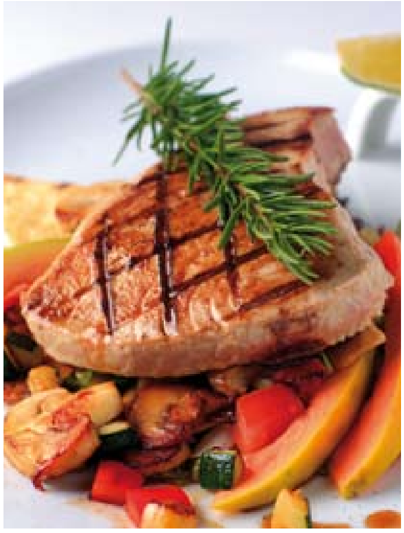
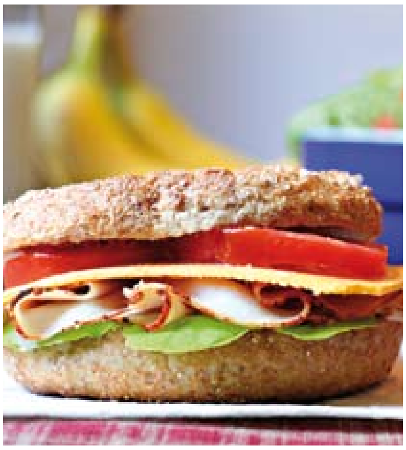
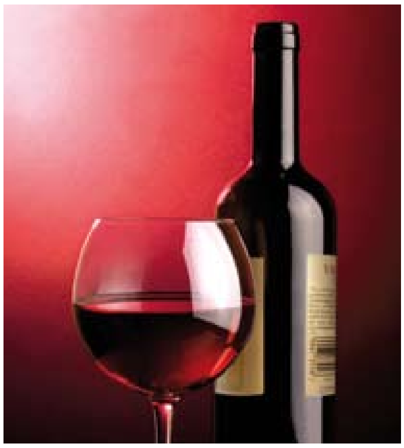






staying focused

annual report 2007

QAF Limited


Cowhead
Omega 3
Enriched
PURE MILK
LOW FAT
HIGH
CALCIUM
FROM NATURAL FRESH MILK
1 LITRE


Stay Healthy with
'Low GI' Foods
LOW GI
Nutri
Multi-Grain


Orchard Fresh
SPARKLING APPLE JUICE

Chairman's Statement

Dear Shareholders,

2007 was a very challenging and difficult year for the food industry as a whole with high escalations of raw material and energy costs. I am pleased to see that the QAF Group has coped with these challenges and maintained leadership positions in its main business segments. The situation facing the Group in 2008 seems even more challenging but I am sure that the Group will overcome these challenges and continue its momentum towards establishing itself as a leading player in the regional food industry.

The Directors are pleased to recommend a final tax-exempt dividend of 2.0 cents per share.

On behalf of the Board, I would like to thank all the shareholders, bankers, customers, employees, suppliers and business associates for their continuing support of the QAF Group.

Didi Dawis
Chairman
31 March 2008

Group Managing Director's Report

2007 was a difficult year for the Asia-Pacific food industry as a whole. In particular, there were shortages and sharp spikes in the cost of raw materials which have affected the profit margins of many food products. Drought in several grain producing countries including Australia, diversion of certain grain crops to produce bio-diesel and energy related products as well as unprecedented demand for food raw materials and products from the rapidly growing economies of Asia such as China and India, all led to escalations of raw material costs to levels that have not been seen in the recent past. High petroleum and energy prices also led to very high distribution costs for food products. In such a scenario, I am encouraged to see that the QAF Group has not only managed to overcome the adverse situation well but has also achieved successes in some of our major business segments.

In the area of the Food Manufacturing division, Shaanxi Hengxing Fruit Juice Co., Ltd. ('Shaanxi Hengxing'), an apple juice concentrate manufacturer located in China, and Challenge Australian Dairy Pty. Ltd. ('Challenge') which manufactures and sells a range of milk and dairy products in Australia, achieved higher sales due to increased sales volumes as well as from successful launches of new products.

Shaanxi Hengxing has maintained its position as one of the largest manufacturer of apple juice concentrate products in both China and the world and Challenge has been very successful in establishing itself as a major player in the Western Australian dairy industry. Challenge's milk and dairy products have been well accepted in both the Asian and the domestic Australian market. It is also most heartening to note that both companies have achieved significant increases in profitability which resulted from the increases in their sales.

All of the Group's bakery operations in Singapore, Malaysia, the Philippines and Australia have achieved increased sales and profitability. The Gardenia operations in Malaysia and the Philippines have continued to gain increased shares in their respective markets while the Singapore Gardenia operations have been successful in developing and launching new products which contributed to increases in overall sales. All the bakery operations also achieved increased profitability as a result of higher sales, the introduction of higher value products and increased efficiencies. In Malaysia, demand for Gardenia products are so high that all 4 plants belonging to Gardenia Bakeries (KL) Sdn. Bhd., the Group's 70% owned Malaysian subsidiary, are operating at full capacity. The company

will be commissioning a new fully automated bread line, its 8th production line, in early 2008 and is also upgrading one of its existing production lines to increase its capacity for producing higher value added bun products as well as to increase its overall production capability. All these expansion programmes are being carried out to meet the rapidly increased customer demand for our bakery products. Gardenia Bakeries (Philippines) Inc., our wholly owned subsidiary in the Philippines which produces Gardenia bakery products, has been seeing record increases in demand so much so that its current 4 production lines are operating at full capacity. The company will be installing its 5th bread production line. The Gardenia brand has reached iconic status and is now well established as the top brand for bread and bakery products in the Singapore, Malaysian and the Philippines markets. Our customers have come to associate the Gardenia products with the attributes of quality, wholesome nutrition, tastiness and value-for-money. In Australia, the Group's wholly-owned subsidiary, Bakers Maison Australia Pty Ltd ('Bakers Maison'), has achieved success as a leading manufacturer of good quality par-baked breads and a full range of pastries. It is now a major producer and supplier of fine bakery products to cafes, restaurants, hotels, convenience stores and bakery shops in Sydney, New South Wales and parts of Queensland.

The Group is presently conducting feasibility studies to set up bakeries in certain fast growing markets in Asia, particularly China. We believe that the successes that the Group has achieved in this business segment will allow us to formulate a successful bakery business model for the large and rapidly growing Chinese market.

After a reorganisation, the Group's trading and wholesaling business has achieved success in establishing itself as a leading provider and distributor of food products and related services such as cold storage and transportation to the food wholesale, retail and food service industries in Singapore and the region. Wholly-owned Ben Foods (S) Pte Ltd has developed its own proprietary brands such as Cowhead, Farmland, Haton and Orchard Fresh for milk and dairy products, processed meat and foodstuff, seafood products and juices, respectively. Proprietary brands will allow more stability for Ben Foods' revenues and earnings. We are pleased to note that the trading and wholesaling business has achieved a significant increase in profitability due to a greater focus being put on developing profitable product lines

Group Managing Director's Report

as well as a tighter control over costs and expenses.

Unfortunately, the Group's Primary Production business under the QAF Meats' Australian operations is facing very difficult conditions. QAF Meats, one of the largest fully integrated producer of meat in the region, is facing a sharp escalation of grain prices on a world-wide basis and this, coupled with a drought in Australia in 2007, have led to an unprecedented increase in stockfeed and raw material costs to levels not seen before. As a result, production costs for QAF Meats have risen significantly. On the other hand, selling prices of QAF Meats' products have been facing pressure from the high level of imports into Australia and this has affected operating margins. Action has been taken to reduce costs and this involves destocking and a reduction of animal inventory as well as a reorganisation of operations. While these actions will improve QAF Meats' performance in the longer term, restructuring costs associated with the abovementioned programme has been incurred and this has affected QAF Meats' current performance.

The sharp rise in fuel and energy costs have also led to a significant increase in distribution and transportation expenses for the Group, to a total of approximately $50.5 million for the financial year ended 31 December 2007 ('FY2007'), especially for Shaanxi Hengxing which exports the majority of its products out of China and therefore has to incur high distribution and transportation expenses. Group interest expense also rose by 34% to $26.5 million in FY2007 due mainly to increased bank borrowings by Shaanxi Hengxing which required increased working capital for the funding of increased raw material purchases in line with its significant increase in sales in FY2007.

Group profit before taxation ('PBT') has increased by 3% to $29.8 million for FY2007 when compared to a PBT of $29.0 million for the financial year ended 31 December 2006 ('FY2006'). This is heartening given the unprecedented challenges which faced the Group in 2007.

Group provision for tax increased by 64% to $15.7 million in FY2007 as compared to $9.5 million in FY2006. This increase is mainly attributable to QAF Meats which had, in the past, recognised an amount of past years' tax losses as a deferred tax asset as QAF Meats expected to use these tax losses to offset against its taxable profits in the near future. As QAF Meats has recorded a loss in FY2007, it has made a prudent decision to make

an Impairment provision for the abovementioned deferred tax asset.

Due largely to this Impairment provision as mentioned, Group profit after taxation ('PAT') declined by 28% to $14.1 million for FY2007 as compared to the Group PAT of $19.5 million for FY2006.

Going forward, the environment facing the Group will even be more challenging in 2008. The 'sub-prime' crisis in the United States has affected a number of major bank lenders not just in the US but on a world-wide basis. This crisis is leading to an economic slowdown in the United States and may even result in a recession which may affect the Asian economies. Inflation has also become a serious problem with inflation rates now reaching levels not seen in decades. Central banks' traditional policies to reduce inflation by raising interest rates are hindered by the already slowing world economy. Global climatic conditions are creating problems with the increased occurrences of droughts, floods and storms which are affecting the harvests of produce and grain. In particular, the sharply increased prices of wheat, edible oil and sugar will have effects on the operations of QAF Meats and the bakery operations. The sharp spikes in world oil prices will also result in higher fuel and energy costs for the Group's operations while volatile interest and exchange rates may also affect the Group's short-term performance.

In spite of the above difficult conditions, I am cautiously optimistic and believe that most of the major and core business segments of the Group will continue to perform well. The Food Manufacturing segment will continue to perform well with Shaanxi Hengxing and Challenge being expected to achieve further successes in the fruit juice and dairy businesses, respectively. The bakery operations are also expected to continue with their achievements through a combination of further gains in market shares as well as the introduction of new higher value added bakery products especially in the area of par-baked and frozen dough products. New investments will continue to be made to install new production lines as well as upgrade the existing facilities to cater to the increased demand for the Group's bakery products. The Australian bakery operations under Bakers Maison is in process of completing its relocation to a new plant with upgraded production facilities to better serve its growing customer base.

Group Managing Director's Report

However, QAF Meats will continue to be affected by the effect of Australia's 2007 drought in that feed costs have already escalated to historically high levels. Management is in the process of implementing a programme to reduce costs and animal inventory. QAF Meats will also be increasing the proportion of higher priced value added products such as fresh chilled and branded meats within its total sales mix to improve profitability. These efforts should lead to a recovery in QAF Meats' performance in the longer term. There are also signs that the weather patterns in Australia are returning to normal and we are cautiously optimistic that as a result of this, feedstock and raw material costs may begin to decline in the medium term.

The Group will continue to seek out investment opportunities in the fast growing food industry in the Asia-Pacific region. In particular, we will be actively looking to invest in bakery operations in China and other parts of South East Asia. We will also be studying investment opportunities in the dairy industry not just in Australia where we have an established presence in Western Australia but also in the fast growing market in China.

I believe that, on an overall basis, the QAF Group will overcome the challenges facing the food industry presently and will achieve success in establishing itself as a leading player in the fast growing food industry in the Asia-Pacific region.

As a reward to our loyal shareholders, QAF is proposing a final tax-exempt dividend of 2.0 cents per share for FY2007.

Tan Kong King
Group Managing Director
31 March 2008

Corporate Information

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

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

Nominating Committee
Mr Phua Bah Lee
Mr Didi Dawis
Mr Tan Kong King

Remuneration Committee
Mr Didi Dawis
Mr Phua Bah Lee
Mr Kelvin Chia Hoo Khun

Secretary
Ms Lee Woan Ling

Registered And Corporate Office
150 South Bridge Road
#09-04 Fook Hai Building
Singapore 058727
Tel: 6538 2866
Fax: 6538 6866

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

Auditors
Ernst & Young
One Raffles Quay
North Tower, Level 18
Singapore 048583

Audit Partner
Mr Daniel Soh
(Since the financial year ended 31 December 2007)

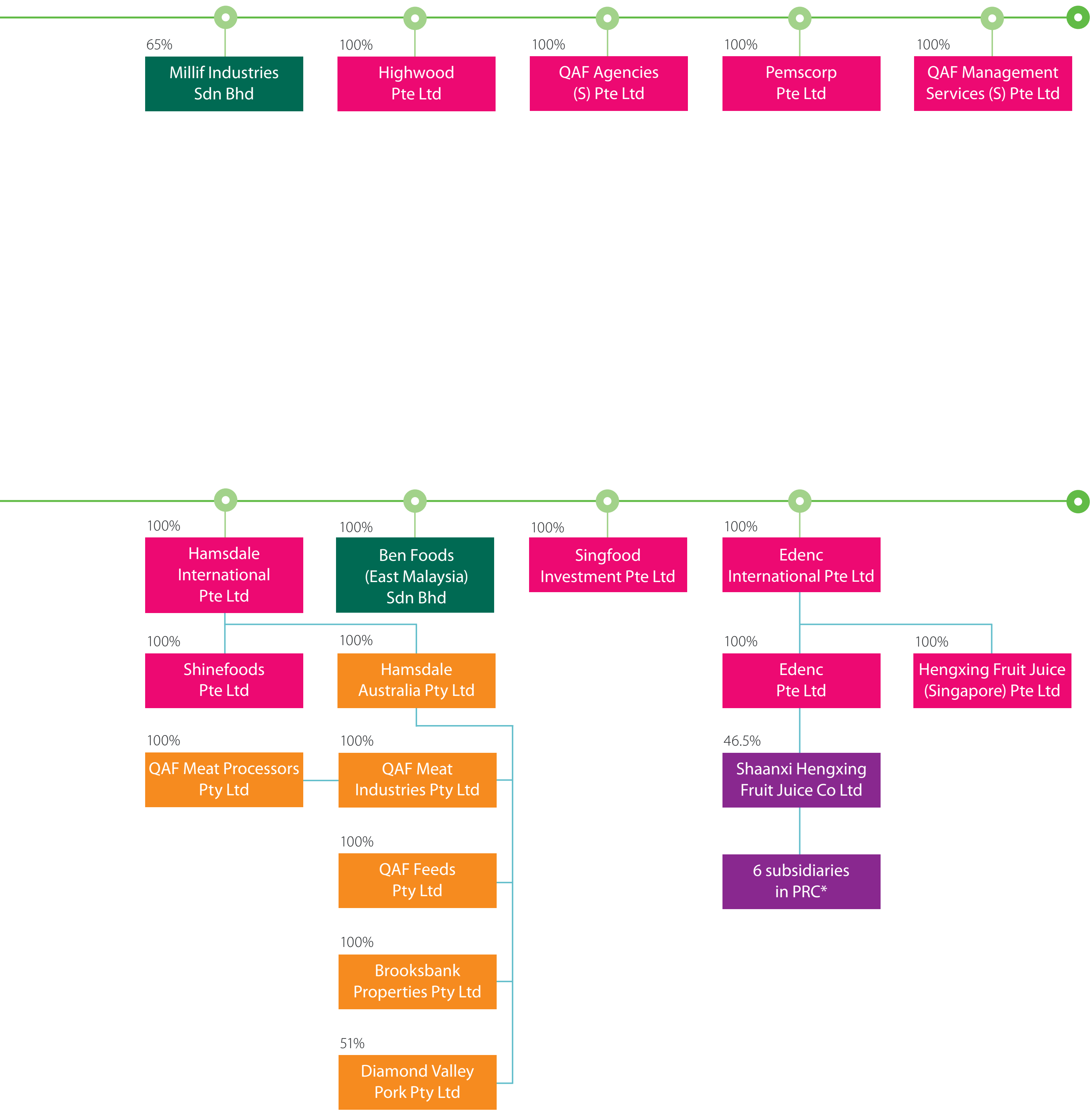
Principal Bankers
DBS Bank Limited
Rabobank International
Sumitomo Mitsui Banking Corporation
United Overseas Bank Limited

QAF Subsidiaries and Associated Companies

(As at 31 March 2008)

QAF Limited

- 100% Ben Foods (S) Pte Ltd
- 100% Farmland Central Bakery (S) Pte Ltd
- 100% Gardenia Foods (S) Pte Ltd
- 100% Gardenia Hong Kong Ltd
- 100% Gardenia International (S) Pte Ltd
  - 100% Bonjour Bakery Pte Ltd
    - 100% Delicia Sdn Bhd
      - 100% Bonjour Bakery Sdn Bhd
  - 100% Camellia Bakeries (S) Pte Ltd
  - 100% Gardenia Investments Pte Ltd
    - 100% Bakers Maison Pty Ltd
      - 100% Bakers Maison Australia Pty Ltd
  - 70% Gardenia Bakeries (KL) Sdn Bhd
    - 100% Everyday Bakery & Confectionery Sdn Bhd
    - 100% Gardenia Sales & Distribution Sdn Bhd
  - 100% Gardenia Bakeries (Philippines) Inc.
    - 40% Phil Foods Properties Inc.
    - 40% Philfoods Fresh-Baked Products Inc.
- 100% NCS Cold Stores (S) Pte Ltd
  - 62% QAF Fruits Cold Store Pte Ltd
- 100% Oxdale International Pte Ltd
  - 100% Oxdale Investments Pte Ltd
    - 100% Oxdale Dairy Enterprise Pty Ltd
    - 100% W.A. Oxdale Holdings Pte Ltd
      - 51% Challenge Australian Dairy Pty Ltd
- 100% Ben Fortune Pastry Manufacturing (M) Sdn Bhd
- 100% Ben Trading (Malaysia) Sdn Bhd
- 100% Dongjia Investments Pte Ltd
  - 100% Fujian Dongjia Feeds Co Ltd
- 100% Pacfi Pte Ltd
- 100% Bakers Maison Pte Ltd
  - 100% Bakers Maison Pastry (M) Sdn Bhd
- 100% Lansdale Holdings Pte Ltd
  - 100% Gaoyuan Pte Ltd
- 100% Auspeak Holdings Pte Ltd



*Shaanxi Hengxing Fruit Juice Co Ltd has interest in 6 subsidiaries incorporated in the PRC.

Singapore
Malaysia
Australia
Philippines
China
Others

Board of Directors

CHAIRMAN

Date of last election:
27 April 2007

Board Committees:
Remuneration Committee (Chairman)
Nominating Committee (Member)

Didi Dawis, aged 62, 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.

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 executive vice-chairman of the Indonesian Chamber of Commerce and Industry, Kadin Indonesia-China Committee.

Mr Didi Dawis is a substantial shareholder of the Company and is deemed interested in 10.16% of the issued share capital of the Company.

VICE CHAIRMAN

Date of last election:
28 April 2006

Andree Halim, aged 60, was appointed as a Director and Vice Chairman of the Company on 11 October 2003.

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.

Mr Andree Halim is a major substantial shareholder of the Company, having a deemed interest in 60.42% of the issued share capital of the Company.

