating Committee will assess and evaluate the contribution of each individual Director to the effectiveness of the Board. The review parameters for evaluating each Director, include, among others, attendance at board/committee meetings, participation and involvement in decision-makings in meetings and knowledge and experience of the Directors which are relevant to the operations and conduct of businesses of the Group.

In reviewing whether Directors with other board representations are able to spend sufficient time and attention on the Company's affairs, the Nominating Committee takes into consideration the parameters as above described and is satisfied that such board representations have not compromised the Directors' ability to carry out their duties adequately.

The Nominating Committee also reviews annually as to whether there is a change to the independence status previously accorded to the relevant Directors following the guidelines as set out in the Code.

Principle 5 : Board Performance

The Board takes the view that all its members should be involved in the assessment of the effectiveness of the Board as a whole and the setting of performance assessment criteria.

The Board believes that in evaluating its effectiveness, both quantitative and qualitative criteria of a long-term perspective ought to be taken into account. In reviewing its performance, the Board gives due consideration to the financial performance of the Group (with indicators such as its long-term revenue or profit trend and/or such other appropriate indicators depending on the nature and scope of the Group's business from time to time); the business expansion and growth potentials brought about by the Board in setting the strategic directions of the Group; and the effectiveness of the Board in redefining corporate strategies in a changing business environment and in steering the Group towards the objectives set, all of which should form part and parcel of the bases for sustaining long-term wealth and value in the Company.

Principle 6 : Access to Information

In order to ensure that the Board is able to fulfil its responsibilities, the Management provides all the Board members with the Group's monthly management accounts. Detailed Board papers are prepared for each meeting of the Board and are normally circulated two days in advance of each meeting. The Management is required to ensure that the Board papers contain adequate information pertaining to the agenda (including, as the case may be, budgets, forecast, financial results and explanatory notes on variances) so as to enable the Directors to be properly briefed on issues to be considered at Board meetings.

The Directors have separate and independent access to the Company Secretary. The Company Secretary attends all Board and Committee meetings and is responsible to ensure that minutes of meetings are properly and fairly recorded, rules on board procedures are observed and relevant statutes and regulations which are applicable to the Company or the Directors are complied with.

The Company Secretary is also tasked to co-ordinate communications for the non-executive Directors with the chief executive officers/general managers of the operating subsidiaries, the financial controllers and other senior executives as and when required by the non-executive Directors. They are encouraged to speak to the individual officer-in-charge to seek additional information as they may deem fit.

If Directors, whether as a group or individually, need independent professional advice, the Company Secretary will seek the appropriate external advice. The cost of such professional advice will be borne by the Company.

Principle 7 : Procedures for Developing Remuneration Policies

Principle 8 : Level and Mix of Remuneration

The Remuneration Committee comprises three Directors, all of whom are non-executive independent Directors, namely Mr Didi Dawis, Mr Phua Bah Lee and Mr Kelvin Chia Hoo Khun.

The Remuneration Committee is delegated the tasks of reviewing the remuneration packages of the Group Managing Director and the other executive Directors to ensure that the packages are competitive and sufficient to attract, retain and motivate executive directors of the required quality to run the Company and the Group successfully. The Remuneration Committee also reviews the executive Directors' compensation annually and determines appropriate adjustments. The recommendations of the Remuneration Committee are subject to the final decision and endorsement by the Board. Any Directors who may have an interest in the outcome of the Board decisions are required to abstain from participation in the approval process.

The Board believes that the remuneration programme for the key executives of the Group (other than the executive Directors) is best set and determined by the Management. The Board noted that it is the Group's policy to set a level of remuneration that is appropriate to attract, retain and motivate all competent and loyal key executives. Their remuneration generally include a fixed as well as a variable component. The fixed component is the base salary and variable component is in the form of a variable bonus linked to the individual's or the relevant subsidiary's performance. Annual adjustments to the remuneration are made taking into account the performance of the Group and/or of the relevant subsidiary, the prevailing market pay, the seniority and level of responsibilities of the individual as well as his/her performance. Another element of the variable component for the key executives is the grant of share options under the QAF Limited Share Option Scheme 2000 ("Scheme 2000").

The Group Managing Director's remuneration is subject to the terms as provided in his service contract entered into with the Company.

The Remuneration Committee adopts similar policy and approach as outlined in the paragraph above when reviewing the remuneration of the executive Directors.

Most of the Remuneration Committee members have certain degree of experience in managing firms or companies. The Remuneration Committee is encouraged to seek external professional help whenever it deems necessary.

All executive Directors do not receive any directors' fees. Non-executive directors are paid a basic fee and an additional fee for serving as the Chairman of the Board or members of the Audit Committee. Such fees are subject to approval by the shareholders of the Company as a lump sum payment at each AGM of the Company. The Company holds the view that the interests of maintaining the objectivity and independence of the non-executive Directors is best served by a cash-based fixed fees at a rate broadly in line with those that are adopted by a majority of other listed companies.

The grant of share options pursuant to the Scheme 2000 is employed by the Group to provide long-term incentives for its executives. The Share Option Committee was established in year 2000 comprising Mr Didi Dawis, Mr Phua Bah Lee and Mr Tan Kong King to administer the Scheme in accordance with the rules as approved by shareholders of the Company in a general meeting held on 12 May 2000. The objectives of the Scheme are to motivate the executives (including the executive Directors) of the Group to optimise their performance standards and efficiency and to retain key executives whose contributions are important to the long term growth and profitability of the Group.

The limits on the maximum number of shares over which options may be granted to any one individual pursuant to the Scheme 2000 shall be determined at the absolute discretion of the Share Option Committee.

No member in the Share Option Committee is allowed to participate in any decisions over his own grant of options. Non-executive Directors are not eligible to participate in the Scheme 2000.

More information on the Scheme 2000 is hereafter provided in the Directors' Report and in the audited financial statements attached thereto.

Principle 9 : Disclosure on Remuneration

The following tables reflect the breakdown of Directors' remuneration and the remuneration of the top 5 executives of the Group (in addition to the executive Directors) for year 2005:-

(1) Table shows breakdown of executive Directors' Remuneration (in percentage terms):

	Salary	Bonus	Other Benefits*	Total
$1,250,000 to below $1,500,000				
Tan Kong King	67%	30%	3%	100%
$250,000 to below $500,000				
Tarn Teh Chuen	76%	24%	–	100%
Derek Cheong Kheng Beng	73%	24%	3%	100%

*excluding share options which are disclosed in the Directors' Report

(2) Table shows non-executive Directors' Fees:

$45,000 and below	
Didi Dawis	Chairman of the Company
$30,000 and below	
Andree Halim	Vice-Chairman of the Company
Phua Bah Lee	Member of the Board and Audit Committee
Kelvin Chia Hoo Khun	Member of the Board and Audit Committee
Tan Hin Huat	Member of the Board and Audit Committee

(3) Table shows the gross remuneration received by the top five executives of the Group:

Number of the top 5 executives of the Group in remuneration bands:-	
$250,000 and below $500,000	5
Below $250,000	–

The Group does not employ any immediate family member of a Director or the Group Managing Director.

Principle 10 : Accountability

The Directors fully recognise the principle that the Board is accountable to the shareholders while the Management is accountable to the Board.

The Company has adopted quarterly reporting since 1 January 2003. In presenting the annual financial statements and quarterly announcements to shareholders, the Board has and will continue to provide the shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects.

Management provides the Board with appropriately detailed management accounts of the Company and the Group on a monthly basis.

Principle 11 : Audit Committee

Principle 12 : Internal Controls

Principle 13: Internal Audit

The Audit Committee of the Company comprises three non-executive independent Directors, namely Mr Kelvin Chia Hoo Khun (the Chairman of the Audit Committee), Mr Phua Bah Lee and Mr Tan Hin Huat. All its members are appropriately qualified to discharge their responsibilities. Both Mr Phua Bah Lee and Mr Tan Hin Huat hold a degree in Bachelor of Commerce and Mr Kelvin Chia is a senior practising lawyer.

The Audit Committee performs the functions set out in the Companies Act and the Code. It has written terms of reference which sets out its authority and duties. Some of its responsibilities include:

- To review the audit plans of the Company's external auditors and their evaluation of the systems of internal accounting controls arising from their audit examination
- To review the external auditors' report (including assistance given by the Company's officers to the external auditors)
- To review the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board
- To review periodic results announcements of the Company before their submission to the Board
- To review interested person transactions pursuant to the Listing Manual
- To review annually the independence and objectivity of the external auditors, taking into consideration the non-audit services provided to the Company and to recommend on the appointment or re-appointment of the external auditors
- To review scope and results of the internal audit procedures
- To review the periodic findings of the internal auditors and with the assistance of the internal auditors, conduct an annual review of the effectiveness of the Group's material internal controls

The Audit Committee is empowered by its written charter to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention. It has full access to and co-operation of the Management, including the internal auditors, and has full discretion to invite any Director and executive officer to attend its meetings.

The Group has an internal audit team of two internal auditors who are members of the Institute of Certified Public Accountants of Singapore and the Institute of Internal Auditors. Their primary line of reporting is to the chairman of the Audit Committee. The Audit Committee ensures that the team is adequately resourced. It also reviews and approves the annual internal audit plan proposed by the team. The internal auditors, like the external auditors, report independently their findings and recommendations to the Audit Committee in each Audit Committee meeting.

The Audit Committee also meet with the external auditors at least once a year, without the presence of the Management.

The review of the Group's systems of internal control is a continuing process. The system of internal control adopted by the Group is designed to manage rather than eliminate the risk of failure to achieve business objectives. Based on the audit reports and management controls in place, the Audit Committee is satisfied that there are adequate material internal controls in place for the Group.

The Board acknowledges its responsibility overall for ensuring that there is a sound system of internal control to safeguard the shareholders' investments and Company's assets, and is satisfied that there has been no significant breakdown or weaknesses in the material aspect of the internal controls for the Group.

Principle 14 : Communication with Shareholders

Principle 15 : Greater Participation by Shareholders

The Company believes in timely and transparent corporate disclosure as prescribed in Appendix 7.1 (corporate disclosure policy) of the Listing Manual. Shareholders are informed of all major developments that affect the Group. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes key relevant information about the Company and the Group, including, inter-alia, a review of the Group's major operations and their general outlook, disclosures required by the Companies Act, Listing Manual, and the Accounting Standards;
- quarterly financial announcements on the financial performance of the Group for that period and operation reviews;
- circulars for extraordinary general meetings;
- announcements and disclosures to the SGX-ST via SGXNET; and
- the Company's website at http://www.qaf.com.sg at which our shareholders can access information on the Group.

The shareholders of the Company are encouraged to attend the AGMs. At AGMs, the shareholders are given the opportunity to air their views and ask questions regarding the Company and the Group. The notice of the AGM is sent to our shareholders at least 14 days before the meeting. Directors and members of the respective Committees are normally present and available to address questions relating to the work of their Committees at general meetings. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries raised by the shareholders.

Each item of special business in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

To facilitate voting by shareholders, the Articles of Association of the Company allow a shareholder to appoint one or two proxies to attend and vote on his/her behalf.

Dealings in Securities

The Company has an internal code on dealings in the shares of the Company by key executives of the Group, which is modelled after the SGX's Best Practices Guide. The internal code is issued to all Directors of the Company and the relevant executives of the Group before the start of each prohibition period to remind Directors and relevant executives to refrain from dealing in the shares of the Company two weeks prior to release of the quarterly and four weeks prior to the release of the full year announcements of the Group's financial results.

Supplementary Information

required by the Listing Manual

Rule 1207(4)(c) : Information relating to the background of key management staff

Siew Teck Woh, aged 64, was made the chief executive officer of Gardenia Foods (S) Pte Ltd in 1998, the Gardenia Bakery operation of the QAF Group in Singapore. Dr Siew spent a large part of his early career in the Primary Production Department ("PPD" and now called the Agri-Food & Veterinary Authority) of the Singapore Government including being the Director of the PPD for 9 years. During his tenure with PPD, Dr Siew was involved in the strategic formulation and implementation of various agri-business and livestock development programmes in Singapore. After leaving the PPD, Dr Siew worked with the KMP Pte Ltd group of companies for about 13 years. He was in charge and was instrumental in setting up an integrated chain of livestock activities for the KMP Group. Dr Siew was a Columbo Plan Scholar and graduated with a Bachelor of Veterinary Science degree from the University of Queensland, Australia. He was awarded an Honorary Doctorate in Veterinary Science by the University of Queensland in 1994.

Nigel Smith, aged 57, is the chief executive officer of QAF Meat Industries Pty Ltd ("QAF Meats"), a wholly-owned subsidiary of the QAF Group. He has the responsibility of overseeing the entire integrated pork production business carried out by the QAF Meats Group in Australia as well as the dairy farm in Cobram, Victoria, that was acquired by Oxdale Dairy Enterprise, a wholly-owned subsidiary of the QAF Group. Mr Smith has been with the QAF Meats Group for over 31 years. Prior to him assuming the position as chief executive officer of the QAF Meats Group, he was in various senior executive positions covering pig production, sales and marketing, and meat processing. He has played a major role in developing the QAF Meats Group from a small pig producer to the largest fully integrated operator in Australia and one of the largest in the world. Mr Smith is currently the deputy chairman of Australia Pork Limited which is the industry body responsible for marketing, research and policy for pork producers in Australia. He graduated with a Diploma of Agricultural Science from Dookie Agricultural College, Australia.

Yap Kim Shin, aged 54, is the chief executive officer of the Gardenia Bakery group of companies in Malaysia ("Gardenia Malaysia Group"). Gardenia Malaysia Group is the major bread producer in Malaysia, "Gardenia" was recognised as one of the superbrands in Malaysia by the Superbrand Council in 2002. Mr Yap has been with the Gardenia Malaysia Group since 1987, contributing significantly to the success of the "Gardenia" products in Malaysia. Prior to joining Gardenia Malaysia, he had worked with Cold Storage Malaysia and IAC (M) Sdn Bhd. Mr Yap is a Monash Science graduate and has completed a post graduate programme in Marketing Management in London.

Simplicio P. Umali, Jr, aged 53, assumed the position as the general manager of the Gardenia Bakery operation of the QAF Group in the Philippines in August 1999. Prior to him taking charge of the Gardenia Bakery operations in the Philippines, he was the chief executive officer of Dutch Boy (Philippines) Inc., a major paint manufacturer, and the country manager of Hoechst Marion Roussel (Philippines), a pharmaceutical company. Mr Umali has extensive experience in marketing, having taken charge of the marketing function in his previous employment for over 10 years; he was also a part-time assistant professor and lecturer of Marketing at De La Salle University in the Philippines for 12 years. He is a graduate of Business Administration (majored both in Finance and Marketing) and holds a Master of Business Administration from the University of the Philippines.

Philip Lee Tuck Wah, aged 56, was appointed the chief executive officer for the trading and distribution arm of the QAF Group – Ben Foods since 1989. As the key subsidiary of the QAF Group engaging in the trading and distribution of consumer food products, Ben Foods provides marketing and sourcing support to other subsidiaries within the QAF Group. In 1997, Mr Lee was tasked to take charge of the warehousing logistics and spices manufacturing operations of the QAF Group. Mr Lee has close to 30 years of experience in the marketing of food and beverages to-date. Prior to joining Ben Foods, he had worked with Allied Chocolate Ltd (formerly a listed company in Singapore) and Sime Darby Singapore. Mr Lee has a Bachelor degree from the University of Singapore in Social Science (Hons).

Wen You Cang, aged 53, is the chief executive officer of Shaanxi Hengxing Fruit Juice Co Ltd ("Shaanxi Hengxing") in China, a company which the QAF Group had acquired a 51% equity interest therein in 2005. He is the founder of Shaanxi Hengxing which started business operation in 1997 and, under his leadership, Shaanxi Hengxing has grown to become one of the largest producers of apple juice concentrate in China. With his years of business experience operating in China, Mr Wen has acquired invaluable knowledge and insight in the apple juice concentrate industry and has built up a good network of business support and contacts.

Rule 1207(4)(c) : Information relating to the background of key management staff (Cont'd)

Peter Giddy, aged 44, is the chief executive officer of Challenge Australian Dairy Pty Ltd ("CAD"), a company in Australia of which the QAF Group has a 51% equity interest. Mr Giddy oversees the Western Australian operations of CAD which includes trading of bulk milk as well as manufacturing, distribution and marketing of processed dairy products in both the domestic and export markets. Prior to his appointment in CAD, Mr Giddy has held various senior executive positions in the Australian food industry including the dairy, processed meat and cereals. Mr Giddy holds an Honors degree in Science from the University of Melbourne as well as post graduate degree in Business Management.

Derrick Lum Weng Piu, aged 44, is the group financial controller for the QAF Group. He has been with the QAF Group since 1997 and was made the group financial controller in October 1999. Mr Lum has 20 years of experience in the area of accounting and finance. Prior to joining QAF, he was the regional controller for a multi-national and a Singapore-listed group. Mr Lum is a certified public accountant of the Institute of Certified Public Accountants of Singapore as well as a chartered financial analyst of the CFA Institute. He also holds a Master of Business Administration from the United Kingdom.

Rule 1207(4)(d) : Information relating to risks

1. Disease Outbreak and Farm Contamination

The Primary Production Division of the Group consists of the QAF Meats Group ('QAF Meats') and China Food Industries Limited Group ('CFI') of China. QAF Meats is an integrated producer of meat, which operates 8 company-owned farms and 57 Contract Grower sites spread out across the Australian states of Victoria and New South Wales. QAF Meats has approximately 63,000 breeder pigs and a total population of more than 500,000 pigs. CFI is also a fully integrated producer of meat and operates 2 breeder and 8 commercial farms in Shandong Province, China. CFI has approximately 9,000 breeder pigs and a population of approximately 48,000 pigs. In addition, the Group operates 2 dairy farms at Cobram, Victoria, Australia with approximately 1,900 heads of dairy cows.

All livestock face potential health epidemic outbreaks. Infectious diseases can be spread by either animal contact or farm contamination. Livestock farming is the mainstay of QAF Meats. If a health epidemic should erupt in the farms, depending on the locality and proximity of the contaminated areas, various animals would have to be culled and the operations shut down. In recent years, there had been outbreaks which caused massive culling of pigs and closures of farms in many countries in Asia. The pig farming industries in these countries have been adversely affected.

Although Australia is geographically isolated and has strict quarantine laws, there is no guarantee that the Group's livestock will not be affected by disease epidemics. QAF Meats has taken preventive measures of enforcing the highest standards of quarantine and by geographically spreading out its farms to prevent cross contamination. The 8 QAF Meats-owned farms and the 57 Contract Grower farms are well spaced out across the two Australian states. Within each farm, large tracts of buffer land are also maintained which surrounds the production units and this minimises the probability of contamination from spreading between the different herds.

