Quality that counts

annual report 2008

QAF Limited

Contents

Corporate information

(As at 31 March 2009)

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 LLP
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

Chairman's statement

Dear Shareholders,

2008 was a very difficult year for the food industry as a whole with escalations of raw material and energy costs to unprecedented levels as well as the onset of world wide recessionary conditions which affected consumer demand. The performance of the QAF Group was also affected by the extreme adverse conditions. However, on a more positive note, I am encouraged by the fact that the management has undertaken several initiatives during the year to steer the Group back to profitability. These initiatives and actions have begun to bear fruit and the Group should retain its position as a leading player in the regional food industry.

I would also like to take this opportunity to announce the retirement of Mr. Phua Bah Lee, a Non-Executive Director on the Board of QAF Limited. I would like to thank Mr. Phua for his dedication and commitment to QAF with him serving on the Board for more than 19 years. Mr. Phua is 76 years old and he has expressed his intention not to seek re-election to the Board at the forthcoming Annual General Meeting as he is desirous of reducing his current commitments, as director to a number of public listed companies, due to advancing age. The Group has benefited greatly from Mr. Phua's support, invaluable contributions and wise counsel over the years and, on behalf of the Board, I would like to wish Mr. Phua the very best in his retirement.

The Directors are pleased to recommend a final tax-exempt dividend of 2 cents per share. Shareholders can elect to receive the dividend either in cash or in the form of shares.

Once again, I would like to express appreciation, on behalf of the Board, for the loyal support of all the shareholders, bankers, suppliers, employees and business associates of the QAF Group.

Didi Dawis
Chairman
31 March 2009

Group managing director's report

The past year had been one of the most difficult years facing the region in its history. The unprecedented high inflation rates and sharply escalated cost of commodities, raw materials, energy and utilities affected the Asia Pacific food industry in the earlier part of 2008. Recessionary conditions, on a world wide basis, set in during the later half of 2008 and has resulted in a sharp fall of consumer demand generally. There were also wild swings in currency exchange rates. All these factors have led to extreme difficulties for the industry.

Group revenue declined by 22% to $840.1 million for the financial year ended 31 December 2008 ('FY2008') and this decrease is caused by the deconsolidation of the financial results of Shaanxi Hengxing Fruit Juice Co. Ltd., a manufacturer of fruit juice concentrates in China. Shaanxi Hengxing is now an associate of the Group. If we exclude the abovementioned deconsolidation, the Group has achieved an overall increase in revenue despite the adverse economic conditions. Of particular note is the healthy increase in revenue contributions from the Group's core businesses. The entire bakery operations in Singapore, Malaysia, the Philippines and Australia achieved increases in sales and shares in their respective markets. Challenge Australian Dairy Pty. Ltd. ('Challenge'), which manufactures and sells a range of milk and dairy products in Australia achieved higher revenues from both its domestic and export markets. The Group's food wholesale and distribution business under Ben Foods (S) Pte Ltd also saw increases in sales revenue.

The prevailing difficult economic conditions on a world wide basis have negatively affected the financial performance of the Group in FY2008. The Group incurred a loss before taxation of $25 million for FY2008 compared to a profit before taxation of $29.8 million for the financial year ended 31 December 2007 ('FY2007'). On an operating level, the losses were mainly incurred by QAF Meats of Australia as well as the Group's share of losses from its juice manufacturing associate. QAF Meats purchased most of its grain and feed requirements at the harvest season at the end of 2007 which was at a time where there was a sharp escalation of grain prices which resulted from very high world wide price increases as well as from a severe drought in Australia. The resulting high production costs could not be compensated by the selling prices of QAF Meats' products during the year due to the high level of cheap frozen meat imported into Australia.

The juice manufacturing associate also purchased its raw materials mainly during its harvest season which was at the end of 2007 and early 2008, a period which saw a sharp escalation of food prices on a global scale. As a result, production costs were very high. Furthermore, most of the company's customers are based in the United States and Europe and the consumer markets there have been the worst affected by the current global economic downturn. Trading conditions have become very difficult during the year and selling prices have declined. Given the poor market conditions, a provision for diminution of inventory values amounting to about $27.2 million has been made.

In addition, a provision for unrealised intercompany foreign exchange loss of $11.5 million has been made for FY2008 on intercompany loans which were made to the Group's Australian operating subsidiaries. These loans were denominated in Australian dollars which have since depreciated against the Singapore dollar.

However, the rest of the Group's core businesses performed admirably given the difficult market conditions. The Gardenia bakery operations saw increased profitability due to increased sales volumes and the successful launches of new products. This was achieved despite unprecedented escalations of raw material and other operating costs such as wheat flour, ingredients, fuel, diesel and utilities costs during the year. Challenge also achieved higher profits as a result of increased sales, higher overall selling prices and successful launches of new milk and dairy products. The trading

Going forward, I am pleased to note that indicators are showing that the Group will achieve a significant improvement in its operating performance and profitability in 2009.

and wholesaling business under Ben Foods (S) Pte Ltd in Singapore also achieved an increase in profitability as the company continued to attain successes in the sale of its proprietary branded products in Singapore as well as in the export markets.

While the Group incurred a loss before taxation of $25 million for FY2008, this loss was mainly the result of a provision for unrealised intercompany foreign exchange loss as well as the Group's share of an associated company's provision for inventory writedown. These provisions do not have an immediate impact on the Group's operating cash flow. In fact, cash generated from the Group's operating activities remain very healthy, despite the recording of losses for FY2008. Net cash generated from operating activities was $102 million for FY2008 and this cash was mainly used to finance the expansion of the Group's bakery production facilities as well as for the repayment of the Group's bank loans.

Group managing director's report

Going forward, I am pleased to note that indicators are showing that the Group will achieve a significant improvement in its operating performance and profitability in 2009. Firstly, the overall supply of grain and other food raw materials in the world is showing signs of improvement and raw material costs for feedstock and the bakery operations have declined since the end of 2008. Energy, power, utilities and diesel costs have also declined from the high levels seen in 2008. All these will result in a significant reduction of production and distribution costs for the Group's operations.

Secondly, management of QAF Meats has undertaken and completed a comprehensive cost reduction exercise during 2008 which included the reduction of numbers in the animal inventory as well as the reduction of other overhead costs. QAF Meats has now attained greater efficiencies in production which is leading to lower production costs and improved yields.

The strategy of QAF Meats has also changed in that the company is now devoting more resources to produce and sell fresh meat cuts where the sales and margins are more stable compared to the sale of whole carcasses which compete directly with frozen meat imports which can be of very low price because of the effects of "dumping".

Lastly, the Group's bakery operations have established itself as the dominant player in their respective markets. The operations in Malaysia and the Philippines have expanded and will continue to expand their production facilities which will result in even more rapid increases in sales. New products are being developed and distributed to consumers to satisfy the increased demand for our products. We are expecting further improved contributions from our bakery operations, not just from increases in sales but also benefits from scale and efficiencies.

In order to further increase value for our shareholders, the Directors are proposing a Share Buyback Mandate. A Share Buyback provides an easy mechanism whereby surplus cash can be returned to shareholders in an expedient and cost efficient manner. The resulting flexibility from such a mechanism can also, depending on market conditions, result in an enhancement of the Earnings per Share and/or the Net Tangible Asset per Company Share. It is strongly recommended that shareholders read the Circular to Shareholders in relation to the Proposed Share Buyback Mandate which has also been sent out to all shareholders.

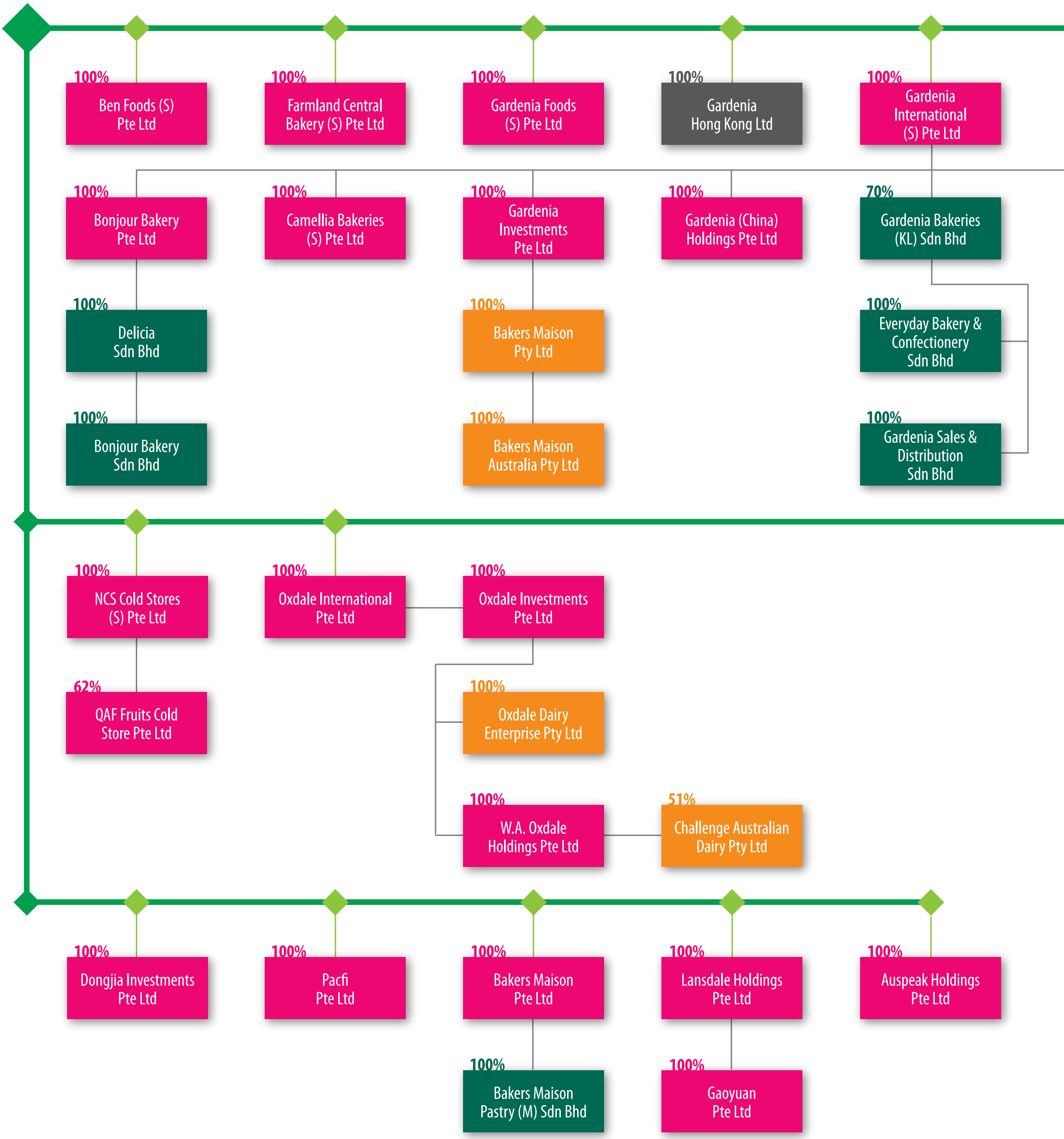
Economic conditions in 2009 are expected to be extremely challenging.

The world-wide economic recession will affect the fortunes of corporations as well as nations. The current global problems may require some time to subside. I am pleased to note that, despite these difficult conditions, the Group should achieve a substantial improvement in its performance as a result of several management initiatives that have been successfully implemented in the past year.

Tan Kong King
Group Managing Director
31 March 2009

QAF subsidiaries and associated companies
(As at 31 March 2009)

QAF Limited



Note: This chart does not reflect subsidiaries of QAF Limited which are under liquidation.

Board
of directors

1. DIDI DAWIS, 63
Chairman

Mr Dawis was appointed as a Director of the Company on 15 March 1988 and has been holding the position as Chairman of the Company since July 1990.

Date of last-election:
27 April 2007

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

As an established entrepreneur, Mr Dawis has various business interests in the trading and distribution of building materials, real estate development, hotel and banking, as well as being the sole franchise holder of Video Ezy in Indonesia. He was the owner and joint-venture partner of a news magazine and a newspaper in Indonesia for some 8 years. Mr Dawis was also instrumental in setting up the social lottery enterprise for the Indonesian Department of Social Affairs from 1986 to 1993. Mr Didi Dawis is a member in the councils of several charitable and civic associations in Indonesia, the executive vice-chairman of the Indonesian Chamber of Commerce and Industry, Kadin Indonesia-China Committee and the chairman of the International Association of Fuqing Clansmen.

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.

2. ANDREE HALIM, 61
Vice Chairman

Mr Halim was appointed as a Director and Vice Chairman of the Company on 11 October 2003.

Date of last-election:
28 April 2006

Board Committee:
Nil

Mr Halim graduated with a diploma in Business Studies from the South East London Technical College of United Kingdom. Mr Halim is an established entrepreneur and has interest in a wide range of businesses.

He is a non-executive director 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 the 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)

3. TAN KONG KING, 58
Group Managing Director

Mr Tan 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.

Date of last-election:
Not subject to annual re-election

Board Committee:
Nominating Committee (Member)

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 a number of 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 28 years of experience in managing group operations and over 13 years of experience in listed group to-date.

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)
- Iconic Global Limited (delisted in October 2008)

Board
of directors

4. TARN TEH CHUEN, 49

Ms Tarn was appointed as a Director on 15 June 1995.

Date of last-election:
30 April 2008

Board Committee:
Nil

Ms Tarn was made an executive Director and the Head of Treasury for the QAF Group in 1998 taking charge of the planning and management of group financing matters. Prior to this appointment, Ms Tarn was an accountant in the KMP Private Ltd group of companies and she assumed the post as the conglomerate's group financial controller from 1990 to 2004. She has over 18 years of experience in the structuring of loan facilities 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
- Iconic Global Limited (delisted in October 2008)

5. DEREK CHEONG KHENG BENG, 54

Mr Cheong was appointed as a Director on 18 January 1996.

Date of last-election:
27 April 2007

Board Committee:
Nil

Mr Cheong was made an executive Director and the 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 Private 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 for Loans & Syndications in a merchant bank in Singapore before joining 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

6. PHUA BAH LEE, 76

Mr Phua was appointed as an independent non-executive Director on 8 January 1990.

Date of last-election:
30 April 2008

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

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.

Mr Phua has notified the Company of his intention to retire as a director of the Company and will not seek re-election in the forthcoming Annual General Meeting.

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

7. KELVIN CHIA HOO KHUN, 57

Mr Chia was appointed as an independent non-executive Director of the Company on 25 January 2000.

Date of last-election:
30 April 2008

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

Mr Chia is the senior managing partner of Kelvin Chia Partnership, a regional law firm with offices in Singapore, Vietnam, Japan, China, Thailand, Cambodia, 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.

8. TAN HIN HUAT, 56

Mr Tan was appointed as an independent non-executive Director of the Company on 2 September 2002.

Date of last-election:
28 April 2006

Board Committee:
Audit Committee (Member)

Mr Tan is currently a Senior Vice President of EFG Bank, Singapore Branch (Merchant Bank). He has more than 28 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.

9. DANIEL HALIM, 30

Mr Halim was appointed as a non-independent and non-executive Director of the Company on 1 December 2007.