Current directorship in listed company
- Peaktop International Holdings Limited (listed in the Hong Kong Stock Exchange)

GROUP MANAGING DIRECTOR

Board Committee:
Nominating Committee (Member)

Tan Kong King, aged 57, 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 1996, 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 livestock 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 27 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.

Past 3 years' directorships in listed companies
- Zhongguo Jilong Limited
- PSC Corporation Limited
- Peaktop International Holdings Ltd (listed in the Hong Kong Stock Exchange)

Current directorship in listed company
- China Food Industries Limited (non-executive chairman)

Date of last election:
29 April 2005

Tarn Teh Chuen, aged 48, was appointed as a Director on 15 June 1995.

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 Private Ltd group of companies in 1983 as an accountant and assumed the post of group financial controller from 1990 until 2004. She has over 18 years of experience in the structuring of loans and group financing to-date.

Ms Tarn graduated with a Bachelor of Accountancy degree from the National University of Singapore.

Past 3 years' directorships in listed companies
- Zhongguo Jilong Limited
- China Food Industries Limited

Board of Directors

Date of last election:
27 April 2007

Derek Cheong Kheng Beng, aged 53, was appointed as a Director on 18 January 1996.

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 Private Ltd.

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.

Past 3 years' directorship in listed company
- PSC Corporation Limited

Date of last election:
27 April 2007

Board Committees:
Nominating Committee (Chairman)
Audit Committee (Member)
Remuneration Committee (Member)

Phua Bah Lee, aged 75, was appointed as an independent non-executive Director on 8 January 1990.

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.

Current directorships in listed companies
- Singapura Finance Ltd
- Wing Tai Holdings Ltd
- GP Batteries International Ltd
- Metro Holdings Limited
- Pan-United Corporation Ltd
- GP Industries Limited

Date of last election:
29 April 2005

Board Committees:
Audit Committee (Chairman)
Remuneration Committee (Member)

Kelvin Chia Hoo Khun, aged 56, was appointed as an independent non-executive Director of the Company on 25 January 2000.

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.

Date of last election:
28 April 2006

Board Committees:
Audit Committee (Member)

Tan Hin Huat, aged 55, was appointed as an independent non-executive Director of the Company on 2 September 2002.

Mr Tan is currently a Senior Vice President of EFG Bank, Singapore Branch (Merchant Bank). He has more than 27 years of working experience in regional banking business covering the area of corporate banking, trade finance and private banking. Prior to joining EFG 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.

Daniel Halim, aged 29, was appointed as a non-independent and non-executive Director of the Company on 1 December 2007 and he will be subject to re-election at the Company's forthcoming Annual General Meeting.

Mr Halim is currently the Business Development Manager of Culindo Livestock (1994), a family-owned private enterprise, whose principal activity is that of importer and supplier of live pigs to Singapore.

He had previously served as a director of a public company listed in the Hong Kong Stock Exchange, namely Peaktop International Holdings Ltd. He is currently serving as a director of several private enterprises which he and/or his family has an interest.

Mr Halim graduated with a degree in Business Administration (majored in Finance) from California State University, Los Angeles.

Mr Halim is the son of Mr Andree Halim, a Director cum Vice Chairman of the Company. He is also a substantial shareholder of the Company, having a deemed interest in 18.84% of the issued share capital of the Company.

Past 3 years' directorship in listed company
- Peaktop International Holdings Ltd (listed in the Hong Kong Stock Exchange)

Food Manufacturing

Shaanxi Hengxing is the largest producer of apple juice concentrates in both China and the world. The company produces approximately 20% of China's total annual production.

Australia

Challenge Australian Dairy Pty Ltd ('Challenge')

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 dairy farmers constitute approximately half of the total number of dairy farmers in the state.

The company has developed and introduced a range of high quality consumer dairy products under the Capel brand – retail block and sliced natural cheddar cheese products, consumer yoghurts and retail butter as well as a range of food service product lines which includes bulk block and shredded cheese, bulk butter and frozen cream.

Challenge has also successfully launched in 2007 a range of vintage, specialty flavoured club cheddar style and soft cheeses under its Capel brand and these are ranged across major Australian supermarkets and retailers on a national level. 2007 has also seen Challenge launching its fresh retail milk product under the Capel Crest brand.

New milestones have also been achieved in the export markets in 2007 with Challenge becoming a major supplier of fresh milk as well as milk concentrates to leading Asian milk manufacturers.

Challenge's retail products have gained recognition and awards at major dairy industry award events. It has won several gold awards from the Dairy Industry Association of Australia as well as from various national agricultural shows across Australia. Its products are widely recognised by Australian retailers for its quality and innovativeness.

The company has achieved its objective of being a major manufacturer of high quality dairy products

for the Australian retail market while at the same time, being a major exporter of milk and dairy products to the fast growing Asian markets. Challenge now exports 50% of its milk production to the Asian markets. Western Australia enjoys a competitive advantage in that it is closer to the Asian markets compared to other producers and produces very high quality fresh products.

Challenge will continue its successful strategy of developing and producing a new range of beverage dairy products as well as high value specialty cheese products. It has also been successful in encouraging the development and expansion of Western Australia's dairy industry by successfully introducing and producing dairy products which use Western Australian milk.

China

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

Shaanxi Hengxing is the largest producer of apple juice concentrates in both China and the world. The company produces approximately 20% of China's total annual production.

With its headquarters in China's main apple growing region of Shaanxi, the company has 10 production facilities located in 4 provinces, which are capable of producing about 225,000 MT of apple concentrate products per annum. The company has a total annual requirement in excess of 1 million MT of apple fruits and these are sourced mainly from external third party farmers as well as from contract growers who plant, grow and harvest apple trees on behalf of the company.

Over 90% of Shaanxi Hengxing's products are exported to the major markets of the United States, Canada, the European Union, Russia, Australia and the Middle East. The largest markets for apple juice concentrates are North America and the European Union.

Under the QAF Group, the company has also developed and launched a range of complementary product lines such as pear, pomegranate and carrot juice concentrates. The rapidly rising consumption of fruit juices in the domestic consumer market may also provide Shaanxi Hengxing with the opportunity to develop and produce its own line of juices and fruit-based beverages. The potential demand from this new market segment is very large.

Due to the fast increasing demand for its products, Shaanxi Hengxing's sales has continued to grow and the company is rapidly expanding. In order to meet growing orders from its overseas customers, the company has entered into contracts to install new production equipment and facilities such as apple crushing and storage facilities so as to increase its capacity.

Bakery

Sales and profitability improved significantly as Gardenia continued to develop high quality products which were delivered efficiently to more than 3,000 outlets in Singapore. Gardenia is the leading brand in Singapore.

Singapore

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

Gardenia Singapore's performance thrived despite intense competition in the Singapore branded bread market. Sales and profitability improved significantly as Gardenia continued to develop high quality products which were delivered efficiently to more than 3,000 outlets in Singapore. Gardenia is the leading brand in Singapore.

Recognising the growth of the European crusty bread segment, Gardenia Singapore continued to build on its successful Gardenia Country loaves range and launched the Gardenia Country Walnut Loaf in 2007. Since the launch of Gardenia Country loaves in December 2005, demand from consumers has been very encouraging and this special range of products is now distributed widely in the major supermarkets along with the other Gardenia range of products.

In addition to expanding the Gardenia Country Loaf product range, the company has also strengthened Gardenia's existing range. In May 2007, Gardenia Singapore launched its first diabetic-friendly low GI (low Glycaemic Index) bread, the Gardenia "Low-GI" Nutri Multi-Grain Loaf. This product is the most suitable bread for consumers who have diabetes or who are glucose intolerant. This healthy loaf with its high dietary fibre also helps to maintain a healthy digestive system while providing a steady and sustained supply of energy. As such, it also has benefits for health conscious and active consumers as it prolongs the feeling of fullness thereby preventing overeating while, at the same time, providing sustained energy through the releasing of glucose over a longer period of time.

In August 2007, the company launched 2 new variants to the Bonjour range of bread products – the Bonjour Coffee Coco Loaf and the Bonjour Le Savoury Loaf. Bonjour is the company's second brand of bread products for the Singapore market. These new products were well received by the market.

Gardenia Singapore has continuously maintained stringent food safety standards and this is evident when it was once again awarded the Food Safety Partner Award by the Agri-Food Veterinary Authority ('AVA') for the second consecutive year. As a Food Safety Partner, Gardenia helps promote food safety and healthy lifestyle messages to the

Bakery

public in road shows, exhibitions, bakery tours and health fairs held in schools and community clubs. Gardenia is an industry leader in the area of food safety standards and has achieved a Grade A status from the AVA for every year since 1995.

To maintain brand visibility, Gardenia Singapore continues to contribute to consumer promotion and community programmes. Collaborations were held with the Diabetic Society of Singapore and the Diabetic Centres at the Tan Tock Seng and National University Hospitals to promote the "Low GI" bread to healthcare professionals and members of the public. The company participated in the Singapore Food Expo 2007 in May 2007, the School Health Fairs organised by the Health Promotion Board and the Good Neighbour Day in partnership with the Singapore Kindness Movement. Gardenia Singapore successfully promoted its various high quality Gardenia bakery products to consumers through these events.

Malaysia

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

GBKL, the Group's 70%-owned subsidiary in Malaysia, operates the largest bakery operation in South-East Asia. 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.

The company has achieved another record year in terms of both turnover and profitability. Turnover grew to a new high of RM383.4 million for the financial year ended 31 December 2007. This increase in turnover and the larger sales volume arose due to Gardenia's strong brand position, the high quality of the Gardenia products and an extensive distribution network. Despite the sharp increases in production costs, particularly significant escalations in raw material and fuel costs, GBKL has managed to increase its profitability due mainly to increased efficiencies in production and distribution.

The existing distribution network extensively covers the whole West Malaysian market with more than 20,000 outlets. Much effort has been made to open new routes and improve upon the efficiency of existing ones.

During the year, GBKL successfully launched the Breakthru Formula MultiWholegrain Fibremeal, a healthy bread that is fortified with Beta Glucan which helps to lower cholesterol. This new product was awarded the Highly Commended Product Award from the Malaysian Institute of Food Technology for its contribution towards the health of consumers. As part of its commitment to

educate the public on healthy eating and the prevention of diabetes and heart disease, GBKL, together with the National Diabetes Institute and other participating non-governmental organisations have designed the Heartcare Booklet for consumers.

As part of its corporate social responsibility, GBKL was chosen by Malaysia's Ministry of Information to help promote the Rukunegara (the National Principles) nationwide so as to enhance the government's effort in nation building during the nation's 50th year of independence celebration. The five principles of Rukunegara were carried on the packaging of Gardenia's bread products which are widely distributed throughout West Malaysia.

All 4 plants are operating at full capacity due to the sustained growth in demand for Gardenia products. A new fully automated bread production line is being installed at its Bukit Kemuning plant and this will be its 8th production line. This new line is slated for commissioning in early 2008 and will enable GBKL to not only meet the strong demand for Gardenia products from its customers but will also provide flexibility for the company to further rationalise its manufacturing mix so as to increase productivity. Another existing production line will be upgraded and converted to one which produces higher value products such as buns and rolls.

GBKL is in a position of strength to meet challenges in 2008. Emphasis will continue to be made in the area of product development. The company will also embark on a programme to improve productivity and efficiency so as to protect margins in an environment of rapidly rising costs.

The Philippines

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

Gardenia Philippines achieved another record with sales of Php 1.6 billion in 2007, an increase of 21% over that of 2006. Profitability also increased despite escalations in the cost of raw materials especially flour, energy and fuel costs as the company achieved improvements in productivity and efficiencies.

The company maintained its successful record of new product launches. To serve the rapidly growing demand from the health conscious market segment, Gardenia launched the Sugar Free 12-Grain Loaf, the latest addition to its line of healthy bread products. This product is cholesterol-free with zero trans fat, has 12 pure and natural whole grains and seeds and contains vitamins and minerals that help reduce the risk of heart disease. It is also sugar free and appeals to customers who may be weight conscious.

Bakery

To cater to an emerging trend of customers who prefer smaller loaves and greater variety, Gardenia Philippines launched its Mini Wonders line of bakery products. This line of products allows a customer to select a variety of flavoured bakery products which are smaller in size. New unique products such as Carrot Raisin and Mongo (red mung bean) were successfully launched in 2007. Gardenia Philippines also expanded its snack cake line with the addition of new flavours such as the Twiggies Yellow Cake, a single-serve moist, soft and tasty snack cake. A new banana muffin product and a chocolate flavoured cream roll snack product were also launched.

Gardenia products are now widely distributed in the entire Luzon peninsula, from Laoag and Tuguegarao in the north to Sorsogon in the south as well as to the Western Visayas. The company also utilises 30 territorial distributors in Metro Manila and the surrounding provinces to service the smaller variety and community stores which have not been reached by the company's sales personnel.

With superior standards of production and continuous commitment to products of high quality over the past years, Gardenia maintained its ISO 9001:2000 Certification for product quality and the HACCP Certification for food safety with Certification International. It was again named the "Outstanding Bread Manufacturer" by the Consumers Union of the Philippines for the fourth straight year and has been conferred the Superbrand status from 2004 to 2008 by Superbrands Asia.

Gardenia products have grown so rapidly that the company's existing 3 bread and 1 snack cake line are now operating at full capacity. To cope with the high demand for its products, Gardenia Philippines has contracted a third party toll manufacturer to augment its production capacity as well as to serve its market in North Luzon. The company will be installing its 5th production line.

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 Sydney, Australia.

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. Products are also widely distributed throughout New South Wales and parts of Queensland.

Bakers Maison achieved successes for its products with increased customer demand for its specialty breads like Ciabatta, Turkish, Bagels, Baguettes and Batards. In July 2007, 2 new bread products, the Sour Dough Baguette and the Sour Dough Loaf, were added to the company's product range. The company has also added new products to cater to increased demand for its croissant products as well as 6 new flavours of friand muffins – raspberry, caramel, blueberry, chocolate, orange and poppyseed with almond. Three new bread loaves were also launched in 2007 – banana, caramel and coconut. All these new products were very well received by potential customers at the Sydney Fine Food Show, a major national event which attracts over 25,000 professional visitors from the Australian food service industry.

In the area of distribution, Bakers Maison has developed good business relationships with major distributors and wholesalers. It has strengthened its partnership with the Bidvest Group, the largest foodservice distributor in Australia. Bakers Maison has secured a contract to manufacture some products under Bidvest's own brand on an exclusive basis. The existing close relationship with NAFDA, a major alliance of food distributors throughout Australia was further enhanced in 2007 with Bakers Maison participating in its national loyalty programme and by producing some products exclusively for them. Bakers Maison also became the preferred supplier for a fast growing cafe chain, called "Sumo Salad", which has 45 stores nationwide with plans to open another 45 stores in 2008.

Recently, Bakers Maison has purchased a new facility and will be completing its relocation to this new plant which will have upgraded production capabilities to better serve its fast growing customer base.

Primary Production

In 2007, QAF Meats produced and sold close to 1,000,000 heads or about 66,000 MT of meat. QAF Meats is the largest producer in the domestic Australian market as well as in the export markets of Singapore and Japan.

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 pork meat in Australia and the region. In 2007, QAF Meats produced and sold close to 1,000,000 heads or about 66,000 MT of meat. QAF Meats is the largest producer in the domestic Australian market as well as in the export markets of Singapore and Japan.

Breeding and farm operations are carried out on company-owned sites and with third party contract growers. The location of these sites are spread out in the states of New South Wales and Victoria. QAF Meats directly owns a total area of about 100 square kilometres.

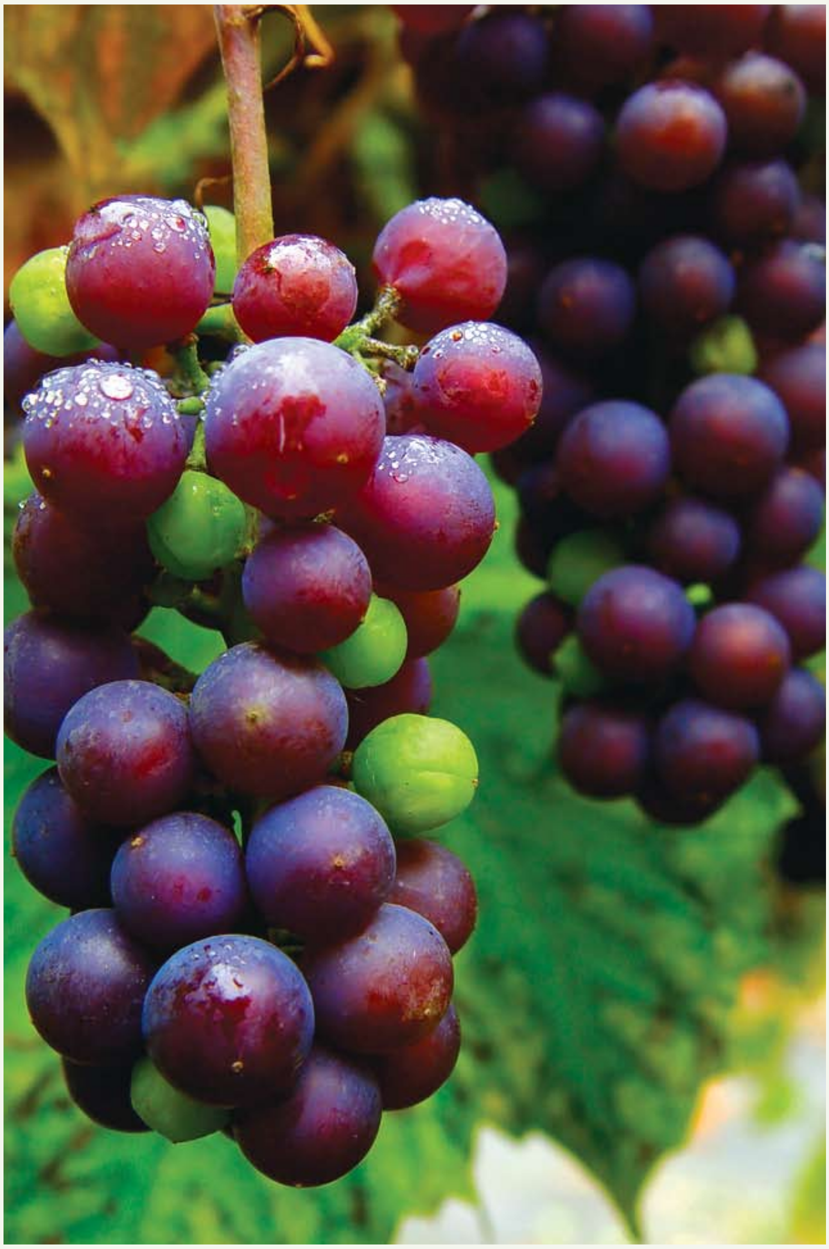
Production systems at the farm operations are based on the latest methods and technologies which include eco-shelter production systems which are environmentally clean and efficient. The good health status of the herds are also maintained through the use of all-in-all-out ('AIAO') systems which ensure 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 450,000 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. Sales of feedstock to external customers have also been growing in the last few years.

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. 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.

QAF Meats' operations were affected by one of the worst droughts in Australian history in 2007. The drought resulted in a very poor harvest of grain crops which in turn resulted in unprecedented increases in feed costs. The company has taken steps to reduce production numbers and operating costs as well as refocus its sales efforts towards the high value fresh meat market segment.