2. Regulatory Sanctions

(a) Meat Industry

QAF Meats and CFI are in the fresh meat industry, with vertically integrated operations ranging from the breeding and rearing of livestock, to the slaughtering and boning process, to the marketing and delivery of fresh products, and even the preparation of the stockfeed. These processes are regulated by numerous health and food safety organisations and subject to regulatory sanctions. In Australia, the meat industry is governed by the Australian Quarantine and Inspection Services ('AQIS') which is responsible for the registration of abattoirs for both the domestic and export markets. In terms of the export of meat, QAF Meats is subject to the regulations of foreign regulatory bodies in the territories in which it markets its meat products including the Agri-Food & Veterinary Authority in Singapore and the Livestock Industry Bureau of the Ministry of Agriculture, Forestry & Fisheries in Japan.

Rule 1207(4)(d) : Information relating to risks (Cont'd)

2. Regulatory Sanctions (Cont'd)

(a) Meat Industry (Cont'd)

QAF Meats currently meets the regulatory requirements of the above organisations. However, as with all trade and exports in the fresh meat industry, regulatory requirements and sanctions may be imposed suddenly due to health, disease, environmental or other reasons. If such sanctions are imposed, QAF Meats' business will be affected and it may be forced to seek other markets for its products. Failure to seek other markets for its products on a timely basis or at all, will adversely affect the business, financial performance and position of the Group.

Recently, frozen meat exports from China have been affected by several restrictions imposed by importing countries such as Singapore due to health concerns. As such, exports of meat by CFI to Singapore is currently suspended.

(b) Environment

QAF Meats is also regulated by the Victorian and New South Wales Environmental Protection Authorities ('EPAs'). In the ordinary course of business, large amounts of solid and liquid effluent are produced which need to be treated. As part of the obligations imposed by the EPAs, QAF Meats has undertaken irrigation development plans to apply treated abattoir and livestock effluent to agricultural land over the next few years. The EPAs could impose further mandatory requirements which could affect QAF Meats' business in future and have a negative impact on the Group's financial performance and position.

Likewise, CFI has to comply with national, provincial and local regulations although these may be less stringent as compared to Australia's.

3. Cyclical, Seasonal and Varying Consumer Demand

The meat industry is firstly subject to the cyclical seasonal demand for certain types of meat. Consumer demand for meat could fluctuate due to seasonality, for example, surges in demand for particular cuts of meat during the Christmas season or the Chinese Lunar New Year festivities.

Further, the industry is also subject to varying consumer demand. This could be attributable to food safety considerations, such as the drop in meat sales in the aftermath of particular epidemic outbreaks. These fluctuations in demand and sales would impact QAF Meats in the relevant affected markets.

4. Competition

The markets that QAF Meats and CFI operate in are subject to occasional periods of oversupply. The latter can arise from a number of sources such as overproduction from local producers in Australia or China, respectively, or 'dumping' of frozen imported products in the export markets.

However, QAF Meats' and CFI's strategy is to maintain themselves as among the most efficient and competitive producers in the region through its production and technological expertise as well as its ability to achieve lower unit cost through economies of scale. Furthermore, QAF Meats targets the fresh meat market segments in Australia, Singapore and Japan which are not subject to competition from cheap imported frozen products. QAF Meats is also dominant in both the Australian domestic and export market and this should enable it to adjust its marketing strategies according to market competition.

Rule 1207(4)(d) : Information relating to risks (Cont'd)

4. **Competition (Cont'd)**

The Group's bread manufacturing business is subject to direct competition from supermarket chain stores who manufacture their own in-house bread and bakery products under their own brand names for sale in their stores ("In-house Brands"). For example in Singapore, the Group's direct competitors in the bread manufacturing business include NTUC Fairprice Co-operative Ltd and the Cold Storage chain of supermarkets, both of which have their own In-house Brands. Although the Group's 'Gardenia' and 'Bonjour' brands are amongst the leading brands in the packaged loaf bread market in Singapore, such In-house Brands typically compete on low-pricing. In the event that the Group is unable to compete effectively and continuously attract and retain its customers, the Group's bread manufacturing business and operating results may be affected.

5. **Employee Turnover/Union Risks**

The Group's bakery operations require its production employees to work on shifts, which in most cases are 24 hours per day, and its sales and delivery staff (who deliver bakery products to customers such as supermarkets, convenience stores, petrol stations and provision shops) to work within a very tight time frame and mostly in the very early hours of the morning.

QAF Meats is also highly dependent on skilled staff to operate its feedmills, piggeries and meat processing plants. The nature of work at the piggeries and meat processing plant requires vocationally trained personnel and staff to work on shift systems to ensure maximum productivity and that the pigs are cared for to the highest standards.

Staff members in the bakery operations and QAF Meats are largely trained on-the-job. Any loss of staff or disruption in work would adversely affect the productivity and business of both the bakery operations and QAF Meats until suitable replacements are found and trained. Furthermore, occupational health and safety issues, equal opportunity issues, compensation and industrial relations issues could also result in industrial action and high employee turnover. Failure of the Group to retain its trained personnel and/or to find suitable replacements on a timely basis will be disruptive to its business operations.

6. **Fluctuations in Raw Material Prices**

QAF Meats and CFI are involved in livestock farming and the meat industries. Shaanxi Hengxing Fruit Juice Co. Ltd. ('Shaanxi Hengxing') is involved in the production of apple juice concentrates. CFI also operates a soya bean crushing plant.

The prices of raw material costs affect the livestock farming, meat, apple juice concentrate and soya bean crushing industries. These industries are subject to swings in production costs determined largely by grain, apple and soya bean prices, respectively. Grain, apple and soya bean prices fluctuate depending on the farming season's weather, quality and yield of crop and such prices will in turn affect the costs of production. Grain prices affect the cost of animal feed and ultimately production cost per animal. Apple prices will affect the production cost of apple juice concentrates and soya bean prices will affect the production costs of soya oil and soya meal products. In particular, QAF Meats and Shaanxi Hengxing purchase the bulk of its grain and apple raw materials, respectively, at the harvest season. Any price fluctuations of raw agriculture produce at that point will affect their respective production costs which QAF Meats and Shaanxi Hengxing may not be able to offset commensurately by higher selling prices of their products. The fluctuations of raw material prices will have an impact on QAF Meats, CFI and Shaanxi Hengxing's overall business profitability.

To some extent, the above fluctuations in raw material grain prices particularly wheat prices will also affect flour prices. The latter will lead to increases in production costs of the bakery operations which may not be able to raise selling prices of their bakery products adequately to offset the full impact of the rise in production costs.

Rule 1207(4)(d) : Information relating to risks (Cont'd)

7. Fluctuations in Energy Costs

Energy costs are subject to global economic and political developments which are largely outside of the Group's control. Bakery products are delivered by a fleet of Company-owned delivery vehicles in the early morning, seven days a week within a tight time frame to customers so as to ensure freshness. QAF Meats exports its fresh chilled meat products by refrigerated containers on board commercial jet airlines. Distribution costs will increase significantly in the event of the escalation of crude oil prices.

The Group can only mitigate distribution cost increases through efficient logistics planning and controls to some extent.

8. Financial Risks

(a) Credit Risk

In the normal course of business, the Group sales do involve the extension of credit to customers such as supermarkets, convenience stores, petroleum companies, wholesalers, retailers and food service and catering operators. Shaanxi Hengxing also exports its products to customers in the United States, Canada, the European Union, Russia and Australia on credit terms. However, there are no significant concentrations of credit risk and Shaanxi Hengxing uses some export insurance to mitigate export credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents which management deems adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

(c) Foreign currency risk

The Group operates within the Asia Pacific region and companies within the Group maintain their books and records in their respective measurement currencies. The Group's accounting policy is to translate the profits and losses of overseas companies using the weighted average exchange rates. Net assets denominated in foreign currencies and held at year end are translated into Singapore dollars, the Group's reporting currency, at year end. Fluctuations in the exchange rate between the measurement currency of the subsidiary companies and Singapore dollars will therefore have an impact on the Group. Further, there is no assurance that the Group will be able to maintain its financial performance and position in the event of long term unfavourable movement in exchange rates. As such, significant fluctuations in foreign exchange rates would have an impact on the financial performance and position of the Group.

In addition, some companies in the Group such as QAF Meats, Shaanxi Hengxing, CFI and CAD export their products which are denominated in United States Dollars or other currencies. The fluctuations of these currencies do have an impact on the profitability of these companies.

(d) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term bank borrowings. The interest rates on such obligations are fixed at the prevailing market rates as and when they fall due for rollover. The period for rollover is between one to six months. An increase in the prevailing interest rates will result in an increase in the interest expense of the Group and this may have an impact on the financial performance or position of the Group.

Rule 1207(4)(d) : Information relating to risks (Cont'd)

8. Financial Risks (Cont'd)

(e) Share Price Fluctuation Risks

The Group has an investment portfolio which substantially comprises listed shares on the SGX-ST. Share prices of such listed companies are subject to fluctuations due to various reasons including developments and volatility in the capital markets or market reactions to reported financial results. Any unfavourable movements in the share prices of such listed companies will adversely affect the valuation of QAF's investment portfolio.

Additionally, listed companies may, from time to time, carry out fund raising exercises by way of rights or otherwise, which may have an impact on the share price of such listed companies and indirectly affect the valuation of QAF's investment portfolio.

Rule 907 : Interested Person Transactions for financial year 2005

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the SGX Listing Manual
–	Nil	Nil

Rule 1207(8) : Material contracts of the issuer and its subsidiaries

There were no material contracts (or loans) entered into by the Company and/or its subsidiaries with the directors or chief executive officer or substantial shareholders of the Company which were still subsisting at the end of the financial year under review, or if not then subsisting, entered into since the end of the previous financial year.

Rule 1207(9)(e) : Minimum percentage of shares held by the public

Based on the computation that the various substantial shareholders of the Company hold in aggregate approximately 71.8% of the stock units of the Company (see page 121 of the Annual Report), the Company confirms that at least 10% of its listed stocks are held by the public.

Rule 1207(6) : Non Audit Services of Auditors

The non-audit fees paid by the Group to auditors, Ernst & Young, in FY2005 amounted to approximately $193,000. The Audit Committee has undertaken a review of such non-audit services provided and in the Audit Committee's opinion they would not affect the independence of the auditors.

Contents

Report of the Directors

The directors have pleasure in presenting their report together with the audited financial statements of QAF Limited (the "Company") and its subsidiary companies (the "Group") for the financial year ended 31 December 2005.

Directors of the Company

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

Didi Dawis (Chairman)
Andree Halim (Vice-Chairman)
Tan Kong King (Group Managing Director)
Phua Bah Lee
Tarn Teh Chuen
Derek Cheong Kheng Beng
Kelvin Chia Hoo Khun
Tan Hin Huat

According to the register kept by the Company in accordance with Section 164 of the Singapore Companies Act, Cap. 50, particulars of interests of directors in the Company who held office at the end of the financial year in the stock units/shares, share options and warrants of the Company or its related corporations are as follows:

	Direct interest		Deemed interest	
Name of director	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
Number of stock units in QAF Limited				
Didi Dawis	3,437,000	3,437,000	42,383,712	42,383,712
Phua Bah Lee	–	–	25,000	25,000
Tan Kong King	1,375,000	1,375,000	–	–
Andree Halim	244,492,690	245,132,940	–	–
Tarn Teh Chuen	287,500	287,500	–	–
Number of QAF Limited Share Options to subscribe for shares in the Company				
Tan Kong King	1,300,000	1,800,000	–	–
Tarn Teh Chuen	730,000	980,000	–	–
Derek Cheong Kheng Beng	200,000	400,000	–	–
Number of Warrants 2009 to subscribe for shares in QAF Limited				
Andree Halim	56,898,538	57,150,538	–	–
Tan Kong King	675,000	675,000	–	–
Tarn Teh Chuen	57,500	57,500	–	–

There was no change in any of the abovementioned interests of the directors between the end of the financial year and 21 January 2006.

Save as disclosed in this Report and save that Mr Andree Halim is deemed interested, by virtue of Section 7(4) of the Singapore Companies Act, Cap. 50, in the shares held by the Company in its subsidiary companies, no director who held office at the end of the financial year had an interest in any shares or debentures or rights or options over the shares in the related corporations of the Company.

Since the end of the previous financial year, no director of the Company has received or has become entitled to receive benefits under contracts (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 6 to the financial statements attached or the fixed salary of a full time employee of the Company) required to be disclosed by Section 201(8) of the Singapore Companies Act, Cap. 50.

Directors of the Company (Cont'd)

Save for the share option scheme as detailed below, neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements, to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable 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.

Share Options to subscribe for ordinary shares

(a) Share options under the QAF Limited Share Option Scheme 2000 (the "2000 Scheme")

(i) The 2000 Scheme was approved by the members of the Company at an Extraordinary General Meeting held on 12 May 2000. The total number of shares in respect of which options may be offered on any offering date, when added to the number of shares issued or issuable in respect of options under this Scheme shall not exceed 15% of the issued share capital of the Company on the day preceding that offering date.

Each option shall entitle the holder of the option to subscribe for an ordinary share in the Company at the prescribed exercise price. The exercise price of each share in respect of an option granted may be (i) the average of the last dealt prices of the shares of the Company, as determined by reference to the Financial News or other publication published by the Singapore Exchange Securities Trading Limited, for the three consecutive trading days immediately preceding the date of grant of that option ("Market Price") or (ii) at a discount not exceeding 20% of the Market Price, but in any event no exercise price shall be less than $0.40 per share being the par value of an ordinary share in the Company immediately before the abolishment of par value by the Companies (Amendment) Act 2005.

An option granted is valid for 10 years (unless otherwise terminated or lapsed pursuant to the rules as stipulated in the 2000 Scheme) and is exercisable, for an option granted without discount to the Market Price, after a vesting period of 1 year and for an option granted at a discount to the Market Price, after a vesting period of 2 years.

(ii) Disclosures pursuant to Rule 852 of the Listing Manual:

The 2000 Scheme is administered by the 2000 Share Option Committee with members appointed by the Board, comprising two non-executive directors (namely Mr Didi Dawis and Mr Phua Bah Lee) and one executive director (namely Mr Tan Kong King). Non-executive directors, controlling shareholders of the Company and their associates (as defined in the Listing Manual) are not eligible to participate in the 2000 Scheme. The directors of the Company who were granted options under the 2000 Scheme are as follows:

Name of participant	Options granted during financial year under review	Aggregate options granted since commencement of the 2000 Scheme to end of financial year under review	Aggregate options exercised since commencement of the 2000 Scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Tan Kong King	500,000	2,100,000	300,000	1,800,000
Tarn Teh Chuen	250,000	1,210,000	230,000	980,000
Derek Cheong Kheng Beng	200,000	400,000	Nil	400,000

None of the executive directors and employees of the Group who participated in the 2000 Scheme has received 5% or more of the total number of options available under the 2000 Scheme.

Share Options to subscribe for ordinary shares (Cont'd)

(b) During the financial year, 20,000 ordinary shares in the Company were issued pursuant to the exercise of options by an employee. Unissued ordinary shares under options as at 31 December 2005 comprise:

QAF Limited Share Option Scheme 2000	For ordinary shares in the Company	Exercise price per share	Exercise period
Year 2000	1,885,000	$0.630	26 May 2001 to 25 May 2010
Year 2001	923,000	$0.430	20 April 2002 to 19 April 2011
Year 2002	2,482,000	$0.555	6 April 2003 to 5 April 2012
Year 2004	3,500,000	$0.523	14 May 2005 to 13 May 2014
Year 2005	3,385,000	$0.513	18 August 2006 to 17 August 2015
	12,175,000		

None of the options was granted at a discount to the market price.

The holders of the options under Scheme 2000 have no right to participate by virtue of these options in any share issue of any other company in the Group.

Warrants 2009 to subscribe for ordinary shares

(a) Pursuant to a rights issue carried out in October 2004 and completed on 8 November 2004, 87,952,593 Rights Shares were issued at an issue price of $0.50 for each Rights Share on the basis of 1 Rights Share with 1 warrant ("Warrants 2009") for every 4 existing ordinary shares in the Company, each warrant carrying the right to subscribe for 1 ordinary share in the capital of the Company at the exercise price of $0.50 for each new share. A total of 87,952,593 Warrants 2009 were issued as a result of the rights issue on 17 November 2004. Warrants 2009 are valid for exercise within a period of 5 years commencing on and including the date of issue of the Warrants 2009. Warrants 2009 are listed and quoted on the SGX-ST.

(b) During the financial year, 3,750 ordinary shares in the Company were issued pursuant to the exercise by warrant holders. As at 31 December 2005, there were a total of 87,948,843 Warrants 2009 outstanding.

Audit committee

The audit committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report on Corporate Governance.

Auditors

The auditors, Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board,

Andree Halim
Director

Tan Kong King
Director

Singapore
3 March 2006

Statement by Directors Pursuant to Section 201(15)

We, Andree Halim and Tan Kong King, being two of the directors of QAF Limited, do hereby state that, in the opinion of the directors:

(i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2005 and the results, changes in equity and cash flows of the Group for the year ended 31 December 2005, 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.

