QAF Limited

Proven Expertise **Solid Foundations**

annual report 2009

Contents

Corporate Information

(As at 19 March 2010)

BOARD OF DIRECTORS
Mr Didi Dawis (Chairman)
Mr Andree Halim (Vice Chairman)
Mr Tan Kong King (Group Managing Director)
Ms Tarn Teh Chuen
Mr Kelvin Chia Hoo Khun
Mr Tan Hin Huat
Mr Daniel Halim
Mr Soh Gim Teik

AUDIT COMMITTEE
Mr Tan Hin Huat
Mr Kelvin Chia Hoo Khun
Mr Soh Gim Teik

NOMINATING COMMITTEE
Mr Didi Dawis
Mr Tan Kong King
Mr Kelvin Chia Hoo Khun

REMUNERATION COMMITTEE
Mr Didi Dawis
Mr Kelvin Chia Hoo Khun
Mr Tan Hin Huat

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
Standard Chartered Bank
United Overseas Bank Limited

Dear Shareholders,

2009 saw major economies grapple with the challenges of a severe global economic and financial crisis. Whilst certain business segments of the QAF Group were not spared the fallout from the decline in global consumer demand and depressed selling prices, I am pleased to report that other segments of the Group were able to benefit from higher operational efficiencies, low interest rates, favourable currency exchange movements, and lower grain and feed costs to enable the Group to post an excellent set of results for the financial year ended 31 December 2009.

The Directors are therefore pleased to recommend a total final tax-exempt one-tier dividend of 3 cents per share, comprising of a first and final dividend of 2 cents, and a bonus dividend of 1 cent. The bonus dividend of 1 cent per share is given in view of the Group's strong performance and to reward our loyal shareholders who have supported the Company through challenging and uncertain times.

On 1 December 2009, Mr. Derek Cheong Kheng Beng stepped down as an executive director of the QAF Board. Mr. Cheong has been re-designated an executive director of Hamsdale International Pte Ltd to prepare that company for a possible listing on the SGX-ST, as announced by the Company earlier.

I would like to extend a warm welcome to Mr. Soh Gim Teik who joined the QAF Board as an independent director and a member of the Audit Committee on 11 May 2009. Mr. Soh is a public accountant and has many years of working experience with a listed entity as a finance director/chief financial officer. The Board is of the view that with his extensive work experience, Mr. Soh will bring much valuable insights and guidance to the Board.

On behalf of the Company, I would like to thank my fellow Board members for their wise counsel in yet another difficult year, and to express my sincere gratitude to all our shareholders, bankers, suppliers, employees and business associates for their unwavering and loyal support.

DIDI DAWIS
Chairman
19 March 2010

Group Managing Director's Report

The year 2009 saw global economies mired in a deep recession with rising unemployment, tightening credit, escalating commodities and oil prices, and large fluctuations in currency exchange rates. Towards the second half of the year, the effects of fiscal and economic stimulus programs initiated by governments brought about a modest but fragile recovery.

Singapore experienced one of its worst recessions since independence. However, despite the challenging economic environment, the Group was able to deliver a solid result with higher revenue and a substantial improvement in profitability. We are encouraged by the Group's good performance in a difficult economic environment and will continue to strengthen our core competencies and solidify our position as a leading player in the regional food industry.

Group revenue for the financial year ended 31 December 2009 ('FY2009') increased by 2% to $855.0 million, compared to $840.1 million for the financial year ended 31 December 2008 ('FY2008'). The increase was attributed to higher sales posted by the Group's Bakery, Primary Production and Food Manufacturing operations.

The bakery operations in Singapore, Malaysia and the Philippines posted an impressive set of results with healthy contributions to revenue through increased product sales in their respective markets.

The Group's Primary Production operations in Australia under Rivalea (Australia) Pty Ltd ('Rivalea') (formerly known as QAF Meat Industries Pty Ltd), also recorded higher sales revenue in FY2009. This was a remarkable achievement given the global crisis and the outbreak of the H1N1 flu pandemic that saw pork consumption and prices fall across the globe. Due to effective restructuring and cost cutting initiatives implemented by management in 2008, Rivalea was well positioned to pull through these upheavals to the industry to emerge even stronger.