QAF Meats' strategy to reposition itself as a leading producer and distributor of fresh meat in the retail industry has borne fruit. It is now the single largest supplier of fresh meat to a 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. The company's moisture infused boneless and bone-in fresh meat products under its own brands of "High Country" and "Murray Valley Pork" continued to achieve successes. These products are sold to food service companies and retailers. Sales growth has been encouraging.



Trading & Logistics

2007 was a bumper year as far as the development and launch of new proprietary products are concerned.

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 proprietary 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, New Zealand and South America.

The company's leading position in the Food Service and Hospitality businesses was further established in 2007 when the company increased its focus on this fast growing market segment.

Ben Foods successfully implemented its long term strategy in growing and developing its proprietary branded products which allows the company to control its profit margins and enjoy stable growth. 2007 was a bumper year as far as the development and launch of new proprietary products are concerned. New variants were added to the Cowhead range of products. The Omega milk (milk fortified with Omega 3 which has health benefits for consumers) was launched in one litre packs. A range of Organic cereal biscuits was also launched under the Cowhead brand and this was well received by the market. In addition, a range of Cowhead confectioneries and candies was also introduced.

In the area of beverages, Ben Foods launched 4 Sparkling Fruit Juice variants under its Orchard Fresh brand while a new range of frozen seafood dumpling products was launched under the company's popular Haton brand.

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 a 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.

The company faced intense competition from a slew of new cold stores which opened during 2007 in the vicinity of its existing facility. NCS has embarked on a major restoration and renovation programme to refurbish its existing coldroom facilities. This programme is expected to be completed in early 2008.

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) is about 1,800.

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. While the existing drought condition in Australia has affected production to some extent, the long term outlook for Oxdale Dairy is still very positive and the company is working towards making itself 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 reference to the Code of Corporate Governance 2005 ("Code 2005"). The Company has generally adhered to the principles and intent of the Code 2005. In areas where the Company deviated from the Code 2005, the deviation and reasons for that are as explained below.

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	5	5	NA	NA	2	2	1	1
Andree Halim	5	4	NA	NA	NA	NA	NA	NA
Tan Kong King	5	5	NA	NA	2	2	NA	NA
Phua Bah Lee	5	5	4	4	2	2	1	1
Tarn Teh Chuen	5	5	NA	NA	NA	NA	NA	NA
Derek Cheong Kheng Beng	5	5	NA	NA	NA	NA	NA	NA
Kelvin Chia Hoo Khun	5	3	4	3	NA	NA	1	-
Tan Hin Huat	5	5	4	4	NA	NA	NA	NA
Daniel Halim*	NA	NA	NA	NA	NA	NA	NA	NA

* Appointed to the Board on 1 December 2007. No Board meeting was held after 1 December 2007 for the financial year under review.

The Articles of Association of the Company provide for the Board to convene and conduct meetings by video conferencing or telephonic-conferencing for any Director who is otherwise unable to attend the meetings in person.

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 for the Group
- 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.

Corporate Governance Report

Principle 1 : Board's Conduct of its Affairs (Cont'd)

During the financial year under review, a new Director has been appointed to the Board and a formal letter setting out his duties and obligations as a director was provided to him by the Company upon his appointment.

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.

In 2006, a global management meeting was held for the Group whereby the Directors were availed of detailed presentation by the relevant local management of the business and operation of each operating subsidiary within the Group.

Principle 2 : Board Composition and Balance

The Board comprises nine Directors of whom three are executive Directors and six 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, Mr Phua Bah Lee, Mr Tan Hin Huat and Mr Daniel Halim.

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 Guideline 2.1 of the Code 2005. The Board also considers Mr Didi Dawis, a substantial shareholder of the Company who is deemed interested in approximately 10.16% of the issued shares of the Company, as independent for the purpose and intent of the Code 2005. As aside from his shareholdings, neither Mr Didi Dawis nor his immediate family members or associates have any business transactions or relationship whatsoever with the Company or its subsidiaries 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. Mr Daniel Halim is considered a non-independent Director as he is a substantial shareholder of the Company and also of his being an immediate family member of Mr Andree Halim.

The Board is of the view that the current board size of the Company 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.

The non-executive Directors, under the leadership of the Chairman of the Board, provide feedback to the Management of their views on the performance of the Company and its subsidiaries from time to time.

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. Mr Phua Bah Lee is the chairman of the Nominating Committee. Mr Phua is an independent non-executive Director and is not associated with the substantial shareholders of the Company.

The Nominating Committee is empowered by the Board to decide on the re-appointment of members of the Board subject to retirement by rotation. Article 104 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").

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.

Under its Terms of Reference as approved by the Board, the Nominating Committee is empowered to review and assess candidates for directorship before making recommendation to the Board. Any recommendation of the Nomination Committee is subject to the Board's final approval, whose decision shall be final and binding.

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 2005.

Additional key information regarding the Directors are set out in the other section of this Annual Report.

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 that Board performance is ultimately reflected in the performance of the Group.

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 (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 opportunity and growth potentials brought about by the Board in setting the strategic directions of the Group; the readiness of the Board in redefining and modifying corporate strategies in a changing business environment and its ability to lend support to the Management in steering the Group towards the objectives set, all of which should form part and parcel of the bases in assessing the effectiveness of the Board.

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 her responsibility includes ensuring that board procedures are followed and that applicable rules and regulations are complied with, and that minutes of meetings are properly and fairly recorded.

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. Mr Didi Dawis is the chairman of the Remuneration Committee.

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.

Principle 8 : Level and Mix of Remuneration (Cont'd)

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 includes 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").

In addition to the individual performance and contribution of the executive Directors to the performance of the Group, the revenue trend or year-to year profit performance of the Group, the Remuneration Committee also takes into account similar policy and approach as outlined in the paragraph above when reviewing the remuneration of the executive Directors. Executive Directors do not receive directors' fees other than their remunerations as employees of the Company.

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

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.

Non-executive directors are paid a basic fee and an additional fee for serving as the Chairman of the Board or chairman/ 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.

Corporate Governance Report

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 2007:-

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

	Salary	Bonus	Other Benefits*	Total
$1,750,000 to below $2,000,000				
Tan Kong King	64%	34%	2%	100%
$250,000 to below $500,000				
Tarn Teh Chuen	75%	23%	2%	100%
Derek Cheong Kheng Beng	74%	23%	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
Daniel Halim	Member of the Board

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

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

The Board is of the view that it is not in the interests of the Group to disclose the details of the top five executives due to the sensitive and confidential nature of such information.

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 2005. 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 significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and the consolidated financial statements of the Group 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 auditor and with the assistance of the internal auditor, conduct an annual review of the effectiveness of the Group's material internal controls
- To set up and review (as may be necessary) a whistle-blower procedure for the Group.

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 auditor, and has full discretion to invite any Director and executive officer to attend its meetings.

The Group has an internal auditor who is a member of the Institute of Certified Public Accountants of Singapore and the Institute of Internal Auditors. His primary line of reporting is to the chairman of the Audit Committee. The Audit Committee reviews and approves the annual internal audit plan proposed by the internal auditor. The internal auditor, like the external auditors, report independently his findings and recommendations to the Audit Committee in each Audit Committee meeting.

Under its terms of reference, the Audit Committee is empowered to ensure that the internal audit function is adequately resourced.

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

In 2007, the Audit Committee has implemented a whistle-blowing framework for the Group where employees of the Group may raise concerns in confidence about possible financial improprieties in the subsidiaries or the Company which might have a materially adverse effect on the subsidiary or the Company.

Principle 13: Internal Audit (Cont'd)

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. The Board does not assume responsibility in overseeing the system of internal controls in subsidiaries or associates which are public-listed and which have their own set of board and audit committee members.

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 66, 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.

Paul Pattison, aged 55, 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 meat production business carried out by the QAF Meats Group in Australia as well as the dairy farming businesses under Oxdale Dairy Enterprise. Mr Pattison has been with the QAF Meats Group for over 34 years. Prior to him assuming the position as chief executive officer of the QAF Meats Group, he was in various senior management roles including smallgoods production and meat production. He has played a major role in transforming the QAF Meats Group from a small producer of livestock into the largest fully integrated meat producer in Australia and one of the largest in the world. He graduated with a Diploma of Agricultural Science from Dookie Agricultural College, Australia.

Yap Kim Shin, aged 56, 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 55, 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 58, 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 operation of the QAF Group. Mr Lee has close to 32 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).

Supplementary Information
required by the Listing Manual

Wen You Cang, aged 55, is the chief executive officer of Shaanxi Hengxing Fruit Juice Co Ltd ("Shaanxi Hengxing"), a manufacturing operation in China in which the Group has recently diluted its equity interest from 51% to 46.5%. 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.

Peter Giddy, aged 46, 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 46, 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 22 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"). QAF Meats is an integrated producer of meat, which operates 5 company-owned farms and 39 Contract Grower sites spread out across the Australian states of Victoria and New South Wales. QAF Meats has more than 50,000 breeder pigs and a total population of about 475,000 pigs. In addition, the Group operates 2 dairy farms at Cobram, Victoria, Australia with about 1,800 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 5 QAF Meats-owned farms and the 39 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.

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

2. Regulatory Sanctions

(a) Meat Industry

QAF Meats is 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.

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.

(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.

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 operates 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 'dumping' of frozen imported products in the export markets.

However, QAF Meats' 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 is 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.

The prices of raw material costs affect the livestock farming, meat and apple juice concentrate industries. These industries are subject to swings in production costs determined largely by grain and apple prices respectively. Grain and apple 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. 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 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 airliners. 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 and Challenge Australian Dairy Pty Ltd 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.

Supplementary Information
required by the Listing Manual

Rule 907 : Interested Person Transactions for financial year 2007

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and 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 (excluding transactions less than $100,000)
Mr Daniel Halim, a director and substantial shareholder of the Company	Sale of 4.5% interest in Shaanxi Hengxing Fruit Juice Co Ltd at the sale price of RMB27 million (equivalent to S$5.32 million) by a subsidiary of the Company to Western Shores Holdings Ltd (a corporation which is 100% beneficially owned by Mr Daniel Halim)	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 76.1% of the shares of the Company (see page 134 of the Annual Report), the Company confirms that at least 10% of its listed shares 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 FY2007 amounted to approximately $46,000. 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.

Financial Contents

Directors' Report

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") and the balance sheets of the Company and the Group for the financial year ended 31 December 2007.

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	
Daniel Halim	(appointed on 1.12.2007)

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 of the Company who held office at the end of the financial year in the 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 or date of appointment**	**At end of the year**	**At beginning of the year or date of appointment**	**At end of the year**
Number of shares in QAF Limited				
Didi Dawis	3,437,000	–	42,383,712	45,820,712
Phua Bah Lee	–	–	25,000	25,000
Tan Kong King	1,375,000	1,375,000	–	–
Andree Halim	10,558,000	17,661,000	254,830,940	254,830,940
Tarn Teh Chuen	287,500	537,500	–	–
Daniel Halim	–	–	84,943,647	84,943,647
Number of QAF Limited Share Options to subscribe for shares in the Company				
Tan Kong King	2,300,000	2,300,000	–	–
Tarn Teh Chuen	1,230,000	980,000	–	–
Derek Cheong Kheng Beng	600,000	600,000	–	–
Number of Warrants 2009 to subscribe for shares in QAF Limited				
Andree Halim	47,452,538	47,452,538	–	–
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 2008.

Directors of the Company (Cont'd)

A director of the Company, namely Mr Daniel Halim, had acquired the right under a contract entered into on 19 December 2007 to purchase 4.5% of the issued and paid-up share capital of Shaanxi Hengxing Fruit Juice Co Ltd, then a subsidiary company of the Company. The purchase was completed in February 2008.

Save as disclosed above 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 or associated 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 on 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 (the "Act").

Save for the share option scheme as detailed below, neither at the end of the financial year, nor at any time during the 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 offering date 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.

Share Options to Subscribe for Ordinary Shares (Cont'd)

(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	Nil	2,600,000	300,000	2,300,000
Tarn Teh Chuen	Nil	1,460,000	480,000	980,000
Derek Cheong Kheng Beng	Nil	600,000	Nil	600,000

No options were granted during the financial year under review.

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.

(b) During the financial year, 955,000 ordinary shares of the Company were issued pursuant to the exercise of options by employees and directors of the Group. Unissued ordinary shares under options as at 31 December 2007 comprise :

QAF Limited Share Option Scheme 2000	For ordinary shares in the Company	Exercise price per share	Exercise period
Year 2000	1,831,000	$0.630	26 May 2001 to 25 May 2010
Year 2001	555,000	$0.430	20 April 2002 to 19 April 2011
Year 2002	2,123,000	$0.555	6 April 2003 to 5 April 2012
Year 2004	3,190,000	$0.523	14 May 2005 to 13 May 2014
Year 2005	2,950,000	$0.513	18 August 2006 to 17 August 2015
Year 2006	3,950,000	$0.565	19 May 2007 to 18 May 2016
	14,599,000		

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 from the date of issue of the Warrants 2009. Warrants 2009 are listed and quoted on the SGX-ST.

(b) During the financial year, 362,500 ordinary shares in the Company were issued pursuant to the exercise by warrant holders. As at 31 December 2007, there were a total of 77,876,343 Warrants 2009 outstanding.

Audit Committee

The audit committee performed the functions specified in the 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
31 March 2008

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) subject to the matters set out in Note 1(b) and (c) to the financial statements accompanying herein, the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up 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 2007 and of the results of the business, changes in equity and cash flows of the Group for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

Andree Halim
Director

Tan Kong King
Director

Singapore
31 March 2008

Independent 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 51 to 128, which comprise the balance sheets of the Group and the Company as at 31 December 2007, the statements of changes in equity, the income statement and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Except as discussed in the following paragraphs, we conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Share of Results of an Associated Company

As stated in Note 1(c) to the accompanying financial statements, the Group was not able to equity account the results of Zhongguo Jilong Limited ("Jilong") from 1 October 2006 to 2 February 2007. This is not in compliance with Singapore Financial Reporting Standard (FRS) 28, Investment in Associates which requires the Group to equity account the results of its associated company until the date the Group ceased to exercise significant influence.

The financial effect arising from the above on the financial statements of the Group cannot be ascertained as Jilong has not published any financial statements subsequent to its financial period ended 30 September 2006. Accordingly, we are unable to assess the appropriateness of the share of profits of associated companies reported in the consolidated income statement for the financial year ended 31 December 2007.

Independent Auditors' Report
to the Members of QAF Limited

Auditors' Report for the Year Ended 31 December 2006

Our audit report on the financial statements of the Group and the balance sheet of the Company for the year ended 31 December 2006 had included a disclaimer of opinion due to various matters involving suspected fraudulent conduct relating to the then subsidiary companies of China Food Industries Limited ("CFI") in the People's Republic of China, valuation of inventories and material uncertainties on the ability of CFI to continue as a going concern, and because we were unable to assess the appropriateness of the then carrying value of the Group's investment in Jilong as at 31 December 2006, the results equity accounted by the Group and the impairment charges recorded in respect of Jilong for the year ended 31 December 2006.

The matters described in the preceding paragraph may have an effect on the opening revenue reserve for the year ended 31 December 2007. Any adjustment to this figure would have a consequential effect on the loss on dilution of interest in a subsidiary company as disclosed in the accompanying financial statements for the year ended 31 December 2007.

Audit Opinion

In our opinion, except for the effects of the matters discussed above,

(i) 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 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 2007 and the results, changes in equity and cash flows of the Group for the year ended on that date; and

(ii) 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
Public Accountants and
Certified Public Accountants Singapore

Singapore
31 March 2008

Consolidated Income Statement

for the year ended 31 December 2007
(In Singapore dollars)

	Note	2007 $'000	2006 $'000
Revenue	3	1,076,921	992,047
Costs and expenses			
Costs of materials		655,406	598,860
Staff costs	4	171,819	157,879
Amortisation and depreciation	5	35,549	35,065
Repairs and maintenance		24,454	22,675
Distribution and transportation expenses		50,485	35,176
Other operating expenses		81,221	76,875
Total costs and expenses		1,018,934	926,530
Profit from operating activities	6	57,987	65,517
Finance costs	7	(26,457)	(19,793)
Exceptional items	8	(2,189)	(19,687)
Share of profits of associated and joint venture companies		445	2,992
Profit before taxation		29,786	29,029
Taxation	9	(15,671)	(9,528)
Profit after taxation		14,115	19,501
Attributable to :			
Shareholders of the Company		4,554	21,466
Minority interests		9,561	(1,965)
		14,115	19,501
Earnings per ordinary share:	10		
– Basic		1.0 cents	4.8 cents
– Diluted		1.0 cents	4.8 cents

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

Balance Sheets
as at 31 December 2007
(In Singapore dollars)

	Note	Group		Company	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000
ASSETS					
Current assets					
Biological assets	11	66,118	65,633	–	–
Inventories	12	314,328	179,237	–	–
Trade receivables	13	162,817	127,146	–	–
Other receivables	14	55,502	41,371	155,083	174,243
Tax recoverable		528	554	–	–
Short-term investments	15	144	153	–	–
Cash and deposits	16	55,581	61,110	2,630	13,596
		655,018	475,204	157,713	187,839
Non-current assets held for sale	17	4,170	–	–	–
		659,188	475,204	157,713	187,839
Non-current assets					
Property, plant and equipment	17	353,205	351,245	2,599	2,779
Investment properties	18	21,812	22,768	–	–
Subsidiary companies	19	–	–	113,040	113,040
Advances to subsidiary companies	20	–	–	41,175	65,910
Associated companies	21	214	57,159	–	–
Advances to associated companies	22	2,175	2,101	–	–
Joint venture company	23	4,299	4,045	–	–
Advances to joint venture company	24	576	552	–	–
Pension assets	25	2,643	1,562	–	–
Long-term investments	26	2,998	9,667	–	–
Intangibles	27	1,188	1,161	3,466	3,823
Non-current biological assets	11	7,114	5,140	–	–
Deferred tax assets	28	996	2,404	–	–
		397,220	457,804	160,280	185,552
Total assets		1,056,408	933,008	317,993	373,391

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

Balance Sheets

as at 31 December 2007
(In Singapore dollars)

	Note	Group		Company	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000
LIABILITIES					
Current liabilities					
Trade payables	29	125,139	70,756	12	19
Other payables	30	94,550	66,610	14,151	2,918
Short-term borrowings	31	365,492	257,267	19,865	8,422
Long-term loans and finance leases – current portion	32	34,245	46,169	23,256	29,198
Provision for taxation		3,077	4,801	323	904
		622,503	445,603	57,607	41,461
Non-current liabilities					
Other payables	30	11,576	10,430	–	–
Long-term loans and finance leases	32	65,166	86,282	49,000	70,396
Deferred tax liabilities	28	15,693	8,051	440	408
		92,435	104,763	49,440	70,804
Total liabilities		714,938	550,366	107,047	112,265
Net assets		341,470	382,642	210,946	261,126
CAPITAL AND RESERVES					
Share capital	33	195,123	194,463	195,123	194,463
Reserves	34	95,846	146,322	15,823	66,663
Interest of shareholders of the Company		290,969	340,785	210,946	261,126
Minority interests		50,501	41,857	–	–
Total equity		341,470	382,642	210,946	261,126