Date of last-election:
30 April 2008

Board Committee:
Nil

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.

Mr Halim 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 37.67% 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)

Operational review

Food manufacturing

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 achieved significant increases in sales and contributions due to its successful marketing of specific retail dairy products across Australia, increased exports and bulk milk trading. Challenge has also continued to increase its share of the total farm milk supply in Western Australia.

A range of high quality consumer dairy products under the Capel brand are now well accepted in supermarket and independent grocery chains in the domestic national market. The company's products, such as gourmet and specialty cheese under its Capel Valley brand, sliced natural cheddar cheese under its Capel Choice brand, fresh and high quality yoghurt and milk under its Capel Crest brand and its quality butter products under the Capel Butter brand, are now widely distributed in major supermarket and retail chains throughout Western Australia as well as in major national markets.

Challenge has also established itself as a major supplier of fresh milk and milk concentrate products to leading Asian milk manufacturers. The company exports 50% of its milk production to the fast growing market in Asia. Western Australia enjoys a competitive advantage in that it is closer to the Asian markets compared to other producers and produces very high quality products.

The focus for Challenge in 2009 is to further develop its range of dairy products for the Australian retail market as well as increasing its exports of specialty dairy ingredients and fresh milk. The company will continue to expand its farm base by getting the support of more Western Australian dairy farmers.

Bakery

SINGAPORE

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

2008 was a year of achievement for Gardenia Singapore as the company consolidated its leadership position in the Singapore bread market by attaining a record in terms of sales. The strong Gardenia brand attributes of quality, freshness and value for money, the successful introduction of innovative new bread varieties which were well received by consumers and the company's efficient and established distribution system with more than 3,000 outlets all over Singapore enabled Gardenia Singapore to increase its sales and improve upon its market position despite stiff competition from other brands as well as from the house brands of major retailers. The achievement of Gardenia Singapore in 2008 was even more remarkable given the high raw material costs faced by the industry throughout the year as well as the onset of sluggish economic conditions in the latter half of the year.

The achievement of Gardenia Singapore in 2008 was even more remarkable given the high raw material costs faced by the industry throughout the year as well as the onset of sluggish economic conditions in the latter half of the year.

Bakery

Gardenia Singapore has continued its successful strategy of introducing new high quality products which cater to the discerning taste of consumers in Singapore. In 2008, the company introduced its quality frozen bakery products for the food service and retail markets. New frozen dough and pastry products were introduced to hotels and restaurants while a new range of frozen gourmet breads consisting of Garlic Bread Walnut, Garlic Bread Multi Grain, Mini Ciabatta, Walnut Hard Rolls and Baguettes, were launched in major supermarkets. Gardenia's frozen bakery products are prepared fresh and are either par-baked or fully-baked and quick-frozen so as to seal in the goodness and flavour. These products offer convenience for the company's customers as they can easily heat up and prepare the tasty products for consumption.

To cater to the increasing demand for European crusty bread among consumers, Gardenia introduced the Gardenia Cranberry Fruity Loaf to its range of Country Loaves, a first sweet fruit loaf product within the range. The Cranberry Fruity Loaf has a light yoghurt flavour and contains the richness and goodness of fruits such as cranberries, raisins, sultanas and roasted walnuts. Another new product introduced during the course of the year is the Royal White Bread, a Japanese-style premium white bread. This product is made by the unique Japanese "yudane" baking process which produces bread with an exceptionally soft and silky texture which can also retain moisture well. These qualities allow a consumer to enjoy bread which is soft and delicious.

The company has also introduced a unique vending machine which dispenses Gardenia bread products in Singapore. The vending machine provides customers with greater convenience and accessibility 24 hours a day and 7 days a week. A few machines have been placed in selected high density residential areas while a first vending machine which dispenses a range of Gardenia buns and snacks was installed in a school. After a successful trial test, Gardenia Singapore will be launching more bread and bun vending machines at selected locations in 2009.

Throughout the year, Gardenia Singapore participated in several public relation activities which contributed towards the building up of its brand image. The company participated in the Singapore Food Expo 2008 where Gardenia products were promoted to consumers. Gardenia Singapore also participated in several health fairs to promote the health benefits of Gardenia products. As a socially responsible organisation, the company sponsored and contributed to several charity events which seek to assist the needy and which also promotes social harmony and neighbourliness such as the Orange Ribbon celebrations and the Singapore Kindness movement.

MALAYSIA

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

70% - owned subsidiary, GBKL, is the largest bakery operation in South East Asia. It has four plants in West Malaysia and its 8 fully automated production lines, comprising 4 bread lines and 3 bun and roll lines, are capable of producing a combined total of about 500 million loaves and buns per year.

2008 was very challenging for GBKL with flour, raw material and diesel costs increasing to unprecedented levels, threatening margins severely. To cope with the rapid rise in production costs, the company introduced stringent measures to control costs as well as to improve productivity. Controls over wastages were tightened through the use of management information systems. The latter allowed the company to implement efficient distribution of its products in a cost effective manner.

In April 2008, GBKL's new fully automated bread production line, its 8th production line, was commissioned at its Bukit Kemuning plant. The new line not only resulted in additional capacity but it also gives the company the much needed flexibility to optimise its production mix so as to achieve higher efficiency and productivity.

GBKL launched 2 new products in late 2008 - the Gardenia Delicia Choco Raisin and the Butterscotch bread. Both were well received by consumers and the company's dominant position in the wholesale bakery business has been further reinforced.

Despite the volatility in raw material costs and the slowing economy, GBKL's products continued to be received favourably by consumers and a record high in turnover was achieved by the company in 2008. With its latest production capability and its extensive distribution network of more than 20,000 outlets which are efficiently managed, GBKL is poised to maintain its performance in 2009 despite the expected slowdown in the economy.

Bakery

THE PHILIPPINES

Gardenia Bakeries (Philippines), Inc ('Gardenia Philippines')

The bakery operations in the Philippines under Gardenia Philippines achieved a record year with sales at Php.2 billion, a 24% growth over that of 2007. Profitability remained good even though the company was affected by significant cost increases in flour, other raw materials and fuel in 2008.

Gardenia Philippines continues to dominate the loaf bread market in Metro Manila with an estimated market share of more than 60%. In particular, the company has a dominant share of the total white bread products that are sold in supermarkets.

Successful launches of new products were made during the year. The Gardenia line of snack products was expanded by the launch of the Gardenia Muffins which are made with premium ingredients such as chocolate chips from Belgium and frozen berries from Switzerland. The Gardenia Muffins come in 2 flavours – chocolate and blueberry. Another new product line is the Gardenia Mini Wonders which are convenient smaller versions of the most popular Gardenia breads. These Mini Wonders products cater to customers who prefer variety. The company's existing Cream Roll snack line and its crispy Buttered Toast also saw very significant growth in sales during the year. Advertising campaigns were also launched to promote the healthy attributes of the company's Gardenia Classic White Bread and Pandesal which have high Folate contents. Folate assists in the healthy regeneration of new cells and contributes to the promotion of the health of consumers.

In addition to the already established market of the Metro Manila area and its surrounding provinces, Gardenia Philippines have expanded its geographic reach to the entire Luzon island, stretching from Ilocos and Cagayan in the north to Sorsogon in the south. The company has also penetrated the markets in the Western Visayas provinces and uses Roll-On-Roll-Off ferry vessels to bring freshly baked Gardenia products to the provinces of Panay and Negros.

With superior standards of production and continuous commitment towards the maintenance of high quality in all its products, Gardenia Philippines retained its ISO 9001:2000 Certification for product quality and its HACCP Certification for food safety with Certification International. The company has also been named the "Outstanding Bread Manufacturer" by the Consumer Union of the Philippines for the fifth straight year.

Due to the rapidly increased demand from its customers, Gardenia Philippines' existing 3 bread and 1 snack cake production lines are now operating at full capacities. The company is currently installing a new fully automated 6,000 loaves per hour bread line which is expected to be operational by the latter half of 2009.

The high growth in sales for Gardenia Philippines is expected to continue in the future.

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 has constructed a new plant in Sydney in 2008 so as to increase its production capacity as well as to upgrade its manufacturing facility to produce products which cater to an increasing customer demand for the company's high quality products. Operations are now carried out in a brand new 3,500 sq.m. building which conforms to the highest standards. Freezer storage facilities are now more than double the capacity of the original plant's. Another 900 sq.m. of built-up space are reserved for future growth and expansion. Despite disruptions to production caused by the relocation to its new facility, Bakers Maison has achieved an encouraging increase of its sales.

Bakers Maison works closely with its customers in developing and launching new products. Several products were successfully launched in 2008 and they include Square Seeded Bread Rolls, Apple Turnover and Aussies Bites, products meant for the café market. The Soft Bread Roll was developed for the airline industry. Five variants of new Christmas products were also launched in 2008 and were well received by the market. A trading relationship with Gloria Jeans Coffee, a franchise with a national network of over 400 coffee shops, has been started and the company expects more products to be introduced to this chain this year. Bakers Maison has also entered into contract manufacturing arrangements with 2 large bread manufacturers to produce products under their own brands. The company has maintained its close relationship with NAFDA, a major alliance of food distributors in Australia, and produces some products exclusively for them.

The company is currently developing a number of new products for planned launches in 2009. As part of its on going efforts to further develop its capabilities, Bakers Maison will be focusing its attention on further upgrading its quality control capabilities as well as in implementing more automation in its production process so as to improve efficiency.

Primary production

AUSTRALIA

QAF Meats

QAF Meats is a fully integrated operation in Australia which is involved in stockfeed milling, breeding and farm operations, abattoir (slaughterhouse) operations, deboning, meat cutting as well as distribution. It is the largest producer of pigs and pork meat in Australia and the region. In 2008, QAF Meats produced and sold close to 750,000 heads or about 59,000 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 carcasses 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 in 2008 were negatively affected by a severe drought in Australia which resulted in a shortage of grain due to a poor harvest. This led to extremely high feed costs. Furthermore, world prices of grain rose to unprecedented levels in 2008. Selling prices for the good part of 2008 have been depressed by the high levels of imported frozen meat entering Australia.

The company took steps to reconfigure its business through a comprehensive and thorough cost reduction programme. The latter includes a significant reduction of animal numbers as well as a reduction of production overhead and expenses.

QAF Meats has also successfully repositioned itself as a leading producer and distributor of high value fresh meat which differentiates it from other producers who produce and supply frozen meat to manufacturers and wholesalers. This allows the company to avoid competing with frozen meat imports which can periodically be very low priced due to the effects of "dumping". QAF Meats is now the single largest supplier of fresh meat to a major supermarket chain in Australia and the products are supplied in vacuum packed cuts including case ready products. The company has also achieved new milestones in producing and selling its own fresh moisture infused meat products under its own brands such as High Country (for the food service industry), Murray Valley (for sale in butcheries) and Family Chef (a brand for sale to other independent supermarkets). These company owned moisture infused brands have given QAF Meats the ability not just to tap into new and growing markets but also allow the company to enjoy relatively stable sales and better margins.

2008 was also an eventful year as the company has established itself as a dominant Australian exporter of meat products into Singapore, New Zealand and other export markets.

Grain and feed costs have fallen in 2009 as compared to 2008. As a result, production costs have fallen. Selling prices have also improved. As such, management is expecting an improvement in the operational performance of QAF Meats in 2009 when compared to that of 2008.

Trading & logistics

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

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

The company has also successfully developed its own proprietary brands such as Cowhead (milk and dairy products), Farmland (processed meat and foodstuff), Haton (seafood products), Orchard Fresh (juices) and Spices of the Orient (sauces). 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.

2008 was a year where product and operating costs escalated to high levels. The market was also affected by the onset of recessionary conditions during the latter half of the year. Despite these challenging conditions, Ben Foods achieved a record performance in terms of sales and profitability.

The company's long term strategy in developing and growing its proprietary branded products, both for the domestic and export markets, have greatly improved the quality of its business as it allows Ben Foods to have control over its profit margins and enjoy stable growth. During the year, several new products under Ben Foods' proprietary brands were successfully launched. New wet sauces such as fish sauce, curry laksa and sambal tumis sauce were launched under the Spices of the Orient brand. These products were well received by the market. As the consumer market is increasingly moving towards health oriented products, the Cowhead Crunchy Muesli breakfast cereal was launched to complement the company's healthy Cowhead Organic Rolled Oats. The Haton Prawn Cracker, which is oven baked and is preservative and cholesterol free, was also launched successfully.

The company's long term strategy in developing and growing its proprietary branded products, both for the domestic and export markets, have greatly improved the quality of its business as it allows Ben Foods to have control over its profit margins and enjoy stable growth.

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, airconditioned, chillers to freezer rooms. 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 was awarded the HACCP certificate in October 2008 and this award has resulted in increased customer confidence in the facilities and operating systems of NCS. The latter's image has also been enhanced by this award. NCS has also completed a refurbishment programme and this has resulted in improved occupancy rates.

NCS faced intense competition in 2008 from a slew of cold stores which were recently opened in its vicinity. Operating costs, especially electricity and power costs, also escalated during the year. Fortunately, these costs are beginning to fall and the company's performance is set to improve in 2009.

Others

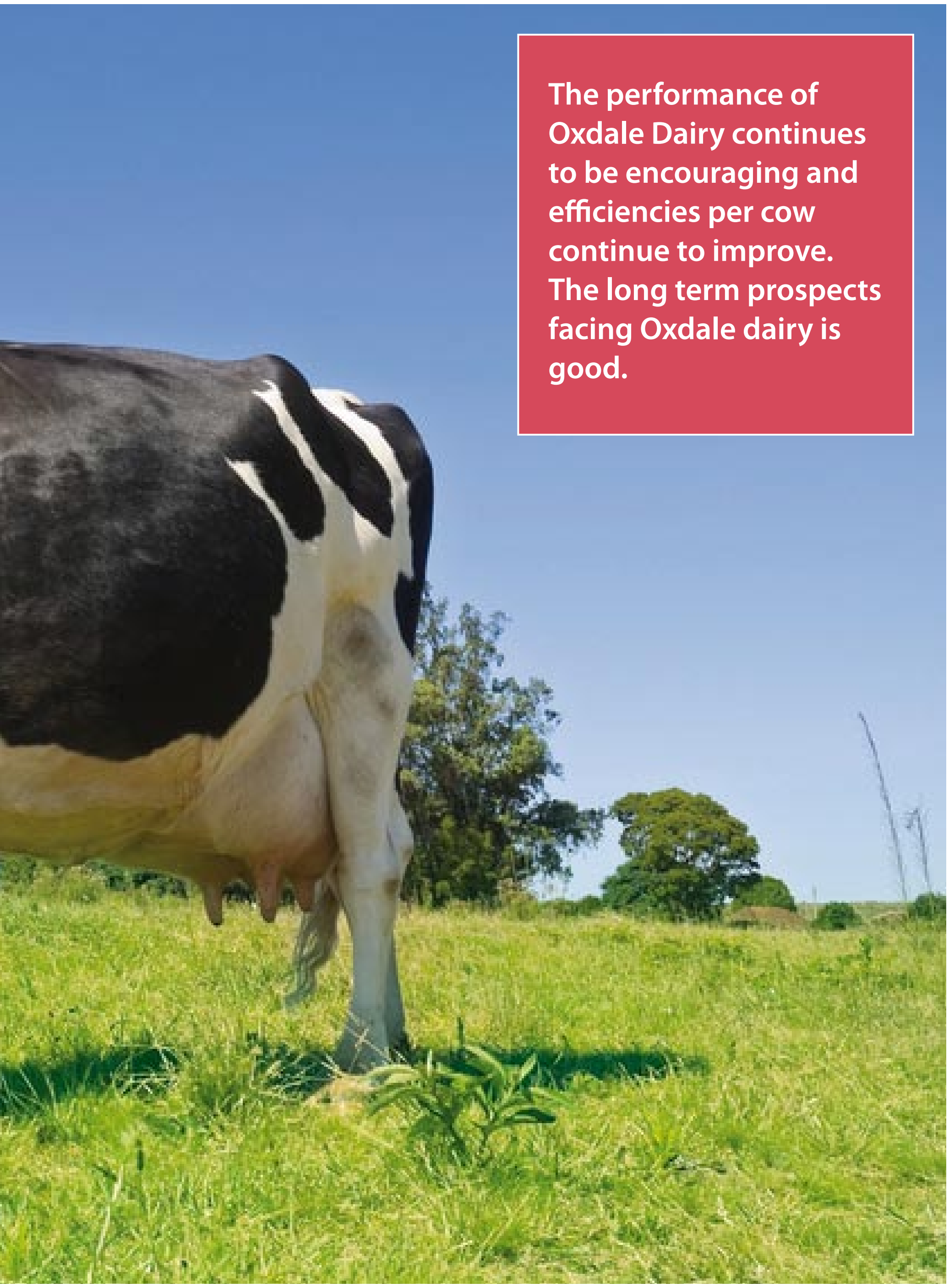
AUSTRALIA

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 dairies (a 42 stand and a 50 stand), irrigation equipment infrastructure, laneways, barns and extensive fences. Todate, the total number of cattle is more than 1,700 and the predominant breeds are Holstein, Holstein Jersey Cross and Brown Swiss.