On behalf of the Board,

Andree Halim
Director

Tan Kong King
Director

Singapore
3 March 2006

Auditors' Report
to the Members of QAF Limited

We have audited the accompanying financial statements of QAF Limited (the "Company") and its subsidiary companies (the "Group") set out on pages 49 to 115 for the year ended 31 December 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2005 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
3 March 2006

Consolidated Profit and Loss Account

for the year ended 31 December 2005
(In Singapore dollars)

	Note	2005 $'000	2004 $'000 (Restated)
Revenue	3	885,865	619,997
Costs and expenses			
Costs of materials		549,145	367,323
Staff costs	4	152,435	128,076
Amortisation and depreciation	5	32,443	27,741
Repairs and maintenance		22,555	15,930
Other operating expenses		88,122	54,681
Total costs and expenses		844,700	593,751
Profit from operating activities	6	41,165	26,246
Finance costs	7	(13,807)	(8,158)
Exceptional items	8	2,014	(1,866)
Share of profits of associated and joint venture companies		1,825	650
Profit before taxation		31,197	16,872
Taxation	9	(4,914)	(4,579)
Profit after taxation		26,283	12,293
Attributable to:			
Shareholders of the Company		23,909	10,031
Minority interests		2,374	2,262
		26,283	12,293
Earnings per ordinary share of $0.40 each:	10		
– Basic		5.4 cents	2.8 cents
– Diluted		5.4 cents	2.8 cents

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets
as at 31 December 2005
(In Singapore dollars)

	Note	Group 2005 $'000	Group 2004 $'000 (Restated)	Company 2005 $'000	Company 2004 $'000
ASSETS					
Current assets					
Biological assets	11	66,739	64,753	–	–
Inventories	12	152,057	69,959	–	–
Trade receivables	13	116,929	74,703	–	–
Other receivables	14	42,388	13,731	167,028	55,868
Tax recoverable		216	2,124	–	–
Short-term investments	15	–	1,247	–	–
Cash and deposits	16	84,813	36,230	19,139	5,151
		463,142	262,747	186,167	61,019
Non-current assets					
Property, plant and equipment	17	395,977	283,478	2,771	2,990
Subsidiary companies	18	–	–	217,836	266,136
Associated companies	19	64,474	20,013	–	–
Joint venture company	20	4,112	4,231	–	–
Long-term investments	21	20,018	48,540	998	998
Intangibles	22	1,302	1,472	4,750	708
Non-current biological assets	11	3,369	–	–	–
Deferred tax assets	27	2,913	2,543	–	–
		492,165	360,277	226,355	270,832
Total assets		955,307	623,024	412,522	331,851

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Balance Sheets

as at 31 December 2005
(In Singapore dollars)

	Note	Group 2005 $'000	Group 2004 $'000 (Restated)	Company 2005 $'000	Company 2004 $'000
LIABILITIES					
Current liabilities					
Trade payables	23	101,504	62,335	11	22
Other payables	24	53,687	36,594	8,927	4,887
Short-term borrowings	25	226,425	76,596	41,041	48,111
Long-term loans and finance leases – current portion	26	31,636	44,784	–	–
Provision for taxation		4,927	3,792	899	876
		418,179	224,101	50,878	53,896
Non-current liabilities					
Other payables	24	9,745	8,167	–	9,537
Long-term loans and finance leases	26	133,648	46,071	96,934	–
Deferred tax liabilities	27	10,321	10,283	324	207
		153,714	64,521	97,258	9,744
Total liabilities		571,893	288,622	148,136	63,640
Net assets		383,414	334,402	264,386	268,211
Capital and reserves					
Share capital	28	175,915	175,905	175,915	175,905
Reserves	29	150,892	132,516	88,471	92,306
Interest of shareholders of the Company		326,807	308,421	264,386	268,211
Minority interests		56,607	25,981	–	–
		383,414	334,402	264,386	268,211

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2005
(In Singapore dollars)

	Attributable to shareholders of the Company								
	Share capital $'000	Share premium $'000	Fair value/ revaluation reserve $'000	Capital reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Total $'000	Minority interests $'000	Total equity $'000
Balance at 1 January 2005									
– as previously reported	175,905	13,619	2,409	16,235	97,608	2,645	308,421	25,981	334,402
– effect of adopting FRS 39	–	–	(1,410)	–	–	–	(1,410)	–	(1,410)
– effect of adopting FRS 102	–	–	–	330	(330)	–	–	–	–
– as restated	175,905	13,619	999	16,565	97,278	2,645	307,011	25,981	332,992
Transfer between reserves	–	–	(49)	62	(13)	–	–	–	–
Exchange differences arising on consolidation	–	–	–	–	–	(1,240)	(1,240)	262	(978)
Reversal of impairment loss upon reclassification to investments in associated companies	–	–	–	–	2,566	–	2,566	–	2,566
Fair value adjustments on financial instruments	–	–	1,188	–	–	–	1,188	(47)	1,141
Net profit/(loss) not recognised in the profit and loss account	–	–	1,139	62	2,553	(1,240)	2,514	215	2,729
Net profit for the financial year	–	–	–	–	23,909	–	23,909	2,374	26,283
Total recognised income and expenses for the year	–	–	1,139	62	26,462	(1,240)	26,423	2,589	29,012
Share-based payment expenses	–	–	–	398	–	–	398	–	398
Acquisition of shares in subsidiary companies	–	–	–	–	–	–	–	33,134	33,134
Issuance of ordinary shares	10	1	–	–	–	–	11	–	11
Dividends (Note 30)	–	–	–	–	(7,036)	–	(7,036)	(5,097)	(12,133)
Balance at 31 December 2005	175,915	13,620	2,138	17,025	116,704	1,405	326,807	56,607	383,414
Balance at 1 January 2004	140,512	4,996	2,457	16,235	92,805	6,962	263,967	16,345	280,312
Transfer between reserves	–	–	(48)	–	48	–	–	–	–
Exchange differences arising on consolidation	–	–	–	–	23	(4,317)	(4,294)	(372)	(4,666)
Net (loss)/profit not recognised in the profit and loss account	–	–	(48)	–	71	(4,317)	(4,294)	(372)	(4,666)
Net profit for the financial year	–	–	–	–	10,031	–	10,031	2,262	12,293
Total recognised income and expenses for the year	–	–	(48)	–	10,102	(4,317)	5,737	1,890	7,627
Acquisition of shares in subsidiary companies	–	–	–	–	–	–	–	9,410	9,410
Share-based payment expenses	–	–	–	330	–	–	330	–	330
Issuance of ordinary shares	212	16	–	–	–	–	228	–	228
Issuance of rights shares	35,181	8,607	–	–	–	–	43,788	–	43,788
Dividends (Note 30)	–	–	–	–	(5,629)	–	(5,629)	(1,664)	(7,293)
Balance at 31 December 2004	175,905	13,619	2,409	16,565	97,278	2,645	308,421	25,981	334,402

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2005
(In Singapore dollars)

	2005 $'000	2004 $'000 (Restated)
Cash flows from operating activities:		
Profit before taxation	31,197	16,872
Adjustments for:		
Depreciation of property, plant and equipment	32,305	27,450
Gain on disposal of property, plant and equipment	(393)	(89)
Property, plant and equipment written off	–	2
Share of profits of associated and joint venture companies	(1,825)	(650)
Amortisation of intangibles	138	291
Interest expense	13,807	8,158
Dividend and interest income	(2,258)	(1,708)
Loss on disposal of an associated company	135	–
Impairment charge / (write-back) on property, plant and equipment	879	(1,500)
Net gain on disposal / liquidation of subsidiary companies	(486)	(1,334)
Impairment on long-term investments	–	3,200
Impairment on goodwill on consolidation of a subsidiary company	4,446	–
Negative goodwill on acquisition of subsidiary companies	–	(276)
Share-based payment expenses	398	330
Negative goodwill on acquisition of an associated company	(6,109)	–
Operating profit before working capital changes	72,234	50,746
Increase in receivables	(20,770)	(16,401)
Increase in inventories and biological assets	(25,808)	(9,555)
(Decrease) / increase in payables	(2,673)	7,909
Exchange differences	(2,045)	(1,443)
Cash generated from operations	20,938	31,256
Interest paid	(13,237)	(8,577)
Interest received	1,903	1,406
Income tax paid	(4,175)	(6,499)
Net cash provided by operating activities	5,429	17,586
Cash flows from investing activities:		
Purchase of property, plant and equipment	(31,658)	(28,091)
Proceeds from disposal of short-term investments, net	–	1,469
Proceeds from disposal of property, plant and equipment	3,648	281
Purchase of long-term investments	(146)	(29,585)
Purchase of shares in associated companies	(21,169)	(17,211)
Dividends received from quoted investments	355	302
Advances to associated and joint venture companies	(95)	(473)
Purchase of shares from minority shareholder of a subsidiary company	–	(373)
Net proceeds from disposal / liquidation of subsidiary companies (Note A)	323	3,870
Net proceeds from divestment of an associated company	17,537	–
Acquisition of subsidiary companies, net of cash acquired (Note B)	(13,145)	(2,429)
Dividends received from an associated company	350	–
Net cash used in investing activities	(44,000)	(72,240)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2005
(In Singapore dollars)

	2005 $'000	2004 $'000 (Restated)
Cash flows from financing activities:		
Dividends paid during the year	(7,036)	(5,629)
Dividends paid to external shareholders of subsidiary companies	(5,097)	(1,664)
Proceeds / (repayment) of short-term borrowings	33,106	(11,030)
Proceeds / (repayment) of long-term borrowings	61,790	(18,099)
Proceeds from issuance of share capital	11	44,016
Repayment of loans to ex-shareholders of a subsidiary company (Note C)	(10,258)	–
Net cash provided by financing activities	72,516	7,594
Net increase / (decrease) in cash and cash equivalents	33,945	(47,060)
Cash and cash equivalents at beginning of year (Note 31)	36,230	83,582
Effect of exchange rate changes on cash and cash equivalents	(217)	(292)
Cash and cash equivalents at end of year (Note 31)	69,958	36,230

Note A – Analysis of disposal / liquidation of subsidiary companies

	2005 $'000	2004 $'000 (Restated)
Property, plant and equipment	361	2,925
Receivables	34	3
Cash and cash equivalents	723	15
Payables	(69)	–
Foreign currency translation reserve	(489)	(392)
Net assets disposed / liquidated	560	2,551
Gain on disposal / liquidation	486	1,334
Consideration	1,046	3,885
Cash and cash equivalents disposed / liquidated	(723)	(15)
Net cash inflow on disposal / liquidation of subsidiary companies	323	3,870

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2005
(In Singapore dollars)

	2005 $'000	2004 $'000
Note B – Analysis of acquisition of subsidiary companies		
Property, plant and equipment	125,703	11,265
Long-term investments	1,600	–
Inventories and biological assets	61,644	5,922
Receivables	50,144	6,268
Payables	(77,772)	(9,813)
Borrowings	(117,459)	(1,154)
Provision for taxation and deferred taxation	(2,027)	–
Cash and cash equivalents	27,266	10,143
Minority share of net assets of subsidiary companies	(33,134)	(9,783)
Net assets acquired	35,965	12,848
Goodwill arising on acquisition	4,446	(276)
Cash paid	40,411	12,572
Cash and cash equivalents acquired	(27,266)	(10,143)
Net cash outflow on acquisition of subsidiary companies	13,145	2,429

Note C – Repayment of loans to ex-shareholders of a subsidiary company

The loan was advanced to a subsidiary company, Shaanxi Hengxing Fruit Juice Co Ltd ("Shaanxi Hengxing"), in accordance with the terms of Sales and Purchase Agreement entered into by the Company. Shaanxi Hengxing was required to repay the shareholders' loans provided by the then 51% outgoing shareholders (approximately the same amount) upon the termination of the interests of the said outgoing shareholders in Shaanxi Hengxing.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

QAF Limited is a public limited liability company incorporated and domiciled in Singapore. The registered address of QAF Limited is 150 South Bridge Road, #09-04 Fook Hai Building, Singapore 058727.

The principal activities of the Company are those of an investment holding and management company. The principal activities of the Group consist of the manufacture and distribution of bread, bakery and confectionery products; provision for warehousing logistics for food items; trading and distribution of food and beverages; production, processing and marketing of meat; feedmilling and sale of animal feeds and related ingredients; production, processing and sale of dairy products; manufacture and sale of fruit juice-concentrate and investment holding.

2. Summary of significant accounting policies

(a) Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

The accounting policies have been consistently applied by the Company and Group and are consistent with those used in the previous year, except for the changes in accounting policies discussed more fully in (b) below.

The financial statements have been prepared on a historical cost convention, except for certain property, plant and equipment, financial instruments, available-for-sale financial assets and biological assets that have been measured at their fair values.

(b) Changes in accounting policies

Adoption of new and revised FRS

The following accounting policies were changed with effect from 1 January 2005 with the adoption of new and revised FRS:

(i) *FRS 39: Financial Instruments: Recognition and Measurement*

In accordance with FRS 39, forward exchange contracts held to hedge firm future commitments are designated as cash flow hedges and are recorded at fair value. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, until the transaction, which is being hedged, is itself recognised in the profit and loss account.

In accordance with FRS 39, investment securities held by the Group are designated as either available-for-sale, held-to-maturity or fair value through profit or loss, as appropriate, and are recorded accordingly at either fair value or amortised cost.

Changes in fair values of available-for-sale financial assets are recorded in the reserve until their subsequent disposal, at which time the cumulative gain or loss previously recognised in equity is included in the profit and loss account for the period.

Changes in fair values of fair value through profit or loss financial assets and amortisation of financial assets designated as held-to-maturity are included in the profit and loss account for the period.

The adoption of FRS 39 on 1 January 2005 resulted in an adjustment of $1,410,000 from these financial assets to the fair value reserve. Under the transitional provisions of FRS 39, the effect of recognition, derecognition and measurement of financial instruments, for periods prior to 1 January 2005, need not be restated. Consequently, the comparative figures for 2004 have not been restated.

2. Summary of significant accounting policies (Cont'd)

(b) Changes in accounting policies (Cont'd)

(ii) *FRS 102: Share-based Payment*

FRS 102 requires an entity to recognise share-based payment transactions in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity.

The Company currently have share-based incentive plans whereby share options have been granted. Under the transitional provisions of FRS 102, this FRS must be applied to shares, share options or other equity instruments that were granted after 22 November 2002 and had not yet invested on 1 January 2005. The application is retrospective and accordingly, the comparative financial statements for 2004 are restated and the opening balance of revenue reserve has been adjusted.

Prior to adoption of FRS 102, no compensation expense was charged to the profit and loss account for share options granted. With the adoption of FRS 102, the compensation expense relating to the share options is taken to the profit and loss account over the vesting periods of the grants. The compensation expense is based on the fair values of share options at grant dates computed using the binomial model.

The effect of adopting FRS 102 resulted in a decrease of $398,000 in the Company and the Group's profit for the financial year ended 31 December 2005. Similarly, the effect of FRS 102 has resulted in a decrease of $330,000 in the revenue reserve of the Company and the Group as at 1 January 2005 with a corresponding increase in the capital reserve. The impact on the Group's basic and diluted Earnings per Share for the financial year ended 31 December 2004 was a decrease of 0.1 cents.

(iii) *FRS 103: Business Combination*
Revised FRS 36: Impairment of Assets
Revised FRS 38: Intangible Assets

Under FRS 103, the Group initially measures the identifiable assets and liabilities acquired at their fair values as at the acquisition date.

Goodwill arising from business combinations as recorded in the balance sheet of the Group can no longer be amortised and charged to the profit and loss account. Instead, such goodwill will be tested for impairment annually in accordance with FRS 36.

Additionally, the useful life of intangible assets are now assessed at the individual asset level as having either a finite or indefinite life. Where an intangible asset has a finite life, it is amortised over its useful life. Amortisation years and methods for intangible assets with finite useful lives are reviewed at the earlier of annually or where an indicator of impairment exists. Intangibles assessed as having indefinite lives are not amortised, as there is no foreseeable limit to the year over which the asset is expected to generate net cash inflows for the Group. Instead, these intangibles are tested annually for impairment.

These standards are applied on a prospective basis effective 1 January 2005 and accordingly do not affect the Group's financial statements for the financial year ended 31 December 2004.

Apart from the above, the Group adopted various revisions in FRS, applicable from 1 January 2005. These do not have a material financial impact on the Group.

2. Summary of significant accounting policies (Cont'd)

(b) Changes in accounting policies (Cont'd)

FRS and Interpretation of Financial Reporting Standard ("INT FRS") not yet effective

The Group has not applied the following FRS and INT FRS that have been issued as at the balance sheet date but are only effective for annual financial periods beginning on or after 1 January 2006.

The following standards do not apply to the activities of the Group:

- FRS 106: Exploration for and Evaluation of Mineral Resources
- INT FRS 105: Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- FRS 40: Investment Property (effective for annual financial periods beginning on or after 1 January 2007)

INT FRS 104: Determining Whether an Arrangement Contains a Lease

This interpretation requires the determination of whether an arrangement is, or contains a lease to be based on the substance of the arrangement and requires an assessment of whether the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

The Group expects that the adoption of the pronouncement listed above will have no impact on the financial statements in the period of initial application.

Revised FRS 19: Employee Benefits

The revised standard introduces an alternative accounting treatment for actuarial gains and losses on defined benefit schemes. Under this standard, an entity may recognise the actuarial gains and losses in full in the year they arose by taking the gains/losses directly to equity.

The Group expects that the adoption of the revised standard listed above will have no material impact on the financial statements in the period of initial application.

(c) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. The results of subsidiary companies acquired or disposed during the period are included in or excluded from the consolidated profit and loss account from the date of their acquisition or disposal. Where the accounting policies of subsidiary companies do not conform with those of the Group, adjustments are made where the amounts involved are considered significant to the Group. Inter-company balances and transactions and resulting unrealised profits are eliminated in full on consolidation.

Acquisition of subsidiary companies is accounted for using the purchase method of accounting. The cost of an acquisition is measured as 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. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Please refer to note 2(k) for the accounting policy on goodwill on acquisition of subsidiary companies.

2. Summary of significant accounting policies (Cont'd)

(d) Foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Singapore dollars, which is the Company's functional and presentation currency.

Transactions arising in foreign currencies during the year are translated into measurement currencies at rates closely approximating those ruling on the transaction dates. Foreign currency monetary assets and liabilities at the balance sheet date are translated into measurement currency at exchange rates ruling at the balance sheet date. All exchange differences arising from such translations are included in the profit and loss account. Exchange differences arising from long-term inter-company balances which are effectively part of the net investments are taken to the foreign currency translation reserve in the consolidated balance sheet.

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiary companies and associated companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date and the results of foreign subsidiary companies and associated companies are translated into Singapore dollars at the average exchange rates. Exchange differences due to such currency translations are included in foreign currency translation reserve. On disposal of a foreign subsidiary company, such foreign currency translation reserve is recognised in the profit and loss account as a component of the gain or loss on disposal.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are included in the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the profit and loss account.

Assets held under finance leases are depreciated over their estimated useful lives or terms of the leases, whichever is shorter.

(f) Depreciation

Depreciation is not provided for freehold land and for construction-in-progress until it is completed and put into use.

Depreciation is calculated so as to write off the cost of other property, plant and equipment, including those held under finance leases, on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

		%
Freehold buildings	–	2.0 – 2.5
Leasehold land and buildings	–	2.0 – 6.0
Leasehold improvements	–	2 – 20
Plant and machinery	–	5 – 33$^1/_3$
Furniture, fittings and office equipment	–	7$^1/_2$ – 40
Motor vehicles	–	10 – 33$^1/_3$

2. Summary of significant accounting policies (Cont'd)

(f) Depreciation (Cont'd)

The useful life and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

(g) Subsidiary companies

A subsidiary company is a company in which the Group, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiary companies are accounted for at cost less impairment losses.

(h) Associated and joint venture companies

The Group treats as associated companies those companies in which a long term equity interest of between 20 and 50 percent is held and over whose financial and operating policy decisions it has significant influence.

Companies in which the Group holds an interest on a long-term basis and are jointly controlled by the Group with one or more parties under a contractual agreement are treated as joint ventures.

Associated and joint venture companies are accounted for under the equity method whereby the Group's share of profits and losses of associated and joint venture companies is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves is included in the investments in the consolidated balance sheet. These amounts are taken from the latest available financial statements of the companies concerned, made up to the end of the financial year of the Group.