Challenge Australian Dairy Pty Ltd ('Challenge'), the Group's associate that manufactures and sells a range of milk and dairy products in Australia, recorded higher sales revenue for FY2009. This increase was achieved despite the competitive business environment faced by the dairy industry with falling milk and dairy prices throughout 2009. Challenge became an associated company in March 2010.

Despite the global recession, Group profit from operating activities saw a jump to $74.7 million, a substantial gain of $64.9 million over FY2008. The main contributor to this considerable improvement in Group profitability was Rivalea, which achieved a profit before taxation of $28.6 million. The increased profitability was the result of the stronger sales of high value food products and wide-ranging cost control measures initiated across all our business segments, particularly in the highly successful operations of Rivalea.

In 2008, the Rivalea operations were hit hard by the double whammy of a severe drought in Australia and a sharp escalation in grain prices worldwide. This had a disastrous impact on profitability. In 2009 however, Rivalea was able to take advantage of lower feed and production costs and higher margins from the sales of its proprietary brands of fresh meat cuts.

The creation of branded meat cuts was a marketing strategy to broaden Rivalea's consumption base through the establishment of new market segments and innovative products. Rivalea's branded meat cuts had succeeded in creating product differentiation, enabling it to gain a competitive advantage over other meat producers and providing the company with higher value and more stable profit margins.

During the year, Gardenia's bakery operations in Singapore, Malaysia and the Philippines posted another record year of growth and increased profitability with higher sales, improved margins and successful launches of new bakery products. The strong performance of Gardenia's bakery operations underscored the resilience and stability of the Gardenia brand and the demand for its products.

Group revenue for the financial year ended 31 December 2009 ('FY2009') increased by 2% to $855.0 million, compared to $840.1 million for the financial year ended 31 December 2008 ('FY2008').

Group Managing Director's Report

Group profit from operating activities saw a jump to $74.7 million, a substantial gain of $64.9 million over FY2008. The main contributor to this considerable improvement in Group profitability was Rivalea, which achieved a profit before taxation of $28.6 million.

In March 2009, Gardenia Bakeries (KL) Sdn Bhd was bestowed a great honour when the Gardenia brand was ranked as one of Malaysia's Top Ten most favourite brands in a survey by Superbrands. Gardenia was the only homegrown Malaysian brand to make it into the Top Ten spot, ranking ahead of a number of renowned international brands.

Despite achieving higher sales revenue, the dairy operations of our associate, Challenge, incurred a loss for FY2009 as a result of the depressed selling prices of its milk and dairy products in the highly competitive dairy industry. The depressed milk prices were a global phenomenon. In Western Australia where Challenge operates, the prices of milk and dairy products fell throughout 2009.

After deducting finance costs (interest expense) and adjusting for exceptional items and share of profits of associated and joint venture companies, Group profit before taxation was $60.6 million for FY2009, compared to a Group loss before taxation of $25.0 million for FY2008.

The Group recorded a foreign exchange gain of $12.5 million in FY2009. This was mainly attributable to the appreciation of the Group's Australian dollar denominated assets against the Singapore dollar, compared to a foreign exchange loss of $14.4 million in FY2008.

The Group made an allowance for doubtful debts of $23.1 million on advances extended to the Group's fruit juice manufacturing associate, Shaanxi Hengxing Fruit Juice Co. Ltd. This allowance was a matter of prudence, taken in light of the continuing difficult worldwide industry conditions and depressed export demand for that company's products from overseas markets.

Group profit after taxation was $59.3 million for FY2009, a substantial improvement in profitability, compared to a Group loss after taxation of $29.2 million for FY2008.

Earnings per share jumped to 12.1 cents from a negative of 7.8 cents, while net asset value per share of the Group saw a gain of 34.5%, climbing from 45.8 cents to 61.6 cents.

Looking ahead, the economic outlook for 2010 is uncertain. The challenge for governments will be the rebuilding of fragile economies and timing the withdrawal of stimulus measures without exacerbating public debt, food inflation, asset price inflation and high unemployment. Sovereign debt concerns will continue to impact on global recovery efforts.

The Group will continue to focus on cost management and strengthen its competitiveness to cushion its businesses from adverse economic developments.