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 Oxdale Dairy farms have unique advantages as they have access to water resources within its properties. While surface water can be constrained due to the onset of drought, the availability of underground water from both shallow and deep water aquifers place the Oxdale Dairy farms in an advantageous position.



The performance of Oxdale Dairy continues to be encouraging and efficiencies per cow continue to improve. The long term prospects facing Oxdale dairy is good.

CHINA

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

This associate company produces apple juice concentrate products. 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 apple fruits are sourced mainly from external third party farmers and contract growers.

Products are mainly exported to the major markets of the United States, the European Union, Russia and Australia.

Our brands

Gardenia®
So good... you can even eat it on its own!

Bonjour
Simply Delicious

Bakers Maison

Challenge Australian Dairy
Capel Cut
100% Western Australian
Capel Dairy Est. 1920

Cowhead

capelcrest

Capel Valley
- 100% Western Australian -

Capel Butter
- 100% Western Australian -

Capel Choice
100% Western Australian

Capel Supreme

High Country

FamilyChef
Juicy. Tasty. Easy.
Easy to cook!

farmland®

Black Diamond

riverview farms™

Murray Valley

HATON 哈多

Spices of the Orient™

Orchard Fresh

Auntie Rosie's

Nutrimax
Balanced grain additives

Proven formula Super Performance
Veanavite

Corporate Governance Report

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 summarized as follows:-

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended
Didi Dawis	4	4	NA	NA	1	1	1	1
Andree Halim	4	4	NA	NA	NA	NA	NA	NA
Tan Kong King	4	4	NA	NA	1	1	NA	NA
Phua Bah Lee	4	4	4	4	1	1	1	1
Tarn Teh Chuen	4	4	NA	NA	NA	NA	NA	NA
Derek Cheong Kheng Beng	4	4	NA	NA	NA	NA	NA	NA
Kelvin Chia Hoo Khun	4	2	4	2	NA	NA	1	1
Tan Hin Huat	4	4	4	4	NA	NA	NA	NA
Daniel Halim	4	4	NA	NA	NA	NA	NA	NA

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.

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

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

Principle 2 : Board Composition and Balance

The Board comprises 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 and Mr Daniel Halim are both considered as non-independent Directors in view of them having controlling stakes in the share capital of the Company. Mr Daniel Halim is the son 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 performs his duties as a non-executive director of the Company.

Corporate Governance Report

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 Nominating 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 Director who may have an interest in the outcome of the Board decisions is required to abstain from participation in the approval process.

The Board believes that the remuneration programme for the key executives of the Group (other than the executive Directors) is best set and determined by the Management. The Board noted that it is the Group's policy to set a level of remuneration that is appropriate to attract, retain and motivate all competent and loyal key executives. Their remuneration generally 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.

Corporate Governance Report

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

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.

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 2008:-

(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	80%	18%	2%	100%
$250,000 to below $500,000				
Tarn Teh Chuen	80%	18%	2%	100%
Derek Cheong Kheng Beng	82%	15%	3%	100%

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

Principle 9 : Disclosure on Remuneration (Cont'd)

(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 Chairman of the 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 given the sensitive and confidential nature of employees' remuneration, detailed disclosure on the top five executives is not in the best interests of the Company and the Group. Such disclosure is likely to disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the employees of the Group.

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.

Corporate Governance Report

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

Since 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.

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

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

Principle 14 : Communication with Shareholders

Principle 15 : Greater Participation by Shareholders

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

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

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

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

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

Dealings in Securities

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

Supplementary Information

required by the Listing Manual

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

Siew Teck Woh, aged 67, 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 Private 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 Colombo 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 56, 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 35 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 57, 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 56, 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 59, 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 33 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 in Social Science (Hons) from the University of Singapore.

Supplementary Information
required by the Listing Manual

Peter Giddy, aged 47, 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 Honours degree in Science from the University of Melbourne as well as post graduate degree in Business Management.

Derrick Lum Weng Piu, aged 47, 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 23 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 27 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 360,000 pigs. In addition, the Group operates 2 dairy farms at Cobram, Victoria, Australia with about 1,700 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 27 Contract Grower farms are well spaced out across the two Australian states. Within each farm, large tracts of buffer land are also maintained which surrounds the production units and this minimises the probability of contamination from spreading between the different herds.

2. **Regulatory Sanctions**

   (a) Meat Industry

   QAF Meats 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.

Supplementary Information

required by the Listing Manual

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

2. Regulatory Sanctions (Cont'd)

(a) Meat Industry (Cont'd)

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

(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.

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.

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

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 as well as world wide market prices 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.

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.

Supplementary Information
required by the Listing Manual

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

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.

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 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 2008

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 100% equity interest in Fujian Dongjia Feeds Co Ltd (a wholly-owned subsidiary of the Company) at the sale price of Renminbi 15 million (equivalent to approximately S\$3.3 million) to Fujian Century-Yinfu Oil Co Ltd, a company incorporated in the People's Republic of China of which Mr Daniel Halim has an interest in 50% of its share capital.	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 135 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 FY2008 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 sheet of the Company for the financial year ended 31 December 2008.

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	

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	At end of the year	At beginning of the year	At end of the year
Number of shares in QAF Limited				
Didi Dawis	–	–	45,820,712	45,820,712
Phua Bah Lee	–	–	25,000	25,000
Tan Kong King	1,375,000	1,375,000	–	–
Andree Halim	17,661,000	17,661,000	254,830,940	254,830,940
Tarn Teh Chuen	537,500	537,500	–	–
Daniel Halim	–	–	84,943,647	169,887,294
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	980,000	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 2009.

Directors' Report

Directors of the Company (Cont'd)

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

Since the end of the previous financial year, no director of the Company has received or has become entitled to receive benefits under contracts (other than a benefit included in the aggregate amount 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, there were no exercise of options by employees and directors of the Group. Unissued ordinary shares under options as at 31 December 2008 comprise :

QAF Limited Share Option Scheme 2000	For ordinary shares in the Company	Exercise price per share	Exercise period
Year 2000	1,826,000	$0.630	26 May 2001 to 25 May 2010
Year 2001	555,000	$0.430	20 April 2002 to 19 April 2011
Year 2002	2,113,000	$0.555	6 April 2003 to 5 April 2012
Year 2004	3,160,000	$0.523	14 May 2005 to 13 May 2014
Year 2005	2,890,000	$0.513	18 August 2006 to 17 August 2015
Year 2006	3,865,000	$0.565	19 May 2007 to 18 May 2016
	14,409,000		

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.

Directors' Report

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, there were no exercise by warrant holders. As at 31 December 2008, 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

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board,

Andree Halim
Director

Tan Kong King
Director

Singapore
31 March 2009

Statement by Directors
Pursuant to Section 201(15)

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

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity, and consolidated statement of cash flows 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 2008 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 2009

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 (collectively the "Group") set out on pages 51 to 130, which comprise the balance sheets of the Group and the Company as at 31 December 2008, the statements of changes in equity, the income statement and statement of cash flows 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 account and balance sheet and to maintain accountability of assets; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The balance sheet of the Group as at 31 December 2008 includes receivables of $32,646,000 (net of allowance for doubtful debts of $6,298,000) due from the Group's associated company, Shaanxi Hengxing Fruit Juice Co. Ltd ("Shaanxi Hengxing") and the balance sheet of the Company as at 31 December 2008 includes receivables of $19,676,000 (net of allowance for doubtful debts of $6,298,000) due from a subsidiary company to the Company in connection with the advances provided to Shaanxi Hengxing.

We refer to Notes 14 and 21 to the accompanying financial statements. Based on the information provided to us, we are unable to determine Shaanxi Hengxing's ability to continue as a going concern and perform the necessary audit procedures to satisfy ourselves on the ability of Shaanxi Hengxing to repay these receivables. Consequently, we are unable to assess the appropriateness of the impairment charge recognised by the Group and the Company, and the carrying values and the recoverability of the remaining balances of $32,646,000 in the balance sheet of the Group, and $19,676,000 in the balance sheet of the Company, as at 31 December 2008.

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 2008 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 LLP
Public Accountants and Certified Public Accountants

Singapore
31 March 2009

Consolidated Income Statement

for the year ended 31 December 2008
(In Singapore dollars)

	Note	2008 $'000	2007 $'000
Revenue	3	840,069	1,076,921
Costs and expenses			
Costs of materials		517,784	655,406
Staff costs	4	157,500	171,819
Amortisation and depreciation	5	27,211	35,549
Repairs and maintenance		23,167	24,454
Distribution and transportation expenses		15,421	50,485
Other operating expenses		89,262	81,221
Total costs and expenses		(830,345)	(1,018,934)
Profit from operating activities	6	9,724	57,987
Finance costs	7	(9,608)	(26,457)
Exceptional items	8	4,135	(2,189)
Share of (losses)/profits of associated and joint venture companies		(29,272)	445
(Loss)/profit before taxation		(25,021)	29,786
Taxation	9	(4,162)	(15,671)
(Loss)/profit after taxation		(29,183)	14,115
Attributable to :			
Shareholders of the Company		(35,234)	4,554
Minority interests		6,051	9,561
		(29,183)	14,115
(Loss)/earnings per ordinary share:	10		
– Basic		(7.8) cents	1.0 cents
– Diluted		(7.8) cents	1.0 cents

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

Balance Sheets

as at 31 December 2008
(In Singapore dollars)

	Note	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
ASSETS					
Current assets					
Biological assets	11	45,152	66,118	–	–
Inventories	12	70,106	314,328	–	–
Trade receivables	13	78,603	162,817	–	–
Other receivables	14	45,809	55,502	85,460	155,083
Tax recoverable		367	528	–	–
Short-term investments	15	218	144	–	–
Cash and deposits	16	48,255	55,581	11,345	2,630
		288,510	655,018	96,805	157,713
Assets classified as held for sale	17(e)	7,596	4,170	–	–
		296,106	659,188	96,805	157,713
Non-current assets					
Property, plant and equipment	17	207,050	353,205	2,454	2,599
Investment properties	18	20,801	21,812	–	–
Subsidiary companies	19	–	–	107,948	113,040
Advances to subsidiary companies	20	–	–	115,143	41,175
Associated companies	21	381	214	–	–
Advances to associated companies	22	3,366	2,175	–	–
Joint venture company	23	3,223	4,299	–	–
Advances to joint venture company	24	553	576	–	–
Pension assets	25	–	2,643	–	–
Long-term investments	26	–	2,998	–	–
Intangibles	27	861	1,188	3,172	3,466
Non-current biological assets	11	–	7,114	–	–
Deferred tax assets	28	1,337	996	–	–
		237,572	397,220	228,717	160,280
Total assets		533,678	1,056,408	325,522	317,993

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

Balance Sheets

as at 31 December 2008
(In Singapore dollars)

	Note	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
LIABILITIES					
Current liabilities					
Trade payables	29	68,269	125,139	147	12
Other payables	30	49,381	94,550	14,499	14,151
Short-term borrowings	31	96,386	365,492	50,368	19,865
Long-term loans and finance leases – current portion	32	24,417	34,245	19,000	23,256
Provision for taxation		4,303	3,077	518	323
		242,756	622,503	84,532	57,607
Non-current liabilities					
Other payables	30	8,952	11,576	–	–
Pension liabilities	25	4,206	–	–	–
Long-term loans and finance leases	32	36,230	65,166	30,000	49,000
Deferred tax liabilities	28	8,732	15,693	440	440
		58,120	92,435	30,440	49,440
Total liabilities		300,876	714,938	114,972	107,047
Net assets		232,802	341,470	210,550	210,946
CAPITAL AND RESERVES					
Share capital	33	195,123	195,123	195,123	195,123
Reserves	34	11,231	95,846	15,427	15,823
Interest of shareholders of the Company		206,354	290,969	210,550	210,946
Minority interests		26,448	50,501	–	–
Total equity		232,802	341,470	210,550	210,946

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 2008
(In Singapore dollars)

	Attributable to shareholders of the Company								
	Share capital $'000	Revaluation reserve $'000	Capital reserve $'000	Hedging reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Total $'000	Minority interests $'000	Total equity $'000
Balance at 1 January 2008	195,123	2,263	19,108	–	67,452	7,023	290,969	50,501	341,470
Transfer between reserves	–	(49)	–	–	49	–	–	–	–
Exchange differences arising on consolidation	–	–	–	–	–	(35,270)	(35,270)	(2,762)	(38,032)
Actuarial loss on defined benefit plans, net of tax	–	–	–	–	(4,383)	–	(4,383)	–	(4,383)
Net fair value changes on cash flow hedges	–	–	–	(755)	–	–	(755)	–	(755)
Net loss recognised directly in equity	–	(49)	–	(755)	(4,334)	(35,270)	(40,408)	(2,762)	(43,170)
Net (loss)/profit for the financial year	–	–	–	–	(35,234)	–	(35,234)	6,051	(29,183)
Total recognised income and expenses for the year	–	(49)	–	(755)	(39,568)	(35,270)	(75,642)	3,289	(72,353)
Effect of changes in group structure	–	–	(103)	–	–	149	46	(23,719)	(23,673)
Dividends (Note 35)	–	–	–	–	(9,019)	–	(9,019)	(3,623)	(12,642)
Balance at 31 December 2008	195,123	2,214	19,005	(755)	18,865	(28,098)	206,354	26,448	232,802

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 2008
(In Singapore dollars)

	Attributable to shareholders of the Company							
	Share capital $'000	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 Cash Flows

for the year ended 31 December 2008

(In Singapore dollars)