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 2007
(In Singapore dollars)

	Attributable to shareholders of the Company							
	Share capital $'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 2007	194,463	2,353	18,117	127,729	(1,877)	340,785	41,857	382,642
Transfer between reserves	–	(48)	635	(587)	–	–	–	–
Exchange differences arising on consolidation	–	–	–	–	7,274	7,274	208	7,482
Actuarial gain on defined benefit plans, net of tax	–	–	–	710	–	710	–	710
Net profit/(loss) recognised directly in equity	–	(48)	635	123	7,274	7,984	208	8,192
Net profit for the financial year	–	–	–	4,554	–	4,554	9,561	14,115
Total recognised income and expenses for the year	–	(48)	635	4,677	7,274	12,538	9,769	22,307
Share options granted to employees and directors	–	–	302	–	–	302	–	302
Acquisition of shares in a subsidiary company	–	–	–	–	–	–	300	300
Issuance of ordinary shares (Note 33)	660	–	–	–	–	660	–	660
Effect of changes in group structure	–	(42)	54	(9,003)	1,626	(7,365)	(993)	(8,358)
Dividends (Note 35)	–	–	–	(7,396)	–	(7,396)	(432)	(7,828)
Dividends in specie (Note 35)	–	–	–	(48,555)	–	(48,555)	–	(48,555)
Balance at 31 December 2007	195,123	2,263	19,108	67,452	7,023	290,969	50,501	341,470

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 2007
(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 2006	175,915	13,620	2,138	17,025	113,611	1,471	323,780	52,106	375,886
Transfer between reserves	–	–	(49)	417	(368)	–	–	–	–
Exchange differences arising on consolidation	–	–	–	–	–	(3,348)	(3,348)	(1,628)	(4,976)
Fair value adjustments on financial instruments	–	–	264	–	–	–	264	79	343
Actuarial gain on defined benefit plans, net of tax	–	–	–	–	215	–	215	–	215
Expenses in relation to rights issue granted in prior years	–	(3)	–	–	–	–	(3)	–	(3)
Net profit/(loss) recognised directly in equity	–	(3)	215	417	(153)	(3,348)	(2,872)	(1,549)	(4,421)
Net profit/(loss) for the financial year	–	–	–	–	21,466	–	21,466	(1,965)	19,501
Total recognised income and expenses for the year	–	(3)	215	417	21,313	(3,348)	18,594	(3,514)	15,080
Share options granted to employees and directors	–	–	–	675	–	–	675	–	675
Transfer to share capital (Note 33)	13,617	(13,617)	–	–	–	–	–	–	–
Reclassification of advances from minority shareholders to other payables	–	–	–	–	–	–	–	(1,586)	(1,586)
Issuance of ordinary shares (Note 33)	4,931	–	–	–	–	–	4,931	–	4,931
Dividends (Note 35)	–	–	–	–	(7,195)	–	(7,195)	(5,149)	(12,344)
Balance at 31 December 2006	194,463	–	2,353	18,117	127,729	(1,877)	340,785	41,857	382,642

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 2007
(In Singapore dollars)

	2007 $'000	2006 $'000
Cash flows from operating activities :		
Profit before taxation	29,786	29,029
Adjustments for :		
Amortisation and depreciation	35,549	35,065
Gain on disposal of property, plant and equipment and investment properties	(349)	(3,440)
Share of profits of associated and joint venture companies	(445)	(2,992)
Gain on disposal of long-term investments	(174)	(2,371)
Fair value changes on derivative financial instruments	33	1,372
Interest expense	26,457	19,793
Dividend and interest income	(1,978)	(2,780)
Impairment on property, plant and equipment	503	11,635
Net gain on disposal/liquidation of subsidiary companies	–	(384)
Share options granted to employees and directors	302	675
Impairment on long-term investments	1,839	2,070
Impairment on investment in associated company	–	6,437
Loss on dilution of interest in a subsidiary company	350	–
Exchange differences	(5,029)	(9,710)
Operating profit before working capital changes	86,844	84,399
Increase in receivables	(55,287)	(18,418)
Increase in inventories and biological assets	(143,708)	(33,617)
Increase/(decrease) in payables	89,745	(22,210)
Cash (used in)/generated from operations	(22,406)	10,154
Interest paid	(26,838)	(19,083)
Interest received	1,922	2,568
Income tax paid	(6,974)	(6,461)
Net cash used in operating activities	(54,296)	(12,822)
Cash flows from investing activities :		
Purchase of property, plant and equipment and investment properties	(53,045)	(35,301)
Purchase of short-term investments	–	(157)
Proceeds from disposal of property, plant and equipment and investment properties	3,033	5,161
Proceeds from disposal of long-term investments	6,302	10,930
Purchase of shares in an associated company	–	(811)
Dividends received from investments	56	212
(Increase)/decrease in advances to associated and joint venture companies	(98)	71
Net proceeds from disposal/liquidation of subsidiary companies	–	570
Dividends received from associated companies	718	994
Purchase of intangibles	(97)	–
Net cash outflow from dilution of interest in a subsidiary company (Note A)	(844)	–
Minority shareholders' share of share capital of a newly incorporated subsidiary company	300	–
Net cash used in investing activities	(43,675)	(18,331)

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 2007
(In Singapore dollars)

	2007 $'000	2006 $'000
Cash flows from financing activities :		
Dividends paid during the year	(7,396)	(7,195)
Dividends paid to minority shareholders of subsidiary companies	(4,869)	(712)
Proceeds from short-term borrowings	137,005	48,177
Repayment of long-term borrowings	(28,069)	(31,263)
Proceeds from issuance of share capital	660	4,931
Net cash provided by financing activities	97,331	13,938
Net decrease in cash and cash equivalents	(640)	(17,215)
Cash and cash equivalents at beginning of year (Note 36)	52,241	69,958
Effect of exchange rate changes on cash and cash equivalents	471	(502)
Cash and cash equivalents at end of year (Note 36)	52,072	52,241

Note A – Analysis of dilution of interest in a subsidiary company

	2007 $'000
Property, plant and equipment	25,840
Long-term investments	273
Inventories and biological assets	6,158
Receivables	5,485
Payables	(9,785)
Borrowings	(25,153)
Provision for taxation and deferred taxation	(1,456)
Cash and cash equivalents	844
Minority share of net assets of subsidiary company	(993)
Net assets deconsolidated	1,213
Loss on dilution	(350)
Release of reserves upon dilution of interest in a subsidiary company	695
Net investment at point of dilution	1,558
Reclassification to long-term investments	(1,558)
Cash and cash equivalents deconsolidated	(844)
Net cash outflow on dilution of interest in a subsidiary company	(844)

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

Notes to the Financial Statements
– 31 December 2007
(In Singapore dollars)

1. General

(a) Corporate Information

QAF Limited (the "Company") 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.

(b) Prior Year's Financial Statements and Auditors' Report

The financial statements of the Group and the balance sheet of the Company for the year ended 31 December 2006 had included a disclaimer of audit opinion due to various matters involving suspected fraudulent conduct relating to the then subsidiary companies of China Food Industries Limited ("CFI") in the People's Republic of China, valuation of inventories and material uncertainties on the ability of CFI to continue as a going concern.

The auditors were also unable to assess the appropriateness of the then carrying value of the Group's investment in Jilong as at 31 December 2006, the results equity accounted by the Group and the impairment charges recorded in respect of Jilong for the year ended 31 December 2006.

The matters described in the preceding paragraphs may have an effect on the opening revenue reserve for the year ended 31 December 2007. Any adjustment to the opening revenue reserve would have a consequential effect on the loss on dilution of interest in CFI.

The Group's interest in CFI was diluted to 13.75% in November 2007 as a result of issue of new shares to a third party by CFI. The Company henceforth has deconsolidated the results of CFI upon the dilution.

(c) Share of results of associated company, Zhongguo Jilong Limited ("Jilong")

The Company had announced on 1 February 2007 that it planned to distribute its interest in Jilong by way of dividends in specie to shareholders of the Company in order to utilise its available tax credits. In connection with the said proposed plan, the sole nominee director of the Group appointed to the Board of Jilong resigned on 2 February 2007. The Group henceforth had ceased to exercise significant influence on Jilong with effect from 2 February 2007.

Jilong is currently under judicial management and no financial results have been announced since its last results announcement for the third quarter ended 30 September 2006. Since no financial results were available, the Group has not been able to equity account for its share of results in Jilong from 1 October 2006 to 2 February 2007.

In June 2007, the Group had distributed substantially all its interest in Jilong by way of distribution of dividends in specie to the shareholders of the Company. And as at 31 December 2007, the Group's interest in Jilong was negligible.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

Subject to the disclosure made on the financial statements of CFI group in Note 1(b) and of Jilong in Note 1(c) herein above provided, the consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and 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 Note 2.2 below.

The financial statements have been prepared on a historical cost basis, 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.

The financial statements are presented in Singapore dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

2.2 Changes in Accounting Policies

On 1 January 2007, the Group adopted FRS 40 – Investment Property which is effective for annual periods beginning on or after 1 January 2007.

As allowed under FRS 40, the investment properties of the Group are stated at cost less accumulated depreciation and impairment loss.

The effect of adopting FRS 40 resulted in an increase of $22,768,000 in the Group's Investment Properties and a corresponding decrease of $22,768,000 in the Group's Property, Plant and Equipment as at 31 December 2006. There is no impact to the income statement for the financial years ended 31 December 2006 and 31 December 2007 arising from the adoption of FRS 40. The comparative figures have been reclassified accordingly.

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

The Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

Reference	Description	Effective for annual periods beginning on or after
FRS 23	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 111	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	Service Concession Arrangements	1 January 2008

The directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 108 as indicated below.

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

2. Summary of Significant Accounting Policies (Cont'd)

2.3 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 income statement 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 2.12 for the accounting policy on goodwill on acquisition of subsidiary companies.

2.4 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 functional 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 functional currency at exchange rates ruling at the balance sheet date. All exchange differences arising from such translations are included in the income statement. 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 entities are translated into Singapore dollars at the exchange rates ruling at the balance sheet date and the results of foreign entities 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 entity, such foreign currency translation reserve is recognised in the income statement.

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.

2.5 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 income statement. 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 income statement.

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

(In Singapore dollars)

2. Summary of Significant Accounting Policies (Cont'd)

2.5 Property, Plant and Equipment (Cont'd)

Any revaluation surplus is credited directly to the revaluation reserve in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in income statement, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The whole of the revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

2.6 Investment Properties

Investment properties are stated at cost 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 income statement.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment as set out in Note 2.5 up to the date of change in use.

2.7 Depreciation

Depreciation is not provided for freehold land due to its unlimited useful life 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 and investment properties, 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 :

		%
Investment properties	–	2 – 33 ⅓
Freehold buildings	–	2 – 2 ½
Leasehold properties	–	2 – 6
Leasehold improvements	–	2 – 20
Plant and machinery	–	5 – 33 ⅓
Furniture, fittings and office equipment	–	7 ½ – 40
Motor vehicles	–	10 – 33 ⅓

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 and investment properties.

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.

2. Summary of Significant Accounting Policies (Cont'd)

2.8 Subsidiary Companies

A subsidiary company is a company over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, 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.

2.9 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 income statement. 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. Therefore, 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.

2.10 Transactions with Minority Interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

2.11 Financial Assets

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.

2. Summary of Significant Accounting Policies (Cont'd)

2.11 Financial Assets (Cont'd)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

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 income statement.

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

(ii) 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 income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) 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 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 income statement.

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.

2. Summary of Significant Accounting Policies (Cont'd)

2.12 Intangibles

(i) Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the acquirer's interest in the identifiable net assets. Goodwill which is assessed as having no continuing economic value is written-off immediately to the consolidated income statement.

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 income statement.

(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 of 20 years 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 income statement through the "amortisation and depreciation" line item.

2.13 Inventories

Raw materials, consumables, finished goods, work-in-progress 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.

2.14 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 income statement, 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)

2.14 Biological Assets (Cont'd)

Saplings (current and non-current)

Saplings are stated at cost less accumulated depreciation and any 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.

2.15 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 income statement 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 income statement over the period of factoring using the effective interest method.

2.16 Assets and Liabilities Held for Sale

The Group classifies assets and liabilities as held for sale when its carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets or liabilities.

Upon classification as held for sale, non-current assets are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any difference is recognised in the income statement.

2.17 Impairment of Non-financial 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.

2. Summary of Significant Accounting Policies (Cont'd)

2.17 Impairment of Non-financial Assets (Cont'd)

Goodwill (Cont'd)

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.

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 income statement. 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. 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.

2.18 Financial Liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the income statement when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the income statement. Net gains or losses on derivatives include exchange differences.

2. Summary of Significant Accounting Policies (Cont'd)

2.19 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.

2.20 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.

2.21 Financial Guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantees are recognised initially at fair value. Subsequent to initial recognition, financial guarantees are recognised as income in the income statement over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to the income statement.

2.22 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.23 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.

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 income is recognised on a straight-line basis over the lease term.

Interest income is recognised on effective interest rate method.

Dividend income is recorded gross in the income statement 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 income statement.

2. Summary of Significant Accounting Policies (Cont'd)

2.24 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.

2.25 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.

2. Summary of Significant Accounting Policies (Cont'd)

2.26 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 the 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.

2. Summary of Significant Accounting Policies (Cont'd)

2.26 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 defined benefit plans, past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested. The defined benefit asset or liability recognised in the balance sheet represents the present value of the defined benefit obligation, adjusted for unrecognised past service cost, net of the fair value of the plan assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

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 income statement. Actuarial gains and losses are recognised in full in the year they arose by taking the gains/losses directly to equity.

(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.

2.27 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 income statement.

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 income statement 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.

Rental income arising on operating leases is recorded as income in the income statement on a straight-line basis over the lease terms.

2. Summary of Significant Accounting Policies (Cont'd)

2.28 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.

2.29 Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the income statement.

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

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

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

(b) Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Reversals of impairment loss in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

2. Summary of Significant Accounting Policies (Cont'd)

2.30 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 intangibles

The Company and Group determines whether intangibles 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 intangibles 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 intangibles at 31 December 2007 was $3,466,000 (2006 : $3,823,000) and $1,188,000 (2006: $1,161,000) respectively. More details are given in Note 27.

(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 2007 was $323,000 (2006 : $904,000) and $3,077,000 (2006: $4,801,000) respectively. The carrying amount of the Company's and Group's net deferred tax liabilities as at 31 December 2007 was $440,000 (2006 : $408,000) and $14,697,000 (2006 : $5,647,000) respectively.

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

The cost of property, plant and equipment and investment property is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these assets to be within 2.5 to 50 years. The carrying amount of the Company's and Group's property, plant and equipment as at 31 December 2007 was $2,599,000 (2006 : $2,779,000) and $353,205,000 (2006: $351,245,000). The carrying amount of the Group's investment property as at 31 December 2007 was $21,812,000 (2006 : $22,768,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

2. Summary of Significant Accounting Policies (Cont'd)

2.30 Significant Accounting Estimates and Judgements (Cont'd)

Key sources of estimation uncertainty (cont'd)

(iv) Pension assets

Various actuarial assumptions are required when determining the Group's pension obligations. Due to the long-term nature of these plans, such assumptions are subject to significant uncertainty. These assumptions and the related carrying amounts are disclosed in Note 25.

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 determination of whether an investment is impaired 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	
	2007 $'000	2006 $'000
Sale of goods	1,062,388	972,402
Rental income from storage and warehousing facilities	4,977	5,658
Interest income from:		
– Fixed deposits with financial institutions	903	1,182
– Advances to associated and joint venture companies	275	416
– Others	744	970
Gross dividends from investments	56	212
Gain on disposal of property, plant and equipment and investment properties	349	3,440
Gain on disposal of long-term investments	174	2,371
Miscellaneous	7,055	5,396
	1,076,921	992,047

4. Staff Costs

Staff costs (including Executive Directors) :		
– salaries, wages and other related costs	158,299	144,765
– CPF and contributions to other plans	7,043	6,801
– superannuation contributions	6,175	5,638
– share options granted to employees and directors	302	675
	171,819	157,879

5. Amortisation and Depreciation

	Group 2007 $'000	Group 2006 $'000
Amortisation of intangibles (Note 27)	102	138
Depreciation of property, plant and equipment (Note 17)	34,049	33,587
Depreciation of investment property (Note 18)	1,398	1,340
	35,549	35,065

6. Profit from Operating Activities

Profit from operating activities is stated after charging/(crediting) :

	2007	2006
Professional fees for non-audit services rendered :		
– by the auditors of the Company	–	888
– by other auditors	46	13
Fees and remuneration for the directors of the Company :		
– fees and remuneration	2,702	2,444
– contribution to the Central Provident Fund	23	21
– share options granted to directors	56	134
Research and development cost	9,063	8,149
Increase in the fair value less estimated point-of-sale costs of livestock, net (Note 11)	(4,447)	(296)
Foreign exchange gain	(8,342)	(2,285)
Operating lease rental expense	8,646	6,665
Allowance for inventory obsolescence (written-back)/charged	(1,300)	1,379
Allowance for doubtful debts and debts written (back)/off	(186)	1,234
Fair value changes on derivative financial instruments (Note 30)	33	1,372
Restructuring costs :		
– redundancy costs	4,457	–
– other related costs	633	–
Rental income from investment properties	(4,642)	(5,485)
Direct operating expenses arising from investment properties that generate rental income	4,401	4,781

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

Number of directors in remuneration bands	2007	2006
$1,750,000 to below $2,000,000	1	–
$1,500,000 to below $1,750,000	–	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 2007 $'000	Group 2006 $'000
Interest expense on bank loans and finance leases	26,457	19,793

8. Exceptional Items

	2007 $'000	2006 $'000
Impairment on long-term investments (Note 26)	(1,839)	(2,070)
Loss on dilution of interest in a subsidiary company	(350)	–
Impairment on property, plant and equipment (Note 17(e))	–	(11,564)
Impairment on investment in an associated company	–	(6,437)
Net gain on disposal/liquidation of subsidiary companies	–	384
	(2,189)	(19,687)

9. Taxation

	2007 $'000	2006 $'000
Income tax expense on the profit for the year :		
– current tax	6,236	6,027
– deferred tax	189	2,873
	6,425	8,900
Under/(over) provision in respect of prior years :		
– current tax	48	244
– deferred tax	(267)	384
	(219)	628
Impairment of deferred tax assets (Note 28)	9,465	–
Tax expense	15,671	9,528

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 18% (2006 : 20%) to the profit before taxation due to the following factors :

	2007 $'000	2006 $'000
Profit before taxation	29,786	29,029
Tax expense at statutory tax rate of 18% (2006 : 20%)	5,361	5,806
Adjustments :		
Income not subject to tax	(3,722)	(4,213)
Expenses not deductible for tax purposes	2,180	7,389
Tax reliefs, rebates and incentives	(1,319)	(919)
Utilisation of tax benefits not recognised in previous years	(1,611)	(4,858)
Tax benefits not recognised in current year	4,433	1,240
Difference in effective tax rates in other countries	1,235	4,481
Under provision in respect of prior years	272	628
Effect of change in statutory tax rate	(491)	–
Impairment of deferred tax assets	9,465	–
Others	(132)	(26)
Tax expense	15,671	9,528

9. Taxation (Cont'd)

The statutory income tax rate applicable to the Company was reduced to 18% for Year of Assessment 2008 from 20% for Year of Assessment 2007.