However, for publicly listed associated companies, it would not be practicable to ensure that their results are released prior to the results of the Group. The Group accounts for its share of the results of publicly listed associated companies based on their publicly-announced financial statements for the twelve months period ended 30 September. This is applied on a consistent basis and adjustments are made for any significant events that occur between 30 September and 31 December. As such, the Group will account the results of publicly listed associated companies with a time lag of 3 months.

Where the accounting policies of associated and joint venture companies do not conform with those of the Group, adjustments are made if the amounts involved are considered to be significant to the Group.

Goodwill relating to an associated company is included in the carrying amount of the investment.

In the Company's separate financial statements, investments in associated and joint venture companies are accounted for at cost less impairment losses.

(i) Minority Interests

Minority interests shown in the consolidated balance sheet and consolidated profit and loss account represent their share of the net equity and profit after taxation respectively of the subsidiary companies.

2. Summary of significant accounting policies (Cont'd)

(j) Investments

All other investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in profit and loss account. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

Investments are classified as held-to-maturity when those are non derivatives with fixed or determinable payments and fixed maturity that the Group has positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the years to maturity. For investments carried at amortised cost, gains and losses are recognised in profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

(k) Intangibles

(i) *Goodwill*

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets of subsidiary companies and associated companies when acquired. Goodwill which is assessed as having no continuing economic value is written off immediately to the consolidated profit and loss account.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

(ii) *Negative goodwill*

Negative goodwill arising on acquisition represents the excess of the fair value of the identifiable net assets acquired over the cost of acquisition. Such negative goodwill will be recognised immediately in the profit and loss account.

2. Summary of significant accounting policies (Cont'd)

(k) Intangibles (Cont'd)

(iii) *Trademarks*

Costs relating to trademarks are stated at cost less accumulated amortisation and impairment loss. The useful lives of trademarks are assessed to be either finite or indefinite. Trademarks with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the trademark may be impaired. The amortisation period and the amortisation method for trademarks with finite useful lives are reviewed at least at each financial year-end. The amortisation expense on trademarks with finite lives is recognised in the profit and loss account through the "amortisation and depreciation" line item.

Trademarks with indefinite useful lives are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such trademarks are not amortised. The useful life of trademarks with an indefinite life is reviewed annually to determine whether the useful life assessment continues to be supportable.

(iv) *Others*

Preliminary and pre-operating expenses, and research and development costs are expensed as incurred, except for development expenditure which are expected to generate future economic benefits. Such development expenditure are capitalised and amortised through the profit and loss account on a straight-line basis over its useful life.

(l) Inventories

Raw materials, consumables, finished goods and spare parts are stated at the lower of cost and net realisable value. Cost is primarily determined on a weighted average basis or first-in-first-out basis for certain subsidiary companies, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from the existing state to a finished condition. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

(m) Biological assets

Livestock

Livestock are stated at their fair value less estimated point-of-sale costs, except where the fair value cannot be measured reliably, in which case it will be stated at cost. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

Net increase or decrease in the fair value of livestock are included in the profit and loss account, determined as:

(i) the difference between the total fair value of the livestock recognised at the beginning of the financial year and the total fair value of the livestock recognised at the end of the financial year; and

(ii) cost incurred during the financial year to acquire and breed livestock.

2. Summary of significant accounting policies (Cont'd)

(m) Biological assets (Cont'd)

Saplings (current and non-current)

Saplings are stated at cost less impairment losses as their fair value cannot be measured reliably due to lack of active market.

Saplings that are not ready for sale are classified as non-current assets and saplings that are ready for sale are classified as current assets.

Cost is primarily determined on a weighted average basis and includes all costs of bringing the saplings to their present location and condition.

Net realisable value is the price at which the saplings can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion. Allowance is made, where necessary, for obsolete, slow-moving and defective saplings.

(n) Trade and other receivables

Trade and other receivables, which generally have 30–60 day terms, are recognised and carried at original invoiced amount less allowance for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off to the profit and loss account as incurred.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not de-recognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions are recorded as borrowings. Any fee incurred to effect factoring is net-off against borrowings and taken to the profit and loss account over the period of factoring using the effective interest method.

(o) Impairment of assets

Goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2. Summary of significant accounting policies (Cont'd)

(o) Impairment of assets (Cont'd)

Other assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets that have an indefinite useful life and are not subject to amortisation or depreciation are tested annually for impairment.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the profit and loss account or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Reversal of impairment losses recognised in prior years is recorded when there has been a change in the estimates used to determine the recoverable amount. The reversal is recorded in income or as a revaluation increase. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

(p) Trade and other payables

Liabilities for trade and other payables, which are normally settled on 30–90 day terms, are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(r) Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received, net of transaction costs associated with the loans or borrowings. After initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method, taking into account any discount or premium on settlement.

(s) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions.

(t) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria described below must also be met before revenue is recognised.

2. Summary of significant accounting policies (Cont'd)

(t) Revenue recognition (Cont'd)

Revenue from the sale of goods and services are recognised upon passage of title and risks to the customer which generally coincides with their delivery and acceptance.

Rental and interest income is recognised on time proportion basis.

Dividend income is recorded gross in the profit and loss account in the accounting period in which the Group's right to receive payment is established.

Profits or losses on disposal of investments are included in the profit and loss account.

(u) Income taxes

Current tax

Current 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 authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses and unused tax credits can be utilised.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Deferred tax assets and liabilities are offset against each other if they relate to the same tax authority and can be offset.

2. Summary of significant accounting policies (Cont'd)

(v) Borrowing costs

Interest on borrowings to finance the construction of properties and plants is capitalised. Interest is capitalised from the date work starts on the property to the date when substantially all the activities that are necessary to get the property ready for use are complete. Interest on other borrowings are recognised as expense in the period in which they are incurred.

(w) Employee benefits

(i) *Executives' Share Option Scheme*

The Company has in place the QAF Limited Share Option Scheme 2000 for the granting of share options to eligible employees of the Group to subscribe for ordinary shares in the Company.

The cost of such transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a binomial model. In valuing these transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions").

The cost of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Company at that date, based on the best available estimate of the number of equity instruments that will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding share options is reflected as additional share dilution in the computation of earnings per share.

The Group has taken advantage of the transitional provisions of FRS 102 in respect of equity-settled awards and has applied FRS 102 only to equity-settled awards granted after 22 November 2002 that had not vested on or before 1 January 2005.

2. Summary of significant accounting policies (Cont'd)

(w) Employee benefits (Cont'd)

(ii) *Defined contribution/benefit plans*

As required by law, the Group's companies in Singapore make contributions to the state pension scheme, the Central Provident Fund ("CPF"). Certain of the Group's companies outside Singapore make contributions to their respective countries' pension scheme. Such contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

For retirement benefit schemes, the cost of retirement benefit is determined using the accrued benefit valuation method. Contributions made to the scheme are included in the profit and loss account. Actuarial gains and losses are recognised as income and expenses when the cumulative unrecognised actuarial gains or losses exceed 10% of the obligation and fair value of plan assets. The gains or losses are recognised over the average remaining working lives of the employees participating in the scheme.

(iii) *Employee entitlements*

Liabilities for paid annual leave and sick leave are recognised and measured as the amount unpaid at the balance sheet date at current pay rates in respect of employees' services up to that date.

A liability for long service leave is recognised, on the basis of an estimation of the present value of the future cash outflows to be made in respect of services provided by employees up to the balance sheet date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates that match, as closely as possible, the estimated future cash outflows.

(x) Leases

Finance leases

Finance leases, which effectively transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at amounts equal, at the inception of the lease, to the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability for each period. Finance charges are charged directly to the profit and loss account.

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the profit and loss account on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2. Summary of significant accounting policies (Cont'd)

(y) Segment information

The Group's operating businesses are organised and managed separately according to the nature of their activities, namely food manufacturing, bakery, primary production, trading and logistics, investments and others. The Group operates in five main geographical areas, namely, Singapore, Malaysia, Australia, China and the Philippines. Geographical segment revenue is based on geographical location of the customers. Geographical segment assets are based on geographical location of the Group's assets. Segment accounting policies are the same as the accounting policies described in Note 2 to the financial statements. Inter-segment sales are based on terms agreed between the parties.

(z) Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(i) *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the profit and loss account.

The Group does not designate any financial assets not held for trading as financial assets at fair value through profit and loss.

(ii) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the assets to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount and minus any reduction for impairment or uncollectibility. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

2. Summary of significant accounting policies (Cont'd)

(z) Financial assets (Cont'd)

(iii) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value reserve until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organised financial markets is determined by reference to the relevant Exchange's quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models. Where the fair value cannot be reliably determined, investments will be carried at cost.

(aa) Derecognition of financial assets and liabilities

(i) *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. Summary of significant accounting policies (Cont'd)

(aa) Derecognition of financial assets and liabilities (Cont'd)

(i) *Financial assets (Cont'd)*

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(ii) *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where 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 the profit and loss account.

(ab) Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Impairment of trademarks*

The Group determines whether trademarks are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the trademarks are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's and the Group's trademarks at 31 December 2005 was $4,750,000 (2004: $708,000) and $1,302,000 (2004: $1,472,000) respectively. More details are given in Note 22.

2. Summary of significant accounting policies (Cont'd)

(ab) Significant accounting estimates and judgements (Cont'd)

(ii) *Income taxes*

The Group operates in various countries and is subject to different tax jurisdictions. Significant judgement is involved in determining the Group-wide 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 income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Company's and the Group's provision for taxation as at 31 December 2005 was $899,000 (2004: $876,000) and $4,927,000 (2004: $3,792,000) respectively.

Critical judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made certain judgements, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

- Impairment of investments and financial assets

  The Group follows the guidance of FRS 39 on determining when an investment or financial asset is other-than-temporarily impaired. This determination requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment or financial asset is less than its cost, and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry performance, changes in technology and operational and financing cash flow.

3. Revenue

Revenue for the Group includes the invoiced value of goods sold and services rendered, less returns, discounts and goods and services tax, and excludes sales between Group companies.

	Group 2005 $'000	Group 2004 $'000
Sale of goods	872,999	608,506
Rental income from storage and warehousing facilities	6,072	6,179
Interest income from:		
– Fixed deposits with financial institutions	788	762
– Advances to associated and joint venture companies	452	225
– Others	663	419
Gross dividends from quoted equity investments	355	302
Miscellaneous	4,536	3,604
	885,865	619,997

4. Staff costs

	Group 2005 $'000	Group 2004 $'000
Staff costs (including Executive Directors):		
– salaries, wages and other related costs	139,928	117,875
– CPF and contributions to other plans	6,707	4,915
– superannuation contributions	5,402	4,956
– share-based payment expenses	398	330
	152,435	128,076

5. Amortisation and depreciation

	Group 2005 $'000	Group 2004 $'000
Amortisation of intangibles (Note 22)	138	291
Depreciation of property, plant and equipment (Note 17)	32,305	27,450
	32,443	27,741

6. Profit from operating activities

	Group 2005 $'000	Group 2004 $'000
Profit from operating activities is stated after charging/(crediting):		
Auditors' remuneration:		
– Auditors of the Company	338	329
– Other auditors	771	311
Professional fees for non-audit services rendered:		
– by the auditors of the Company	–	29
– by other auditors	114	70
Fees and remuneration for the directors of the Company:		
– fees	145	145
– remuneration	1,900	1,582
– contribution to the Central Provident Fund	29	36
– share-based payment expenses	105	83
Impairment loss on short-term investments	–	286
(Gain)/loss on sale of investments	(49)	923
Research and development cost	7,943	6,807
Decrease in the fair value less estimated point-of-sale costs of livestock, net	3,375	317
Fees paid to a firm in which a director of the Company is a partner	–	3
Foreign exchange loss	2,182	592
Operating lease rentals	4,820	3,931
Allowance for inventory obsolescence	1,212	1,142
Allowance for doubtful debts and debts written off	454	385

6. Profit from operating activities (Cont'd)

Remuneration of the Directors of the Company pursuant to Rule 1207(11) of the Listing Manual is as follows:

	Group	
Number of directors in remuneration bands	**2005**	**2004**
$1,250,000 to below $1,500,000	1	–
$1,000,000 to below $1,250,000	–	1
$250,000 to below $500,000	2	2
Below $250,000	5	5
Total	8	8
Executive directors	3	3
Non-executive directors	5	5
Total	8	8

7. Finance costs

	Group	
	2005 $'000	**2004 $'000**
Interest expense on bank loans and finance leases	13,807	8,158

8. Exceptional items

	Group	
	2005 $'000	**2004 $'000**
Loss on disposal of an associated company	(135)	–
Impairment on goodwill on consolidation of a subsidiary company	(4,446)	–
Negative goodwill on acquisition of an associated company	6,109	–
Net gain on disposal/liquidation of subsidiary companies	486	1,334
Impairment on long-term investments	–	(3,200)
	2,014	(1,866)

9. Taxation

	Group	
	2005 $'000	**2004 $'000**
Income tax expense/(credit) on the profit for the year:		
– current tax	5,538	5,293
– deferred tax	(432)	(187)
	5,106	5,106
Over provision in respect of prior years:		
– current tax	(181)	(396)
– deferred tax	(360)	(169)
	4,565	4,541
Share of taxation of associated and joint venture companies	349	38
Tax expense	4,914	4,579

9. Taxation (Cont'd)

The income tax expense on the results of the Group differ from the amount of tax determined by applying the Singapore statutory tax rate of 20% (2004: 20%) to the profit before taxation due to the following factors:

	Group	
	2005 **$'000**	**2004** **$'000**
Profit before taxation	31,197	16,872
Tax expense at statutory tax rate of 20% (2004: 20%)	6,239	3,374
Adjustments:		
Income not subject to tax	(3,147)	(2,439)
Expenses not deductible for tax purposes	5,011	2,340
Tax reliefs, rebates and incentives	(2,920)	(1,036)
Utilisation of tax benefits not recognised in previous years	(2,851)	(284)
Tax benefits not recognised in current year	840	4,285
Difference in effective tax rates in other countries	2,600	1,514
Overprovision in respect of prior years	(541)	(307)
Tax effect from the adoption of tax consolidation scheme by subsidiary companies in Australia	–	(2,351)
Effect of change in statutory tax rate	–	(258)
Others	(317)	(259)
Tax expense	4,914	4,579

The Group has unutilised tax losses and capital allowances of approximately $66,569,000 (2004: $74,424,000) and $637,000 (2004: $675,000) respectively which can, subject to the provisions of relevant local tax legislation and subject to the agreement with the relevant tax authorities, be carried forward and utilised to set off against future taxable profits. The potential tax benefit arising from such unutilised tax losses and capital allowances has not been recognised in the financial statements due to the uncertainty of its recoverability.

10. Earnings per ordinary share ("EPS") of $0.40 each

The calculation of earnings per ordinary share of $0.40 each is based on the following figures:

	Group	
	2005 **$'000**	**2004** **$'000**
Group earnings used for the calculation of EPS:		
Profit for the financial year attributable to shareholders	23,909	10,031

10. Earnings per ordinary share ("EPS") of $0.40 each (Cont'd)

	Group 2005 '000	Group 2004 '000
Number of shares used for the calculation of:		
(i) **Basic EPS**		
Weighted average number of ordinary shares in issue	439,767	358,963
(ii) **Diluted EPS**		
Weighted average number of ordinary shares in issue	439,767	358,963
Share options	134	184
Warrants 2009	577	4,028
Adjusted weighted average number of ordinary shares	440,478	363,175

Basic earnings per share is calculated on the Group profit for the financial year attributable to shareholders of the Company divided by the weighted average number of shares in issue during the year.

Diluted earnings per share is calculated on the same basis as basic earnings per share except that the weighted average number of ordinary shares outstanding during the year have been adjusted for the effects of all dilutive potential ordinary shares.

11. Biological assets

	Group 2005 $'000	Group 2004 $'000
Current		
Livestock		
– at fair value	37,699	39,243
– at cost	27,572	25,510
	65,271	64,753
Saplings		
– at cost	1,468	–
	66,739	64,753
Non-current		
Saplings		
– at cost	3,369	–

11. Biological assets (Cont'd)

(a) Livestock

The Group's livestock comprises mainly progeny and breeder pigs owned by subsidiary companies. The progeny pigs are raised for slaughter and sale. The breeder pigs are held to produce further progeny pigs. The fair value was determined based on the actual selling prices approximating those at year end. Significant assumptions made in determining the fair value of the livestock are:

(i) Progeny pigs aged up to 17 weeks are valued at cost as no active or liquid markets exist for these pigs;

(ii) Progeny pigs aged 18 weeks and above are valued at fair value less estimated point-of-sale costs; and

(iii) Breeder pigs are valued at fair value less estimated point-of-sale costs.

	Group	
	2005	**2004**
Physical quantity of pigs:		
– Number of progeny	493,722	451,676
– Number of breeders	71,847	69,251
	565,569	520,927

	Group	
	2005 $'000	**2004 $'000**
Reconciliation of changes in the carrying amount:		
Balance at 1 January	64,753	64,975
Currency realignment	(2,558)	95
Acquisition of subsidiary company	6,451	–
(Loss)/gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	(3,383)	2,583
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs attributable to price changes	8	(2,900)
Balance at 31 December	65,271	64,753

(b) Saplings

The Group's saplings are located in the People's Republic of China. The Group has measured saplings at cost as there is no objective way of determining the fair value of the saplings due to the lack of active market.

	Group	
	2005 $'000	**2004 $'000**
Reconciliation of changes in the carrying amount:		
Balance at 1 January	–	–
Acquisition of subsidiary company	4,250	–
Currency realignment	62	–
Additions	525	–
Balance at 31 December	4,837	–

12. Inventories

	Group 2005 $'000	Group 2004 $'000
Raw materials	51,917	39,982
Finished goods	69,735	20,709
Spare parts and consumables	11,503	7,197
Work-in-progress	13,754	13
Goods-in-transit	5,148	2,058
Total inventories at lower of cost and net realisable value	152,057	69,959

The carrying value of inventories include inventories determined by the following cost methods:

	Group 2005 $'000	Group 2004 $'000
First-in-first-out	13,683	12,193
Weighted average	138,374	57,766
	152,057	69,959
Inventories are stated after deducting allowance for obsolescence of	1,240	1,068

Raw materials of the Group as at 31 December 2005 amounting to $25,608,000 (2004: $26,900,000) have been charged to a bank in connection with credit facilities granted to a subsidiary company.