The Group's bakery operations are expected to continue to cement their market dominance in the countries in which they operate through the enhancement of brand presence, constant product innovation and the maintenance of the highest quality and standards.

Gardenia's strong branding, new product offerings, exciting marketing programs and efficient distribution systems should enable it to withstand the keen competition from other branded packaged breads. We will continue to seize growth opportunities through the expansion of our bakery production facilities, and through increases in sales and market share. We expect the Bakery segment to continue to make healthy contributions to sales and profitability.

In order to bring value to shareholders, management is evaluating the restructuring of the Group's businesses through a proposed spin-off of its Primary Production segment held under Hamsdale International Pte Ltd ('Hamsdale'). The Company is currently working towards a separate listing of Hamsdale on the SGX-ST. However, the proposed spin-off is subject to various conditions and approvals, including the approval of the shareholders of the Company.

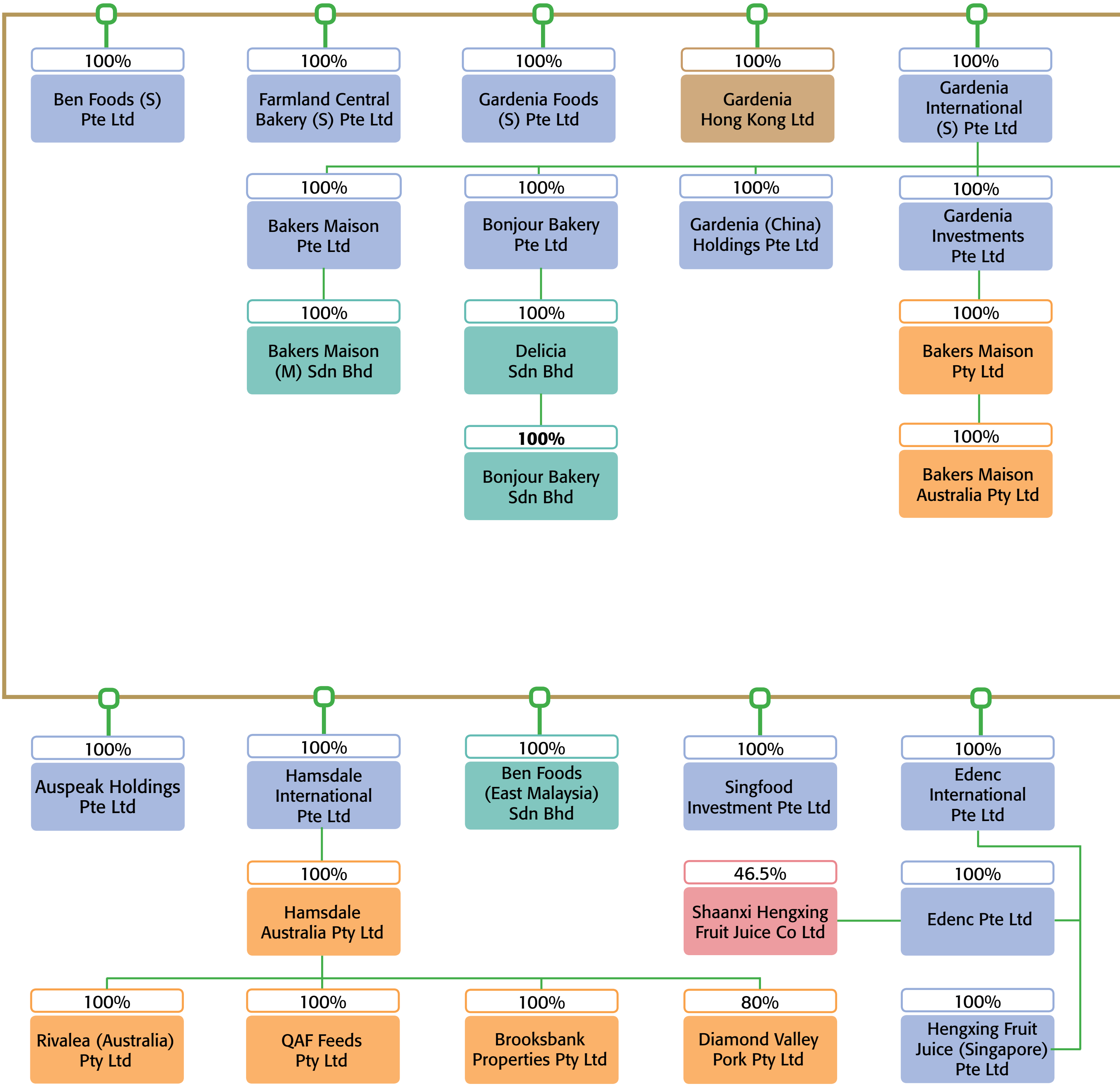
The economic recovery is fragile and volatile and will remain so for some time. Barring unforeseen circumstances, the performances of the Group's Bakery segment and the Primary Production segment under Rivalea are expected to remain positive as they achieve continued expansion in sales and gains from scale and productivity.