The Group has unutilised tax losses and capital allowances of approximately $100,854,000 (2006 : $52,888,000) and $708,000 (2006 : $1,570,000) respectively, which subject to the provisions of relevant local tax legislation and agreement with the relevant tax authorities, can 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")

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

	Group	
	2007 $'000	2006 $'000
Group earnings used for the calculation of EPS :		
Profit for the financial year attributable to shareholders	4,554	21,466

	2007 '000	2006 '000
Number of shares used for the calculation of :		
(i) ***Basic EPS***		
Weighted average number of ordinary shares in issue	450,523	447,235
(ii) ***Diluted EPS***		
Weighted average number of ordinary shares in issue	450,523	447,235
Share options	86	224
Warrants 2009	1,404	3,553
Adjusted weighted average number of ordinary shares	452,013	451,012

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 ordinary 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 2007 $'000	Group 2006 $'000
Current		
Livestock		
– at fair value	33,331	36,156
– at cost	32,651	28,610
	65,982	64,766
Saplings		
– at cost	136	867
	66,118	65,633
Non-current		
Saplings		
– at cost	7,114	5,140

(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 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.

	2007	2006
Physical quantity of pigs :		
– Number of progeny	424,822	495,096
– Number of breeders	50,224	69,257
	475,046	564,353

11. Biological Assets (Cont'd)

(a) Livestock (Cont'd)

	Group	
	2007 $'000	2006 $'000
Reconciliation of changes in the carrying amount :		
Balance at 1 January	64,766	65,271
Currency realignment	2,046	(237)
Dilution of interest in a subsidiary company	(5,277)	–
Loss arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	(1,050)	(3,232)
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	5,497	3,528
Net change in CFI group's carrying amount	–	(564)
Balance at 31 December	65,982	64,766

Included in livestock as at 31 December 2006 was $5,758,000 relating to CFI group.

(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.

Reconciliation of changes in the carrying amount :		
Balance at 1 January	6,007	4,837
Currency realignment	15	(193)
Additions	1,228	1,363
Balance at 31 December	7,250	6,007

12. Inventories

Raw materials	56,997	55,668
Finished goods	124,452	69,990
Spare parts and consumables	12,320	10,450
Work-in-progress	99,403	35,861
Goods-in-transit	21,156	7,268
Total inventories at lower of cost and net realisable value	314,328	179,237

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

First-in-first-out	18,085	14,990
Weighted average	296,243	164,247
	314,328	179,237
Inventories are stated after deducting allowance for obsolescence of	967	1,507

Raw materials of the Group as at 31 December 2007 amounting to $29,892,000 (2006 : $28,484,000) have been pledged to a bank in connection with credit facilities granted to a subsidiary company.

Inventories recognised as expense during the year approximates the cost of materials shown in the income statement.

Included in inventories as at 31 December 2006 was $3,711,000 relating to CFI group.

13. Trade Receivables

	Group 2007 $'000	Group 2006 $'000
Trade debtors		
– third parties	163,657	137,061
– joint venture company	3,847	2,476
	167,504	139,537
Less : Allowance for doubtful debts - third parties	(4,687)	(12,391)
	162,817	127,146

Trade receivables amounting to $26,349,000 (2006 : $19,433,000) as at 31 December 2007 are secured by deposits received, credit insurances and letter of credits or bank guarantees issued by banks in countries where the customers are based.

Trade receivables as at 31 December 2007 includes an amount of $46,068,000 (2006 : $33,975,000) which have been factored to banks with recourse to the Group as at the balance sheet date. The corresponding cash received amounting to $32,419,000 (2006 : $25,708,000) as at 31 December 2007 is recorded as bank borrowings.

An aging analysis of receivables that are past due but not impaired :

	2007 $'000	2006 $'000
Lesser than 3 months	30,007	22,170
3 months to 6 months	286	1,900
6 months to 12 months	858	438
More than 12 months	818	1,854
	31,969	26,362

Receivables that are impaired :

	2007 $'000	2006 $'000
Gross amount	4,828	12,391
Less : Allowance for doubtful debts	(4,687)	(12,391)
	141	–

13. Trade Receivables (Cont'd)

Trade receivables that are determined to be impaired at the balance sheet date relate to debtors that are in financial difficulties and have defaulted on payments.

Movements in the allowance for doubtful debts :

	Group	
	2007 $'000	2006 $'000
At 1 January	12,391	13,461
(Written-back)/charge for the year	(567)	356
Written-off against allowance	(598)	(622)
Currency realignment	185	(799)
Dilution of interest in a subsidiary company	(6,724)	–
Disposal of subsidiary company	–	(5)
At 31 December	4,687	12,391

Trade receivables were denominated in the following currencies at the balance sheet date :

Singapore Dollar	25,474	24,723
United States Dollar	79,097	49,654
Australian Dollar	35,118	27,893
Malaysian Ringgit	7,805	5,809
Chinese Renminbi	6,004	12,488
Others	9,319	6,579
	162,817	127,146

Included in trade receivables as at 31 December 2006 was $1,793,000 relating to CFI group.

14. Other Receivables

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Non-financial assets				
Prepayments	17,020	17,656	46	37
Financial assets				
Sundry deposits	756	829	10	10
Staff advances and loans	27	14	–	2
Sundry debtors	37,896	24,817	115	7
Less : Allowance for doubtful debts	(238)	(1,956)	–	–
	37,658	22,861	115	7
Amounts due from subsidiary companies				
– interest bearing	–	–	114,966	126,389
– non-interest bearing	–	–	39,989	57,357
Less: Allowance for doubtful debts	–	–	(43)	(9,559)
	–	–	154,912	174,187
Amount due from joint venture company	11	11	–	–
Amount due from associated company	30	–	–	–
	38,482	23,715	155,037	174,206
	55,502	41,371	155,083	174,243

Receivables that are impaired :

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Gross amount	238	2,380	43	10,683
Less: Allowance for doubtful debts	(238)	(1,956)	(43)	(9,559)
	–	424	–	1,124

Movements in the allowance for doubtful debts are as follows :

	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
At 1 January	1,956	1,963	9,559	9,059
Charge/(written-back) for the year	369	832	(5,040)	500
Written-off against allowance	(395)	(823)	(4,476)	–
Currency realignment	138	(16)	–	–
Dilution of interest in a subsidiary company	(1,830)	–	–	–
At 31 December	238	1,956	43	9,559

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 and repayable upon demand. The interest bearing amounts due from subsidiary companies are unsecured, bear interests at rates ranging from 1.92% to 8.37% (2006 : 1.50% to 7.60%) per annum and are repayable upon demand.

The amounts due from associated company and joint venture company are unsecured, interest-free and repayable upon demand.

The amounts due from subsidiary companies, joint venture company and associated company are to be settled in cash.

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– 31 December 2007
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14. Other Receivables (Cont'd)

Other receivables were denominated in the following currencies at the balance sheet date :

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Singapore Dollar	812	623	72,593	89,434
United States Dollar	2,848	1,630	30,966	42,552
Australian Dollar	3,202	2,566	41,101	32,319
Malaysian Ringgit	1,985	1,617	40	15
Chinese Renminbi	41,603	33,480	–	–
Others	5,052	1,455	10,383	9,923
	55,502	41,371	155,083	174,243

Included in other receivables as at 31 December 2006 was $3,695,000 relating to CFI.

15. Short-term Investments

	Group	
	2007 $'000	2006 $'000
Unquoted equity shares in corporations, at fair value	144	153

16. Cash and Deposits

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Cash and bank balances (Note 36)	39,325	31,194	1,767	1,726
Fixed deposits with financial institutions (Note 36)	16,256	29,916	863	11,870
	55,581	61,110	2,630	13,596

Fixed deposits are placed for varying periods between three to thirty days and the effective interest rate on the fixed deposits approximate 2.88% (2006 : 3.52%) per annum.

Cash and deposits were denominated in the following currencies at the balance sheet date :

Singapore Dollar	15,044	24,254	1,136	12,194
United States Dollar	4,921	4,187	1,166	1,261
Australian Dollar	22,952	12,512	327	140
Malaysian Ringgit	4,520	5,827	1	1
Chinese Renminbi	6,376	13,812	–	–
Others	1,768	518	–	–
	55,581	61,110	2,630	13,596

Included in cash and deposits as at 31 December 2006 was $1,388,000 relating to CFI group.

17. Property, Plant and Equipment

	Freehold land $'000	Freehold buildings $'000	Leasehold properties $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group									
Cost/valuation :									
At 1.1.2006	21,007	120,772	144,904	14,132	344,970	27,381	34,254	14,294	721,714
Adoption of FRS 40 (Note 18)	–	–	(26,070)	(3,501)	(12,689)	–	–	(88)	(42,348)
At 1.1.2006 (restated)	21,007	120,772	118,834	10,631	332,281	27,381	34,254	14,206	679,366
Currency realignment	(113)	(555)	(3,032)	(49)	(5,304)	(303)	(340)	(843)	(10,539)
Additions	–	28	4,665	271	13,173	2,124	2,958	11,232	34,451
Disposals	–	–	(1,014)	(369)	(5,858)	(611)	(1,971)	(325)	(10,148)
Disposal of subsidiary companies	–	–	(1,609)	(220)	(648)	(109)	–	–	(2,586)
Transfers between categories	24	903	5,780	277	7,604	(860)	59	(13,787)	–
At 31.12.2006 and 1.1.2007	20,918	121,148	123,624	10,541	341,248	27,622	34,960	10,483	690,544
Currency realignment	734	4,765	1,685	136	8,374	704	689	39	17,126
Additions	–	63	6,210	238	22,983	1,793	3,277	26,375	60,939
Disposals	–	–	(404)	(4)	(1,357)	(360)	(2,154)	(804)	(5,083)
Dilution of interest in a subsidiary company	–	–	(31,818)	–	(12,760)	(358)	(417)	(147)	(45,500)
Transfers between categories	227	1,462	5,636	80	5,936	472	336	(14,149)	–
Transfer to non-current assets held for sale (Note 17(f))	(3,058)	(1,308)	–	–	–	–	–	–	(4,366)
At 31.12.2007	18,821	126,130	104,933	10,991	364,424	29,873	36,691	21,797	713,660

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– 31 December 2007
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17. Property, Plant and Equipment (Cont'd)

	Freehold land $'000	Freehold buildings $'000	Leasehold properties $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group									
Accumulated depreciation and impairment loss :									
At 1.1.2006	–	41,493	38,229	6,958	194,870	20,640	23,547	–	325,737
Adoption of FRS 40 (Note 18)	–	–	(9,298)	(867)	(8,950)	–	–	–	(19,115)
At 1.1.2006 (restated)	–	41,493	28,931	6,091	185,920	20,640	23,547	–	306,622
Currency realignment	–	(124)	(162)	(22)	(1,531)	(116)	(191)	–	(2,146)
Charge for the year (Note 5)	–	3,861	3,991	540	19,467	2,063	3,665	–	33,587
Disposals	–	–	(1,008)	(346)	(5,091)	(346)	(1,639)	–	(8,430)
Disposal of subsidiary companies	–	–	(1,056)	(195)	(626)	(92)	–	–	(1,969)
Transfers between categories	–	–	123	(34)	453	(513)	(29)	–	–
Impairment loss	–	–	7,290	–	2,937	100	83	1,225	11,635
At 31.12.2006 and 1.1.2007	–	45,230	38,109	6,034	201,529	21,736	25,436	1,225	339,299
Currency realignment	–	1,892	311	65	5,593	530	502	25	8,918
Charge for the year (Note 5)	–	4,195	3,858	514	19,984	1,989	3,509	–	34,049
Disposals	–	–	(1)	(4)	(318)	(269)	(1,866)	–	(2,458)
Dilution of interest in a subsidiary company	–	–	(11,608)	–	(6,261)	(284)	(257)	(1,250)	(19,660)
Transfers between categories	–	–	–	–	21	(21)	–	–	–
Transfer to non-current assets held for sale (Note 17(f))	–	(196)	–	–	–	–	–	–	(196)
Impairment loss	–	–	–	503	–	–	–	–	503
At 31.12.2007	–	51,121	30,669	7,112	220,548	23,681	27,324	–	360,455
Net book value :									
At 31.12.2007	18,821	75,009	74,264	3,879	143,876	6,192	9,367	21,797	353,205
At 31.12.2006	20,918	75,918	85,515	4,507	139,719	5,886	9,524	9,258	351,245

17. Property, Plant and Equipment (Cont'd)

Analysis of Cost and Valuation

	Cost $'000	Assets at valuation $'000	Total $'000
At 31 December 2007			
Freehold land	18,821	–	18,821
Freehold buildings	126,130	–	126,130
Leasehold properties	90,071	14,862	104,933
Leasehold improvements	10,991	–	10,991
Plant and machinery	364,424	–	364,424
Furniture, fittings and office equipment	29,873	–	29,873
Motor vehicles	36,691	–	36,691
Construction-in-progress	21,797	–	21,797
	698,798	14,862	713,660
At 31 December 2006			
Freehold land	20,918	–	20,918
Freehold buildings	121,148	–	121,148
Leasehold properties	108,753	14,871	123,624
Leasehold improvements	10,541	–	10,541
Plant and machinery	341,248	–	341,248
Furniture, fittings and office equipment	27,622	–	27,622
Motor vehicles	34,960	–	34,960
Construction-in-progress	10,483	–	10,483
	675,673	14,871	690,544

17. Property, Plant and Equipment (Cont'd)

	Leasehold office and improvements $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost :				
At 1.1.2006	2,775	976	606	4,357
Additions	42	46	166	254
Disposals	–	(6)	–	(6)
At 31.12.2006 and 1.1.2007	2,817	1,016	772	4,605
Additions	–	79	5	84
Disposals	–	(47)	(8)	(55)
At 31.12.2007	2,817	1,048	769	4,634
Accumulated depreciation :				
At 1.1.2006	402	775	409	1,586
Charge for the year	95	58	93	246
Disposals	–	(6)	–	(6)
At 31.12.2006 and 1.1.2007	497	827	502	1,826
Charge for the year	96	67	98	261
Disposals	–	(45)	(7)	(52)
At 31.12.2007	593	849	593	2,035
Net book value				
At 31.12.2007	2,224	199	176	2,599
At 31.12.2006	2,320	189	270	2,779

(a) Leasehold properties 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. This one-off 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 properties had it been carried at cost is $70,428,000 (2006 : $81,606,000).

(c) During the year, the Group acquired property, plant and equipment with an aggregate cost of $1,265,000 (2006 : $2,024,000) by means of finance leases. The net book value of property, plant and equipment held under finance leases as at 31 December 2007 was $4,144,000 (2006 : $3,764,000).

(d) At the end of the financial year, property, plant and equipment with book values of $82,965,000 (2006 : $66,546,000) were mortgaged/pledged to third parties to secure credit facilities.

17. Property, Plant and Equipment (Cont'd)

(e) In 2007, the Group recognised an impairment loss of $503,000 (2006 : $71,000), included under other operating expenses, to write down the carrying amount of certain property, plant and equipment to its recoverable amount, which was determined based on the market value.

In addition, in 2006, in view of the commencement of the process for voluntary liquidation of CFI's China subsidiary companies as well as the ambiguity of the ownership rights of the certain parcels of land reflected in a China subsidiary company's books, the directors of CFI had exercised their judgement, based on the proposed liquidation of the China subsidiary companies which normally entails sale of assets lower than the book values, and have written down the net book value of the property, plant and equipment by approximately 30% (amounting to $11,564,000) as at 31 December 2006. This impairment loss had been included under exceptional items in the 2006 income statement.

(f) Certain freehold land and buildings of a subsidiary company involved in primary production in Australia with net book value amounting to $4,170,000 as at 31 December 2007 have been reclassified to non-current assets held for sale. This is due to the subsidiary company's plan to sell the assets as part of its restructuring program. It is estimated that the sale of these assets will be completed by September 2008.

(g) Included in the Group's net book value of property, plant and equipment as at 31 December 2006 was $26,982,000 relating to CFI group.

18. Investment Properties

	Group $'000
Cost :	
At 1 January 2006	–
Adoption of FRS 40 (Note 17)	42,348
At 1 January 2006 (restated)	42,348
Additions	878
Disposals	(309)
At 31 December 2006 and 1 January 2007	42,917
Additions	501
Disposals	(127)
At 31 December 2007	43,291
Accumulated depreciation :	
At 1 January 2006	–
Adoption of FRS 40 (Note 17)	19,115
At 1 January 2006 (restated)	19,115
Charge for the year (Note 5)	1,340
Disposals	(306)
At 31 December 2006 and 1 January 2007	20,149
Charge for the year (Note 5)	1,398
Disposals	(68)
At 31 December 2007	21,479
Net book value :	
At 31 December 2007	21,812
At 31 December 2006	22,768

The fair value of investment properties amounted to $22,242,000 as at 31 December 2007. The fair value was determined based on management's assessment making references to valuation of the properties from independent valuer and discounted cash flow generated from the property using a discount rate of 7.7% per annum.

19. Subsidiary Companies

	Company 2007 $'000	Company 2006 $'000
Cost of investment :		
Unquoted equity shares, at cost	115,240	115,240
Less : Impairment loss	(2,200)	(2,200)
	113,040	113,040
Movement in impairment loss is as follows :		
Balance at beginning of year	2,200	4,626
Charge for the year	–	1,400
Write-off during the year due to disposal of a subsidiary company	–	(3,826)
Balance at end of year	2,200	2,200

In 2006, the Company recognised an impairment loss of $1,400,000 to write down the carrying amount of its investment in a subsidiary company to management's estimate of the recoverable amount in view of the losses incurred by the subsidiary company as a result of a drought in Australia.

Details of subsidiary companies are set out in Note 44.

20. Advances to Subsidiary Companies

	Company 2007 $'000	Company 2006 $'000
Advances to subsidiary companies	75,900	99,310
Less : Allowance for doubtful debts	(34,725)	(33,400)
	41,175	65,910
Receivables that at impaired :		
Gross amount	38,695	50,368
Less : Allowance for doubtful debts	(34,725)	(33,400)
	3,970	16,968
Movements in the allowance for the doubtful debts are as follows :		
At 1 January	33,400	5,067
Charge for the year	2,704	32,200
Write-back	(1,379)	(3,867)
At 31 December	34,725	33,400

The advances to subsidiary companies, which are to be settled in cash, are denominated in Singapore Dollars, unsecured and interest-free except for an amount of $2,239,000 (2006 : $1,700,000) with effective interest rate at 2.31% (2006 : 5.50% to 6.25%) per annum. These advances have no fixed terms of repayment and no repayments are expected within the next 12 months.

20. Advances to Subsidiary Companies (Cont'd)

In 2006, the Company made the following allowance for doubtful debts against the advances due from certain subsidiary companies:

(i) an amount of $8,700,000 to reduce the advances due from a subsidiary company to $13,370,000 in connection with the investment in Zhongguo Jilong Limited; and

(ii) an amount of $23,500,000 to reduce the advances due from a subsidiary company to $3,566,000 in connection with the investment in CFI.