13. Trade receivables

	Group 2005 $'000	Group 2004 $'000
Trade debtors		
– third parties	122,255	73,512
– associated company	4	–
– joint venture company	2,630	3,520
	124,889	77,032
Less: Allowance for doubtful debts – third parties	(7,960)	(2,329)
	116,929	74,703

Trade receivables amounting to $14,999,000 (2004: nil) have been factored to banks with recourse to the Group at the balance sheet date. The corresponding cash received is recorded as bank borrowings.

14. Other receivables

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Prepayments	21,663	3,619	20	22
Sundry deposits	887	668	10	8
Staff advances and loans	251	269	3	4
Sundry debtors	19,614	9,241	21	4,097
Less: Allowance for doubtful debts	(27)	(66)	–	–
	19,587	9,175	21	4,097
Amounts due from subsidiary companies				
– interest bearing	–	–	127,060	37,463
– non-interest bearing	–	–	48,973	14,274
Less: Allowance for doubtful debts	–	–	(9,059)	–
	–	–	166,974	51,737
	42,388	13,731	167,028	55,868

Staff loans are unsecured, interest-free and payable through monthly instalments over a period up to 5 years from the date the loan is granted.

The non-interest bearing amounts due from subsidiary companies are unsecured, interest-free and are repayable upon demand. The interest bearing amounts due from subsidiary companies are unsecured, bear interests at rates ranging from 1.5% to 6.85% (2004: 5.87% to 6.33%) per annum and are repayable upon demand.

15. Short-term investments

	Group 2005 $'000	Group 2004 $'000
Quoted equity shares in corporations, at cost	–	1,533
Less: Impairment loss	–	(286)
	–	1,247
Market value as at end of year	–	1,247

15. Short-term investments (Cont'd)

The market price as at year end has been used to determine the fair value of quoted equity shares in corporations.

Movements in impairment loss on short-term investments are as follows:

	Group	
	2005 $'000	2004 $'000
Balance at beginning of year	286	137
Charged during the year	–	286
Reversed through equity upon reclassification to investment in associated company	(286)	–
Written back on disposal of investment	–	(137)
Balance at end of year	–	286

16. Cash and deposits

	Group		Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Fixed deposits with financial institutions (Note 31)	47,012	15,942	17,834	4,489
Cash and bank balances (Note 31)	37,801	20,288	1,305	662
	84,813	36,230	19,139	5,151

Fixed deposits are made for varying periods between three to thirty days and the effective interest rate on the fixed deposits approximate 3.08% (2004: 3.32%) per annum.

17. Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000
Group			
Cost/valuation:			
At 1.1.2004	14,973	110,897	96,953
Currency realignment	(91)	296	(1,247)
Additions	62	933	–
Disposals/write-off	–	–	–
Acquisition of subsidiary companies	–	2,334	–
Disposal of subsidiary companies	–	–	(4,304)
Transfers	1,988	2,068	3,996
At 31.12.2004 and 1.1.2005	16,932	116,528	95,398
Currency realignment	(655)	(4,903)	980
Additions	133	89	3,016
Disposals	–	–	–
Acquisition of subsidiary companies	–	–	50,839
Disposal of subsidiary companies	–	–	–
Transfers	4,597	9,058	(5,329)
At 31.12.2005	21,007	120,772	144,904
Accumulated depreciation and impairment loss:			
At 1.1.2004	–	34,972	28,547
Currency realignment	–	139	(103)
Charge for the year	–	3,453	3,211
Disposals/write-off	–	–	–
Acquisition of subsidiary companies	–	101	–
Disposal of subsidiary companies	–	–	(957)
Transfers	–	(1)	1,128
Impairment loss written back due to disposal of subsidiary company	–	–	(1,500)
At 31.12.2004 and 1.1.2005	–	38,664	30,326
Currency realignment	–	(1,786)	(26)
Charge for the year	–	3,999	3,926
Disposals	–	–	–
Acquisition of subsidiary companies	–	–	4,928
Disposal of subsidiary companies	–	–	–
Transfers	–	616	(925)
Impairment loss	–	–	–
At 31.12.2005	–	41,493	38,229
Net book value:			
At 31.12.2005	21,007	79,279	106,675
At 31.12.2004	16,932	77,864	65,072

Leasehold improvements $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
14,032	234,385	22,889	28,529	12,170	534,828
(277)	(2,987)	(201)	(663)	(150)	(5,320)
952	8,359	524	4,198	13,063	28,091
(216)	(622)	(132)	(1,620)	–	(2,590)
695	8,668	514	380	274	12,865
–	(179)	(203)	–	–	(4,686)
609	13,482	106	370	(22,619)	–
15,795	261,106	23,497	31,194	2,738	563,188
225	(2,388)	(289)	245	224	(6,561)
849	5,405	1,753	1,940	12,040	25,225
(2)	(732)	(164)	(3,335)	(2,791)	(7,024)
–	76,869	3,344	3,663	13,162	147,877
–	–	(8)	(30)	(953)	(991)
(2,735)	4,710	(752)	577	(10,126)	–
14,132	344,970	27,381	34,254	14,294	721,714
5,427	154,094	15,629	19,678	–	258,347
(80)	(1,438)	(109)	(439)	–	(2,030)
708	15,144	1,548	3,386	–	27,450
(233)	(594)	(94)	(1,475)	–	(2,396)
99	1,010	262	128	–	1,600
–	(607)	(197)	–	–	(1,761)
–	(2,466)	1,179	160	–	–
–	–	–	–	–	(1,500)
5,921	165,143	18,218	21,438	–	279,710
57	(3,019)	(287)	111	18	(4,932)
682	17,907	2,110	3,681	–	32,305
(2)	(599)	(226)	(2,942)	–	(3,769)
–	14,948	1,014	1,284	–	22,174
–	–	(1)	(8)	(621)	(630)
97	490	(261)	(17)	–	–
203	–	73	–	603	879
6,958	194,870	20,640	23,547	–	325,737
7,174	150,100	6,741	10,707	14,294	395,977
9,874	95,963	5,279	9,756	2,738	283,478

17. Property, plant and equipment (cont'd)

Analysis of cost and valuation

	Cost $'000	Assets at valuation $'000	Total $'000
At 31 December 2005			
Freehold land	21,007	–	21,007
Freehold buildings	120,772	–	120,772
Leasehold land and buildings	129,861	15,043	144,904
Leasehold improvements	14,132	–	14,132
Plant and machinery	344,970	–	344,970
Furniture, fittings and office equipment	27,381	–	27,381
Motor vehicles	34,254	–	34,254
Construction-in-progress	14,294	–	14,294
	706,671	15,043	721,714
At 31 December 2004			
Freehold land	16,932	–	16,932
Freehold buildings	116,528	–	116,528
Leasehold land and buildings	80,697	14,701	95,398
Leasehold improvements	15,795	–	15,795
Plant and machinery	261,106	–	261,106
Furniture, fittings and office equipment	23,497	–	23,497
Motor vehicles	31,194	–	31,194
Construction-in-progress	2,738	–	2,738
	548,487	14,701	563,188

17. Property, plant and equipment (cont'd)

Analysis of cost and valuation (Cont'd)

	Leasehold office and improvements $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost:				
At 1.1.2004	2,580	784	280	3,644
Additions	195	174	326	695
At 31.12.2004 and 1.1.2005	2,775	958	606	4,339
Additions	–	21	–	21
Disposals	–	(3)	–	(3)
At 31.12.2005	2,775	976	606	4,357
Accumulated depreciation:				
At 1.1.2004	192	650	209	1,051
Charge for 2004	123	75	100	298
At 31.12.2004 and 1.1.2005	315	725	309	1,349
Charge for the year	87	52	100	239
Disposals	–	(2)	–	(2)
At 31.12.2005	402	775	409	1,586
Net book value				
At 31.12.2005	2,373	201	197	2,771
At 31.12.2004	2,460	233	297	2,990

(a) Leasehold land and buildings owned by an overseas subsidiary company was required to be revalued by the authorities in 1998. The valuation was made by the directors based on professional appraisals by Colliers Jordan Lee and Jaafar Sdn Bhd, a Chartered Valuation Surveyor, in May 1998. The valuation was made on the basis of open market value on an existing use basis.

(b) The net book value of the Group's leasehold land and buildings had it been carried at cost is $102,799,000 (2004: $61,314,000).

(c) The net book value of property, plant and equipment includes an amount of $3,095,000 (2004: $1,461,563) which are held under finance leases.

(d) Included in the Group's property, plant and equipment are property, plant and equipment of certain subsidiary companies with a net book value of $5,757,000 (2004: $5,867,000) which are not in commercial use as at 31 December 2005.

(e) At the end of the financial year, property, plant and equipment with book values of $46,345,000 (2004: nil) were mortgaged to banks to secure credit facilities.

(f) Impairment loss of $879,000 (2004: Impairment loss written back of $1,500,000) has been included under other operating expenses in the profit and loss account.

18. Subsidiary companies

	Company 2005 $'000	Company 2004 $'000
Unquoted equity shares, at cost	120,366	118,412
Impairment loss	(4,626)	(4,126)
	115,740	114,286
Advances to subsidiary companies	107,163	165,089
Less: Allowance for doubtful debts	(5,067)	(13,239)
	102,096	151,850
	217,836	266,136

Movement in impairment loss is as follows:

	2005 $'000	2004 $'000
Balance at beginning of year	4,126	10,475
Charged/(write-back) during the year	500	(6,349)
Balance at end of year	4,626	4,126

The advances to subsidiary companies are unsecured and interest-free (2004: amounts of $64,501,964 bears interest between 0.4% to 2.5% per annum). There are no fixed terms of repayment and no repayments are expected within the next 12 months.

Details of subsidiary companies are set out in Note 39.

19. Associated companies

	Group 2005 $'000	Group 2004 $'000
Equity shares, at cost		
– unquoted	657	17,864
– quoted	54,998	–
Group's share of post-acquisition accumulated profits	1,001	532
Currency realignment	(393)	(302)
Negative goodwill recognised in the profit and loss account	6,109	–
Amortisation of goodwill on consolidation	–	(118)
	62,372	17,976
Advances to associated companies	2,102	2,037
	64,474	20,013
Fair value based on market price as at end of year		
– quoted equity shares in corporations	50,418	–

19. Associated companies (Cont'd)

The Group's investment in associated companies represent equity shares held by subsidiary companies.

The advances to associated companies are unsecured, with no fixed terms of repayment and are not expected to be repaid within the next twelve months. Interest approximating at the rate of 10.1% (2004: 11.5%) per annum is receivable on advances amounting to $2,102,000 (2004: $1,771,000) due from associated companies.

Details of associated companies are set out in Note 39.

The summarised financial information of the associated companies are as follows:

	Group	
	2005 **$'000**	**2004** **$'000**
Balance sheet:		
Property, plant and equipment	50,080	31,614
Other assets	272,388	34,895
Liabilities	(65,308)	(36,447)
	257,160	30,062
Profit and loss account:		
Revenue	110,434	25,271
Expenditure	(102,872)	(23,062)
Profit before taxation	7,562	2,209
Taxation	(1,379)	(78)
Profit after taxation	6,183	2,131

20. Joint venture company

	Group	
	2005 **$'000**	**2004** **$'000**
Unquoted equity shares, at cost	2,997	2,997
Establishment costs	52	52
Group's share of post-acquisition accumulated losses	(210)	(287)
Currency realignment	651	877
Advances to joint venture company	622	592
	4,112	4,231

The Group's investment in the joint venture company represents unquoted equity shares held by a subsidiary company. The joint venture agreement provides that neither the Group nor the other shareholder may transfer any of its shares for a period of five years from the date of the joint venture agreement without the prior consent of the other shareholder.

Details of the joint venture company are set out in Note 39.

20. Joint venture company (Cont'd)

The Group's share of the assets and liabilities of the joint venture company comprise:

	Group	
	2005 $'000	2004 $'000
Balance sheet:		
Property, plant and equipment	6,747	7,276
Other assets	1,898	2,319
Liabilities	(5,207)	(6,008)
	3,438	3,587
Profit and loss account:		
Revenue	25,050	20,630
Expenditure	(24,940)	(20,576)
Profit before taxation	110	54
Taxation	(33)	(16)
Profit after taxation	77	38

21. Long-term investments

	Group		Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Available-for-sale				
Quoted equity shares in corporations, at fair value (2004: at cost less impairment loss)	6,011	35,955	–	–
Unquoted investments, at cost less impairment loss	11,153	9,868	–	–
Other unquoted investments, at fair value (2004: at cost)	1,856	1,719	–	–
	19,020	47,542	–	–
Held-to-maturity				
Quoted bonds, at cost	998	998	998	998
	20,018	48,540	998	998
Movements in impairment loss are as follows:				
Quoted equity shares in corporations:				
Balance at beginning of year	3,200	–	–	–
Charged during the year	–	3,200	–	–
Reversed through equity upon reclassification to investment in associated company	(2,280)	–	–	–
Effects of adopting FRS 39	(920)	–	–	–
Balance at end of year	–	3,200	–	–
Unquoted investments:				
Balance at beginning and end of year	3,700	3,700	–	–

Included in unquoted investments as at 31 December 2005 are unsecured and non-interest bearing advances provided by the Group to Gardenia Foods (Thailand) Ltd ("GFT") prior to the disposal of GFT in 2003. The advances will be converted to shares in GFT upon GFT's initial public offer.

22. Intangibles

	Group $'000	Company $'000
Trademark		
Cost:		
At beginning of the year	3,577	2,750
Currency realignment	(35)	–
Additions	–	4,400
At end of the year	3,542	7,150
Accumulated amortisation:		
At beginning of the year	2,105	2,042
Amortisation for the year (Note 5)	138	358
Currency realignment	(3)	–
At end of the year	2,240	2,400
Net book value:		
At end of the year	1,302	4,750
At beginning of the year	1,472	708

In accordance with revised FRS 28 (Investments in Associates), goodwill relating to associated companies is included in the carrying amount of the investment. Accordingly, the comparative figures have been restated to conform with current year's presentation.

23. Trade payables

	Group		Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Trade payables				
– third parties	101,353	60,872	11	22
– joint venture company	151	1,463	–	–
	101,504	62,335	11	22

24. Other payables

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Payable within one year:				
Staff related expenses	15,629	14,206	885	825
Accrued operating expenses	14,458	14,563	792	335
Sundry creditors	22,067	6,359	9	3,727
Amounts due to subsidiary companies	–	–	7,241	–
Amount due to related party	1,533	1,466	–	–
	53,687	36,594	8,927	4,887
Payable after one year:				
Provision for long service leave	9,745	8,167	–	–
Amounts due to subsidiary companies	–	–	–	9,537
	9,745	8,167	–	9,537

The amount due to related party is unsecured, interest-free and is repayable upon demand.

The amounts due to subsidiary companies are unsecured, interest-free and are repayable on demand.

Movement in provision for long service leave are as follows:

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Balance at beginning of year	8,167	7,362	–	–
Currency realignment	(386)	30	–	–
Provision made during the year	1,964	1,025	–	–
Amounts utilised	–	(250)	–	–
Balance at end of year	9,745	8,167	–	–

25. Short-term borrowings

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Short-term bank loans:				
– unsecured	93,280	52,366	41,041	48,111
– secured	133,145	24,230	–	–
	226,425	76,596	41,041	48,111

The short-term bank loans bear effective interest rates ranging from 0.75% to 9.72% (2004: 1.14% to 6.14%) per annum. The secured portion of the borrowings as at 31 December 2005 is charged on certain property, plant and equipment, inventories and current assets of the Group.

26. Long-term loans and finance leases

	Effective interest rate %	Maturities	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
Loans from banks:						
– Loan A	4.23	November 2007	30,000	–	30,000	–
– Loan B	4.13	Up till December 2008	37,000	–	37,000	–
– Loan C	5.65	Up till December 2008	29,934	–	29,934	–
– Loan D	6.65	Up till April 2008	47,541	64,127	–	–
– Other loans	7.18	Up till August 2008	18,625	25,830	–	–
– Finance leases			2,184	898	–	–
			165,284	90,855	96,934	–
Less: Current portion			(31,636)	(44,784)	–	–
Non-current portion of loans			133,648	46,071	96,934	–

Loan A, denominated in Singapore Dollar, with fixed interest rates, is unsecured, bears interest at 4.23% (2004: nil) per annum and is repayable on November 2007.

Loan B, denominated in Singapore Dollar, with floating interest rates, is unsecured, bears interest at 4.13% (2004: nil) per annum and is repayable in 4 semi-annual instalments commencing from June 2007.

Loan C, denominated in United States Dollar, with floating interest rates, is unsecured, bears interest at 5.65% (2004: nil) per annum and is repayable in 4 instalments commencing from June 2007.

Loan D, denominated in Australian Dollar, with floating interest rates, bears interest at 6.65% (2004: 6.40%) per annum and is repayable in 10 semi-annual instalments commencing from October 2003. The loan is guaranteed by the Company and certain subsidiary companies, subordination of certain inter-company balances amounting to $56,074,000 (2004: $58,558,000) and compliance with financial covenants.

Other loans, denominated mainly in Chinese Renminbi, with mainly fixed interest rates, are secured on certain property, plant and equipment and current assets of the Group.

Commitments under finance leases as at 31 December are as follows:

	Minimum lease payments 2005 $'000	Present value of payments 2005 $'000	Minimum lease payments 2004 $'000	Present value of payments 2004 $'000
Within one year	867	745	351	290
Between one and five years	1,587	1,439	655	608
Total minimum lease payments	2,454	2,184	1,006	898
Less: Amount representing finance charges	(270)	–	(108)	–
Present value of minimum lease payments	2,184	2,184	898	898

Effective interest rates on finance leases range from 4.37% to 9.48% (2004: 6.74% to 9.48%) per annum.