	2008 $'000	2007 $'000
Cash flows from operating activities :		
(Loss)/profit before taxation	(25,021)	29,786
Adjustments for :		
Amortisation and depreciation	27,211	35,549
Gain on disposal of property, plant and equipment and investment properties	(1,367)	(349)
Share of losses/(profits) of associated and joint venture companies	29,272	(445)
Gain on disposal of long-term investments	–	(174)
Fair value changes on derivative financial instruments	1,546	33
Interest expense	9,608	26,457
Dividend and interest income	(5,318)	(1,978)
Impairment on property, plant and equipment	–	503
Gain on disposal of subsidiary companies	(2,378)	–
Share options granted to employees and directors	–	302
Impairment on long-term investments	1,558	1,839
(Gain)/loss on dilution of interest in subsidiary companies	(3,315)	350
Exchange differences	(13,642)	(5,029)
Operating profit before working capital changes	18,154	86,844
Decrease/(increase) in receivables	62,028	(55,287)
Decrease/(increase) in inventories and biological assets	27,719	(143,708)
Increase in payables	7,419	89,745
Cash from/(used in) operations	115,320	(22,406)
Interest paid	(10,757)	(26,838)
Interest received	5,286	1,922
Income tax paid	(6,955)	(6,974)
Net cash from/(used in) operating activities	102,894	(54,296)
Cash flows from investing activities :		
Purchase of property, plant and equipment and investment properties	(40,410)	(53,045)
Proceeds from disposal of property, plant and equipment and investment properties	3,159	3,033
(Purchase)/disposal of investments	(59)	6,302
Dividends received from investments	32	56
Increase in advances to associated and joint venture companies	(1,168)	(98)
Net proceeds from disposal of subsidiary companies (Note A)	3,186	–
Dividends received from associated companies	–	718
Purchase of intangibles	–	(97)
Net cash outflow from dilution of interest in subsidiary company (Note B)	(3,560)	(844)
Minority shareholders' share of share capital of a newly incorporated subsidiary company	–	300
Net cash used in investing activities	(38,820)	(43,675)
Cash flows from financing activities :		
Dividends paid during the year	(9,019)	(7,396)
Dividends paid to minority shareholders of subsidiary companies	(3,623)	(4,869)
(Repayment of)/proceeds from short-term borrowings	(21,069)	137,005
Repayment of long-term borrowings	(33,331)	(28,069)
Proceeds from issuance of share capital	–	660
Net cash (used in)/provided by financing activities	(67,042)	97,331

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 2008
(In Singapore dollars)

	2008 $'000	2007 $'000
Net decrease in cash and cash equivalents	(2,968)	(640)
Cash and cash equivalents at beginning of year (Note 36)	52,072	52,241
Effect of exchange rate changes on cash and cash equivalents	(4,654)	471
Cash and cash equivalents at end of year (Note 36)	44,450	52,072

Note A – Analysis of disposal of subsidiary companies

	2008 $'000
Property, plant and equipment	5,029
Receivables	163
Cash and cash equivalents	132
Payables	(4,490)
Net assets disposed	834
Gain on disposal	2,378
Release of reserves upon disposal of subsidiary companies	106
Consideration	3,318
Cash and cash equivalents disposed	(132)
Net cash inflow on disposal of subsidiary companies	3,186

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

	2008 $'000
Property, plant and equipment	115,673
Long-term investments	1,225
Inventories and biological assets	244,583
Receivables	25,418
Short-term investments	144
Payables	(105,866)
Borrowings	(242,135)
Cash and cash equivalents	8,957
Minority share of net assets of subsidiary company	(23,719)
Net assets deconsolidated	24,280
Gain on dilution	3,315
Release of reserves upon dilution of interest in a subsidiary company	(60)
Reclassification to Associated companies	(22,138)
Consideration	5,397
Cash and cash equivalents deconsolidated	(8,957)
Net cash outflow on dilution of interest in a subsidiary company	(3,560)

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

1. General

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.

2. Summary of significant accounting policies

2.1 Basis of preparation

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.

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 Future changes in accounting policies

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 1	Presentation of Financial Statements – Revised presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 23	Borrowing Costs	1 January 2009
FRS 27	Consolidated and Separate Financial Statements – Amendments Relating to Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate	1 January 2009
FRS 32	Financial Instruments: Presentation – Amendments relating to Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
FRS 39	Financial Instruments: Recognition and Measurement – Amendments relating to Eligible Hedged Items	1 July 2009

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

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

2.2 Future changes in accounting policies (Cont'd)

Reference	Description	Effective for annual periods beginning on or after
FRS 101	First-time Adoption of Financial Reporting Standards – Amendments Relating to Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate	1 January 2009
FRS 102	Share-based payment – Vesting conditions and cancellations	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 113	Customer Loyalty Programmes	1 July 2008
INT FRS 116	Hedges of a Net Investment in a Foreign Operation	1 October 2008
INT FRS 117	Distributions of Non-cash Assets to Owners	1 July 2009

The Group expects that the adoption of the above pronouncements will not have a significant impact on the financial statements in the period of initial application, except for FRS 1 and FRS 108 as indicated below.

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements. The Group is currently evaluating the format to adopt.

FRS 108 Operating Segments

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 and results of the Group when implemented in 2009.

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. Summary of significant accounting policies (Cont'd)

2.4 Foreign currencies

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 for the year. 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.

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 revaluation reserve in respect of an asset is transferred directly to revenue reserve 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.

Notes to the Financial Statements

– 31 December 2008
(In Singapore dollars)

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

2.6 Investment properties (Cont'd)

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 1/3
Freehold buildings	–	2 – 2 1/2
Leasehold properties	–	2 – 6
Leasehold improvements	–	2 – 20
Plant and machinery	–	5 – 33 1/3
Furniture, fittings and office equipment	–	7 1/2 – 40
Motor vehicles	–	10 – 33 1/3

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.

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

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.

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.

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.

Notes to the Financial Statements

– 31 December 2008

(In Singapore dollars)

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

2.11 Financial assets (Cont'd)

(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.

2.12 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.

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

2.12 Intangibles (Cont'd)

(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

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.

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

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. Summary of significant accounting policies (Cont'd)

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.

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.

Notes to the Financial Statements

– 31 December 2008
(In Singapore dollars)

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

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.

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

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.

2.24 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.

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

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

2.24 Income taxes (Cont'd)

Deferred tax (Cont'd)

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.

2.26 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.

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

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.

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

2.29 Impairment of financial assets (Cont'd)

(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.

2.30 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to the income statement over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in the income statement over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Grants related to income may be presented as a credit in the income statement. Alternatively, they are deducted in reporting the related expenses.

2.31 Hedge accounting

The Group applies hedge accounting for certain hedging relationships which qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects the income statement, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

Notes to the Financial Statements

– 31 December 2008

(In Singapore dollars)

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

2.31 Hedge accounting (Cont'd)

Cash flow hedges (Cont'd)

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

2.32 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 determine 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 2008 was $3,172,000 (2007 : $3,466,000) and $861,000 (2007: $1,188,000) respectively. More details are given in Note 27.

(ii) Impairment of non-financial assets

The Company and Group assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets, other than intangibles are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) 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 2008 was $518,000 (2007 : $323,000) and $4,303,000 (2007: $3,077,000) respectively. The carrying amount of the Company's and Group's net deferred tax liabilities as at 31 December 2008 was $440,000 (2007 : $440,000) and $7,395,000 (2007 : $14,697,000) respectively.

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

2.32 Significant accounting estimates and judgements (Cont'd)

(iv) Depreciation of property, plant and equipment and investment properties

The cost of property, plant and equipment and investment properties 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 2008 was $2,454,000 (2007: $2,599,000) and $207,050,000 (2007: $353,205,000). The carrying amount of the Group's investment properties as at 31 December 2008 was $20,801,000 (2007: $21,812,000). 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.

(v) Pension assets/liabilities

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 or financial asset 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	
	2008	2007
	$'000	$'000
Sale of goods	820,320	1,062,388
Rental income from storage and warehousing facilities	4,898	4,977
Interest income from:		
– Fixed deposits with financial institutions	810	903
– Advances to associated and joint venture companies	234	275
– Receivables from associated company	3,465	–
– Others	777	744
Gross dividends from investments	32	56
Gain on disposal of property, plant and equipment and investment properties	1,367	349
Gain on disposal of long-term investments	–	174
Miscellaneous	8,166	7,055
	840,069	1,076,921

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

4. Staff costs

	Group	
	2008	**2007**
	$'000	**$'000**
Staff costs (including Executive Directors) :		
– salaries, wages and other related costs	145,144	158,299
– CPF and contributions to other plans	7,428	7,043
– superannuation contributions	4,928	6,175
– share options granted to employees and directors	–	302
	157,500	171,819

5. Amortisation and depreciation

	Group	
	2008	**2007**
	$'000	**$'000**
Amortisation of intangibles (Note 27)	138	102
Depreciation of property, plant and equipment (Note 17)	25,660	34,049
Depreciation of investment properties (Note 18)	1,413	1,398
	27,211	35,549

6. Profit from operating activities

	Group 2008 $'000	Group 2007 $'000
Profit from operating activities is stated after charging/(crediting) :		
Professional fees for non-audit services rendered by other auditors	46	46
Fees and remuneration for the directors of the Company :		
– fees and remuneration	2,725	2,702
– contribution to the Central Provident Fund	25	23
– share options granted to directors	–	56
Research and development cost	9,987	9,063
Government grants	(17,707)	–
Decrease/(increase) in the fair value less estimated point-of-sale costs of livestock, net (Note 11)	8,197	(4,447)
Impairment on property, plant and equipment	–	503
Foreign exchange loss/(gain)	14,445	(8,342)
Operating lease rental expense	7,160	8,646
Allowance for inventory obsolescence charged/(written-back)	589	(1,300)
Allowance for doubtful debts charged/(written-back) and debts written-off/(written-back)	394	(186)
Fair value changes on derivative financial instruments	1,546	33
Restructuring costs :		
– redundancy costs	3,238	4,457
– other related costs	307	633
Rental income from investment properties	(4,635)	(4,642)
Direct operating expenses arising from investment properties that generate rental income	4,379	4,401

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

7. Finance costs

	Group	
	2008	**2007**
	$'000	**$'000**
Interest expense on bank loans and finance leases	9,608	26,457

8. Exceptional items

	Group	
	2008	**2007**
	$'000	**$'000**
Impairment charge on long-term investments (Note 26)	(1,558)	(1,839)
Gain/(loss) on dilution of interest in subsidiary companies	3,315	(350)
Gain on disposal of subsidiary companies	2,378	–
	4,135	(2,189)

9. Taxation

	Group	
	2008	**2007**
	$'000	**$'000**
Income tax expense/(credit) on the (loss)/profit for the year :		
– current tax	8,900	6,236
– deferred tax	(3,402)	189
	5,498	6,425
(Over)/under provision in respect of prior years :		
– current tax	(460)	48
– deferred tax	(876)	(267)
	(1,336)	(219)
Impairment of deferred tax assets (Note 28)	–	9,465
Tax expense	4,162	15,671

9. Taxation (Cont'd)

The income tax expense on the results of the Group differ from the amount of tax determined by applying the Singapore statutory tax rate of 18% (2007 : 18%) to the (loss)/profit before taxation due to the following factors :

	Group	
	2008 $'000	2007 $'000
(Loss)/profit before taxation	(25,021)	29,786
Tax (credit)/expense at statutory tax rate of 18% (2007 : 18%)	(4,504)	5,361
Adjustments :		
Income not subject to tax	(1,213)	(3,722)
Expenses not deductible for tax purposes	8,691	2,180
Tax reliefs, rebates and incentives	(4,245)	(1,319)
Utilisation of tax benefits not recognised in previous years	(183)	(1,611)
Tax benefits not recognised in current year	7,286	4,433
Difference in effective tax rates in other countries	(869)	1,235
(Over)/under provision in respect of prior years	(1,336)	272
Effect of change in statutory tax rate	–	(491)
Impairment of deferred tax assets	–	9,465
Capital gains tax on disposal/dilution of subsidiary companies	582	–
Others	(47)	(132)
Tax expense	4,162	15,671

The Group has unutilised tax losses and capital allowances of approximately $99,856,000 (2007 : $100,854,000) and $442,000 (2007 : $708,000) 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. (Loss)/earnings per ordinary share ("EPS")

The calculation of (loss)/earnings per ordinary share is based on the following figures :

	Group	
	2008 $'000	2007 $'000
Group's (loss)/earnings used for the calculation of EPS :		
(Loss)/profit for the financial year attributable to shareholders	(35,234)	4,554

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

10. (Loss)/earnings per ordinary share ("EPS") (Cont'd)

	Group 2008 '000	Group 2007 '000
Number of shares used for the calculation of :		
(i) ***Basic EPS***		
Weighted average number of ordinary shares in issue	450,974	450,523
(ii) ***Diluted EPS***		
Weighted average number of ordinary shares in issue	450,974	450,523
Share options	–	86
Warrants 2009	–	1,404
Adjusted weighted average number of ordinary shares	450,974	452,013

Basic earnings per share is calculated on the Group's (loss)/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 2008 $'000	Group 2007 $'000
Current		
Livestock		
– at fair value	23,999	33,331
– at cost	21,153	32,651
	45,152	65,982
Saplings		
– at cost	–	136
	45,152	66,118
Non-Current		
Saplings		
– at cost	–	7,114

11. Biological assets (Cont'd)

(a) Livestock

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

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

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

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

	Group	
	2008	2007
Physical quantity of pigs :		
– Number of progeny	309,338	424,822
– Number of breeders	50,976	50,224
	360,314	475,046

	Group	
	2008 $'000	2007 $'000
Reconciliation of changes in the carrying amount :		
Balance at 1 January	65,982	64,766
Currency realignment	(12,633)	2,046
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	(15,678)	(1,050)
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	7,481	5,497
Balance at 31 December	45,152	65,982

(b) Saplings

In 2007, the Group's saplings were located in the People's Republic of China. The Group had measured saplings at cost as there was 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	7,250	6,007
Currency realignment	–	15
Additions	–	1,228
Dilution of interest in a subsidiary company	(7,250)	–
Balance at 31 December	–	7,250

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

12. Inventories

	Group 2008 $'000	Group 2007 $'000
Raw materials	32,007	56,997
Finished goods	23,121	124,452
Spare parts and consumables	11,935	12,320
Work-in-progress	–	99,403
Goods-in-transit	3,043	21,156
Total inventories at lower of cost and net realisable value	70,106	314,328

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

First-in-first-out	19,183	18,085
Weighted average	50,923	296,243
	70,106	314,328
Inventories are stated after deducting allowance for obsolescence of	1,560	967

Raw materials of the Group as at 31 December 2008 amounting to $13,001,000 (2007 : $29,892,000) 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.

13. Trade receivables

	Group 2008 $'000	Group 2007 $'000
Trade debtors		
– third parties	77,015	163,657
– joint venture company	3,280	3,847
	80,295	167,504
Less : Allowance for doubtful debts – third parties	(1,692)	(4,687)
	78,603	162,817

Trade receivables amounting to $1,550,000 (2007 : $26,349,000) as at 31 December 2008 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 2008 includes an amount of $11,944,000 (2007 : $46,068,000) which have been factored to banks with recourse to the Group as at the balance sheet date. The corresponding cash received amounting to $10,749,000 (2007 : $32,419,000) as at 31 December 2008 is recorded as bank borrowings.