21. Associated Companies

	Group 2007 $'000	Group 2006 $'000
Equity shares, at cost :		
– unquoted	657	657
– quoted	–	55,809
Group's share of post-acquisition accumulated profits and losses	8	2,439
Currency realignment	(451)	(1,418)
Negative goodwill recognised in the income statement	–	6,109
Impairment loss on a quoted investment	–	(6,437)
	214	57,159
Fair value based on market price as at end of year		
– quoted equity shares in corporations	–	44,600

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

During the year, the Company distributed the quoted equity shares in PSC Corporation Ltd ("PSC") and Zhongguo Jilong Limited ("Jilong") in the ratio of 0.970338 PSC shares and 0.283628 Jilong shares for every 1 ordinary share held by shareholders of the Company, by way of dividends in specie. The dividends were accounted for at the respective carrying values on the book closure date of the distribution.

Details of associated companies are set out in Note 44.

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

	Group 2007 $'000	Group 2006 $'000
Balance sheet :		
Property, plant and equipment	2,470	103,912
Other assets	610	276,891
Liabilities	(2,523)	(122,407)
	557	258,396
Income statement :		
Revenue	2,499	326,815
Expenditure	(2,351)	(312,949)
Profit before taxation	148	13,866
Taxation	(21)	(3,468)
Profit after taxation	127	10,398

22. Advances to Associated Companies

The advances to associated companies, which are to be settled in cash, are denominated in Philippines Peso, unsecured, with no fixed terms of repayment and are not expected to be repaid within the next twelve months. Effective interest rate approximating 10.44% (2006 : 11.04%) per annum is receivable on the advances.

23. Joint Venture Company

	Group	
	2007 $'000	**2006 $'000**
Unquoted equity shares, at cost	2,997	2,997
Acquisition costs	52	52
Group's share of post-acquisition accumulated profits and losses	431	350
Currency realignment	819	646
	4,299	4,045

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 44.

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

	Group	
	2007 $'000	**2006 $'000**
Balance sheet :		
Property, plant and equipment	8,947	6,660
Other assets	2,714	2,091
Liabilities	(7,414)	(4,758)
	4,247	3,993
Income statement :		
Revenue	19,784	21,186
Expenditure	(19,668)	(20,386)
Profit before taxation	116	800
Taxation	(35)	(240)
Profit after taxation	81	560

24. Advances to Joint Venture Company

The advances to joint venture company, which are to be settled in cash, are denominated in Australian Dollars, unsecured, with no fixed terms of repayment and are not expected to be repaid within the next twelve months. Effective interest rate approximating 10% (2006 : 10%) per annum is receivable on the advances exceeding Australian Dollars 100,000.

25. Pension Assets

The Group's companies in Australia 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. The last actuarial assessment was completed as at 30 June 2005 by an independent actuary and updated to 31 December 2007.

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.

	Group	
	2007 $'000	2006 $'000
Benefit asset/(liability)		
Fair value of plan assets	30,080	25,961
Present value of benefit obligation	(27,437)	(24,399)
Net benefit asset	2,643	1,562
Changes in the fair value of plan assets are as follows :		
At 1 January	25,961	25,718
Expected return on plan assets	1,607	1,490
Actuarial gains	909	1,778
Employer contributions	1,027	1,093
Contributions by plan participants	1,128	990
Benefits paid	(1,240)	(4,549)
Taxes, premiums and expenses paid	(424)	(458)
Currency realignment	1,112	(101)
At 31 December	30,080	25,961
Changes in the present value of the defined benefit obligation are as follows :		
At 1 January	24,399	24,458
Interest cost	1,071	961
Current service cost	1,218	1,092
Contributions by plan participants	1,128	990
Benefits paid	(1,240)	(4,549)
Actuarial losses on obligation	239	1,361
Taxes, premiums and expenses paid	(424)	(458)
Past service costs	–	644
Currency realignment	1,046	(100)
At 31 December	27,437	24,399

The Group expects to contribute $652,000 to its defined benefit pension plan in 2008.

25. Pension Assets (Cont'd)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows :

	Group	
	2007 %	2006 %
Australian equities	38	40
Overseas equities	29	25
Fixed interest securities	15	25
Property	4	5
Other	14	5
	100	100

The principal actuarial assumptions used in determining pension benefit obligations for the Group's plan are shown below (expressed as weighted averages) :

Discount rate	5.1	4.7
Salary increase rate	4.0	4.0
Expected rate of return on assets	6.7	6.5

The following table summarises the components of net benefit expense recognised in the consolidated income statement :

	Group	
	2007 $'000	2006 $'000
Net benefit expense (recognised within staff costs)		
Service cost	1,218	1,092
Interest cost	1,071	961
Past service cost	–	644
Expected return on assets	(1,607)	(1,490)
	682	1,207
Actual return on plan assets	2,516	3,268

Amounts for the current and previous four periods are as follows :

	Group				
	2007 $'000	2006 $'000	2005 $'000	2004 $'000	2003 $'000
Plan assets	30,080	25,961	25,718	23,137	20,040
Defined benefit obligation	(27,437)	(24,399)	(24,458)	(22,751)	(20,464)
	2,643	1,562	1,260	386	(424)

26. Long-term Investments

	Group 2007 $'000	Group 2006 $'000
Available-for-sale		
Quoted equity shares in corporations, at fair value	1,558	180
Unquoted investments, at cost less impairment loss	1,440	9,487
	2,998	9,667

Movements in impairment loss are as follows :

	2007 $'000	2006 $'000
Quoted equity shares in corporation :		
Balance at beginning of year	270	–
Charge during the year	–	270
Dilution of interest in a subsidiary company	(270)	–
Balance at end of year	–	270
Unquoted investments :		
Balance at beginning of year	5,500	3,700
Charge during the year	1,839	1,800
Balance at end of year	7,339	5,500

Included in quoted equity shares in corporations as at 31 December 2007 is the Group's interest in China Food Industries Limited ("CFI"), following the dilution of the Group's shareholding from 55.00% to 13.75% during the year as a result of subscription of shares by a new controlling shareholder in CFI. The carrying value of the Group's shareholding as at 31 December 2007 has been determined by reference to the subscription price paid by the new controlling shareholder.

Included in unquoted investments as at 31 December 2007 are unsecured and non-interest bearing advances of $7,339,000 provided by the Group to Gardenia Foods (Thailand) Ltd ("GFT") prior to the disposal of GFT in 2003. The Group has recorded accumulated impairment loss of $5,500,000 in prior years. During the year, the Group recognised additional impairment charge of $1,839,000 (2006 : $1,800,000) to fully write down the carrying amount due to the decrease in the expected future economic benefits from the investment. The impairment loss is included under exceptional items in the income statement.

Included in long-term investments as at 31 December 2006 was $272,000 relating to CFI group.

27. Intangibles

	Group Trademark $'000	Group Goodwill $'000	Group Total $'000	Company Trademark $'000
Cost :				
At 1.1.2006	2,750	768	3,518	7,150
Currency realignment	–	(3)	(3)	–
At 31.12.2006 and 1.1.2007	2,750	765	3,515	7,150
Additions	–	97	97	–
Currency realignment	–	32	32	–
At 31.12.2007	2,750	894	3,644	7,150
Accumulated amortisation and impairment loss :				
At 1.1.2006	2,216	–	2,216	2,400
Amortisation for the year (Note 5)	138	–	138	358
Impairment loss	–	–	–	569
At 31.12.2006 and 1.1.2007	2,354	–	2,354	3,327
Amortisation for the year (Note 5)	102	–	102	357
At 31.12.2007	2,456	–	2,456	3,684
Net book value :				
At 31.12.2007	294	894	1,188	3,466
At 31.12.2006	396	765	1,161	3,823

Trademark with finite life are amortised on a straight-line basis over the useful life of 20 years.

Impairment testing of goodwill

The goodwill acquired through business combinations has been allocated to the Venavite and Primegro cash generating units of a subsidiary company. The recoverable amount of the goodwill has been determined based on value-in-use calculation. This calculation uses cash flow projections based on financial budgets covering a 6-year period. The discount rate applied to the cash flows is 10.00% (2006 : 10.00%) per annum, which is the same as the long term average growth rate for the agriculture industry in Australia.

28. Deferred Taxation

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Balance at beginning of year	5,647	3,012	408	324
Currency realignment	(393)	(709)	–	–
Dilution of interest in a subsidiary company	(248)	–	–	–
Charge during the financial year	189	2,873	73	84
(Over)/under provision in prior years	(267)	384	(41)	–
Charge to equity	304	87	–	–
Impairment of deferred tax assets (Note 9)	9,465	–	–	–
Balance at end of year	14,697	5,647	440	408
Represented by :				
– Deferred tax assets	(996)	(2,404)	–	–
– Deferred tax liabilities	15,693	8,051	440	408
	14,697	5,647	440	408

During the year, a subsidiary company recorded an impairment charge of $9,465,000 to write down the carrying amount of its deferred tax assets as there is uncertainty about the availability of taxable profits which the carry-forward tax losses can be utilised against in view of the losses incurred by the subsidiary company as a result of the drought in Australia.

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	3,533	5,118	9,624	(14,887)	(984)	2,404
Credit/(write-back) to income statement	53	1,804	(541)	(1,321)	2,108	2,103
Over provision in prior years	–	–	(1)	(77)	(29)	(107)
Dilution of interest in a subsidiary company	–	–	(32)	–	–	(32)
Currency realignment	151	447	415	(639)	2	376
Reclassification to deferred tax liabilities	(3,737)	(6,808)	–	16,924	(662)	5,717
Impairment of deferred tax assets	–	–	(9,465)	–	–	(9,465)
At the end of the financial year	–	561	–	–	435	996

28. Deferred Taxation (Cont'd)

	Property, plant and equipment $'000	Investment allowances $'000	Employee benefits $'000	Fair value adjustments on biological assets $'000	Others $'000	Total $'000
Deferred tax liabilities						
At the beginning of the financial year	9,575	(2,859)	–	–	1,335	8,051
(Write-back)/charge to income statement	(326)	2,419	–	–	199	2,292
(Over)/under provision in prior years	(622)	228	–	–	20	(374)
Currency realignment	5	(21)	–	–	(1)	(17)
Dilution of interest in a subsidiary company	(18)	–	–	–	(262)	(280)
Tax effect of actuarial gain on defined benefit plans charged to equity	–	–	–	–	304	304
Reclassification from deferred tax assets	(3,737)	–	(6,808)	16,924	(662)	5,717
At the end of the financial year	4,877	(233)	(6,808)	16,924	933	15,693

Included in deferred tax assets and liabilities of the Group as at 31 December 2006 was $32,000 and $277,000 respectively relating to CFI group.

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

	Earnings retained overseas $'000	Others $'000	Total $'000
At the beginning of the financial year	101	307	408
Charge/(write-back) to income statement	54	(22)	32
At the end of the financial year	155	285	440

29. Trade Payables

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Trade payables :				
– third parties	124,573	70,357	12	19
– joint venture company	300	399	–	–
– associated company	266	–	–	–
	125,139	70,756	12	19

Trade payables were denominated in the following currencies at the balance sheet date :

Singapore Dollar	5,124	5,366	12	19
United States Dollar	10,299	6,726	–	–
Australian Dollar	29,405	19,872	–	–
Malaysian Ringgit	19,566	14,951	–	–
Chinese Renminbi	52,498	17,917	–	–
Others	8,247	5,924	–	–
	125,139	70,756	12	19

Included in trade payables as at 31 December 2006 was $2,760,000 relating to CFI group.

30. Other Payables

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
(a) Other payables				
Payable within one year :				
Staff related expenses	22,897	16,727	1,153	792
Accrued operating expenses	23,272	12,543	599	455
Sundry creditors	45,510	28,886	–	–
Amounts due to subsidiary companies	–	–	10,994	299
Amount due to related party	1,466	1,458	–	–
Derivative financial instruments (Note 30(b))	1,405	1,372	1,405	1,372
Amounts due to minority shareholders	–	5,624	–	–
	94,550	66,610	14,151	2,918
Payable after one year :				
Provision for long service leave and retirement benefits	11,576	10,430	–	–

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

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

In 2006, the amounts due to minority shareholders were unsecured, interest-free and were repayable upon demand.

30. Other Payables (Cont'd)

The amounts due to subsidiary companies, related party and minority shareholders are to be settled in cash.

Movement in provision for long service leave and retirement benefits are as follows :

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Balance at beginning of year	10,430	9,745	–	–
Currency realignment	504	(33)	–	–
Provision made during the year	657	718	–	–
Utilised during the year	(15)	–	–	–
Balance at end of year	11,576	10,430	–	–

Current and non-current other payables were denominated in the following currencies at the balance sheet date:

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Singapore Dollar	10,360	9,490	13,956	2,896
United States Dollar	22,701	1,916	8	15
Australian Dollar	36,063	23,843	178	–
Malaysian Ringgit	8,471	11,402	–	–
Chinese Renminbi	24,828	27,392	–	–
Others	3,703	2,997	9	7
	106,126	77,040	14,151	2,918

Included in current other payables as at 31 December 2006 was $6,892,000 relating to CFI group.

(b) Derivative financial instruments are as follows :

	2007		2006	
	Contract notional amount $'000	Fair value $'000	Contract notional amount $'000	Fair value $'000
Group				
Foreign currency contracts	19,100	1,405	29,335	1,372
Company				
Foreign currency contracts	15,750	1,405	28,350	1,372

30. Other Payables (Cont'd)

At 31 December 2007, the settlement dates on open foreign currency contracts ranged between 1 to 12 months for the following notional amounts :

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Contracts to deliver Singapore Dollars and receive:				
United States Dollars	15,787	28,637	15,750	28,350
Australian Dollars	428	–	–	–
Other currencies	436	105	–	–
Contracts to deliver Japanese Yen and receive				
Australian Dollars	2,449	593	–	–
	19,100	29,335	15,750	28,350

31. Short-term Borrowings

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Short-term bank loans :				
– unsecured	91,993	86,910	19,865	8,422
– secured	273,499	170,357	–	–
	365,492	257,267	19,865	8,422

The short-term bank loans bear effective interest rates ranging from 1.44% to 9.60% (2006 : 0.75% to 9.85%) per annum. The secured portion of the borrowings as at 31 December 2007 was charged against certain property, plant and equipment, inventories and current assets of the Group.

Short-term borrowings were denominated in the following currencies at the balance sheet date :

Singapore Dollar	–	2,839	–	–
United States Dollar	84,453	92,379	–	–
Australian Dollar	48,070	26,476	11,495	–
Chinese Renminbi	222,181	126,214	–	–
Others	10,788	9,359	8,370	8,422
	365,492	257,267	19,865	8,422

Included in short-term borrowings as at 31 December 2006 was $21,518,000 relating to CFI group.

32. Long-term Loans and Finance Leases

	Effective interest rate per annum %	Maturities	Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
Loans from banks:						
– Loan A	4.17	February 2010	30,000	30,000	30,000	30,000
– Loan B	4.55	Up till December 2010	25,000	42,000	25,000	42,000
– Loan C	6.45	Up till January 2009	17,256	27,594	17,256	27,594
– Loan D	7.64	Up till April 2008	10,286	23,600	–	–
– Loan E	4.25	Up till August 2010	8,384	–	–	–
– Other loans	10.26	Up till November 2009	4,531	5,880	–	–
Finance leases			3,954	3,377	–	–
			99,411	132,451	72,256	99,594
Less : Current portion			(34,245)	(46,169)	(23,256)	(29,198)
Non-current portion of loans			65,166	86,282	49,000	70,396

Loan A, denominated in Singapore Dollar, with fixed interest rate, is unsecured, bears interest at 4.17% (2006 : 4.23%) per annum and is repayable in February 2010.

Loan B, denominated in Singapore Dollar, with floating interest rate, is unsecured, bears interest at 4.55% (2006 : 4.23%) per annum and is repayable in 6 semi-annual instalments commencing from June 2008.

Loan C, denominated in United States Dollar, with floating interest rate, is unsecured, bears interest at 6.45% (2006 : 6.19%) per annum and is repayable in 4 instalments commencing from June 2007.

Loan D, denominated in Australian Dollar, with floating interest rate, bears interest at 7.64% (2006 : 6.89%) 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 $58,236,000 (2006 : $55,844,000) and compliance with financial covenants.

Loan E, denominated in Malaysian Ringgit, with floating interest rates, is unsecured, bears interest at 4.25% per annum (2006 : nil) and is repayable in 11 monthly instalments commencing from August 2009.

Other loans, denominated mainly in Chinese Renminbi, with effective interest rates of 10.26% (2006 : 9.58%) per annum, are secured on certain property, plant and equipment and current assets of the Group.

32. Long-term Loans and Finance Leases (Cont'd)

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

	Minimum lease payments 2007 $'000	Present value of payments 2007 $'000	Minimum lease payments 2006 $'000	Present value of payments 2006 $'000
Within one year	995	703	938	701
Between one and five years	3,681	3,251	3,091	2,676
Total minimum lease payments	4,676	3,954	4,029	3,377
Less : Amount representing finance charges	(722)	–	(652)	–
Present value of minimum lease payments	3,954	3,954	3,377	3,377

Effective interest rates on finance leases range from 5.82% to 9.50% (2006 : 5.00% to 9.25%) per annum. The finance leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or entering into other leasing agreements. The carrying amounts of finance leases approximate their fair value.

Long-term loans and finance leases were denominated in the following currencies at the balance sheet date :

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Singapore Dollar	55,000	72,044	55,000	72,000
United States Dollar	17,256	27,594	17,256	27,594
Australian Dollar	14,219	26,831	–	–
Malaysian Ringgit	8,384	–	–	–
Chinese Renminbi	4,552	5,982	–	–
	99,411	132,451	72,256	99,594

Included in long-term loans and finance leases as at 31 December 2006 was $5,336,000 relating to CFI group.

33. Share Capital

	Group and Company	
	2007 $'000	2006 $'000
Issued and fully paid :		
Balance at beginning of year		
449,656,716 (2006 : 439,786,716) shares	194,463	175,915
Issued during the year		
1,317,500 (2006 : 9,870,000) shares	660	4,931
Transfer of share premium reserve to share capital	–	13,617
Balance at end of year		
450,974,216 (2006 : 449,656,716) shares	195,123	194,463

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

33. Share Capital (Cont'd)

During the financial year :

(i) the Company issued 955,000 (2006 : 160,000) ordinary shares for cash at the average exercise price of $0.501 (2006 : $0.479) per share upon the exercise of 955,000 (2006 : 160,000) share options by employees pursuant to the QAF Limited Share Option Scheme 2000 ("2000 Scheme") (Note 37); and

(ii) the Company issued 362,500 (2006 : 9,710,000) ordinary shares for cash at the exercise price of $0.50 (2006 : $0.50) per share upon the exercise of 362,500 (2006 : 9,710,000) 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 from the date of issue of the Warrants 2009. Warrants 2009 are listed and quoted on the SGX-ST. During the financial year, 362,500 ordinary shares in the Company were issued pursuant to the exercise by warrant holders. As at 31 December 2007, there were a total of 77,876,343 (2006 : 78,238,843) Warrants 2009 outstanding.