27. Deferred taxation

	Group		Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Balance at beginning of year	7,740	8,372	207	450
Currency realignment	307	(276)	–	–
Acquisition of subsidiary companies	153	–	–	–
(Write-back)/charged during the financial year	(792)	(356)	117	(243)
Balance at end of year	7,408	7,740	324	207

The movements in the Group's deferred tax assets and liabilities during the year are as follows:

	Property, plant and equipment $'000	Employee benefits $'000	Tax losses carry-forward $'000	Fair value adjustments on biological assets $'000	Others $'000	Total $'000
Deferred tax assets						
At the beginning of the financial year	3,952	4,726	9,517	(16,550)	898	2,543
(Write-back)/credit to profit and loss account	(98)	414	65	1,198	(1,075)	504
Currency realignment	(164)	(194)	(435)	656	3	(134)
At the end of the financial year	3,690	4,946	9,147	(14,696)	(174)	2,913

	Property, plant and equipment $'000	Revaluation reserve $'000	Others $'000	Total $'000
Deferred tax liabilities				
At the beginning of the financial year	8,705	1,263	315	10,283
Acquisition of subsidiary companies	36	–	117	153
(Write-back)/charge to profit and loss account	(188)	(1)	261	72
(Over)/under provision in prior years	(402)	–	42	(360)
Currency realignment	129	29	15	173
At the end of the financial year	8,280	1,291	750	10,321

27. Deferred taxation (cont'd)

The movements in the Company's deferred tax liabilities during the year are as follows:

	Earnings retained overseas $'000	Others $'000	Total $'000
Deferred tax liabilities			
At the beginning of the financial year	165	42	207
(Write-back)/charge to profit and loss account	(45)	162	117
At the end of the financial year	120	204	324

28. Share capital

	Group and Company	
	2005 $'000	2004 $'000
Authorised:		
1,000,000,000 ordinary shares of $0.40 each	400,000	400,000
Issued and fully paid:		
Balance at beginning of year		
439,762,966 (2004: 351,280,373) stock units of $0.40 each	175,905	140,512
Issued during the year		
23,750 (2004: 88,482,593) stock units of $0.40 each	10	35,393
Balance at end of year		
439,786,716 (2004: 439,762,966) stock units of $0.40 each	175,915	175,905

During the financial year:

(i) the Company issued 20,000 (2004: 530,000) ordinary shares of $0.40 each for cash at the exercise price of $0.43 per share upon the exercise of 20,000 (2004: 530,000) share options by employees pursuant to the QAF Limited Share Option Scheme 2000 ("2000 Scheme"); and

(ii) the Company issued 3,750 (2004: nil) ordinary shares of $0.40 each for cash at the exercise price of $0.50 per share upon the exercise of 3,750 (2004: nil) warrants by holders of Warrants 2009.

Pursuant to a rights issue carried out in October 2004 and completed on 8 November 2004, 87,952,593 Rights Shares were issued at an issue price of $0.50 for each Rights Share on the basis of 1 Rights Share with 1 warrant ("Warrants 2009") for every 4 existing ordinary shares in the Company, each warrant carrying the right to subscribe for 1 ordinary share in the capital of the Company at the exercise price of $0.50 for each new share. A total of 87,952,593 Warrants 2009 were issued as a result of the rights issue on 17 November 2004. Warrants 2009 are valid for exercise within a period of 5 years commencing on and including the date of issue of the Warrants 2009. Warrants 2009 are listed and quoted on the SGX-ST. During the financial year, 3,750 ordinary shares in the Company were issued pursuant to the exercise by warrant holders. As at 31 December 2005, there were a total of 87,948,843 Warrants 2009 outstanding.

On 30 January 2006, in accordance with the Singapore Companies (Amendment) Act 2005, the concepts of "par value" and "authorised capital" were abolished and with effect from that date, the shares of the Company ceased to have a par value. In addition, the amount standing in the share premium reserve had become part of the Company's share capital.

29. Reserves

	Group		Company	
	2005 $'000	2004 $'000 (Restated)	2005 $'000	2004 $'000 (Restated)
Non-distributable reserves				
Share premium	13,620	13,619	13,620	13,619
Fair value/revaluation reserve	2,138	2,409	–	–
Capital reserve	17,025	16,565	728	330
	32,783	32,593	14,348	13,949
Distributable reserves				
Revenue reserve	116,704	97,278	74,123	78,357
Foreign currency translation reserve	1,405	2,645	–	–
	118,109	99,923	74,123	78,357
	150,892	132,516	88,471	92,306

	Company	
	2005 $'000	2004 $'000
Analysis of movement in the reserves of the Company:		
Share premium		
At beginning of year	13,619	4,996
Premium arising on issuance of shares during the year	1	8,623
At end of year	13,620	13,619
Capital reserve		
At beginning of year		
– as previously reported	–	–
– effect of adopting FRS 102	330	–
– as restated	330	–
Share-based payment expenses	398	330
At end of year	728	330
Revenue reserve		
At beginning of year		
– as previously reported	78,687	77,050
– effect of adopting FRS 102	(330)	–
– as restated	78,357	77,050
Net profit for the year	2,802	6,936
Dividends	(7,036)	(5,629)
At end of year	74,123	78,357

29. Reserves (cont'd)

Share premium

The share premium account represents net cash proceeds received in excess of the par value of the shares issued by the Company.

Fair value/revaluation reserve

The fair value/revaluation reserve comprises surplus arising from the revaluation of property, plant and equipment by a subsidiary company as well as the cumulative fair value adjustments on available-for-sale financial assets until they are derecognised or impaired. In each financial year, an amount is transferred to the revenue reserve to match the additional depreciation charge on the revalued assets.

	Group	
	2005 $'000	2004 $'000
Fair value/revaluation reserve as at 31 December 2005 comprise of the following:		
Revaluation of property, plant and equipment	2,360	2,409
Fair value adjustment on financial instruments	(222)	–
	2,138	2,409

Capital reserve

Capital reserve of the Company comprise the cumulative value of services received from employees recorded on grant of equity-settled share options.

Capital reserve of the Group comprise the capital reserve of the Company and amounts transferred from the revenue reserve due to bonus shares issued by a subsidiary company as fully paid shares through capitalisation of its revenue reserve.

Capital reserve of the Group as at 31 December 2005 includes $728,000 (2004: $330,000) relating to the cumulative value of services received from employees recorded on grant of equity-settled share options.

Foreign currency translation reserve

The foreign currency translation reserve comprise translation differences arising from the translation of assets and liabilities of foreign subsidiary, associated and joint venture companies for inclusion in the consolidated financial statements and exchange differences arising from the long-term intercompany balances which are effectively part of the net investment.

30. Dividends

	Group and Company	
	2005	2004
	$'000	$'000
First and final dividend of 2 cents per share, less tax at 20% in respect of the financial year ended 31 December 2004	7,036	–
First and final dividend of 2 cents per share, less tax at 20% in respect of the financial year ended 31 December 2003	–	5,629

The Directors have proposed a first and final dividend of 2 cents per share, net of tax at 20%, amounting to $7,036,587 be paid in respect of the financial year ended 31 December 2005. The dividend will be recorded as a liability in the balance sheet of the Company and Group upon approval of the shareholders at the next Annual General Meeting of the Company.

31. Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts:

	Group	
	2005	2004
	$'000	$'000
Cash and bank balances (Note 16)	37,801	20,288
Fixed deposits with financial institutions (Note 16)	47,012	15,942
	84,813	36,230
Less: Fixed deposits pledged to banks as security for credit facilities granted to subsidiary companies	(14,855)	–
	69,958	36,230

32. Employee benefits

(i) Share options

The Group has granted share options to eligible employees under The QAF Limited Share Option Scheme 2000 ("2000 Scheme").

The 2000 Scheme was approved by the members of the Company at an Extraordinary General Meeting held on 12 May 2000. The total number of shares in respect of which options may be offered on any offering date, when added to the number of shares issued or issuable in respect of options under this Scheme shall not exceed 15% of the issued share capital of the Company on the day preceding that offering date.

The exercise price of each share in respect of an option granted may be (i) the average of the last dealt prices of the shares of the Company, as determined by reference to the Financial News or other publication published by the Singapore Exchange Securities Trading Limited, for the three consecutive trading days immediately preceding the date of grant of that option ("Market Price") or (ii) at a discount not exceeding 20% of the Market Price but in any event no exercise price shall be less than $0.40 per share being the par value of an ordinary share in the Company immediately before the abolishment of the par value by the Singapore Companies (Amendments) Act 2005.

32. Employee benefits (Cont'd)

(i) Share options (Cont'd)

An option granted is valid for 10 years (unless otherwise terminated or lapsed pursuant to the rules as stipulated in the 2000 Scheme) and is exercisable, for an option granted without discount to the Market Price, after a vesting period of 1 year and for an option granted at a discount to the Market Price, after a vesting period of 2 years.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Information with respect to the total number of options granted under the 2000 Scheme are as follows:

	No. of options in financial year 2005 '000	Weighted average exercise price in financial year 2005 $	No. of options in financial year 2004 '000	Weighted average exercise price in financial year 2004 $
Outstanding at beginning of year	9,350	0.545	7,783	0.605
Granted	3,405	0.513	3,755	0.523
Exercised	(20)	0.430	(530)	0.430
Lapsed/forfeited	(560)	0.541	(1,658)	0.815
Outstanding at end of year	12,175	0.536	9,350	0.545
Exercisable at end of year	8,790	0.545	5,660	0.559

The following table summarises information about options outstanding and exercisable as at 31 December 2005 to subscribe for ordinary shares of $0.40 each in the Company:

Outstanding			Exercisable		
Offer date	Number of Options	Exercise price per share	Exercise period From	Exercise period To	Number of Options
26.05.2000	1,885,000	$0.630	26.05.2001	25.05.2010	1,885,000
19.04.2001	923,000	$0.430	20.04.2002	19.04.2011	923,000
05.04.2002	2,482,000	$0.555	06.04.2003	05.04.2012	2,482,000
13.05.2004	3,500,000	$0.523	14.05.2005	13.05.2014	3,500,000
18.08.2005	3,385,000	$0.513	18.08.2006	17.08.2015	–
	12,175,000				8,790,000

Included in the options outstanding as at 31 December 2005 are 950,000 (2004: 950,000) options granted to the executive directors of the Company.

(In Singapore dollars)

32. Employee benefits (Cont'd)

(i) Share options (Cont'd)

The fair value of share options as at the date of grant is estimated using a binomial model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the years ended 31 December 2005 and 31 December 2004 are shown below:

	Group	
	2005	**2004**
Dividend yield (%)	2.6	2.6
Expected volatility (%)	31.0	31.0
Risk-free interest rate (%)	2.9	3.7
Expected life of option (years)	6.6	6.5
Weighted average share price ($)	0.513	0.523

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

Up to 31 December 2005, the cumulative share-based payment expenses recognised amounted to $728,000 (2004: $330,000).

(ii) Retirement benefits

The Group's companies in Australia (namely the QAF Meats Group of companies) operate a superannuation scheme that include The QAF Meats Group Superannuation Fund (Defined Benefits) (the "Fund"). The Fund is managed by an external administrator and the assets of the Fund are held in a separate trustee-administered fund. The Fund guarantees its members (i.e. the employees) a superannuation payout based on level of salary and years of service, irrespective of the investment returns which the Fund makes. As at 31 December 2005, the net market value of the assets held by the Fund to meet future payments amounted to $25,718,000 (2004: $23,137,000) as compared to the present value of employee's accrued and vested benefit of $24,458,000 (2004: $22,751,000). The last actuarial assessment was completed as at 30 June 2004 by an independent actuary and updated to 31 December 2005. An expected rate of return of approximately 6.5% (2004: 6.5%) per annum and a discount rate of approximately 4.0% (2004: 4.0%) formed part of the assumptions used by the actuary.

The superannuation scheme also include The QAF Meats Group Superannuation Fund (Accumulation). By definition, the asset valuation of this fund is the vested benefit of members. Members are entitled to their contributions, and those of the company, along with the return on investment the fund has achieved in their time of membership. This fund is managed by an external administrator and the assets of the Fund are invested with external fund managers.

33. Commitments

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
(i) Capital commitments not provided for in the financial statements:				
Expenditure contracted for:				
– proposed expansion of manufacturing facilities	436	947	–	–
– capital contribution	–	6,461	–	–
– others	260	329	8	–
	696	7,737	8	–
Approved by the directors but not contracted for	1,840	325	–	7
	2,536	8,062	8	7
(ii) Commitments to purchase bulk supplies of raw materials	4,834	1,837	–	–
(iii) Commitments under non-cancellable operating leases with a term of more than one year. The minimum lease payments are leases which expire:				
Within one year	4,847	2,817	–	–
Between one and five years	12,371	7,985	–	–
After five years	23,330	27,871	–	–
	40,548	38,673	–	–

The Group leases office premises, warehousing/trading facilities, retail outlets and passenger and commercial vehicles under operating leases. The leases typically run for an initial period of 3 to 50 years, with an option to renew the lease after that date. Lease rentals are usually adjusted during the renewals to reflect market rentals.

(iv) In the ordinary course of its business, the Company, as the holding company, has given undertakings to continue to provide financial support to certain subsidiary companies.

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
(v) Outstanding forward exchange contracts	3,310	5,251	–	–

34. Contingent liabilities (unsecured)

	Group 2005 $'000	Group 2004 $'000	Company 2005 $'000	Company 2004 $'000
(a) Guarantees issued for bank facilities granted to subsidiary companies	–	–	202,925	153,570
Amounts utilised by subsidiaries as at balance sheet date	–	–	97,148	80,127

34. Contingent liabilities (unsecured) (cont'd)

	Group		Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
(b) Claims by subsidiary companies' employee union and ex-employees via industrial court case	–	716	–	–
(c) Guarantees and indemnities given by a subsidiary company to third parties in connection with credit facilities granted to the subsidiary company	35,977	–	–	–
(d) Potential stamp duty payable in connection with acquisition of subsidiary company in prior year	511	–	–	–
(e) Claims by subsidiary companies' suppliers via civil suit	270	–	–	–

No material losses are expected to arise from the above contingencies.

35. Related party transactions

(a) The following related party transactions took place during the financial year on terms agreed by the parties concerned:

	Group		Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Purchases from associated companies	96	–	–	–
Purchases from interested parties	46	92	–	–
Sales to associated and joint venture companies	17,739	13,623	–	–
Rental paid to an interested party	10	38	10	38
Rental paid to an associated company	209	208	–	–
Interest income from advances to associated and joint venture companies	452	225	–	–
Rental paid to a director	29	–	29	–
Management fees from subsidiary companies	–	–	1,146	1,169
Royalty income from subsidiary companies	–	–	10,698	9,344
Interest income from advances to subsidiary companies	–	–	3,951	2,527
Interest expense paid to a subsidiary company	–	–	155	58
Purchase of trademark from a subsidiary company	–	–	4,400	–

The interested parties above refer to entities affiliated with the controlling shareholder of the Company.

35. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group 2005 $'000	Group 2004 $'000
Fees and remuneration	2,045	1,714
Contribution to the Central Provident Fund	29	36
Share-based payment expenses	105	83

36. Financial risk management objectives and policies

The main risks faced by the Group are foreign currency risk, interest rate risk and credit risk that arise through its normal operations.

Foreign currency risk

Foreign currency risk arises from a change in foreign currency exchange rate, which is expected to have adverse effect on the Group in the current reporting period and in future years. The Group operates within the Asia Pacific region and companies within the Group maintain their books and records in their respective measurement currencies. The Group's accounting policy is to translate the profits and losses of overseas companies using the weighted average exchange rates. Net assets denominated in foreign currencies and held at the year end are translated into Singapore dollars, the Group's reporting currency, at year end exchange rates. Fluctuations in the exchange rate between the measurement currency of the subsidiary companies and Singapore dollars will therefore have an impact on the Group. It is the Group's policy not to hedge exposures arising from such translations. The Group may pursue such a policy in the future if the need arises. The Group aims to fund overseas operations with borrowings denominated in their measurement currency as a natural hedge against overseas assets.

Certain of the Group's subsidiary companies use foreign currency forward exchange contracts with settlement period within 6 months from the year end to manage foreign currency exposures arising from normal trading activities. The outstanding forward exchange contracts are disclosed in Note 33.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will have an adverse financial effect on the Group's financial conditions and/or results. The primary source of the Group's interest rate risk is its borrowings from banks and other financial institutions in Singapore, Malaysia, Australia and China. The Group does not hedge interest rate risks. The Group ensures that it obtains borrowings at competitive interest rates under the most favourable terms and conditions.

Credit risk

Credit risk is the risk that entities and individuals will be unable to meet their obligations to the Group resulting in financial loss to the Group. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products and services are made to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The Group has made provisions, where necessary, for potential losses on credits extended. The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet. The Group has no significant concentration of credit risk.

36. Financial risk management objectives and policies (Cont'd)

Financial risk

The Group is exposed to financial risks arising from changes in prices of pig and animal feeds. The Group has not entered into derivative or other contracts to manage the risk or a decline in pig prices or of an increase in the price of animal feeds. The Group reviews its outlook for pig and animal feed prices regularly in considering the need for active financial risk management.

Derivative financial instruments

The Group does not hold or issue derivative financial instruments for trading purposes.

Fair value of financial assets and financial liabilities

The fair values of the quoted investments are disclosed in Notes 15, 19 and 21. Market prices have been used to determine the fair values of the quoted investments. In the opinion of the Directors, it is impractical to determine the fair value of the unquoted investments in subsidiary, associated and joint venture companies.

37. Financial risk management strategies relating to livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of pork and related products, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks affecting the food industry generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by numerous environmental, health and food safety organisations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Despite the precautions taken by the Group, the authorities may impose additional regulatory requirements that may require significant capital investment at short notice.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely affect production and consumer confidence. The Group monitors the health of its livestock on daily basis and have procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by disease epidemics.

The livestock industry is exposed to risks associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results, like the worst Australian drought in living memory that severely affected the grain production during the previous year. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group will enter into forward contracts to secure the supply of grain at reasonable price. Details of such forward contracts are disclosed in Note 33.