13. Trade receivables (Cont'd)

	Group 2008 $'000	Group 2007 $'000
An aging analysis of receivables that are past due but not impaired :		
Lesser than 3 months	13,633	30,007
3 months to 6 months	2,162	286
6 months to 12 months	129	858
More than 12 months	476	818
	16,400	31,969
Receivables that are impaired :		
Gross amount	2,114	4,828
Less : Allowance for doubtful debts	(1,692)	(4,687)
	422	141

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.

	Group 2008 $'000	Group 2007 $'000
Movements in the allowance for doubtful debts :		
At 1 January	4,687	12,391
Charge/(written-back) for the year	366	(567)
Written-off against allowance	(648)	(598)
Currency realignment	(36)	185
Dilution of interest in subsidiary companies	(2,677)	(6,724)
At 31 December	1,692	4,687
Trade receivables were denominated in the following currencies at the balance sheet date :		
Singapore Dollar	28,543	25,474
United States Dollar	2,307	79,097
Australian Dollar	29,438	35,118
Malaysian Ringgit	9,403	7,805
Chinese Renminbi	–	6,004
Others	8,912	9,319
	78,603	162,817

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

14. Other receivables

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Non-financial assets				
Prepayments	3,347	17,020	105	46
Financial assets				
Sundry deposits	700	756	11	10
Staff advances and loans	29	27	–	–
	729	783	11	10
Sundry debtors	8,645	37,896	140	115
Less : Allowance for doubtful debts	(101)	(238)	–	–
	8,544	37,658	140	115
Amounts due from subsidiary companies				
– interest bearing	–	–	34,937	114,966
– non-interest bearing	–	–	56,565	39,989
Less: Allowance for doubtful debts	–	–	(6,298)	(43)
	–	–	85,204	154,912
Amounts due from associated companies				
– interest bearing	38,944	–	–	–
– non-interest bearing	507	30	–	–
Less: Allowance for doubtful debts	(6,298)	–	–	–
	33,153	30	–	–
Amount due from joint venture company				
– non-interest bearing	36	11	–	–
	42,462	38,482	85,355	155,037
	45,809	55,502	85,460	155,083
Receivables that are impaired :				
Gross amount	39,045	238	25,974	43
Less : Allowance for doubtful debts	(6,399)	(238)	(6,298)	(43)
	32,646	–	19,676	–

Included in amounts due from associated companies of the Group as at 31 December 2008 is an amount totalling $32,646,000, net of allowance of $6,298,000 (see Note 21), owing by Shaanxi Hengxing Fruit Juice Co. Ltd ("Shaanxi Hengxing") to the Group. Included in amounts due from subsidiary companies in the balance sheet of the Company is the sum of $19,676,000 due from a subsidiary company to the Company in connection with the advances provided to Shaanxi Hengxing.

14. Other receivables (Cont'd)

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Movements in the allowance for doubtful debts are as follows :				
At 1 January	238	1,956	43	9,559
Transfer from associated companies (Note 21)	6,298	–	–	–
Charge/(written-back) for the year	19	369	6,298	(5,040)
Written-off against allowance	(125)	(395)	(43)	(4,476)
Currency realignment	(22)	138	–	–
Dilution of interest in subsidiary companies	(9)	(1,830)	–	–
At 31 December	6,399	238	6,298	43

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 2.68% to 7.25% (2007 : 1.92% to 8.37%) per annum and are repayable upon demand.

The non-interest bearing amounts due from associated companies and joint venture company are unsecured and repayable upon demand. The interest bearing amounts due from an associated company are unsecured, bear interest at rates ranging from 4.11% to 7.97% (2007: nil) per annum and are repayable upon demand.

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

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

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Singapore Dollar	843	812	56,263	72,593
United States Dollar	33,517	2,848	21,022	30,966
Australian Dollar	2,828	3,202	6,050	41,101
Malaysian Ringgit	4,319	1,985	36	40
Chinese Renminbi	1,570	41,603	–	–
Others	2,732	5,052	2,089	10,383
	45,809	55,502	85,460	155,083

15. Short-term investments

	Group	
	2008	2007
	$'000	$'000
Unquoted equity shares in corporations, at fair value	218	144

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

16. Cash and deposits

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Cash and bank balances (Note 36)	25,635	39,325	2,465	1,767
Fixed deposits with financial institutions (Note 36)	22,620	16,256	8,880	863
	48,255	55,581	11,345	2,630

Fixed deposits are placed for varying periods between three to thirty days and the effective interest rate on the fixed deposits approximate 4.05% (2007 : 2.88%) per annum.

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

Singapore Dollar	10,341	15,044	1,787	1,136
United States Dollar	5,249	4,921	4,567	1,166
Australian Dollar	16,512	22,952	4,318	327
Malaysian Ringgit	14,429	4,520	673	1
Chinese Renminbi	–	6,376	–	–
Others	1,724	1,768	–	–
	48,255	55,581	11,345	2,630

Notes to the Financial Statements

– 31 December 2008

(In Singapore dollars)

17. Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Leasehold properties $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group									
Cost/valuation :									
At 1.1.2007	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 assets classified as held for sale	(3,058)	(1,308)	–	–	–	–	–	–	(4,366)
At 31.12.2007 and 1.1.2008	18,821	126,130	104,933	10,991	364,424	29,873	36,691	21,797	713,660
Currency realignment	(3,286)	(25,369)	(4,266)	(703)	(39,483)	(3,590)	(3,024)	(907)	(80,628)
Additions	3,761	2,926	–	2,576	8,806	1,409	3,601	17,871	40,950
Disposals	–	(2)	(1)	(708)	(1,720)	(242)	(1,303)	–	(3,976)
Disposal of subsidiary companies	–	–	(6,841)	(241)	(804)	(72)	(40)	–	(7,998)
Dilution of interest in a subsidiary company	–	–	(40,072)	–	(91,790)	(1,738)	(3,202)	(5,392)	(142,194)
Transfers between categories	281	149	16	960	22,302	469	47	(24,224)	–
Transfer to assets classified as held for sale	(4,536)	(1,782)	–	–	–	–	–	–	(6,318)
At 31.12.2008	15,041	102,052	53,769	12,875	261,735	26,109	32,770	9,145	513,496
Accumulated depreciation and impairment loss :									
At 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 assets classified as held for sale	–	(196)	–	–	–	–	–	–	(196)
Impairment loss	–	–	–	503	–	–	–	–	503
At 31.12.2007 and 1.1.2008	–	51,121	30,669	7,112	220,548	23,681	27,324	–	360,455
Currency realignment	–	(11,264)	(1,221)	(225)	(28,944)	(2,926)	(2,286)	–	(46,866)
Charge for the year (Note 5)	–	4,046	2,132	560	14,470	1,653	2,799	–	25,660
Disposals	–	(12)	–	(708)	(953)	(168)	(1,166)	–	(3,007)
Disposal of subsidiary companies	–	–	(2,150)	(241)	(475)	(69)	(34)	–	(2,969)
Dilution of interest in a subsidiary company	–	–	(3,745)	–	(20,670)	(769)	(1,337)	–	(26,521)
Transfer to assets classified as held for sale	–	(306)	–	–	–	–	–	–	(306)
At 31.12.2008	–	43,585	25,685	6,498	183,976	21,402	25,300	–	306,446
Net book value :									
At 31.12.2008	15,041	58,467	28,084	6,377	77,759	4,707	7,470	9,145	207,050
At 31.12.2007	18,821	75,009	74,264	3,879	143,876	6,192	9,367	21,797	353,205

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

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

Analysis of cost and valuation

	Cost $'000	Assets at valuation $'000	Total $'000
At 31 December 2008			
Freehold land	15,041	–	15,041
Freehold buildings	102,052	–	102,052
Leasehold properties	40,881	12,888	53,769
Leasehold improvements	12,875	–	12,875
Plant and machinery	261,735	–	261,735
Furniture, fittings and office equipment	26,109	–	26,109
Motor vehicles	32,770	–	32,770
Construction-in-progress	9,145	–	9,145
	500,608	12,888	513,496
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

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 1.1.2007	2,817	1,016	772	4,605
Additions	–	79	5	84
Disposals	–	(47)	(8)	(55)
At 31.12.2007 and 1.1.2008	2,817	1,048	769	4,634
Additions	3	125	–	128
Disposals	–	(38)	–	(38)
At 31.12.2008	2,820	1,135	769	4,724
Accumulated depreciation :				
At 1.1.2007	497	827	502	1,826
Charge for the year	96	67	98	261
Disposals	–	(45)	(7)	(52)
At 31.12.2007 and 1.1.2008	593	849	593	2,035
Charge for the year	96	64	99	259
Disposals	–	(24)	–	(24)
At 31.12.2008	689	889	692	2,270
Net book value				
At 31.12.2008	2,131	246	77	2,454
At 31.12.2007	2,224	199	176	2,599

(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 $25,443,000 (2007 : $70,428,000).

(c) During the year, the Group acquired property, plant and equipment with an aggregate cost of $1,286,000 (2007 : $1,265,000) by means of finance leases. The net book value of property, plant and equipment held under finance leases as at 31 December 2008 was $3,736,000 (2007 : $4,144,000).

(d) At the end of the financial year, property, plant and equipment with book values of $8,773,000 (2007 : $82,965,000) were mortgaged/pledged to third parties to secure credit facilities.

(e) Certain freehold land and buildings of subsidiary companies involved in the Primary Production Segment and Others Segment, both located in Australia, with net book value amounting to $7,596,000 (2007: $4,170,000) as at 31 December 2008 have been reclassified to assets classified as held for sale. It is estimated that the sale of these assets will be completed by 2009.

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

18. Investment properties

	Group $'000
Cost :	
At 1 January 2007	42,917
Additions	501
Disposals	(127)
At 31 December 2007 and 1 January 2008	43,291
Additions	402
At 31 December 2008	43,693
Accumulated depreciation :	
At 1 January 2007	20,149
Charge for the year (Note 5)	1,398
Disposals	(68)
At 31 December 2007 and 1 January 2008	21,479
Charge for the year (Note 5)	1,413
At 31 December 2008	22,892
Net book value :	
At 31 December 2008	20,801
At 31 December 2007	21,812

The fair value of investment properties amounted to $21,066,000 (2007: $22,242,000) as at 31 December 2008. The fair value was determined based on management's assessment making references to valuation of the properties from independent external valuer and discounted cash flow generated from the property using a discount rate of 7.7% (2007: 7.7%) per annum.

19. Subsidiary companies

	Company	
	2008 $'000	2007 $'000
Cost of investment :		
Unquoted equity shares, at cost	109,648	115,240
Less : Impairment loss	(1,700)	(2,200)
	107,948	113,040

During the year, the Company wrote-off the cost of investment amounting to $500,000 against the impairment loss provided in prior year due to disposal of a subsidiary company.

Details of subsidiary companies are set out in Note 44(a).

20. Advances to subsidiary companies

	Company	
	2008	2007
	$'000	$'000
Advances to subsidiary companies	115,143	75,900
Less : Allowance for doubtful debts	–	(34,725)
	115,143	41,175
Receivables that are impaired :		
Gross amount	–	38,695
Less : Allowance for doubtful debts	–	(34,725)
	–	3,970
Movements in the allowance for doubtful debts are as follows :		
At 1 January	34,725	33,400
Charge for the year	7,258	2,704
Write-back	(532)	(1,379)
Write-off against allowance	(41,451)	–
At 31 December	–	34,725

During the financial year, the Company made an allowance for doubtful debts, amounting to $5,696,000, to fully write-off the advances from a subsidiary company in connection with the investment in Shaanxi Hengxing Fruit Juice Co. Ltd (Note 21).

The advances to subsidiary companies, which are to be settled in cash, are unsecured and interest-free except for an amount of $81,222,651 (2007 : $2,239,000) with effective interest rates ranging from 0.40% to 9.25% (2007 : 2.31%) per annum. These advances have no fixed terms of repayment and no repayments are expected within the next 12 months.

Advances to subsidiary companies were denominated in the following currencies at the balance sheet date:

Singapore Dollar	72,233	41,175
Australian Dollar	42,910	–
	115,143	41,175

21. Associated companies

	Group	
	2008	2007
	$'000	$'000
Unquoted equity shares, at cost	22,795	657
Group's share of post-acquisition accumulated profits and losses	(29,068)	8
Currency realignment	356	(451)
Transfer to other receivables (Note 14)	6,298	–
	381	214

Notes to the Financial Statements

– 31 December 2008
(In Singapore dollars)

21. Associated companies (Cont'd)

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

The increase in unquoted equity shares as at 31 December 2008 is due to the change of the Group's interest in Shaanxi Hengxing Fruit Juice Co. Ltd ("Shaanxi Hengxing") from a subsidiary company to an associated company, following the dilution of the Group's shareholding from 51.0% to 46.5% during the year as a result of the sale of 4.5% shareholding to a corporation related to a director of the Company.

A substantial portion of Shaanxi Hengxing's assets is its inventory stocks of fruit-juice concentrates. The sudden onset of the global financial crisis in 2008 has led to an unexpected sharp drop in global demand and hence selling prices of fruit-juice concentrates. In compliance with the Financial Reporting Standards, the Group wrote down the inventories of Shaanxi Hengxing as at 31 December 2008 to their realisable values based on the depressed sale prices prevailing around the end of financial year 2008. This has resulted in a net liabilities position for the balance sheet of Shaanxi Hengxing as at 31 December 2008.

Due to the net liabilities position of Shaanxi Hengxing and with the current outlook for selling prices of fruit-juice concentrates remaining unclear, the Group has recognised an allowance of $6,298,000, representing the Group's share of losses of Shaanxi Hengxing beyond the cost of investment, to reduce the amounts owing by Shaanxi Hengxing to the Group from $38,944,000 to $32,646,000 (see Note 14).

The carrying value of these receivables will be reviewed during the financial year 2009 and when there is more certainty in the global demand and the selling price of fruit-juice concentrates which will in turn have an impact on the financial position of Shaanxi Hengxing substantially.

Details of associated companies are set out in Note 44(b).

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

	Group	
	2008	2007
	$'000	$'000
Balance sheet :		
Property, plant and equipment	201,190	2,470
Other assets	212,731	610
Liabilities	(426,928)	(2,523)
	(13,007)	557

Included in the balance sheet of associated companies as at 31 December 2008 are net liabilities of $13,544,000 relating to Shaanxi Hengxing.

	Group	
	2008	2007
	$'000	$'000
Income statement :		
Revenue	196,995	2,499
Expenditure	(259,550)	(2,351)
(Loss)/profit before taxation	(62,555)	148
Taxation	(36)	(21)
(Loss)/profit after taxation	(62,591)	127

Included in the income statement of associated companies as at 31 December 2008 are loss after taxation of $62,644,000 relating to Shaanxi Hengxing.

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 8.73% (2007: 10.44%) per annum is receivable on the advances.

23. Joint venture company

	Group	
	2008	2007
	$'000	$'000
Unquoted equity shares, at cost	2,997	2,997
Acquisition costs	52	52
Group's share of post-acquisition accumulated profits and losses	235	431
Currency realignment	(61)	819
	3,223	4,299

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(c).