34. Reserves

	Group		Company	
	2007 $'000	**2006 $'000**	**2007 $'000**	**2006 $'000**
Fair value/revaluation reserve	2,263	2,353	–	–
Capital reserve	19,108	18,117	1,705	1,403
Revenue reserve	67,452	127,729	14,118	65,260
Foreign currency translation reserve	7,023	(1,877)	–	–
	95,846	146,322	15,823	66,663

	Company	
	2007 $'000	**2006 $'000**
Analysis of movement in the reserves of the Company :		
Capital reserve		
At beginning of year	1,403	728
Share options granted to employees and directors	302	675
At end of year	1,705	1,403
Revenue reserve		
At beginning of year	65,260	74,123
Net profit/(loss) for the year	4,809	(1,668)
Dividends	(7,396)	(7,195)
Dividends in specie	(48,555)	–
At end of year	14,118	65,260
Total	15,823	66,663

34. Reserves (Cont'd)

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 from the revaluation reserve to the revenue reserve to match the additional depreciation charge on the revalued assets. Fair value/revaluation reserve as at 31 December 2007 comprise of the following :

	Group	
	2007 **$'000**	**2006** **$'000**
Revaluation of property, plant and equipment	2,263	2,311
Fair value adjustment on financial instruments	–	42
	2,263	2,353

Capital reserve

Capital reserve comprise of the following :

a) cumulative value of services received from employees recorded on grant of equity-settled share options;

b) 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; and

c) amounts transferred from the revenue reserve due to statutory requirement of subsidiary companies in the People's Republic of China ("PRC"). In accordance with the Foreign Enterprise Law applicable to the subsidiary company in PRC, at least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to a reserve until the cumulative total of the reserve reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, such reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiary. Such reserve is not available for dividend distribution to shareholders.

	Group		Company	
	2007 **$'000**	**2006** **$'000**	**2007** **$'000**	**2006** **$'000**
Cumulative value of services received from employees	1,705	1,403	1,705	1,403
Amounts due to bonus shares issued by a subsidiary company	16,236	16,236	–	–
Amounts due to statutory requirement of PRC subsidiary companies	1,167	478	–	–
	19,108	18,117	1,705	1,403

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.

35. Dividends

	Group and Company	
	2007 $'000	2006 $'000
Dividends in specie in respect of the financial year ended 31 December 2007 (Note 21)	48,555	–
First and final dividend of 2 cents per share, less tax at 18% in respect of the financial year ended 31 December 2006	7,396	–
First and final dividend of 2 cents per share, less tax at 20% in respect of the financial year ended 31 December 2005	–	7,195

The Directors have proposed a final tax-exempt (one-tier) dividend of 2 cents per share, amounting to approximately $9,019,000 be paid in respect of the financial year ended 31 December 2007. 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.

36. Cash and Cash Equivalents

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

	Group	
	2007 $'000	2006 $'000
Cash and bank balances (Note 16)	39,325	31,194
Fixed deposits with financial institutions (Note 16)	16,256	29,916
	55,581	61,110
Less : Fixed deposits pledged to banks as security for credit facilities granted to subsidiary companies	(3,509)	(8,869)
	52,072	52,241

37. Employee Benefits

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.

37. Employee Benefits (Cont'd)

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 2007 '000	Weighted average exercise price in financial year 2007 $	No. of options in financial year 2006 '000	Weighted average exercise price in financial year 2006 $
Outstanding at beginning of year	15,970	0.544	12,175	0.536
Granted	NIL	–	4,165	0.565
Exercised	(955)	0.501	(160)	0.479
Lapsed/forfeited	(416)	0.544	(210)	0.554
Outstanding at end of year	14,599	0.547	15,970	0.544
Exercisable at end of year	14,599	0.547	11,890	0.537

The following table summarises information about options outstanding and exercisable as at 31 December 2007 to subscribe for ordinary shares in the Company :

Outstanding			Exercisable		
Offer date	Number of Options	Exercise price per share	Exercise period From	To	Number of Options
26.05.2000	1,831,000	$0.630	26.05.2001	25.05.2010	1,831,000
19.04.2001	555,000	$0.430	20.04.2002	19.04.2011	555,000
05.04.2002	2,123,000	$0.555	06.04.2003	05.04.2012	2,123,000
13.05.2004	3,190,000	$0.523	14.05.2005	13.05.2014	3,190,000
18.08.2005	2,950,000	$0.513	18.08.2006	17.08.2015	2,950,000
19.05.2006	3,950,000	$0.565	19.05.2007	18.05.2016	3,950,000
	14,599,000				14,599,000

The weighted average share price at the date of exercise of the options exercised during the financial year was $0.556 (2006 : $0.609).

No options were granted during the financial year under review.

37. Employee Benefits (Cont'd)

Share options (Cont'd)

The fair value of share options as at the date of grant is estimated using the binomial model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used for the year ended 31 December 2006 are shown below :

	2006
Dividend yield (%)	2.6
Expected volatility (%)	30.0
Risk-free interest rate (%)	3.2
Expected life of option (years)	6.6
Weighted average share price ($)	0.565

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 2007, the cumulative expenses recognised in respect of share options amounted to $1,705,000 (2006 : $1,403,000).

38. Commitments

		Group		Company	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000
(i)	Capital commitments not provided for in the financial statements :				
	Expenditure contracted for :				
	– proposed expansion of manufacturing facilities	53,109	1,572	–	–
	– others	365	21	3	21
		53,474	1,593	3	21
	Approved by the directors but not contracted for	1,415	1,054	–	–
		54,889	2,647	3	21
(ii)	Commitments to purchase bulk supplies of raw materials	67,747	21,855	–	–
(iii)	Lease commitments payable – where a group company is a lessee				
	Commitments under non-cancellable operating leases. The minimum lease payments are leases which expire:				
	Within one year	5,452	5,444	16	49
	Between one and five years	10,193	10,523	21	37
	After five years	22,516	22,060	–	–
		38,161	38,027	37	86

38. Commitments (Cont'd)

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.

39. Contingent Liabilities (Unsecured)

		Group		Company	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000
(a)	Guarantees issued for bank facilities granted to subsidiary companies	–	–	222,574	239,609
	Amounts utilised by subsidiaries as at balance sheet date	–	–	88,350	98,312

Included as at 31 December 2006 was a guarantee issued by the Company for the amount up to $10,000,000 for bank facilities granted to CFI. The facilities utilised by CFI amounted to $7,282,000 as at 31 December 2006. CFI had repaid the entire loan in the current year.

		Group 2007 $'000	Group 2006 $'000	Company 2007 $'000	Company 2006 $'000
(b)	Claims by subsidiary companies' employee union and ex-employees via industrial court case	–	138	–	–
(c)	Guarantees and indemnities given to third parties in connection with credit facilities :				
	– by CFI group's China subsidiary companies	–	14,400	–	–
	– by another subsidiary company	19,700	23,128	–	–
		19,700	37,528	–	–
(d)	Claims by a subsidiary company's tenant	46	–	–	–
(e)	Claims by subsidiary companies' suppliers via civil suit	398	147	–	–

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

40. Related Party Transactions

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

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Purchases from associated and joint venture companies	4,818	6,220	–	–
Sales to associated and joint venture companies	13,121	9,958	–	–
Rental paid to an associated company	226	214	–	–
Interest income from advances to associated and joint venture companies	275	416	–	–
Rental paid to a director	38	38	38	38
Other income from associated and joint venture companies	331	79	–	–
Management fees from subsidiary companies	–	–	1,388	1,177
Royalty income from subsidiary companies	–	–	13,608	11,498
Interest income from advances to subsidiary companies	–	–	5,976	5,813

(b) Compensation of key management personnel

	Group	
	2007 $'000	2006 $'000
Fees and remuneration	2,702	2,444
Contribution to the Central Provident Fund	23	21
Share option expenses	56	134

41. Financial Risk Management Objectives and Policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

It is, and has been throughout the current and previous financial year the Group's and the Company's policy not to hold or issue derivative financial instruments for trading purposes. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

41. Financial Risk Management Objectives and Policies (Cont'd)

(a) 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 allowances, 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.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the balance sheets; and

– a nominal amount of $222,574,000 (2006: $239,609,000) relating to corporate guarantees provided by the Company for bank facilities granted to subsidiary companies, of which, the amounts utilised by subsidiary companies as at the balance sheet date is $88,350,000 (2006 : $98,312,000).

Information regarding credit enhancements for trade receivables is disclosed in Note 13.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the industry and country sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade at the balance sheet date is as follows :

	Group			
	2007		2006	
	$'000	% of total	$'000	% of total
By industry:				
Food manufacturing	90,805	56	64,221	51
Bakery	31,209	19	23,889	19
Primary production	24,076	15	21,973	17
Trading and logistics	16,321	10	16,847	13
Investments and others	406	–	216	–
	162,817	100	127,146	100
By country:				
Singapore	28,109	17	25,740	20
Australia	33,527	21	27,916	22
United States of America	39,769	24	29,797	23
Philippines	11,707	7	8,513	7
People's Republic of China	5,838	4	9,747	8
Malaysia	8,270	5	6,190	5
Russia	10,161	6	3,186	2
Europe	18,101	11	7,235	6
Other countries	7,335	5	8,822	7
	162,817	100	127,146	100

41. Financial Risk Management Objectives and Policies (Cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and have an adequate amount of committed credit facilities.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

	2007			2006		
	1 year or less $'000	1 to 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Total $'000
Group						
Trade and other payables	219,689	–	219,689	137,366	–	137,366
Borrowings	399,737	65,166	464,903	303,436	86,282	389,718
	619,426	65,166	684,592	440,802	86,282	527,084
Company						
Trade and other payables	14,163	–	14,163	2,937	–	2,937
Borrowings	43,121	49,000	92,121	37,620	70,396	108,016
	57,284	49,000	106,284	40,557	70,396	110,953

41. Financial Risk Management Objectives and Policies (Cont'd)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

The Group's policy is to manage interest cost using a mix of fixed and floating rate debts.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Group's profit after taxation.

	Increase/ decrease in basis points	Effect on profit after taxation 2007 $'000	2006 $'000
Singapore Dollar	+ 50	(67)	(107)
United States Dollar	+ 50	(276)	(218)
Australian Dollar	+ 50	(104)	(136)
Chinese Renminbi	+ 50	(641)	(282)
Singapore Dollar	- 50	67	107
United States Dollar	- 50	276	218
Australian Dollar	- 50	104	136
Chinese Renminbi	- 50	641	282

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily Singapore Dollar (SGD), Malaysian Ringgit (Ringgit), Australian Dollar (AUD), United States Dollar (USD) and Chinese Renminbi (RMB). The foreign currencies in which these transactions are denominated are mainly AUD and USD.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, People's Republic of China ("PRC") and Australia. The Group's net investments in Malaysia, PRC and Australia are not hedged as currency positions in Ringgit, RMB and AUD are considered to be long-term in nature.

41. Financial Risk Management Objectives and Policies (Cont'd)

(d) Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD and AUD exchange rates (against SGD), with all other variables held constant, of the Group's profit after taxation and equity.

	2007		2006	
	Profit after taxation $'000	Equity $'000	Profit after taxation $'000	Equity $'000
USD – strengthened 1% (2006: 1%)	(233)	135	(313)	26
– weakened 1% (2006: 1%)	233	(135)	313	(26)
AUD – strengthened 1% (2006: 1%)	531	704	448	659
– weakened 1% (2006: 1%)	(537)	(704)	(453)	(659)

Fair value of financial assets and financial liabilities

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, current trade and other payables, other liabilities, current bank loans and non-current floating rate loans based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

Unquoted shares stated at cost have no market prices and the fair value cannot be reliably measured using valuation techniques.

Classification of financial instruments

The table below is an analysis of the carrying amounts of financial instruments by categories as defined in FRS 39 as at 31 December:

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Derivative financial instruments				
Foreign currency contracts	(1,405)	(1,372)	(1,405)	(1,372)
Loans and receivables				
Trade receivables	162,817	127,146	–	–
Other receivables	38,482	23,715	155,037	174,206
Cash and deposits	55,581	61,110	2,630	13,596
Advances to associated companies	2,175	2,101	–	–
Advances to joint venture company	576	552	–	–
Advances to subsidiary companies	–	–	41,175	65,910
	259,631	214,624	198,842	253,712

41. Financial Risk Management Objectives and Policies (Cont'd)

(d) Foreign currency risk (Cont'd)

Classification of financial instruments (Cont'd)

	Group		Company	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Available-for-sale financial assets				
Short-term investments	144	153	–	–
Long-term investments	2,998	9,667	–	–
	3,142	9,820	–	–
Financial liabilities measured at amortised cost				
Trade payables	125,139	70,756	12	19
Other payables	93,145	65,238	12,746	1,546
Short-term borrowings	365,492	257,267	19,865	8,422
Long-term loans	95,457	129,074	72,256	99,594
	679,233	522,335	104,879	109,581

42. 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 commitments are disclosed in Note 38(ii).

43. 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

In addition, the financial information of its subsidiary company, CFI group, has been disclosed separately for additional information.

(a) Business segments

	Food manufacturing $'000	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	CFI group $'000	Eliminations $'000	Consolidated $'000
2007								
Revenue and expenses								
Revenue from external customers	343,372	300,186	314,540	91,152	4,331	11,892	–	1,065,473
Other revenue from external customers	1,448	2,049	5,015	279	887	161	–	9,839
Inter-segment revenue	451	7	7,425	76	14,984	523	(23,466)	–
	345,271	302,242	326,980	91,507	20,202	12,576	(23,466)	1,075,312
Unallocated revenue								1,609
Total revenue								1,076,921
Segment results	36,010	35,615	(8,402)	1,749	1,832	(2,496)	–	64,308
Unallocated revenue								1,609
Unallocated expenses								(7,930)
Profit from operating activities								57,987
Finance costs								(26,457)
Exceptional items								(2,189)
Share of profits of associated and joint venture companies								445
Profit before taxation								29,786
Taxation								(15,671)
Profit after taxation								14,115

43. 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	CFI group $'000	Eliminations $'000	Consolidated $'000
2006								
Revenue and expenses								
Revenue from external customers	202,893	256,124	280,892	100,136	3,940	132,289	–	976,274
Other revenue from external customers	711	2,015	4,016	141	3,164	3,757	–	13,804
Inter-segment revenue	2,981	11	18,737	442	12,551	690	(35,412)	–
	206,585	258,150	303,645	100,719	19,655	136,736	(35,412)	990,078
Unallocated revenue								1,969
Total revenue								992,047
Segment results	17,653	29,702	25,747	1,051	3,443	(4,756)	–	72,840
Unallocated revenue								1,969
Unallocated expenses								(9,292)
Profit from operating activities								65,517
Finance costs								(19,793)
Exceptional items								(19,687)
Share of profits of associated and joint venture companies								2,992
Profit before taxation								29,029
Taxation								(9,528)
Profit after taxation								19,501

43. 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	Sub-total $'000	CFI group $'000	Consolidated $'000
2007								
Assets and liabilities								
Segment assets	532,923	159,877	278,979	57,476	18,365	1,047,620	–	1,047,620
Associated and joint venture companies	–	2,389	4,875	–	–	7,264	–	7,264
Total assets	532,923	162,266	283,854	57,476	18,365	1,054,884	–	1,054,884
Deferred tax assets						996	–	996
Tax recoverable						528	–	528
Total assets per consolidated balance sheet						1,056,408	–	1,056,408
Segment liabilities	117,915	47,062	57,167	9,612	3,463	235,219	–	235,219
Provision for taxation						3,077	–	3,077
Deferred tax liabilities						15,693	–	15,693
Bank borrowings						460,949	–	460,949
Total liabilities per consolidated balance sheet						714,938	–	714,938
Other segment information								
Capital expenditure	35,345	22,608	2,776	582	83	61,394	46	61,440
Amortisation and depreciation	8,284	13,809	9,940	1,790	720	34,543	1,006	35,549
Impairment loss	–	503	9,465	–	1,839	11,807	–	11,807
Allowance for inventory obsolescence charged/ (written-back)	95	(10)	(1,291)	408	–	(798)	(502)	(1,300)
Allowance for doubtful debts (written-back)/ charged and debts (written-back)/ written-off	(371)	77	44	112	2	(136)	(50)	(186)

43. 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	Sub-total $'000	CFI group $'000	Consolidated $'000
2006								
Assets and liabilities								
Segment assets	333,786	135,820	257,678	58,541	35,973	821,798	44,395	866,193
Associated and joint venture companies	12,151	2,249	4,597	44,860	–	63,857	–	63,857
Total assets	345,937	138,069	262,275	103,401	35,973	885,655	44,395	930,050
Deferred tax assets						2,372	32	2,404
Tax recoverable						526	28	554
Total assets per consolidated balance sheet						888,553	44,455	933,008
Segment liabilities	49,958	40,528	39,045	8,989	2,957	141,477	9,696	151,173
Provision for taxation						3,561	1,240	4,801
Deferred tax liabilities						7,774	277	8,051
Bank borrowings						359,531	26,810	386,341
Total liabilities per consolidated balance sheet						512,343	38,023	550,366
Other segment information								
Capital expenditure	17,001	7,400	5,770	1,261	320	31,752	3,577	35,329
Amortisation and depreciation	6,970	13,905	9,570	1,821	770	33,036	2,029	35,065
Impairment loss	–	–	6,437	–	1,800	8,237	11,905	20,142
Allowance for inventory obsolescence (written-back)/charged	(372)	(14)	647	458	–	719	660	1,379
Allowance for doubtful debts and debts written-off	294	52	70	67	1	484	750	1,234

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43. Segmental Reporting (Cont'd)

(b) Geographical segment

	Singapore $'000	Malaysia $'000	Australia $'000	Philippines $'000	China $'000	Other countries $'000	CFI group $'000	Consolidated $'000
2007								
Revenue from external customers	169,566	177,074	369,583	64,204	15,350	267,482	12,053	1,075,312
Unallocated revenue								1,609
Total revenue	169,566	177,074	369,583	64,204	15,350	267,482	12,053	1,076,921
Segment assets	115,973	97,558	327,600	33,966	479,786	1	–	1,054,884
Capital expenditure	1,719	19,975	5,220	1,455	33,025	–	46	61,440
2006								
Revenue from external customers	154,345	151,036	320,302	53,306	13,764	161,279	136,046	990,078
Unallocated revenue								1,969
Total revenue	154,345	151,036	320,302	53,306	13,764	161,279	136,046	992,047
Segment assets	186,919	83,117	297,987	28,395	289,236	1	44,395	930,050
Capital expenditure	2,554	4,295	9,185	1,919	13,799	–	3,577	35,329

44. Subsidiary, Associated and Joint Venture Companies

(a) The subsidiary companies as at 31 December 2007 are :-

	Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2007 $'000	Cost 2006 $'000	Percentage of equity held by the Group 2007 %	Percentage of equity held by the Group 2006 %
	Food manufacturing					
	Hengxing Fruit Juice (Singapore) Pte Ltd ❶ (Singapore)	Distribution agency of beverage products (Singapore)	+	+	100	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	51
^	Shaanxi Hengxing Fruit Juice Co Ltd Heyang Plant ❺ (People's Republic of China)	Manufacture and trading of apple juice concentrate (People's Republic of China)	+	+	51	51
^	Yangling Hengxing Seeding Co Ltd ❺ (People's Republic of China)	Ownership and cultivation of saplings (People's Republic of China)	+	+	51	51
^	Linyi Hengxing Fruit Juice Co Ltd ❺ (People's Republic of China)	Manufacture and trading of apple juice concentrate (People's Republic of China)	+	+	51	51
^	Chunhua Hengxing Fruit Juice Co Ltd ❺ (People's Republic of China)	Manufacture and trading of apple juice concentrate (People's Republic of China)	+	+	51	51
^	Meixian Hengxing Fruit Juice Co Ltd ❺ (People's Republic of China)	Manufacture and trading of apple juice concentrate (People's Republic of China)	+	+	51	51
^	Shaanxi Hengxing Food Science & Technology Co Ltd ❺ (People's Republic of China)	Research and development (People's Republic of China)	+	–	36	–
	Challenge Australian Dairy Pty Ltd ❻ (Australia)	Collection and sale of raw milk and the manufacture of dairy products (Australia)	+	+	51	51