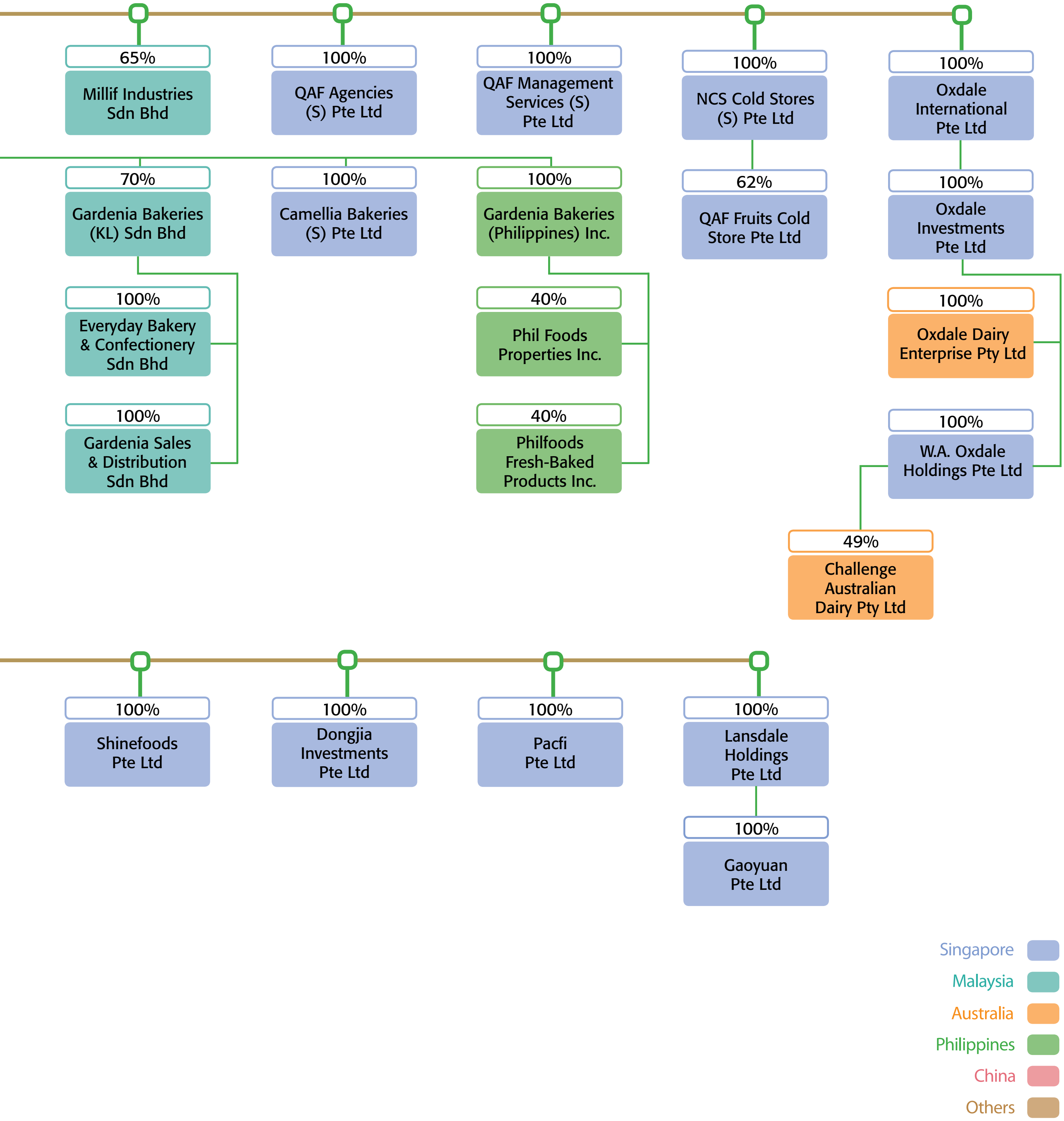
TAN KONG KING
Group Managing Director
19 March 2010