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

	2008	2007
Balance sheet :		
Property, plant and equipment	7,055	8,947
Other assets	1,539	2,714
Liabilities	(5,423)	(7,414)
	3,171	4,247
Income statement :		
Revenue	14,983	19,784
Expenditure	(15,274)	(19,668)
(Loss)/profit before taxation	(291)	116
Taxation	95	(35)
(Loss)/profit after taxation	(196)	81

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 11.35% (2007 : 10.00%) per annum is receivable on the advances exceeding Australian Dollars 100,000.

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

25. Pension assets/(liabilities)

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 2007 by an independent actuary and updated to 31 December 2008.

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	
	2008 $'000	2007 $'000
Benefit asset/(liability)		
Fair value of plan assets	16,656	30,080
Present value of benefit obligation	(20,862)	(27,437)
Net benefit (liability)/asset	(4,206)	2,643
Changes in the fair value of plan assets are as follows :		
At 1 January	30,080	25,961
Expected return on plan assets	1,759	1,607
Actuarial (losses)/gains	(7,300)	909
Employer contributions	528	1,027
Contributions by plan participants	1,135	1,128
Benefits paid	(2,775)	(1,240)
Taxes, premiums and expenses paid	(326)	(424)
Currency realignment	(6,445)	1,112
At 31 December	16,656	30,080

25. Pension assets/(liabilities) (Cont'd)

	Group 2008 $'000	Group 2007 $'000
Changes in the present value of the defined benefit obligation are as follows :		
At 1 January	27,437	24,399
Interest cost	1,210	1,071
Current service cost	1,110	1,218
Contributions by plan participants	1,135	1,128
Benefits paid	(2,775)	(1,240)
Actuarial (gains)/losses on obligation	(1,039)	239
Taxes, premiums and expenses paid	(326)	(424)
Currency realignment	(5,890)	1,046
At 31 December	20,862	27,437

The Group expects to contribute $456,000 to its defined benefit pension plan in 2009.

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

	Group 2008 %	Group 2007 %
Australian equities	31	38
Overseas equities	27	29
Fixed interest securities	17	15
Property	11	4
Other	14	14
	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	3.9	5.1
Salary increase rate	4.0	4.0
Expected rate of return on assets	6.7	6.7

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

25. Pension assets/(liabilities) (Cont'd)

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

	Group	
	2008 $'000	2007 $'000
Net benefit expense (recognised within staff costs) :		
Service cost	1,110	1,218
Interest cost	1,210	1,071
Expected return on assets	(1,759)	(1,607)
	561	682
Actual return on plan assets	(5,838)	2,516

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

	Group				
	2008 $'000	2007 $'000	2006 $'000	2005 $'000	2004 $'000
Plan assets	16,656	30,080	25,961	25,718	23,137
Defined benefit obligation	(20,862)	(27,437)	(24,399)	(24,458)	(22,751)
	(4,206)	2,643	1,562	1,260	386

26. Long-term investments

	Group	
	2008 $'000	2007 $'000
Available-for-sale		
Quoted equity shares in corporations		
– At fair value	1,558	1,558
Less : Impairment loss	(1,558)	–
	–	1,558
Unquoted investments		
– At cost	7,339	8,779
Less : Impairment loss	(7,339)	(7,339)
	–	1,440
	–	2,998

26. Long-term investments (Cont'd)

	Group 2008 $'000	Group 2007 $'000
Movements in impairment loss are as follows :		
Quoted equity shares in corporation :		
Balance at beginning of year	–	270
Charge during the year (Note 8)	1,558	–
Dilution of interest in a subsidiary company	–	(270)
Balance at end of year	1,558	–
Unquoted investments :		
Balance at beginning of year	7,339	5,500
Charge during the year (Note 8)	–	1,839
Balance at end of year	7,339	7,339

Included in quoted equity shares in corporations as at 31 December 2008 is the Group's 13.75% interest in Iconic Global Limited ("Iconic") (previously known as China Food Industries Limited). The Group recognised an impairment charge of $1,558,000 for the remaining investment cost upon the SGX-ST's rejection of an acquisition proposed by Iconic. Iconic was subsequently delisted by the SGX-ST. The impairment loss is included under exceptional items.

27. Intangibles

	Group			Company
	Trademark $'000	Goodwill $'000	Total $'000	Trademark $'000
Cost :				
At 1.1.2007	2,750	765	3,515	7,150
Additions	–	97	97	–
Currency realignment	–	32	32	–
At 31.12.2007 and 1.1.2008	2,750	894	3,644	7,150
Currency realignment	–	(189)	(189)	–
At 31.12.2008	2,750	705	3,455	7,150
Accumulated amortisation and impairment loss :				
At 1.1.2007	2,354	–	2,354	3,327
Amortisation for the year (Note 5)	102	–	102	357
At 31.12.2007 and 1.1.2008	2,456	–	2,456	3,684
Amortisation for the year (Note 5)	138	–	138	294
At 31.12.2008	2,594	–	2,594	3,978
Net book value :				
At 31.12.2008	156	705	861	3,172
At 31.12.2007	294	894	1,188	3,466

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

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

27. Intangibles (Cont'd)

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 5-year period. The discount rate applied to the cash flows is 9.66% (2007 : 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	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Balance at beginning of year	14,697	5,647	440	408
Currency realignment	(849)	(393)	–	–
Dilution of interest in a subsidiary company	–	(248)	–	–
(Write-back)/charge during the financial year	(3,401)	189	–	73
Over provision in prior years	(876)	(267)	–	(41)
Charge to equity	(2,176)	304	–	–
Impairment of deferred tax assets (Note 9)	–	9,465	–	–
Balance at end of year	7,395	14,697	440	440
Represented by :				
– Deferred tax assets	(1,337)	(996)	–	–
– Deferred tax liabilities	8,732	15,693	440	440
	7,395	14,697	440	440

On 22 January 2009, the Singapore Government announced a reduction in statutory tax rate from 18% to 17% with effect from Year of Assessment 2010. In accordance with FRS 12 Income Taxes, and FRS 10 Events after Balance Sheet Date, this is a non-adjusting event. The aggregate reduction in the deferred tax liabilities by applying the reduced tax of 17% is estimated to be $146,000 for the Group. This financial effect will be adjusted in the income statement for the next financial year ending 31 December 2009.

28. Deferred taxation (Cont'd)

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 adjustment on biological assets $'000	Others $'000	Total $'000
Deferred tax assets						
At 1 January 2007	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 31 December 2007 and 1 January 2008	–	561	–	–	435	996
Credit/(write-back) to income statement	71	22	–	–	(228)	(135)
Currency realignment	(658)	(1,066)	–	2,374	(905)	(255)
Reclassification to deferred tax liabilities	3,813	4,808	–	(14,031)	6,141	731
At 31 December 2008	3,226	4,325	–	(11,657)	5,443	1,337

Notes to the Financial Statements

– 31 December 2008
(In Singapore dollars)

28. Deferred taxation (Cont'd)

	Property, plant and equipment $'000	Investment allowances $'000	Employee benefits $'000	Fair value adjustment on biological assets $'000	Others $'000	Total $'000
Deferred tax liabilities						
At 1 January 2007	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 31 December 2007 and 1 January 2008	4,877	(233)	(6,808)	16,924	933	15,693
(Write-back)/charge to income statement	938	(1,378)	1,646	(1,461)	(3,281)	(3,536)
(Over)/under provision in prior years	(74)	27	–	–	(829)	(876)
Currency realignment	(124)	40	354	(974)	(400)	(1,104)
Tax effect of actuarial loss on defined benefit plans charged to equity	–	–	–	–	(1,878)	(1,878)
Tax effect of cash flow hedges charged to equity	–	–	–	–	(298)	(298)
Reclassification from deferred tax assets	3,813	–	4,808	(14,031)	6,141	731
At 31 December 2008	9,430	(1,544)	–	458	388	8,732

28. Deferred taxation (Cont'd)

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

	Earnings retained overseas $'000	Property, plant and equipment $'000	Total $'000
At 1 January 2007	101	307	408
Charge/(write-back) to income statement	54	(22)	32
At 31 December 2007, 1 January 2008 and 31 December 2008	155	285	440

29. Trade payables

	Group		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Trade payables :				
– third parties	67,703	124,573	147	12
– joint venture company	566	300	–	–
– associated company	–	266	–	–
	68,269	125,139	147	12

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

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Singapore Dollar	6,684	5,124	147	12
United States Dollar	1,822	10,299	–	–
Australian Dollar	27,316	29,405	–	–
Malaysian Ringgit	24,740	19,566	–	–
Chinese Renminbi	–	52,498	–	–
Others	7,707	8,247	–	–
	68,269	125,139	147	12

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

30. Other payables

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
(a) Other payables				
Payable within one year :				
Staff related expenses	14,754	22,897	1,437	1,153
Accrued operating expenses	14,030	23,272	1,134	599
Sundry creditors	15,811	45,510	123	–
Amounts due to subsidiary companies	–	–	9,524	10,994
Amount due to a related party	1,570	1,466	–	–
Derivative financial instruments (Note 30(b))	3,216	1,405	2,281	1,405
	49,381	94,550	14,499	14,151
Payable after one year :				
Provision for long service leave and retirement benefits	8,952	11,576	–	–

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

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

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

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

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Balance at beginning of year	11,576	10,430	–	–
Currency realignment	(2,191)	504	–	–
(Write-back)/provision made during the year	(326)	657	–	–
Utilised during the year	(107)	(15)	–	–
Balance at end of year	8,952	11,576	–	–

30. Other payables (Cont'd)

(a) Other payables (Cont'd)

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

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Singapore Dollar	13,015	10,360	14,441	13,956
United States Dollar	199	22,701	–	8
Australian Dollar	21,630	36,063	49	178
Malaysian Ringgit	13,551	8,471	–	–
Chinese Renminbi	1,570	24,828	–	–
Others	8,368	3,703	9	9
	58,333	106,126	14,499	14,151

(b) Derivative financial instruments are as follows :

	2008		2007	
	Contract notional amount	Fair value	Contract notional amount	Fair value
	$'000	$'000	$'000	$'000
Group				
Foreign currency contracts				
– cash flow hedges	5,216	935	–	–
– not designated as hedges	11,803	2,281	19,100	1,405
	17,019	3,216	19,100	1,405

As at 31 December 2008, the Group held twenty six foreign currency contracts designated as hedges of expected future sales to customers in Japan for which the Group has firm commitments. These contracts are highly probable forecasted purchases and are timed to mature when payment are scheduled to be made. The foreign currency contracts are being used to hedge the foreign currency risk of the firm commitments. The critical terms of the foreign currency contracts have been negotiated to match the terms of the commitments.

Company				
Foreign currency contracts				
– not designated as hedges	9,152	2,281	15,750	1,405

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

30. Other payables (Cont'd)

(b) Derivative financial instruments : (Cont'd)

At 31 December 2008, the settlement dates on open foreign currency contracts ranged between 1 to 15 months for the following notional amounts :

	Group		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Contracts to deliver Singapore Dollars and receive:				
United States Dollars	1,924	15,787	–	15,750
Australian Dollars	9,297	428	9,152	–
Other currencies	582	436	–	–
Contracts to deliver Japanese Yen and receive:				
Australian Dollars	5,216	2,449	–	–
	17,019	19,100	9,152	15,750

31. Short-term borrowings

	Group		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Bank overdrafts (Note 36)	3,805	–	–	–
Short-term bank loans :				
– unsecured	65,146	91,993	50,368	19,865
– secured	27,435	273,499	–	–
	96,386	365,492	50,368	19,865

Bank overdrafts, repayable on demand, are denominated in Australian Dollar, bear interest at 9.93% per annum and are secured by a fixed and floating charge over certain property, plant and equipment.

The short-term bank loans bear effective interest rates ranging from 2.50% to 8.71% (2007: 1.44% to 9.60%) per annum. The secured portion of the borrowings as at 31 December 2008 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	34,539	–	33,358	–
United States Dollar	10,505	84,453	–	–
Australian Dollar	37,821	48,070	6,580	11,495
Chinese Renminbi	–	222,181	–	–
Others	13,521	10,788	10,430	8,370
	96,386	365,492	50,368	19,865

32. Long-term loans and finance leases

	Effective interest rate per annum %	Maturities	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
Loans from banks:						
– Loan A	1.77	2010	30,000	30,000	30,000	30,000
– Loan B	1.61	2009	19,000	25,000	19,000	25,000
– Loan C	4.28	2010	7,998	8,384	–	–
– Loan D	9.54	2013	59	–	–	–
– Other loans			–	32,073	–	17,256
Finance leases			3,590	3,954	–	–
			60,647	99,411	49,000	72,256
Less : Current portion			(24,417)	(34,245)	(19,000)	(23,256)
Non-current portion of loans			36,230	65,166	30,000	49,000

Loan A, denominated in Singapore Dollar, with fixed interest rate, is unsecured, bears interest at 1.77% (2007 : 4.17%) per annum and is repayable in February 2010.

Loan B, denominated in Singapore Dollar, with floating interest rate, is unsecured, bears interest at 1.61% (2007 : 4.55%) per annum and is repayable in 4 semi-annual instalments commencing from June 2008.

Loan C, denominated in Malaysian Ringgit, with floating interest rates, is unsecured, bears interest at 4.28% (2007 : 4.25%) per annum and is repayable in 11 monthly instalments commencing from August 2009.

Loan D, denominated in Australian Dollar, with fixed interest rate, is secured on certain property, plant and equipment of the Group, bears interest at 9.54% per annum and is repayable in monthly instalments until August 2013.

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

	Minimum lease payments 2008 $'000	Present value of payments 2008 $'000	Minimum lease payments 2007 $'000	Present value of payments 2007 $'000
Within one year	2,044	1,688	995	703
Between one and five years	2,129	1,902	3,681	3,251
Total minimum lease payments	4,173	3,590	4,676	3,954
Less : Amount representing finance charges	(583)	–	(722)	–
Present value of minimum lease payments	3,590	3,590	3,954	3,954

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

32. Long-term loans and finance leases (Cont'd)

Effective interest rates on finance leases range from 5.82% to 9.61% (2007 : 5.82% to 9.50%) 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	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Singapore Dollar	49,000	55,000	49,000	55,000
United States Dollar	–	17,256	–	17,256
Australian Dollar	3,649	14,219	–	–
Malaysian Ringgit	7,998	8,384	–	–
Chinese Renminbi	–	4,552	–	–
	60,647	99,411	49,000	72,256

33. Share capital

	Group and Company	
	2008 $'000	2007 $'000
Issued and fully paid :		
Balance at beginning of year		
450,974,216 (2007 : 449,656,716) shares	195,123	194,463
Issued during the year		
Nil (2007 : 1,317,500) shares	–	660
Balance at end of year		
450,974,216 (2007 : 450,974,216) shares	195,123	195,123

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.

During the financial year, the Company did not issue any ordinary shares. During the previous financial year,

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

(ii) the Company issued 362,500 ordinary shares for cash at the exercise price of $0.50 per share upon the exercise of 362,500 warrants by holders of Warrants 2009.

33. Share capital (Cont'd)

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, there were no exercise by warrant holders. As at 31 December 2008, there were a total of 77,876,343 (2007 : 77,876,343) Warrants 2009 outstanding.