44. Subsidiary, Associated and Joint Venture Companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2007 $'000	Cost 2006 $'000	Percentage of equity held by the Group 2007 %	Percentage of equity held by the Group 2006 %
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

44. Subsidiary, Associated and Joint Venture Companies (Cont'd)

	Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2007 $'000	Cost 2006 $'000	Percentage of equity held by the Group 2007 %	Percentage of equity held by the Group 2006 %
	Primary production					
	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 ❸ (People's Republic of China)	Rental of premises (People's Republic of China)	+	+	100	100
	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
	Shinefoods Pte Ltd ❶ (Singapore)	Agency and distribution of food and beverage products (Singapore)	+	+	100	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

Notes to the Financial Statements
– 31 December 2007
(In Singapore dollars)

44. Subsidiary, Associated and Joint Venture Companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2007 $'000	Cost 2006 $'000	Percentage of equity held by the Group 2007 %	Percentage of equity held by the Group 2006 %
Investments and others					
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)	12,500	12,500	100	100
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

44. Subsidiary, Associated and Joint Venture Companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2007 $'000	Cost 2006 $'000	Percentage of equity held by the Group 2007 %	Percentage of equity held by the Group 2006 %
Investments and others (Cont'd)					
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 (Singapore)	Investment holding (Singapore)	–	+	♦	55
Dongjia Investments Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	1,630	1,630	100	100
Edenc Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	+	+	100	100
Pacfi Pte Ltd ❶ (Singapore)	Investment holding (Singapore)	❖	❖	100	100

44. Subsidiary, Associated and Joint Venture Companies (Cont'd)

	Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2007 $'000	Cost 2006 $'000	Percentage of equity held by the Group 2007 %	Percentage of equity held by the Group 2006 %
	Dormant corporations					
*	Auspeak Holdings Pte Ltd (Singapore)	Dormant	❖	❖	100	100
*	Bakers Maison Pte Ltd (Singapore)	Dormant	❖	❖	100	100
	Ben (Malaysia) Holdings Sdn Bhd ❷ (Malaysia)	Dormant	❖	❖	100	100
@	Gardenia Hong Kong Limited ❸ (Hong Kong)	Dormant	❖	❖	100	100
	Everyday Bakery and Confectionery Sdn Bhd ❷ (Malaysia)	Dormant	+	+	70	70
	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	100
*	Lansdale Holdings Pte Ltd (Singapore)	Dormant	❖	❖	100	100
*	Gaoyuan Pte Ltd (Singapore)	Dormant	+	+	100	100

44. Subsidiary, Associated and Joint Venture Companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2007 $'000	Cost 2006 $'000	Percentage of equity held by the Group 2007 %	Percentage of equity held by the Group 2006 %
Dormant corporations (Cont'd)					
# Ben Trading (Malaysia) Sdn Bhd ❷ (Malaysia)	Dormant	❖	❖	100	100
# Highwood Pte Ltd ❶ (Singapore)	Dormant	500	500	100	100
		115,240	115,240		

Note

* Audit not required under the laws in the country of incorporation

^ Audited by Ernst & Young Hua Ming, China, 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

♦ Shareholding has been diluted to 13.75% during the year. Consequently, the cost of investment has been reclassified to long-term investments (Note 26). CFI, a public listed company, as at 31 December 2007 has a wholly owned subsidiary company, Thye Seng Trading Company Private Limited, which is incorporated in Singapore. Unaudited financial information have been used for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2007

\# The subsidiary company ceased operations and is dormant

Audited by :

❶ Ernst & Young, Singapore

❷ Ernst & Young, Malaysia

❸ Other CPA firms

❹ Sycip Gorres Velayo & Co, Philippines

❺ Ernst & Young Hua Ming, China

❻ Ernst & Young, Australia

Notes to the Financial Statements

– 31 December 2007
(In Singapore dollars)

44. 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 2007 %	2006 %
(b) The associated companies as at 31 December 2007 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)	–	24
(c) The joint venture company as at 31 December 2007 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, the Company distributed the quoted equity shares in PSC Corporation Ltd and Zhongguo Jilong Limited to its shareholders by way of dividends in specie (Note 21).

45. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

As disclosed in Note 34, certain subsidiary companies of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the relevant subsidiary companies for the financial years ended 31 December 2007 and 2006.

45. Capital Management (Cont'd)

Management monitors capital based on a gearing or net debt-to-equity ratio. The net debt-to-equity ratio is calculated as net debt divided by shareholders' funds. Net debt is calculated as bank borrowings and finance lease less cash and cash equivalents. Shareholders' fund relates to interest of shareholders of the Company. The Group's strategy, which was unchanged from 2006, is also to maintain gearing ratios on net debt-to-equity ratio of not exceeding 1.5 times.

	Group	
	2007 $'000	2006 $'000
Net debt	409,322	328,608
Shareholders' funds	290,969	340,785
Net debt-to-equity ratio	1.4 times	1.0 times

The Group and the Company are also required by certain banks to maintain certain gross debt-to-equity ratios, operating cash flow to earnings ratios, and shareholders' funds.

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 December 2006 and 2007, except for the breach of a covenant of a term loan in 2007, as disclosed below.

In June 2007, the Company carried out a distribution of dividends in specie of substantially all its shareholdings in PSC Corporation Limited and Zhongguo Jilong Limited ("Dividend Shares") to the shareholders of the Company, as disclosed in Note 35.

The said distribution of Dividend Shares resulted in a reduction of the shareholders funds of the Company and the Group, and consequently a breach of the said gross debt-to-equity ratio covenant of the said term loan.

The amount of the said term loan outstanding as at 31 December 2007 was $17,256,000. The entire outstanding amount has been recorded as current liability as at the balance sheet date of the financial year 2007 in accordance with the requirement of the Financial Reporting Standards as the breach allows the bank to request for immediate payment. However, no immediate payment is required as the Company has subsequently obtained a waiver of this covenant from the bank for the year ended 31 December 2007.

46. Subsequent Events

The following events took place subsequent to the financial year ended 31 December 2007:

(a) An agreement was entered into in December 2007 between a subsidiary of the Company with a corporation related to a director of the Company for the sale of 4.5% shareholding interest in Shaanxi Hengxing Fruit Juice Co Ltd ("Shaanxi Hengxing") at the sale consideration of RMB27,000,000 (approximately $5,320,000). Completion of the transaction took place in February 2008 and the Group's interest in Shaanxi Hengxing was diluted from 51% to 46.5% as a result thereof.

(b) A subsidiary company had identified further plans in relation to its restructuring of operations, which may lead to a reduction in its required work force. Any related expenses and liabilities will be recognised in the year ending 31 December 2008.

47. Comparative Figures

Certain comparatives in these financial statements have been changed from the previous year due to the changes in accounting policies as described in Note 2.

48. Authorisation of Financial Statements for Issue

The financial statements for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 31 March 2008.

List of Major Properties

The Group's major properties as at 31 December 2007 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
No. 1 Fishery Port Road Singapore	Cold store, warehouse and office premises	30-year lease from March 2003
No. 9 Fishery Port Road Singapore	Cold store and office premises	30-year lease from March 1983
(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 2007 are:

Name of Building/Location	Description	Tenure of Land
(c) Properties in Australia		
Willow Grove Piggery Willow Grove Road Trafalgar, Victoria 3824	Piggery Farming	Freehold
Seville Piggery Beenak Road Seville, Victoria 3139	Piggery Farming	Freehold
Huntly Farm No. 1 and 2 Bendigo-Tennyson Road Huntly, Victoria 3351	Piggery Farming	Freehold
St. Arnaud Unit 1 Sunraysia Highway St. Arnaud, Victoria 3478	Piggery Farming	Freehold
St Arnaud Units 2 & 3 Nelson Road St Arnaud, Victoria 3478	Piggery Farming	Freehold
Gre Gre Piggery (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 Piggery Howlong Road Bungowannah New South Wales	Piggery Farming	Freehold
Corowa Mill Albury Road, Corowa New South Wales 2646	Feedmilling	Freehold
Balpool 1 & 2 Piggery Balpool Station Balpool Lane, Moulamein New South Wales 2733	Piggery Farming	Freehold
Bagshot Piggery 429 Clays Road Bagshot, Victoria 3551	Piggery Farming	Freehold

List of Major Properties

The Group's major properties as at 31 December 2007 are:

Name of Building/Location	Description	Tenure of Land
Whitehead Street Corowa, NSW 2646	Piggery Farming	Freehold
Diamond Valley Pork 13-15 Thomas Street Laverton, North Victoria	Abattoir	Freehold
Oxdale Dairy No. 1 RMB 2048 Parnell Road Cobram, Victoria 3644	Dairy Farming	Freehold
Oxdale Dairy No. 2 Murray Valley Highway Cobram, Victoria 3644	Dairy Farming	Freehold
Thomas Road Boyanup Factory Site	Dairy Manufacturing	Freehold
Collins Road Boyanup Effluent Block	Waste Disposal	Freehold
Roe Road Capel Factory Site	Dairy Manufacturing	Freehold
Gavins Road Capel Effluent Block	Waste Disposal	Freehold
(d) Properties in China		
Yuan Hong Industrial Park Fuqing, Fujian Province	Feed processing and office premises	50-year lease expiring 2050
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

List of Major Properties

The Group's major properties as at 31 December 2007 are:

Name of Building/Location	Description	Tenure of Land
Xihuan Road East Heyang County Shaanxi Province	Processing of concentrated apple juice	50-year lease from 2005
Xihuan Road East Heyang County Shaanxi Province	Processing of concentrated apple juice	50-year lease from 2006
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
North Circle East Road Qi County Shaanxi Province	Processing of concentrated apple juice	50-year lease from 2006
Chafang Jiziwan Fu County Shaanxi Province	Processing of concentrated apple juice	50-year lease from 2007
New South Street Yingbin Dadao East Ningxia Province	Processing of concentrated apple juice	50-year lease from 2008
No. 57 Chenbei New Street Jingchuan County Gansu Province	Processing of concentrated apple juice	50-year lease from 2006
Beihuan Road Jialing Dao Kuo Bu County Shaanxi Province	Processing of concentrated apple juice	50-year lease from 2006
8th to 9th Floors Hi-Tech International Business Center, Xi'an City Shaanxi Province	Office use	45-lease from 2006

Statistics of Shareholdings

as at 19 March 2008

Issued and Fully paid-up Capital : $195,123,087
Class of Shares : Ordinary Shares

Analysis of Shareholders by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	365	7.69	64,945	0.01
1,000 – 10,000	3,402	71.68	13,939,614	3.09
10,001 – 1,000,000	962	20.27	45,948,141	10.19
1,000,001 and above	17	0.36	391,021,516	86.71
	4,746	100.00	450,974,216	100.00

List of Twenty Largest Shareholders

S/No.	Name of Shareholder	No. of Shares	%
1.	Tian Wan Enterprises Company Limited	84,943,647	18.84
2.	Tian Wan Equities Company Limited	84,943,647	18.84
3.	Tian Wan Holdings Group Limited	84,943,646	18.84
4.	Citibank Nominees Singapore Pte Ltd	52,062,242	11.54
5.	Hong Leong Finance Nominees Pte Ltd	25,082,750	5.56
6.	Andree Halim @Liem Sien Tjong @ Liem Sien Tjiong	17,661,000	3.92
7.	CIMB Bank Nominees (S) Sdn Bhd	9,009,000	2.00
8.	DBS Nominees Pte Ltd	7,156,850	1.59
9.	United Overseas Bank Nominees Pte Ltd	6,248,762	1.39
10.	HSBC (Singapore) Nominees Pte Ltd	5,325,800	1.18
11.	DBS Vickers Securities (Singapore) Pte Ltd	2,946,500	0.65
12.	OCBC Nominees Singapore Private Ltd	2,623,754	0.58
13.	Lee Fook Khuen	2,428,000	0.54
14.	OCBC Securities Private Ltd	1,603,088	0.36
15.	Lai Choy Kuen	1,403,066	0.31
16.	Phillip Securities Pte Ltd	1,389,764	0.31
17.	Tan Kong King	1,250,000	0.28
18.	Lim Sou Ping	879,000	0.19
19.	Lim Leng Chye	754,250	0.17
20.	Lim Chin Chuan	750,000	0.17
		393,404,766	87.26

Statistics of Shareholdings

as at 19 March 2008

Substantial Shareholders

	Direct Interest		Deemed Interest		Total Interest	
Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Andree Halim	17,661,000	3.92	254,830,940 (1)	56.50	272,491,940	60.42
Tian Wan Enterprises Company Limited	84,943,647	18.84	–	–	84,943,647	18.84
Tian Wan Equities Company Limited	84,943,647	18.84	–	–	84,943,647	18.84
Tian Wan Holdings Group Limited	84,943,646	18.84	–	–	84,943,646	18.84
Daniel Halim	–	–	84,943,647 (2)	18.84	84,943,647	18.84
Denonshire Group Limited	45,820,712	10.16	–	–	45,820,712	10.16
Didi Dawis	–	–	45,820,712 (3)	10.16	45,820,712	10.16
Saiman Ernawan	–	–	45,820,712 (3)	10.16	45,820,712	10.16
Goi Seng Hui	24,909,750	5.52	–	–	24,909,750	5.52

Notes:

(1) Mr Andree Halim is deemed to have an interest in the shares beneficially owned by Tian Wan Enterprises Company Limited, Tian Wan Equities Company Limited and Tian Wan Holdings Group Limited pursuant to Section 7 of the Companies Act, Cap. 50.

(2) Mr Daniel Halim is deemed to have an interest in the shares beneficially owned by Tian Wan Enterprises Company Limited pursuant to Section 7 of the Companies Act, Cap. 50.

(3) Mr Didi Dawis and Mr Saiman Ernawan are deemed to have an interest in the shares beneficially owned by Denonshire Group Limited pursuant to Section 7 of the Companies Act, Cap. 50.

Statistics of Warrants

as at 19 March 2008

Analysis of Warrantholders by Size of Warrantholdings

Size of Warrantholdings	No. of Warrantholders	%	No. of Warrants	%
1 – 999	44	5.71	20,078	0.03
1,000 – 10,000	573	74.42	1,801,633	2.31
10,001 – 1,000,000	148	19.22	17,513,350	22.49
1,000,001 and above	5	0.65	58,541,282	75.17
	770	100.00	77,876,343	100.00

List of Twenty Largest Warrantholders

S/No.	Name of Warrantholder	No. of Warrants	%
1.	Andree Halim @ Liem Sien Tjong @ Liem Sien Tjiong	47,452,538	60.93
2.	Goi Seng Hui	4,820,750	6.19
3.	OCBC Securities Private Ltd	2,801,000	3.60
4.	Phillip Securities Pte Ltd	1,750,994	2.25
5.	Yeo Chii Ming Lionel (Yang Qiming Lionel)	1,716,000	2.20
6.	Kim Eng Securities Pte. Ltd.	952,250	1.22
7.	Koh Cheoh Liang Vincent	700,000	0.90
8.	UOB Kay Hian Pte Ltd	693,000	0.89
9.	Tan Kong King	650,000	0.83
10.	Cheung Kwai Fong	600,000	0.77
11.	Tan Song Ing	555,000	0.71
12.	Lee Chew Kwong	500,000	0.64
13.	Toh Eng Chong	500,000	0.64
14.	Liew Seuk Eng	495,000	0.64
15.	Ang Chee Kok	450,000	0.58
16.	Law Yean Muay	355,000	0.46
17.	Teng Jee Cheng	330,000	0.42
18.	Singapore Nominees Pte Ltd	328,000	0.42
19.	Soo Bon Han	309,000	0.40
20.	DBS Vickers Securities (Singapore) Pte Ltd	302,500	0.39
		66,261,032	85.08

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at No. 224 Pandan Loop, Singapore 128411 on 30 April 2008 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 2007. **(Resolution 1)**

2. To approve a final tax-exempt (one-tier) dividend of 2 cents per share in respect of the year ended 31 December 2007. **(Resolution 2)**

3. To re-elect the following Directors:

(a)	Ms Tarn Teh Chuen	(retiring under Article 104 of the Articles of Association)	**(Resolution 3a)**
(b)	Mr Kelvin Chia Hoo Khun	(retiring under Article 104 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)**
(d)	Mr Daniel Halim	(retiring under Article 114 of the Articles of Association)	**(Resolution 3d)**

4. To approve Directors' fees of $146,850 for the year ended 31 December 2007 (2006: $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 total issued shares of the Company (excluding treasury shares) 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 bonus issue, consolidation or subdivision of shares; and

(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." **(Resolution 7)**

8. "That 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." **(Resolution 8)**

By Order of the Board

Lee Woan Ling (Ms)
Company Secretary

Singapore, 15 April 2008

Notice of Annual General Meeting

Explanatory Notes:

i) For Ordinary Resolutions:

3(a) – Ms Tarn Teh Chuen is an executive Director of the Company.

3(b) – Mr Kelvin Chia Hoo Khun, a non-executive independent Director, is the chairman of the Audit Committee and a member of the Remuneration Committee of the Company.

3(c) – Mr Phua Bah Lee, a non-executive independent Director, is the chairman of the Nominating Committee and a member of the Audit Committee and Remuneration 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.

3(d) – Mr Daniel Halim is a non-executive Director of the Company. He is also a substantial shareholder holding approximately 18.84% of the ordinary shares in the Company.

Further information on the above Directors can be found on pages 11 to 13 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 Date

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed from 5.00 p.m. on 12 May 2008 up to and including 13 May 2008 for the purpose of determining shareholders' entitlements to the final tax-exempt (one-tier) dividend of 2 cents per share for the financial year ended 31 December 2007.

Shareholders whose shares of the Company ("QAF Shares") are deposited with The Central Depository (Pte) Limited ("CDP") and whose securities accounts with CDP are credited with QAF Shares as at 5.00 p.m. on 12 May 2008 will be entitled to the dividend on the basis of the QAF Shares standing to the credit of their securities accounts with CDP as at 5.00 p.m. on such date.

Duly completed registrable 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 12 May 2008 will be registered to determine shareholders' entitlements to the dividend.

Payment for the dividend shall be made on 23 May 2008.

By Order of the Board

Lee Woan Ling (Ms)
Company Secretary

Singapore, 15 April 2008

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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.	Number of Shares to be represented by proxy

*and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Number of Shares to be represented by proxy

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 30 April 2008 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 approve a final tax-exempt (one-tier) dividend of 2 cents per share.		
3.	To re-elect Directors: (a) Ms Tarn Teh Chuen		
	(b) Mr Kelvin Chia Hoo Khun		
	(c) Mr Phua Bah Lee		
	(d) Mr Daniel Halim		
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 ______________ 2008 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 number of shares 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 Shares held by you. If you have Shares 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 Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares 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 Shares 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 Shares 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 Shares 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.

Fold along this line (1)

Please affix postage stamp

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

Fold along this line (2)

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

QAF Limited