QAF Subsidiaries and Associated Companies

(As at 19 March 2010)

QAF Limited





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

Board Of Directors

1 Didi Dawis (Chairman)
2 Andree Halim (Vice-Chairman)
3 Tan Kong King (Group Managing Director)
4 Tarn Teh Chuen

5 Kelvin Chia Hoo Khun
6 Tan Hin Huat
7 Daniel Halim
8 Soh Gim Teik

Board Of Directors

DIDI DAWIS, 64
Chairman
Non-executive Director

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.

As an established entrepreneur, Mr Dawis has various business interests in Indonesia including being the sole franchise holder of Video Ezy, as well as businesses involved in the trading and distribution of building materials, real estate development, hotel and banking. He was also the owner and joint-venture partner of a news magazine and a newspaper in Indonesia for some 8 years. Mr Didi Dawis is a member in the councils of several charitable and civic associations in Indonesia, the executive 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 has an interest of 9.60% in the total issued shares of the Company as at 19 March 2010.

Date of last election
27 April 2007

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

ANDREE HALIM, 62
Vice-Chairman
Non-executive Director

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

Mr Halim graduated with a diploma in Business Studies from the South East London Technical College of United Kingdom. Mr Halim is an established entrepreneur and has investments in a wide range of businesses. He also sits on the board of directors of several private enterprises that he has shareholding interests in.

Mr Andree Halim is the major substantial shareholder of the Company, having a total interest of 61.18% in the total issued shares of the Company as at 19 March 2010.

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

Date of last election
30 April 2009

Board Committee
Nil

TAN KONG KING, 59

Group Managing Director
Executive Director

Date of last election
Not subject to annual re-election

Board Committee
Nominating Committee (Member)

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.

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 livestock and meat production, which set the ground for the Group's further growth and expansion.

In the early part of his career, Mr Tan had worked for a number of years with an international accounting firm. 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 29 years of experience in managing group operations and over 14 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.

TARN TEH CHUEN, 50

Executive Director

Date of last election
30 April 2008

Board Committee
Nil

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

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 19 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.

Board Of Directors

KELVIN CHIA HOO KHUN, 58
Non-executive Director

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

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

Date of last election
30 April 2008

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

TAN HIN HUAT, 57
Non-executive Director

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

Mr Tan is currently a Senior Vice President of EFG Bank Ltd, Singapore Branch. He has more than 29 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.

Date of last election
30 April 2009

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

DANIEL HALIM, 31

Non-executive Director

Date of last election
30 April 2008

Board Committee
Nil

Mr Halim was appointed as a Director of the Company on 1 December 2007.

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 (major 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 an interest of 38.14% in the total issued shares of the Company as at 19 March 2010.

SOH GIM TEIK, 55

Non-executive Director

Date of last election
Not Applicable

Board Committee
Audit Committee
(Member)

Mr Soh was appointed as an independent non-executive Director of the Company on 11 May 2009.

Mr Soh graduated in 1978 with a degree in Bachelor of Accountancy. He was trained as a public accountant and had many years of working experience with a listed entity as a finance director/chief financial officer. He also serves as an independent director in 5 other listed entities. In addition, Mr Soh is a non-practicing member of the Institute of Certified Public Accountants of Singapore ('ICPAS') and has been the Chairman of the CFO Committee of ICPAS since 2006. He is also a committee member of the Professional Accountants in Business Committee of the International Federation of Accountants.