34. Reserves

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Revaluation reserve	2,214	2,263	–	–
Capital reserve	19,005	19,108	1,705	1,705
Hedging reserve	(755)	–	–	–
Revenue reserve	18,865	67,452	13,722	14,118
Foreign currency translation reserve	(28,098)	7,023	–	–
	11,231	95,846	15,427	15,823

	Company	
	2008	2007
	$'000	$'000
Analysis of movement in the reserves of the Company :		
Capital reserve		
At beginning of year	1,705	1,403
Share options granted to employees and directors	–	302
At end of year	1,705	1,705
Revenue reserve		
At beginning of year	14,118	65,260
Net profit for the year	8,623	4,809
Dividends	(9,019)	(7,396)
Dividends in specie	–	(48,555)
At end of year	13,722	14,118
Total	15,427	15,823

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

34. Reserves (Cont'd)

Revaluation reserve

The revaluation reserve comprises surplus arising from the revaluation of property, plant and equipment by a subsidiary company. 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.

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 associated company and subsidiary company in the People's Republic of China ("PRC"). In accordance with the Foreign Enterprise Law applicable to companies 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 company'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 company. Such reserve is not available for dividend distribution to shareholders.

	Group		Company	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cumulative value of services received from employees	1,705	1,705	1,705	1,705
Bonus shares issued by a subsidiary company	16,236	16,236	–	–
Statutory requirement of PRC subsidiary company	–	1,167	–	–
Statutory requirement of PRC associated company	1,064	–	–	–
	19,005	19,108	1,705	1,705

Hedging reserve

The hedging reserve is used to record fair value changes on derivatives that are designated as hedging instruments in cash flow hedges that is determined to be effective.

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	
	2008	2007
	$'000	$'000
Final tax-exempt (one-tier) dividend of 2 cents per share in respect of the financial year ended 31 December 2007	9,019	–
Dividends in specie in respect of the financial year ended 31 December 2007	–	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

The Directors have proposed a first and final tax-exempt (one-tier) dividend of 2 cents per share (collectively, "FY08 Dividends"), amounting to approximately $9,019,000 be paid in respect of the financial year ended 31 December 2008. The dividend will be recorded as a liability in the balance sheet of the Company and Group upon approval of the shareholders at the Annual General Meeting of the Company.

The Company's Scrip Dividend Scheme under which shareholders may elect to receive dividends in the form of new shares in lieu of cash will apply to the FY08 Dividends.

There are no income tax consequence (2007: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

36. Cash and cash equivalents

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

	Group	
	2008	2007
	$'000	$'000
Cash and bank balances (Note 16)	25,635	39,325
Fixed deposits with financial institutions (Note 16)	22,620	16,256
	48,255	55,581
Less: Bank overdrafts (Note 31)	(3,805)	–
Less : Fixed deposits pledged to banks as security for credit facilities granted to subsidiary companies	–	(3,509)
	44,450	52,072

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

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.

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 2008 '000	Weighted average exercise price in financial year 2008 $	No. of options in financial year 2007 '000	Weighted average exercise price in financial year 2007 $
Outstanding at beginning of year	14,599	0.547	15,970	0.544
Granted	Nil	–	Nil	–
Exercised	Nil	–	(955)	0.501
Lapsed/forfeited	(190)	0.543	(416)	0.544
Outstanding at end of year	14,409	0.547	14,599	0.547
Exercisable at end of year	14,409	0.547	14,599	0.547

(In Singapore dollars)

37. Employee benefits (Cont'd)

The following table summarises information about options outstanding and exercisable as at 31 December 2008 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	1,826,000	$0.630	26.05.2001	25.05.2010	1,826,000
19.04.2001	555,000	$0.430	20.04.2002	19.04.2011	555,000
05.04.2002	2,113,000	$0.555	06.04.2003	05.04.2012	2,113,000
13.05.2004	3,160,000	$0.523	14.05.2005	13.05.2014	3,160,000
18.08.2005	2,890,000	$0.513	18.08.2006	17.08.2015	2,890,000
19.05.2006	3,865,000	$0.565	19.05.2007	18.05.2016	3,865,000
	14,409,000				14,409,000

During the financial year, there were no exercise of options. In 2007, the weighted average share price at the date of exercise of the options exercised during the financial year was $0.556.

No options were granted during the financial year under review.

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 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 2008, the cumulative expenses recognised in respect of share options amounted to $1,705,000 (2007 : $1,705,000).

Notes to the Financial Statements

– 31 December 2008

(In Singapore dollars)

38. Commitments

	Group 2008 $'000	Group 2007 $'000	Company 2008 $'000	Company 2007 $'000
(i) Capital commitments not provided for in the financial statements :				
Expenditure contracted for :				
– proposed expansion of manufacturing facilities	2,553	53,109	–	–
– others	–	365	–	3
	2,553	53,474	–	3
Approved by the directors but not contracted for	6,606	1,415	–	–
	9,159	54,889	–	3
(ii) Commitments to purchase bulk supplies of raw materials	17,941	67,747	–	–
(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	5,584	5,452	91	16
Between one and five years	9,082	10,193	141	21
After five years	19,126	22,516	–	–
	33,792	38,161	232	37

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	
		2008	2007	2008	2007
		$'000	$'000	$'000	$'000
(a)	Guarantees issued for bank facilities granted to subsidiary companies	–	–	211,655	222,574
	Amounts utilised by subsidiaries as at balance sheet date	–	–	37,939	88,350
(b)	Guarantees and indemnities given to third parties in connection with credit facilities by a subsidiary company	–	19,700	–	–
(c)	Claims by a subsidiary company's tenant	–	46	–	–
(d)	Claims by subsidiary companies' suppliers via civil suit	–	398	–	–

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	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Purchases from associated and joint venture companies	8,607	4,818	–	–
Sales to associated and joint venture companies	5,828	13,121	–	–
Rental paid to an associated company	219	226	–	–
Interest income from associated and joint venture companies	3,699	275	–	–
Rental paid to a director	38	38	38	38
Other income from associated and joint venture companies	525	331	–	–
Management fees from subsidiary companies	–	–	1,427	1,388
Royalty income from subsidiary companies	–	–	16,159	13,608
Interest income from advances to subsidiary companies	–	–	6,036	5,976
Dividend income from subsidiary companies	–	–	31,116	4,257

Notes to the Financial Statements

– 31 December 2008
(In Singapore dollars)

40. Related party transactions (Cont'd)

(b) Compensation of key management personnel

	Group	
	2008	**2007**
	$'000	**$'000**
Fees and remuneration	2,725	2,702
Contribution to the Central Provident Fund	25	23
Share option expenses	–	56

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 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.

(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 counter parties 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 $211,655,000 (2007: $222,574,000) 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 $37,939,000 (2007 : $88,350,000).

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

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

(a) Credit risk (Cont'd)

Credit risk concentration profile

The Group determines concentration 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 receivables at the balance sheet date is as follows :

	Group			
	2008		2007	
	$'000	% of total	$'000	% of total
By industry:				
Food manufacturing	11,026	14	90,805	56
Bakery	34,662	44	31,209	19
Primary production	17,865	23	24,076	15
Trading and logistics	14,763	19	16,321	10
Investments and others	287	–	406	–
	78,603	100	162,817	100
By country:				
Singapore	30,081	38	28,109	17
Australia	27,781	35	33,527	21
United States of America	1	–	39,769	24
Philippines	10,231	13	11,707	7
People's Republic of China	113	–	5,838	4
Malaysia	9,963	13	8,270	5
Russia	–	–	10,161	6
Europe	–	–	18,101	11
Other countries	433	1	7,335	5
	78,603	100	162,817	100

(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.

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

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

(b) Liquidity risk (Cont'd)

	2008			2007		
	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	117,650	–	117,650	219,689	–	219,689
Borrowings	121,877	37,129	159,006	399,737	65,166	464,903
	239,527	37,129	276,656	619,426	65,166	684,592
Company						
Trade and other payables	14,646	–	14,646	14,163	–	14,163
Borrowings	69,930	30,620	100,550	43,121	49,000	92,121
	84,576	30,620	115,196	57,284	49,000	106,284

(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.

Loans denominated in	Increase/ decrease in basis points	Effect on profit after taxation 2008 $'000	2007 $'000
Singapore Dollar	+ 50	(228)	(67)
United States Dollar	+ 50	100	(276)
Australian Dollar	+ 50	(169)	(104)
Chinese Renminbi	+ 50	–	(641)
Singapore Dollar	- 50	228	67
United States Dollar	- 50	(100)	276
Australian Dollar	- 50	169	104
Chinese Renminbi	- 50	–	641

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

(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.

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.

	2008		2007	
	Profit after taxation $'000	Equity $'000	Profit after taxation $'000	Equity $'000
USD – strengthened 1% (2007: 1%)	181	44	(233)	135
– weakened 1% (2007: 1%)	(181)	(44)	233	(135)
AUD – strengthened 1% (2007: 1%)	385	619	531	704
– weakened 1% (2007: 1%)	(388)	(625)	(537)	(704)

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	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Fair value through profit or loss				
Foreign currency contracts	(2,281)	(1,405)	(2,281)	(1,405)

Notes to the Financial Statements

– 31 December 2008

(In Singapore dollars)

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

(d) Foreign currency risk (Cont'd)

	Group		Company	
	2008	2007	2008	2007
	$'000	$'000	$'000	$'000
Loans and receivables				
Trade receivables	78,603	162,817	–	–
Other receivables	42,462	38,482	85,355	155,037
Cash and deposits	48,255	55,581	11,345	2,630
Advances to associated companies	3,366	2,175	–	–
Advances to joint venture company	553	576	–	–
Advances to subsidiary companies	–	–	115,143	41,175
	173,239	259,631	211,843	198,842
Derivatives designated as cash flow hedges				
Foreign currency contracts	(935)	–	–	–
Available-for-sale financial assets				
Short-term investments	218	144	–	–
Long-term investments	–	2,998	–	–
	218	3,142	–	–
Financial liabilities measured at amortised cost				
Trade payables	68,269	125,139	147	12
Other payables	46,165	93,145	12,218	12,746
Short-term borrowings	96,386	365,492	50,368	19,865
Long-term loans	57,057	95,457	49,000	72,256
	267,877	679,233	111,733	104,879

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.

42. Financial risk management strategies relating to livestock (Cont'd)

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 Australian drought that severely affected the grain production during the current 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

Notes to the Financial Statements

– 31 December 2008

(In Singapore dollars)

43. Segmental reporting (Cont'd)

(a) Business segments

	Food manufacturing $'000	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Eliminations $'000	Consolidated $'000
2008							
Revenue and expenses							
Revenue from external customers	89,902	357,097	277,054	94,422	4,965	–	823,440
Other revenue from external customers	464	2,047	8,642	44	2,038	–	13,235
Inter-segment revenue	623	4	1,759	72	17,586	(20,044)	–
	90,989	359,148	287,455	94,538	24,589	(20,044)	836,675
Unallocated revenue							3,394
Total revenue							840,069
Segment results	2,880	42,239	(23,595)	1,262	2,528	–	25,314
Unallocated revenue							3,394
Unallocated expenses							(18,984)
Profit from operating activities							9,724
Finance costs							(9,608)
Exceptional items							4,135
Share of (losses)/profits of associated and joint venture companies	(29,105)	29	(196)	–	–	–	(29,272)
Loss before taxation							(25,021)
Taxation							(4,162)
Loss after taxation							(29,183)
2007							
Revenue and expenses							
Revenue from external customers	343,372	300,186	314,540	91,152	16,223	–	1,065,473
Other revenue from external customers	1,448	2,049	5,015	279	1,048	–	9,839
Inter-segment revenue	451	7	7,425	76	15,507	(23,466)	–
	345,271	302,242	326,980	91,507	32,778	(23,466)	1,075,312
Unallocated revenue							1,609
Total revenue							1,076,921
Segment results	36,010	35,615	(8,402)	1,749	(664)	–	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	–	42	81	322	–	–	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	Consolidated $'000
2008						
Assets and liabilities						
Segment assets	46,832	188,545	190,569	54,484	44,021	524,451
Associated and joint venture companies	–	3,747	3,776	–	–	7,523
Total assets	46,832	192,292	194,345	54,484	44,021	531,974
Deferred tax assets						1,337
Tax recoverable						367
Total assets per consolidated balance sheet						533,678
Segment liabilities	12,365	62,277	44,314	10,052	5,390	134,398
Provision for taxation						4,303
Deferred tax liabilities						8,732
Bank borrowings						153,443
Total liabilities per consolidated balance sheet						300,876
Other segment information						
Capital expenditure	1,876	35,722	2,494	1,083	177	41,352
Amortisation and depreciation	1,659	15,093	8,077	1,758	624	27,211
Impairment loss	–	–	–	–	1,558	1,558
Allowance for inventory obsolescence charged/ (written-back)	223	143	(314)	537	–	589
Allowance for doubtful debts (written-back)/ charged and debts (written-back)/written-off	(43)	288	32	115	2	394

Notes to the Financial Statements
– 31 December 2008
(In Singapore dollars)

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	Consolidated $'000
2007						
Assets and liabilities						
Segment assets	532,923	159,877	278,979	57,476	18,365	1,047,620
Associated and joint venture companies	–	2,389	4,875	–	–	7,264
Total assets	532,923	162,266	283,854	57,476	18,365	1,054,884
Deferred tax assets						996
Tax recoverable						528
Total assets per consolidated balance sheet						1,056,408
Segment liabilities	117,915	47,062	57,167	9,612	3,463	235,219
Provision for taxation						3,077
Deferred tax liabilities						15,693
Bank borrowings						460,949
Total liabilities per consolidated balance sheet						714,938
Other segment information						
Capital expenditure	35,345	22,608	2,776	582	129	61,440
Amortisation and depreciation	8,284	13,809	9,940	1,790	1,726	35,549
Impairment loss	–	503	9,465	–	1,839	11,807
Allowance for inventory obsolescence charged/ (written-back)	95	(10)	(1,291)	408	(502)	(1,300)
Allowance for doubtful debts (written-back)/ charged and debts (written-back)/written-off	(371)	77	44	112	(48)	(186)

43. Segmental reporting (Cont'd)

(b) Geographical segment

	Singapore $'000	Malaysia $'000	Australia $'000	Philippines $'000	China $'000	Other countries $'000	Consolidated $'000
2008							
Revenue from external customers	191,479	209,931	349,524	77,409	309	8,023	836,675
Unallocated revenue							3,394
Total revenue	191,479	209,931	349,524	77,409	309	8,023	840,069
Segment assets	131,724	114,127	247,193	38,929	–	1	531,974
Capital expenditure	2,683	15,490	14,455	8,723	1	–	41,352
2007							
Revenue from external customers	170,742	177,074	369,583	64,204	26,227	267,482	1,075,312
Unallocated revenue							1,609
Total revenue	170,742	177,074	369,583	64,204	26,227	267,482	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	33,071	–	61,440

Notes to the Financial Statements

– 31 December 2008
(In Singapore dollars)