38. Segmental reporting

For management purposes, the Group is currently organised into five operating divisions – food manufacturing, bakery, primary production, trading and logistics and investments and others. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Food manufacturing	–	Manufacture and distribution of food and beverages; manufacture and sale of fruit juice-concentrate
Bakery	–	Manufacture and distribution of bread, confectionery and bakery products
Primary production	–	Production, processing and marketing of meat; feedmilling and sale of animal feeds and related ingredients
Trading and logistics	–	Trading and distribution of food and beverage products and provision for warehousing logistics for food items
Investments and others	–	Investment holding and other activities

(a) Business segments

	Food manufacturing $'000	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Eliminations $'000	Consolidated $'000
2005							
Revenue and expenses							
Revenue from external customers	109,732	246,328	410,753	107,445	2,935	–	877,193
Other revenue from external customers	403	2,714	2,955	341	624	–	7,037
Inter-segment revenue	2,782	67	14,155	533	11,826	(29,363)	–
	112,917	249,109	427,863	108,319	15,385	(29,363)	884,230
Unallocated revenue							1,635
Total revenue							885,865
Segment results	3,159	29,847	14,346	218	(688)	–	46,882
Unallocated revenue							1,635
Unallocated expenses							(7,352)
Profit from operating activities							41,165
Finance costs							(13,807)
Exceptional items							2,014
Share of profits of associated and joint venture companies							1,825
Profit before taxation							31,197
Taxation							(4,914)
Profit after taxation							26,283

38. Segmental reporting (cont'd)

(a) Business segments (cont'd)

	Food manufacturing $'000	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Eliminations $'000	Consolidated $'000
2004							
Revenue and expenses							
Revenue from external customers	12,563	228,813	258,236	112,920	614	–	613,146
Other revenue from external customers	39	1,503	3,046	527	849	–	5,964
Inter-segment revenue	907	18	19,733	467	10,513	(31,638)	–
	13,509	230,334	281,015	113,914	11,976	(31,638)	619,110
Unallocated revenue							887
Total revenue							619,997
Segment results	(145)	28,774	3,494	(147)	(196)	–	31,780
Unallocated revenue							887
Unallocated expenses							(6,421)
Profit from operating activities							26,246
Finance costs							(8,158)
Exceptional items							(1,866)
Share of profits of associated and joint venture companies							650
Profit before taxation							16,872
Taxation							(4,579)
Profit after taxation							12,293

38. Segmental reporting (cont'd)

(a) Business segments (cont'd)

	Food manufacturing $'000	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Consolidated $'000
2005						
Assets and liabilities						
Segment assets	256,209	138,369	370,574	66,204	52,236	883,592
Associated and joint venture companies	19,361	2,255	4,113	42,857	–	68,586
Total assets	275,570	140,624	374,687	109,061	52,236	952,178
Deferred tax assets						2,913
Tax recoverable						216
Total assets per consolidated balance sheet						955,307
Segment liabilities	31,559	35,812	86,768	10,974	2,007	167,120
Provision for taxation						4,927
Deferred tax liabilities						10,321
Bank borrowings						389,525
Total liabilities per consolidated balance sheet						571,893
Other segment information						
Capital expenditure	7,314	7,104	5,105	735	4,967	25,225
Amortisation and depreciation	3,809	14,465	11,630	1,878	661	32,443
Impairment loss	–	–	603	–	4,722	5,325

38. Segmental reporting (cont'd)

(a) Business segments (cont'd)

	Food manufacturing $'000	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Consolidated $'000
2004						
Assets and liabilities						
Segment assets	26,429	140,716	282,811	74,127	70,030	594,113
Associated and joint venture companies	–	2,341	21,903	–	–	24,244
Total assets	26,429	143,057	304,714	74,127	70,030	618,357
Deferred tax assets						2,543
Tax recoverable						2,124
Total assets per consolidated balance sheet						623,024
Segment liabilities	6,063	34,514	45,229	16,725	5,463	107,994
Provision for taxation						3,792
Deferred tax liabilities						10,283
Bank borrowings						166,553
Total liabilities per consolidated balance sheet						288,622
Other segment information						
Capital expenditure	3,582	18,458	794	741	4,516	28,091
Amortisation and depreciation	240	14,142	10,772	1,964	623	27,741
Impairment loss (written back)/charged	–	(1,500)	–	–	3,486	1,986

38. Segmental reporting (cont'd)

(b) Geographical segment

	Singapore $'000	Malaysia $'000	Australia $'000	Philippines $'000	China $'000	Other countries $'000	Consolidated $'000
2005							
Revenue from external customers	173,654	152,554	331,248	46,689	101,198	78,887	884,230
Unallocated revenue							1,635
Total revenue	173,654	152,554	331,248	46,689	101,198	78,887	885,865
Segment assets	210,703	88,095	309,079	27,929	316,371	1	952,178
Capital expenditure	1,856	2,293	11,505	3,899	5,672	–	25,225
2004							
Revenue from external customers	157,735	149,071	238,453	39,980	472	33,399	619,110
Unallocated revenue							887
Total revenue	157,735	149,071	238,453	39,980	472	33,399	619,997
Segment assets	177,134	93,106	316,289	24,365	7,461	2	618,357
Capital expenditure	2,599	13,188	7,647	4,118	539	–	28,091

39. Subsidiary, associated and joint venture companies

(a) The subsidiary companies as at 31 December 2005 are:

Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2005 $'000	Cost 2004 $'000	Percentage of equity held by the Group 2005 %	Percentage of equity held by the Group 2004 %
Food manufacturing					
Hengxing Fruit Juice (Singapore) Pte Ltd ❶ (Singapore)	Distribution agency of beverage products (Singapore)	+	–	100	–
Ben Fortune Pastry Manufacturing (M) Sdn Bhd ❷ (Malaysia)	Manufacture and distribution of confectionery and pastry (Malaysia)	✣	✣	100	100
Shaanxi Hengxing Fruit Juice Co Ltd ❺ (People's Republic of China)	Manufacture and distribution of apple juice concentrate (People's Republic of China)	+	–	51	–
^ Shaanxi Hengxing Fruit Juice Co Ltd Heyang Plant (People's Republic of China)	Manufacture and trading of apple juice concentrate (People's Republic of China)	+	–	51	–
^ Zhongning Hengxing Fruit Juice Co Ltd (People's Republic of China)	Manufacture and trading of apple juice concentrate (People's Republic of China)	+	–	51	–
^ Yangling Hengxing Seeding Co Ltd (People's Republic of China)	Ownership and cultivation of saplings (People's Republic of China)	+	–	51	–
^ Linyi Hengxing Fruit Juice Co Ltd (People's Republic of China)	Manufacture and trading of apple juice concentrate (People's Republic of China)	+	–	51	–
^ Jingchuan Hengxing Fruit Juice Co Ltd (People's Republic of China)	Manufacture and trading of apple juice concentrate (People's Republic of China)	+	–	51	–
^ Qixian Hengxing Fruit Juice Co Ltd (People's Republic of China)	Manufacture and trading of apple juice concentrate (People's Republic of China)	+	–	51	–
^ Chunhua Hengxing Fruit Juice Co Ltd (People's Republic of China)	Manufacture and trading of apple juice concentrate (People's Republic of China)	+	–	51	–

39. Subsidiary, associated and joint venture companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2005 $'000	Cost 2004 $'000	Percentage of equity held by the Group 2005 %	Percentage of equity held by the Group 2004 %
Food manufacturing (Cont'd)					
^ Hengxing North America Inc (United States of America)	Trading and distribution of apple juice concentrate (United States of America)	+	–	51	–
Challenge Australian Dairy Pty Ltd ❻ (Australia)	Collection and sale of raw milk and the manufacture of dairy products (Australia)	+	+	51	51
Bakery					
Gardenia Foods (S) Pte Ltd ❶ (Singapore)	Bread manufacturer (Singapore)	5,516	5,516	100	100
Gardenia Bakeries (KL) Sdn Bhd ❷ (Malaysia)	Bread manufacturer (Malaysia)	+	+	70	70
Gardenia Sales & Distribution Sdn Bhd ❷ (Malaysia)	Marketing and distribution of bakery products (Malaysia)	+	+	70	70
Farmland Central Bakery (S) Pte Ltd ❶ (Singapore)	Purchasing agent of bread, confectionery and bakery products (Singapore)	500	500	100	100
Millif Industries Sdn Bhd ❷ (Malaysia)	Manufacture of kaya and related products (Malaysia)	360	360	65	65
Gardenia Bakeries (Philippines) Inc ❹ (Philippines)	Manufacture and distribution of bread, confectionery and bakery products (Philippines)	+	+	100	100
Delicia Sdn Bhd ❷ (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	+	+	100	100
Bakers Maison Australia Pty Ltd ❻ (Australia)	Manufacture of confectionery and bakery products (Australia)	+	+	100	100

39. Subsidiary, associated and joint venture companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2005 $'000	Cost 2004 $'000	Percentage of equity held by the Group 2005 %	Percentage of equity held by the Group 2004 %
Primary production					
Shandong Xinquan Grain & Oil Co Ltd ❼ (People's Republic of China)	Production and sale of soy oil and soy meals (People's Republic of China)	+	–	55	–
Thye Seng Trading Co Pte Ltd ❼ (Singapore)	Import and export of frozen food (Singapore)	+	–	55	–
QAF Feeds Pty Ltd ❻ (Australia)	Manufacturing of stockfeed and sales and distribution of animal feed products (Australia)	+	+	100	100
QAF Meat Industries Pty Ltd ❻ (Australia)	Intensive pig production and wholesaling (Australia)	+	+	100	100
QAF Meat Processors Pty Ltd ❻ (Australia)	Pig slaughtering and meat boning (Australia)	+	+	100	100
Brooksbank Properties Pty Ltd ❻ (Australia)	Intensive pig production and wholesaling (Australia)	+	+	100	100
Fujian Dongjia Feeds Co Ltd ❺ (People's Republic of China)	Inactive (People's Republic of China)	+	+	100	100
Junan Hengxing Foodstuffs Co Ltd ❼ (People's Republic of China)	Breeding and sale of pigs, production and sale of animal feed and processing of meat and sale of processed meat (People's Republic of China)	+	–	55	–
Trading and logistics					
Ben Foods (S) Pte Ltd ❶ (Singapore)	Trading and distribution of food and beverage products (Singapore)	14,204	14,204	100	100
@ Ben Foods (East Malaysia) Sdn Bhd ❷ (Malaysia)	Operation of supermarkets (Malaysia)	✣	✣	100	100

39. Subsidiary, associated and joint venture companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2005 $'000	Cost 2004 $'000	Percentage of equity held by the Group 2005 %	Percentage of equity held by the Group 2004 %
Trading and logistics (cont'd)					
Ben Trading (Malaysia) Sdn Bhd ❷ (Malaysia)	Trading and distribution of food and beverage products (Malaysia)	✣	✣	100	100
Spices of the Orient Pte Ltd ❶ (Singapore)	Manufacture and trading of spices (Singapore)	5,126	5,126	100	100
Shinefoods Pte Ltd ❶ (Singapore)	Agency and distribution of food and beverage products (Singapore)	✣	–	100	–
NCS Cold Stores (S) Pte Ltd ❶ (Singapore)	Operation of warehousing logistics (Singapore)	16,940	16,940	100	100
QAF Fruits Cold Store Pte Ltd ❶ (Singapore)	Operation of cold storage warehouse (Singapore)	+	+	62	62
Investments and others					
Highwood Pte Ltd ❶ (Singapore)	Retail and sale of liquor, soft drinks, café and snacks (Singapore)	500	✣	100	100
Oxdale Dairy Enterprise Pty Ltd ❻ (Australia)	Milk production (Australia)	+	+	100	100
QAF Management Services (S) Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	✣	✣	100	100
QAF Agencies (S) Pte Ltd ❶ (Singapore)	Share trading and investment holding (Singapore)	✣	✣	100	100
Pemscorp Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	5,092	5,092	100	100
Oxdale International Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	12,501	12,501	100	100

39. Subsidiary, associated and joint venture companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2005 $'000	Cost 2004 $'000	Percentage of equity held by the Group 2005 %	Percentage of equity held by the Group 2004 %
Investments and others (Cont'd)					
Gardenia International (S) Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	7,993	7,993	100	100
Singfood Investment Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	✣	✣	100	100
Hamsdale International Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	50,005	50,005	100	100
Hamsdale Australia Pty Ltd ❻ (Australia)	Investment holding (Australia)	+	+	100	100
Camellia Bakeries (S) Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	+	+	100	100
Edenc International Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	✣	✣	100	100
Gardenia Investments Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	+	+	100	100
Oxdale Investments Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	+	+	100	100
W.A. Oxdale Holdings Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	+	+	100	100
Bakers Maison Pty Ltd ❻ (Australia)	Investment holding (Australia)	+	+	100	100
China Food Industries Limited ❼ (Singapore)	Investment holding (Singapore)	+	–	55	–

39. Subsidiary, associated and joint venture companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2005 $'000	Cost 2004 $'000	Percentage of equity held by the Group 2005 %	Percentage of equity held by the Group 2004 %
Investments and others (Cont'd)					
Dongjia Investments Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	1,629	–	100	–
* Auspeak Holdings Pte Ltd (Singapore)	Investment holding (Singapore)	✣	–	100	–
* Bakers Maison Pte Ltd (Singapore)	Investment holding (Singapore)	✣	–	100	–
Edenc Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	✣	–	100	–
Pacfi Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	✣	–	100	–
Dormant corporations					
# Auspeak Integrated Livestock Farming (Fujian) Co Ltd (People's Republic of China)	Dormant	–	+	–	100
# Ben Foods (Malaysia) Sdn Bhd (Malaysia)	Dormant	–	–	–	100
Ben (Malaysia) Holdings Sdn Bhd ❷ (Malaysia)	Dormant	✣	✣	100	100
# OSA Marketing Associates (M) Sdn Bhd (Malaysia)	Dormant	–	175	–	100
@ Gardenia Hong Kong Limited ❸ (Hong Kong)	Dormant	✣	✣	100	100
Everyday Bakery and Confectionery Sdn Bhd ❷ (Malaysia)	Dormant	+	+	70	70

39. Subsidiary, associated and joint venture companies (Cont'd)

	Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2005 $'000	Cost 2004 $'000	Percentage of equity held by the Group 2005 %	Percentage of equity held by the Group 2004 %
	Dormant corporations (cont'd)					
<	Bonjour Bakery Pte Ltd ❶ (Singapore)	Dormant	+	+	100	100
	Bonjour Bakery Sdn Bhd ❷ (Malaysia)	Dormant	+	+	100	100
	Summit Rainbow Sdn Bhd ❷ (Malaysia)	Dormant	+	+	100	100
	Bakers Maison Pastry (M) Sdn Bhd ❷ (Malaysia)	Dormant	+	–	100	–
*	Precious Fortune Limited (British Virgin Islands)	Investment holding (British Virgin Islands)	✣	✣	100	100
			120,366	118,412		

Note

- * Audit not required under the laws in the country of incorporation
- ^ Audited for inclusion in the Group's consolidated financial statements
- @ The cost of investment has been fully written off
- \+ The shareholdings of these companies are held by subsidiary companies of QAF Limited
- ✣ The costs of investment in each of these companies is less than $1,000
- < The subsidiary company ceased operations and is dormant
- \# Disposed/liquidated during the year

Audited by:

❶ Ernst & Young, Singapore
❷ Ernst & Young, Malaysia
❸ Ernst & Young, Hong Kong
❹ Sycip Gorres Velayo & Co, Philippines
❺ Ernst & Young Hua Ming, China
❻ Ernst & Young, Australia
❼ Other firms of Certified Public Accountants

(In Singapore dollars)

39. Subsidiary, associated and joint venture companies (Cont'd)

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2005 %	2004 %
	(b) The associated companies as at 31 December 2005 are:			
	Philfoods Fresh-Baked Products Inc (Philippines)	Bread manufacturer (Philippines)	40	40
	Phil Foods Properties Inc (Philippines)	Investment holding (Philippines)	40	40
**	PSC Corporation Ltd (Singapore)	Supply of provisions and household consumer products, and provision of management services to the Econ Minimart and I-Econ chain of stores (Singapore)	23	–
##	Zhongguo Jilong Limited (Singapore)	Production and sales of preserved and processed food products, peanut oil, beverages and freeze-dried food products (Singapore)	22	–
	China Delisi Holdings Pte Ltd (Singapore)	Investment holding (Singapore)	–	27
	(c) The joint venture company as at 31 December 2005 is:			
	Diamond Valley Pork Pty Ltd (Australia)	Pig meat processing and wholesale (Australia)	51	51

The Group's investment in Diamond Valley Pork Pty Ltd is treated as a joint venture as the company is jointly controlled with the other shareholder and the Group may have to give up the additional 1% share at the request of the other shareholder.

** During the year, PSC Corporation Ltd had become an associated company (previously a long-term investment).

During the year, Zhongguo Jilong Limited had become an associated company (previously a short-term investment).

40. Acquisition and disposal of subsidiary companies

(i) In end June 2005, the Group acquired 51% and 55% of the issued capital of Shaanxi Hengxing group and China Food Industries group respectively, that are based predominantly in the People's Republic of China.

Shaanxi Hengxing group specialised in the manufacture and distribution of apple juice concentrate and consists of:

- Shaanxi Hengxing Fruit Juice Co Ltd
- Shaanxi Hengxing Fruit Juice Co Ltd Heyang Plant
- Zhongning Hengxing Fruit Juice Co Ltd
- Yangling Hengxing Seeding Co Ltd
- Linyi Hengxing Fruit Juice Co Ltd
- Jingchuan Hengxing Fruit Juice Co Ltd
- Qixian Hengxing Fruit Juice Co Ltd
- Chunhua Hengxing Fruit Juice Co Ltd
- Hengxing North America Inc

China Food Industries group is mainly in the business of intensive pig production and related sales and distribution, and processing of soybeans. The group consists of:

- China Food Industries Limited
- Thye Seng Trading Co Pte Ltd
- Junan Hengxing Foodstuffs Co Ltd
- Shandong Xinquan Grain & Oil Co Ltd

The total cost of investments amounted to $40,411,000 and was settled by cash. The newly acquired subsidiary companies incurred total loss after taxation but before minority interests of $1,576,000 for the period from 1 July 2005 to 31 December 2005. If the acquisition had occurred on 1 January 2005, Group revenue would have been $986,612,000 and profit after taxation but before minority interests would have been $31,001,000.

The fair values of the newly acquired subsidiary companies as at the date of acquisition were:

	Recognised on acquisition $'000	Carrying amount before combination $'000
Property, plant and equipment	125,703	123,669
Long-term investments	1,600	1,600
Inventories and biological assets	61,644	61,644
Receivables	50,144	50,144
Payables	(77,772)	(77,772)
Borrowings	(117,459)	(117,459)
Provision for taxation and deferred taxation	(2,027)	(2,027)
Cash and cash equivalents	27,266	27,266
Minority share of net assets of subsidiary companies	(33,134)	(33,134)
Net assets acquired	35,965	33,931
Goodwill arising on acquisition	4,446	
Total purchase consideration – in cash	40,411	

40. Acquisition and disposal of subsidiary companies (cont'd)

The goodwill on acquisition of China Food Industries group was paid to obtain majority controlling interest so that the Company can integrate the business to enjoy synergies with its existing business. Subsequent to the completion of the acquisition, this goodwill was impaired because of the difficult trading conditions faced by China Food Industries group.

(ii) The disposal/liquidation of the following subsidiary companies did not have any significant effect on the revenue and results of the Group in the current financial year:

- Auspeak Integrated Livestock Farming (Fujian) Co Ltd
- OSA Marketing Associates (M) Sdn Bhd
- Ben Foods (Malaysia) Sdn Bhd

41. Acquisition and disposal of associated companies

(i) During the year, the following companies became associated companies of the Group:

Associated company	Percentage of equity held by the Group as at 31 December 2005 %	Cost of investment $'000	(Negative)/ positive goodwill $'000
PSC Corporation Ltd	23	36,404*	(6,109)
Zhongguo Jilong Limited	22	18,594**	2,782

* Includes costs reclassified from long-term investments
** Includes costs reclassified from short-term investments

The negative goodwill arising from acquisition of PSC Corporation Ltd has been included in the profit and loss account (Note 8).

The goodwill arising from the acquisition of Zhongguo Jilong Limited has been included in the carrying amount of the investment. Goodwill has been determined provisionally as the purchase price allocation to goodwill is currently being assessed and is expected to be finalised within 12 months from the date of acquisition, 1 July 2005. As such, the goodwill has not been allocated for impairment testing as at 31 December 2005.