44. Subsidiary, associated and joint venture companies

(a) The subsidiary companies as at 31 December 2008 are :-

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2008 %	2007 %
	Food manufacturing			
(1)	Hengxing Fruit Juice (Singapore) Pte Ltd (Singapore)	Distribution agency of beverage products (Singapore)	100	100
(2)	Ben Fortune Pastry Manufacturing (M) Sdn Bhd (Malaysia)	Manufacture and distribution of confectionery and pastry (Malaysia)	100	100
(5)	Challenge Australian Dairy Pty Ltd (Australia)	Collection and sale of raw milk and the manufacture of dairy products (Australia)	51	51
	Bakery			
(1)	Gardenia Foods (S) Pte Ltd (Singapore)	Bread manufacturer (Singapore)	100	100
(2)	Gardenia Bakeries (KL) Sdn Bhd (Malaysia)	Bread manufacturer (Malaysia)	70	70
(2)	Gardenia Sales & Distribution Sdn Bhd (Malaysia)	Marketing and distribution of bakery products (Malaysia)	70	70
(1)	Farmland Central Bakery (S) Pte Ltd (Singapore)	Purchasing agent of bread, confectionery and bakery products (Singapore)	100	100
(2)	Millif Industries Sdn Bhd (Malaysia)	Manufacture of kaya and related products (Malaysia)	65	65

(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 2008 %	2007 %
	Bakery (Cont'd)			
(4)	Gardenia Bakeries (Philippines) Inc (Philippines)	Manufacture and distribution of bread, confectionery and bakery products (Philippines)	100	100
(2)	Delicia Sdn Bhd (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	100	100
(5)	Bakers Maison Australia Pty Ltd (Australia)	Manufacture of confectionery and bakery products (Australia)	100	100
	Primary production			
(5)	QAF Feeds Pty Ltd (Australia)	Manufacturing of stockfeed and sales and distribution of animal feed products (Australia)	100	100
(5)	QAF Meat Industries Pty Ltd (Australia)	Intensive pig production and wholesaling (Australia)	100	100
(5)	QAF Meat Processors Pty Ltd (Australia)	Pig slaughtering and meat boning (Australia)	100	100
(5)	Brooksbank Properties Pty Ltd (Australia)	Intensive pig production and wholesaling (Australia)	100	100
#	Fujian Dongjia Feeds Co Ltd (People's Republic of China)	Rental of premises (People's Republic of China)	–	100

Notes to the Financial Statements
– 31 December 2008
(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 2008 %	2007 %
	Trading and logistics			
(1)	Ben Foods (S) Pte Ltd (Singapore)	Trading and distribution of food and beverage products (Singapore)	100	100
(2)	Ben Foods (East Malaysia) Sdn Bhd (Malaysia)	Operation of supermarkets (Malaysia)	100	100
(1)	Shinefoods Pte Ltd (Singapore)	Agency and distribution of food and beverage products (Singapore)	100	100
(1)	NCS Cold Stores (S) Pte Ltd (Singapore)	Operation of warehousing logistics (Singapore)	100	100
(1)	QAF Fruits Cold Store Pte Ltd (Singapore)	Operation of cold storage warehouse (Singapore)	62	62
	Investments and others			
(5)	Oxdale Dairy Enterprise Pty Ltd (Australia)	Milk production (Australia)	100	100
(1)	QAF Management Services (S) Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	QAF Agencies (S) Pte Ltd (Singapore)	Share trading and investment holding (Singapore)	100	100
(1)	Gardenia (China) Holdings Pte. Ltd. (previously known as Pemscorp Pte Ltd) (Singapore)	Investment holding (Singapore)	100	100
(1)	Oxdale International Pte Ltd (Singapore)	Investment holding (Singapore)	100	100

(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 2008 %	2007 %
	Investments and others (Cont'd)			
(1)	Gardenia International (S) Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Singfood Investment Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Hamsdale International Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(5)	Hamsdale Australia Pty Ltd (Australia)	Investment holding (Australia)	100	100
(1)	Camellia Bakeries (S) Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Edenc International Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Gardenia Investments Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Oxdale Investments Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	W.A. Oxdale Holdings Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(5)	Bakers Maison Pty Ltd (Australia)	Investment holding (Australia)	100	100
(1)	Dongjia Investments Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Edenc Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Pacfi Pte Ltd (Singapore)	Investment holding (Singapore)	100	100

Notes to the Financial Statements
– 31 December 2008
(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 2008 %	2007 %
	Dormant corporations			
*	Auspeak Holdings Pte Ltd (Singapore)	Dormant	100	100
*	Bakers Maison Pte Ltd (Singapore)	Dormant	100	100
@	Ben (Malaysia) Holdings Sdn Bhd (Malaysia)	Dormant	–	100
(3)	Gardenia Hong Kong Limited (Hong Kong)	Dormant	100	100
(2)	Everyday Bakery and Confectionery Sdn Bhd (Malaysia)	Dormant	70	70
(1)	Bonjour Bakery Pte Ltd (Singapore)	Dormant	100	100
(2)	Bonjour Bakery Sdn Bhd (Malaysia)	Dormant	100	100
(2)	Summit Rainbow Sdn Bhd (Malaysia)	Dormant	100	100
(2)	Bakers Maison Pastry (M) Sdn Bhd (Malaysia)	Dormant	100	100
*	Lansdale Holdings Pte Ltd (Singapore)	Dormant	100	100
*	Gaoyuan Pte Ltd (Singapore)	Dormant	100	100
(2)	Ben Trading (Malaysia) Sdn Bhd (Malaysia)	Dormant	100	100
#	Highwood Pte Ltd (Singapore)	Dormant	–	100

Notes to the Financial Statements

– 31 December 2008
(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 2008 %	2007 %
(b)	**The associated companies as at 31 December 2008 are :**			
(4)	Philfoods Fresh-Baked Products Inc (Philippines)	Bread manufacturer (Philippines)	40	40
(4)	Phil Foods Properties Inc (Philippines)	Investment holding (Philippines)	40	40
(6) ★	Shaanxi Hengxing Fruit Juice Co Ltd (People's Republic of China)	Manufacture and distribution of apple juice concentrate (People's Republic of China)	46.5 ◆	51
(c)	**The joint venture company as at 31 December 2008 is :**			
(5)	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.

Note

* Audit not required under the laws in the country of incorporation
◆ Shareholding has been diluted to 46.5% during the year. Consequently, the cost of investment has been reclassified from subsidiary companies to associated companies during the year (Note 21)
Disposed during the year
@ Liquidated during the year
★ Audited by Ernst & Young Hua Ming, China, for inclusion in the Group's consolidated financial statements

Audited by :
(1) Ernst & Young LLP, Singapore
(2) Ernst & Young, Malaysia
(3) Other CPA firms
(4) Sycip Gorres Velayo & Co, Philippines
(5) Ernst & Young, Australia
(6) Ernst & Young Hua Ming, China

Notes to the Financial Statements

– 31 December 2008
(In Singapore dollars)

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 associated company and 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 associated company and subsidiary companies for the financial years ended 31 December 2008 and 2007.

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 deposits. Shareholders' fund relates to interest of shareholders of the Company. The Group's strategy, which was unchanged from 2007, is also to maintain gearing ratios on net debt-to-equity ratio of not exceeding 1.5 times.

	Group	
	2008 $'000	2007 $'000
Net debt	108,778	409,322
Shareholders' funds	206,354	290,969
Net debt-to-equity ratio	0.5 times	1.4 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 year ended 31 December 2008, except for the breach of a covenant of a term loan, as disclosed below.

The amount of the said term loan outstanding as at 31 December 2008 was $19,000,000. The entire outstanding amount has been recorded as current liability as at the balance sheet date of the financial year 2008 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 re-structured the term loan with the bank.

46. Subsequent events

An agreement was entered in September 2008 for the sale of all the Group's shareholding interest in Ben Fortune Pastry Manufacturing (M) Sdn Bhd ("Ben Fortune") for a sale consideration of RM 2,700,000 (approximately $1,128,000). The transaction was completed in February 2009 and Ben Fortune ceased to be a subsidiary of the Company. The gain on disposal amounted to approximately $700,000.

47. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 31 March 2009.

List of Major Properties

The Group's major properties as at 31 December 2008 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 2008 are:

	Name of building/location	Description	Tenure of land
(c)	**Properties in Australia**		
	Seville Piggery Beenak Road Seville, Victoria 3139	Farming related use	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 2008 are:

	Name of building/location	Description	Tenure of land
(c)	**Properties in Australia**		
	Whitehead Street Corowa, NSW 2646	Farming related use	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
	96 to 98 Milperra Road Milperra, New South Wales	Bakery and office premises	Freehold

Statistics of Shareholdings

as at 19 March 2009

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	584	12.14	283,265	0.06
1,000 – 10,000	3,197	66.47	13,676,364	3.03
10,001 – 1,000,000	1,013	21.06	50,123,898	11.12
1,000,001 and above	16	0.33	386,890,689	85.79
	4,810	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	25,534,750	5.66
6.	Andree Halim @ Liem Sien Tjong @ Liem Sien Tjiong	17,661,000	3.92
7.	CIMB Bank Nominees (S) Sdn Bhd	9,509,000	2.11
8.	United Overseas Bank Nominees Pte Ltd	5,876,262	1.30
9.	DBS Nominees Pte Ltd	5,226,600	1.16
10.	BNP Paribas Nominees Singapore Pte Ltd	4,319,500	0.96
11.	DBS Vickers Securities (Singapore) Pte Ltd	2,722,500	0.60
12.	OCBC Nominees Singapore Private Ltd	2,624,004	0.58
13.	HSBC (Singapore) Nominees Pte Ltd	2,215,800	0.49
14.	Lai Choy Kuen	1,560,327	0.35
15.	Phillip Securities Pte Ltd	1,497,764	0.33
16.	Tan Kong King	1,250,000	0.28
17.	Lim Chin Chuan	1,000,000	0.22
18.	OCBC Securities Private Ltd	940,088	0.21
19.	Lim Sou Ping	879,000	0.19
20.	Ong Kian Kok	810,000	0.18
		390,519,777	86.60

Statistics of Shareholdings

as at 19 March 2009

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
Daniel Halim	–	–	169,887,294 (2)	37.68	169,887,294	37.68
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
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 and Tian Wan Equities 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 2009

Analysis of Warrant Holders by Size of Warrant Holdings

Size of Warrant Holdings	No. of Warrant Holders	%	No. of Warrants	%
1 – 999	45	5.76	20,168	0.03
1,000 – 10,000	583	74.65	1,829,293	2.35
10,001 – 1,000,000	148	18.95	18,545,600	23.81
1,000,001 and above	5	0.64	57,481,282	73.81
	781	100.00	77,876,343	100.00

List of Twenty Largest Warrant Holders

S/No.	Name of Warrant Holder	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	2,211,000	2.84
4.	Yeo Chii Ming Lionel (Yang Qiming Lionel)	1,716,000	2.20
5.	Phillip Securities Pte Ltd	1,280,994	1.64
6.	Chua Kuan Lim Charles	936,000	1.20
7.	Koh Cheoh Liang Vincent	700,000	0.90
8.	UOB Kay Hian Pte Ltd	694,250	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.	Lua Ah Choo	466,000	0.60
16.	Ang Chee Kok	450,000	0.58
17.	Toh Kwee Teck	400,000	0.51
18.	Kim Eng Securities Pte. Ltd.	367,250	0.47
19.	Seet Christina	340,000	0.44
20.	Teng Jee Cheng	330,000	0.42
		65,464,782	84.04

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 2009 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 2008. **(Resolution 1)**

2. To approve a first and final tax-exempt (one-tier) dividend of 2 cents per share in respect of the year ended 31 December 2008. **(Resolution 2)**

3. To re-elect the following Directors:

   (a) Mr Andree Halim (retiring under Article 104 of the Articles of Association) **(Resolution 3a)**

   (b) Mr Tan Hin Huat (retiring under Article 104 of the Articles of Association) **(Resolution 3b)**

4. To approve Directors' fees of $165,000 for the year ended 31 December 2008 (2007: $146,850). **(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 issue:

   (i) shares in the capital of the Company ("shares");

   (ii) convertible securities;

   (iii) additional convertible securities issued pursuant to adjustments; or

   (iv) shares arising from the conversion of the securities in (ii) and (iii) above,

   (whether by way of rights, bonus or otherwise or in pursuance of any offer, agreement or option (collectively, "Instruments") made or granted by the Directors during the continuance of this authority or thereafter) 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 (notwithstanding that such issue of shares pursuant to the offer, agreement or option or the conversion of the convertible securities may occur after the expiration of the authority contained in this Resolution)

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% (or 100%, in the event of a pro-rata renounceable rights issue) 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 the exercise of 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;

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

(4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier. **(Resolution 7)**

8. That subject to and pursuant to the share issue mandate in Resolution 7 above being obtained, authority be and is hereby given to the Directors, where issuance of new shares is made other than on a pro-rata basis to shareholders of the Company, to determine the issue price for such new share in their absolute discretion provided that such issue price shall not be set at a more than twenty per cent (20%) discount to the weighted average price per share determined in accordance with the rules of the SGX-ST. **(Resolution 8)**

9. 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 9)**

Notice of Annual General Meeting

10. That the Directors of the Company be and are hereby authorised to allot and issue from time to time such number of new ordinary shares (credited as fully paid up to the amount as may be determined and announced by the Directors from time to time) in the Company as may be required to be allotted and issued pursuant to the scrip dividend scheme of the Company, known as the "QAF Limited Scrip Dividend Scheme" adopted at the extraordinary general meeting of the Company held on 28 April 2006 (the "Scrip Dividend Scheme"). **(Resolution 10)**

By Order of the Board

Lee Woan Ling (Ms)
Company Secretary

Singapore, 15 April 2009

Notice of Annual General Meeting

Explanatory Notes:

i) For Ordinary Resolutions:

3(a) – Mr Andree Halim is a non-executive Director of the Company and a substantial shareholder holding approximately 60.42% of the ordinary shares in the Company.

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

Further information on the above Directors can be found on pages 11 and 13 of the Annual Report.

ii) Ordinary Resolution 9 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 9 is in addition to the general authority to issue shares and/or convertible securities sought under Resolution 7.

iii) Ordinary Resolution 10, if passed, will authorize the Directors to issue shares in the Company pursuant to the QAF Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, elect to receive scrip in lieu of cash amount of that qualifying dividend. Authority under Resolution 10 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 13 May 2009 up to and including 14 May 2009 for the purpose of determining shareholders' entitlements to the first and final tax-exempt (one-tier) dividend of 2 cents per share for the financial year ended 31 December 2008 ("Dividend 2008").

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 13 May 2009 will be entitled to the Dividend 2008 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 13 May 2009 will be registered to determine shareholders' entitlements to the Dividend 2008.

The QAF Limited Scrip Dividend Scheme as approved by the members of the Company on 28 April 2006 will apply to the Dividend 2008 which will provide the entitled members with the option to elect to receive new ordinary shares in the capital of the Company in lieu of the cash amount of the Dividend 2008 declared on shares held by them.

Dividend payment date will be announced upon the despatch of the notices of election to entitled members of the Company.

By Order of the Board

Lee Woan Ling (Ms)
Company Secretary

Singapore, 15 April 2009

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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 2009 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 first and final tax-exempt (one-tier) dividend of 2 cents per share.		
3.	To re-elect Directors: (a) Mr Andree Halim		
	(b) Mr Tan Hin Huat		
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 at not more than twenty per cent (20%) discount.		
9.	Authority to issue shares pursuant to the Share Option Scheme 2000.		
10.	Authority to issue shares pursuant to the Scrip Dividend Scheme.		

Signed this ____________ day of ____________ 2009 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)

QAF Limited

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