(ii) During the year, the Group completed its disposal of its 27% stake in the associated company, China Delisi Holdings Pte Ltd, for a cash consideration of $17,537,000.

42. Comparative figures

Comparatives in the financial statements have been changed from the previous year due to the changes in accounting policies as described in Note 2 and to be consistent with current year's presentation.

43. Authorisation of financial statements for issue

These financial statements were authorised for issue in accordance with a resolution duly passed by the directors on 3 March 2006.

List of Major Properties

The Group's major properties as at 31 December 2005 are:

Name of building/location	Description	Tenure of land
(a) Properties in Singapore		
#09-01 to #09-04 Fook Hai Building Singapore	Office Use	99 year lease from 18 January 1972
224 Pandan Loop Singapore	Bakery and office premises	19-year lease from July 1991 with right to extend for further 30 years
230A Pandan Loop Singapore	Cold store and office premises	17-year lease from August 1993 with right to extend for further 30 years
230B Pandan Loop Singapore	Warehouse, bakery and office premises	30-year lease from October 1981
263 Pandan Loop Singapore	Spice grinding and blending operations and office premises	30-year lease from May 1982 with right to extend for further 30 years
1 Fishery Port Road Singapore	Cold store, warehouse and office premises	30-year lease from March 2003
9 Fishery Port Road Singapore	Cold store and office premises	30-year lease from March 1983
19 Fishery Port Road Singapore	Food distribution and office premises	30-year lease from 2001
(b) Properties in Malaysia		
Lot 3 Jalan Gergaji 15/14 40000 Shah Alam, Selangor Darul Ehsan, Malaysia	Bakery and office premises	99-year lease from September 1984
Lot 3 Jalan Pelabur 23/1 Seksyen 23, Shah Alam, Selangor Darul Ehsan Malaysia	Bakery and office premises	99-year lease from July 1991
Lot No. 3803 Mukim Klang, Daerah Klang, Selangor Darul Ehsan, Malaysia	Bakery and office premises	Freehold
No. 23 & 25 Jalan PJS 11/16, Sunway Technology Park, Bandar Sunway, 46150 Petaling Jaya Selangor Darul Ehsan, Malaysia	Bakery and office premises	99-year lease from January 1997
101-A, Lot PT 26 Pekan Desa Puchong Petaling Selangor Malaysia	Bakery and office premises	99-year lease from October 1997

List of Major Properties

The Group's major properties as at 31 December 2005 are:

Name of building/location	Description	Tenure of land
(c) Properties in Australia		
Lot 1 & 2 on Plan of Subdivision 083535 RMB 2048 Parnell Road Cobram Victoria 3644	Dairy Farming	Freehold
Lot 2 on Plan of Subdivision 322627 H RMB 2048 Parnell Road Cobram Victoria 3644	Dairy Farming	Freehold
Lot 2 on Plan of Subdivision 093136 RMB 2048 Parnell Road Cobram Victoria 3644	Dairy Farming	Freehold
Lot 2 on Plan of Subdivision 449539 V RMB 2048 Parnell Road Cobram Victoria 3644	Dairy Farming	Freehold
Willow Grove Road Crown Allotment 32 and 33 Trafalgar, Victoria 3824	Piggery Farming	Freehold
Beenak Road Seville, Victoria 3139	Piggery Farming	Freehold
Huntly Farm No. 1 and 2 Bendigo-Tennyson Road Huntly, Victoria 3351	Piggery Farming	Freehold
Sunraysia Highway St. Arnaud Unit 1 St. Arnaud, Victoria 3478	Piggery Farming	Freehold
Nelson Road St Arnaud Units 2 & 3 St Arnaud, Victoria 3478	Piggery Farming	Freehold
Gre Gre (Northern and Southern Property) Carrolls Bridge Road Gre Gre, Victoria 3478	Piggery Farming	Freehold
Corowa Piggery Hudsons Road, Corowa New South Wales 2646	Piggery Farming	Freehold
Bungowannah Howlong Road Bungowannah New South Wales	Piggery Farming	Freehold

List of Major Properties

The Group's major properties as at 31 December 2005 are:

Name of building/location	Description	Tenure of land
Corowa Mill Corowa, New South Wales 2646	Feedmilling	Freehold
Balpool 1 & 2 Balpool Stn Balpool Lane Moulamein New South Wales 2733	Piggery Farming	Freehold
Lot 17, LP42510 13-15 Thomas Street Laverton, North Victoria	Abattoir	Freehold
(d) Properties in China		
Yuan Hong Industrial Park Fuqing, Fujian Province	Feed processing and office premises	50-year lease expiring 2050
Pingshang Town, Hengxing Industrial Park Junan County, Shandong Province	Feed processing and office premises	50-year lease from 2004
126 Meishan Road Junan County, Shandong Province	Meat abattoir and office premises	20-year lease from 2003
Zhubian Town, Zhu Di South 200 metres, Junan County Shandong Province	Pig Farming	20-year lease from 2002
Laobo Town, Dian Tou Village, Junan County, Shandong Province	Pig Farming	20-year lease from 2002
Tuan Lin Town Da Bu Nan Village Junan County, Shandong Province	Pig Farming	20-year lease from 2002
Shi Zi Lu Town Da Bu Nan Village Junan County, Shandong Province	Pig Farming	20-year lease from 2002
Shi Zi Lu Town Shi Quan Hu Village Junan County, Shandong Province	Pig Farming	20-year lease from 2002
Xiang Gou Town, Si Gou Wang Zhuang Village Junan County, Shandong Province	Pig Farming	20-year lease from 2002

List of Major Properties

The Group's major properties as at 31 December 2005 are:

Name of building/location	Description	Tenure of land
Xiang Gou Town, Lao Zi Yu Village Junan County, Shandong Province	Pig Farming	20-year lease from 2002
Xiang Di Town Da Yu Ya Village Junan County, Shandong Province	Pig Farming	20-year lease from 2002
Pingshang Town, Hengxing Industrial Park Junan County, Shandong Province	Soybean processing and office premises	50-year lease from 2004
Sanzhai Village, Chenguan Town Mei County, Shaanxi Province	Processing of concentrated apple juice	50-year lease from 1998
Team 3, Sanzhai Village, Chengguan Town Mei County, Shaanxi Province	Processing of concentrated apple juice	50-year lease from 2001
Xihuan Road, Heyang County, Shaanxi Province	Processing of concentrated apple juice	50-year lease from 2000
Xihuan Road East, Heyang County, Shaanxi Province	Processing of concentrated apple juice	50-year lease from 2001
Xihuan Road East Heyang County, Shaanxi Province	Processing of concentrated apple juice	50-year lease from 2005
No. 7, Resident Team of Jingjiazhuo Village Linyi County, Shaanxi Province	Processing of concentrated apple juice	50-year lease from 2003
Dadian Village, Dadian Town, Chunhua County Shaanxi Province	Processing of concentrated apple juice	50-year lease from 2003
East of Yingbin Dadao Zhongning County Ningxia Province	Processing of concentrated apple juice	50-year lease from 2005
Jingchuan Wenquan Economic Development Zone, Gansu Province	Processing of concentrated apple juice	50-year lease from 2004

Statistics of Stockholdings

as at 13 March 2006

Issued and Fully paid-up Capital	:	$189,531,373
Class of Shares	:	Ordinary Shares

Analysis of Stockholders by Size of Stockholdings

Size of Holdings	No. of Stockholders	%	No. of Stock Units	%
1 – 999	363	7.31	66,839	0.01
1,000 – 10,000	3,676	74.02	14,899,943	3.39
10,001 – 1,000,000	908	18.29	42,044,015	9.56
1,000,001 and above	19	0.38	382,775,919	87.04
	4,966	100.00	439,786,716	100.00

List of Twenty Largest Stockholders

S/No.	Stockholders' Name	No. of Stock Units	%
1.	Andree Halim @ Liem Sien Tjong @ Liem Sien Tjiong	244,492,690	55.59
2.	Citibank Nominees Singapore Pte Ltd	46,219,242	10.51
3.	Goi Seng Hui	24,609,750	5.60
4.	OCBC Securities Private Ltd	8,674,338	1.97
5.	Oversea Chinese Bank Nominees Pte Ltd	8,067,000	1.83
6.	Southern Nominees (Singapore) Sdn Bhd	7,500,000	1.71
7.	United Overseas Bank Nominees Pte Ltd	7,415,512	1.69
8.	DBS Nominees Pte Ltd	7,176,100	1.63
9.	Chip Lian Investments Pte Ltd	6,831,000	1.55
10.	UOB Kay Hian Pte Ltd	3,571,282	0.81
11.	Hong Leong Finance Nominees Pte Ltd	3,289,000	0.75
12.	OCBC Nominees Singapore Pte Ltd	2,843,504	0.65
13.	Lee Kah Bao	2,545,000	0.58
14.	Lee Fook Khuen	2,147,000	0.49
15.	DBS Vickers Securities (Singapore) Pte Ltd	1,864,501	0.42
16.	Ee Hock Leong Lawrence	1,518,000	0.35
17.	Yee Seow Leng	1,500,000	0.34
18.	Tan Siew Keng Christina	1,262,000	0.29
19.	Tan Kong King	1,250,000	0.28
20.	Phillip Securities Pte Ltd	941,264	0.21
		383,717,183	87.25

Substantial Stockholders

	Direct Interest		Deemed Interest		Total Interest	
Substantial Shareholder	No. of Shares	%	No. of Shares	%	No. of Shares	%
Andree Halim	245,132,940	55.74	–	–	245,132,940	55.74
Watford Investments Ltd	42,383,712	9.64	–	–	42,383,712	9.64
Goi Seng Hui	24,609,750	5.60	–	–	24,509,750	5.60
Didi Dawis*	3,437,000	0.78	42,383,712	9.64	45,820,712	10.42
Saiman Ernawan*	–	–	42,383,712	9.64	42,383,712	9.64

* Mr Didi Dawis and Mr Saiman Ernawan are deemed to have an interest in the stock units beneficially owned by Watford Investments Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

Statistics of Warrants
as at 13 March 2006

Analysis of Warrantholders by Size of Warrantholdings

Size of Holdings	No. of Warrantholders	%	No. of Warrants	%
1 – 999	43	4.97	21,643	0.02
1,000 – 10,000	716	82.78	2,327,876	2.65
10,001 – 1,000,000	98	11.33	8,362,286	9.51
1,000,001 and above	8	0.92	77,237,038	87.82
	865	100.00	87,948,843	100.00

List of Twenty Largest Warrantholders

S/No.	Warrantholders' Name	No. of Warrants	%
1.	Andree Halim @ Liem Sien Tjong @ Liem Sien Tjiong	56,898,538	64.70
2.	OCBC Securities Private Ltd	5,450,250	6.20
3.	Goi Seng Hui	4,820,750	5.48
4.	Lee Kah Bao	4,159,000	4.73
5.	DBS Vickers Securities (Singapore) Pte Ltd	1,669,500	1.90
6.	Southern Nominees (Singapore) Sdn Bhd	1,500,000	1.71
7.	Yee Seow Leng	1,500,000	1.71
8.	Ee Hock Leong Lawrence	1,239,000	1.41
9.	Tan Kong King	650,000	0.74
10.	United Overseas Bank Nominees Pte Ltd	557,500	0.63
11.	Toh Ong Tiam	484,000	0.55
12.	Soon Kai Chung	440,000	0.50
13.	Chua Keng Hiang	400,000	0.45
14.	Tan Kok Chi	369,000	0.42
15.	Kim Eng Securities Pte. Ltd.	340,250	0.39
16.	DBS Nominees Pte Ltd	307,600	0.35
17.	Citibank Nominees Singapore Pte Ltd	252,000	0.29
18.	Tan Siew Keng Christina	222,000	0.25
19.	Lim Poh Fah Victor	208,000	0.24
20.	Conor Patrick Mccoole	185,000	0.21
21.	Goh Hoon Hoe	185,000	0.21
		81,837,388	93.07

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Furama City Centre, Ballroom I, Level 5, 60 Eu Tong Sen Street, Singapore 059804 on 28 April 2006 at 10.30 a.m. to transact the following business:

Ordinary Business

1. To receive and adopt the audited financial statements and the reports of the Directors and Auditors for the year ended 31 December 2005. **(Resolution 1)**

2. To declare a first and final dividend of 2 cents per stock unit less income tax at 20% in respect of the year ended 31 December 2005. **(Resolution 2)**

3. To re-elect the following Directors:

   (a) Mr Andree Halim (retiring under Article 94 of the Articles of Association) **(Resolution 3a)**

   (b) Mr Tan Hin Huat (retiring under Article 94 of the Articles of Association) **(Resolution 3b)**

   (c) Mr Phua Bah Lee (retiring under Section 153(6) of the Companies Act, Cap. 50) **(Resolution 3c)**

4. To approve Directors' fees of $145,200 for the year ended 31 December 2005 (2004: $145,200). **(Resolution 4)**

5. To re-appoint Ernst & Young as Auditors of the Company and to authorise Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business of the Company which may be properly brought forward. **(Resolution 6)**

Special Business

To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

7. "That 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 (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

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

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

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

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited - "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 issued shares of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) contingent upon any new shares being issued and being credited as fully paid, the same shall be converted immediately into stock units of the Company, transferable in amounts and multiples of $0.40 each ranking pari passu in all respects with the existing stock units of the Company." **(Resolution 7)**

8. "That

(a) the Directors be and are hereby authorised to offer and grant share options and to allot and issue such number of shares as may be required to be issued pursuant to the exercise of share options in accordance with the terms and conditions of the QAF Limited Share Option Scheme 2000; and

(b) contingent upon any new shares being issued and being credited as fully paid, the same shall be converted immediately into stock units of the Company, transferable in amounts and multiples of $0.40 each ranking pari passu in all respects with the existing stock units of the Company." **(Resolution 8)**

By Order of the Board

LEE WOAN LING (Ms)
Company Secretary

Singapore, 5 April 2006

Explanatory Notes:

i) For Ordinary Resolutions:

3(a) – Mr Andree Halim is a non-executive Director of the Company and a substantial shareholder holding approximately 55.7% of the ordinary shares in the Company.

3(b) – Mr Tan Hin Huat is a non-executive independent Director and a member of the Audit Committee of the Company.

3(c) – Mr Phua Bah Lee is a non-executive independent Director and a member of the Audit Committee of the Company. As Mr Phua is over 70 years of age, S.153(6) of the Companies Act requires annual re-election of him as a Director at each Annual General Meeting of the Company. Mr Phua is considered by the Board as an independent Director and will remain as a member of the Audit Committee upon re-election.

Further information on the above Directors can be found on page 10 and 11 of the Annual Report.

ii) Ordinary Resolutions 7 and 8, if passed will, unless otherwise revoked or varied at a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company.

iii) Ordinary Resolution 8 authorises the Directors to issue shares pursuant to the exercise of options under the QAF Limited Share Option Scheme 2000 which was approved by the members of the Company on 12 May 2000. Further information on the key terms of the said Share Option Scheme 2000 can be found in the Directors' Report of this Annual Report. Authority under Resolution 8 is in addition to the general authority to issue shares and/or convertible securities sought under Resolution 7.

Note:

A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company. The instrument of appointing a proxy or proxies, duly executed, must be deposited at the Registered Office of the Company at 150 South Bridge Road, #09-04 Fook Hai Building, Singapore 058727, at least 48 hours before the time fixed for holding the meeting.

Notice of Books Closure

NOTICE OF BOOKS CLOSURE DATE

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members will be closed on 11 May 2006 for the purpose of determining stockholders' entitlements to the first and final dividend of 2 cents per stock unit less income tax of 20% for the financial year ended 31 December 2005. Duly completed transfers received by the Company's Registrar, Tricor Barbinder Share Registration Services at 8, Cross Street, #11-00 PWC Building, Singapore 048424 up to 5.00 p.m. on 10 May 2006 will be registered before entitlements to the dividends are determined. Payment for the dividend shall be made on 22 May 2006.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with stock units at 5.00 p.m. on 10 May 2006 will be entitled to the dividend.

By Order of the Board

LEE WOAN LING (Ms)
Company Secretary

Singapore, 5 April 2006

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Proxy Form

Annual General Meeting of QAF Limited

I / We, ____

of ____

being a Member/Members of the abovenamed Company, hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings	
			No. of Shares	%
*and/or				

or failing him/her the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on 28 April 2006 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy to vote (see Note 3) for or against the Resolutions to be proposed at the Meeting as hereunder indicated.

NO.	RESOLUTIONS	For	Against
1.	To adopt the audited financial statements and reports thereon.		
2.	To declare a first and final dividend of 2 cents per stock unit.		
3.	To re-elect Directors: (a) Mr Andree Halim		
	(b) Mr Tan Hin Huat		
	(c) Mr Phua Bah Lee		
4.	To approve Directors' fees.		
5.	To re-appoint Ernst & Young as Auditors of the Company.		
6.	To transact any other ordinary business of the Company.		
7.	General Authority to issue shares and/or convertible securities.		
8.	Authority to issue shares pursuant to the Share Option Scheme 2000.		

Signed this ____________________ day of ______________ 2006 by:

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

____

Signature of Member(s) or Common Seal

Notes

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
2. This Proxy Form must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed under its common seal or under the hand of its attorney or a duly authorised officer.
3. Please indicate with an 'X' in the appropriate box against each Resolution how you wish your proxy to vote. If this Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
4. This instrument appointing a proxy together with the power of attorney (if any) under which it is signed or a certified copy thereof, must be deposited at the office of the Company at 150 South Bridge Road, #09-04 Fook Hai Building, Singapore 058727 not less than 48 hours before the time fixed for holding the Annual General Meeting.
5. Please insert in the box at the bottom left hand corner on the reverse of this form, the total number of Stock Units held by you. If you have Stock Units entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Stock Units. If you have Stock Units registered in your name in the Register of Members, you should insert that number of Stock Units. If you have Stock Units entered against your name in the Depository Register and Stock Units registered in your name in the Register of Members, you should insert the aggregate number of Stock Units entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Stock Units held by you.
6. The Company shall be entitled to reject this instrument of proxy if it is incomplete, not properly completed or illegible or where the true intention of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in case of members whose Stock Units are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member is not shown to have Stock Units entered against his name in the Depository Register 48 hours before the time fixed for holding the Annual General Meeting as certified by CDP to the Company.

a. Fold along this line

Affix
Stamp
Here

The Company Secretary
QAF Limited
150 South Bridge Road
#09-04 Fook Hai Building
Singapore 058727

b. Fold along this line

QAF Limited

Co. Reg. No. 195800035D
150 South Bridge Road #09-04
Fook Hai Building, Singapore 058727
Tel: (65) 6538 2866 Fax: (65) 6538 6866
Email: info@qaf.com.sg
Website: www.qaf.com.sg