Current directorships in other listed companies

- Advanced Holdings Ltd
- BBR Holdings (S) Ltd
- Craft Print International Limited
- Heng Long International Ltd
- UMS Holdings Limited

Operational Review

SINGAPORE
GARDENIA FOODS (S) PTE LTD
('GARDENIA SINGAPORE')

Gardenia Singapore's commitment to the production of high quality, fresh baked value-for-money products has stood it in good stead and enabled it to thrive during the economic slowdown. Despite the tough business conditions and growing competition in the bakery industry, the company was able to achieve higher sales over the previous year. This remarkable performance is testament to Gardenia Singapore's leadership position in the Singapore bakery market and an affirmation of the strong brand loyalty and support of consumers.

In 2009, the company introduced a new range of Cream Rolls in 3 delicious flavours – Chocolate, Strawberry, Mango & Passion Fruit. The cream rolls catered to consumers' demands for a healthy life-style option with tasty snacks-on-the-go. Bonjour also expanded its range of specialty loaves by adding a new Butterscotch Loaf. This loaf has a delightful sweet and fragrant butterscotch taste and can be lightly toasted.

Operational Review

To reward its loyal customers, Gardenia Singapore launched 'The Gardenia Great Exchange', a redemption promotion where consumers could exchange any 4 bread wrappers from selected Gardenia breads for a free full-sized fruit loaf. The promotion was very well received by consumers.

Over the year, Gardenia Singapore installed 79 bread and bun vending machines in schools, condominiums, student hostels, factories and on the premises of several Residents' Committees. The company had installed the first bread vending machine in Singapore in 2008 and since then, the vending machines have proved to be a boon to consumers. Bakery products in the vending machines are replenished daily to ensure that only the best and freshest items are offered for sale.

Gardenia Singapore participated in various public relations activities and community outreach programs. The company took part in the Singapore Food Expo 2009, one of the largest exhibitions for the local food industry drawing more than 650,000 trade buyers and consumers. It also continued its sponsorship of the annual School Health Fair program to encourage good eating habits amongst primary school students. Gardenia Singapore has been involved in the School Health Fair program since its inaugural launch in 1993.

In September, the company collaborated with the Health Promotion Board in a nation-wide 'Whole Grains' campaign to promote the health benefits of eating wholemeal bread. The campaign utilized Gardenia's Fine Grain Wholemeal Bread to promote a healthy diet. The association with the Health Promotion Board greatly enhanced the image of Gardenia's Fine Grain Wholemeal Bread in the minds of health-conscious consumers. To sustain the healthy lifestyle option, a smaller 310 gm Junior Fine Grain Wholemeal Bread was produced to cater to smaller families and to encourage white bread consumers to try the healthier wholemeal bread.

As part of the company's social responsibility initiative to give back to the community, Gardenia Singapore supported several local charities and causes. These included 'The Little Arts Academy', which was set up by the Business Times Budding Artists Fund to help artistically gifted children, the National Volunteer and Philanthropy Centre's 'Vertical Kampong' project to encourage mutual self-help amongst communities, and the Singapore Kindness Movement which is aimed at fostering kindness and good neighbourliness.

Gardenia Singapore's ability to create a diverse range of bakery items to cater to consumers' changing tastes has enabled the company to drive growth and profitability and to increase sales despite keen competition from the local packaged bread market. Going forward, the company is expected to enjoy continued strong sales and profitability.

MALAYSIA
GARDENIA BAKERIES (KL) SDN BHD
('GBKL')

Turnover for GBKL reached another new high, growing by 17.8% in FY2009 to RM557 million. The increased profitability was achieved through effective cost control measures through the fine-tuning of the company's management information systems and tightened control over wastages at its production plants and retail outlets.

GBKL is a 70%-owned subsidiary of the QAF Group and the largest bakery operation in South-East Asia. The installation of its 5th automated bread line at Bukit Kemuning, West Malaysia has provided the company with the additional capacity to achieve greater flexibility in the management of product mix profitability and higher production efficiencies through better production planning. GBKL has 8 fully automated production lines comprising 5 bread lines and 3 bun and roll lines, capable of producing a combined total of more than 770 million loaves of bread, snack cakes, buns and rolls per annum.

In March 2009, Gardenia was honoured to be ranked as one of Malaysia's Top Ten Brands in a survey by Superbrands to identify Malaysian consumers' most favourite brands. Gardenia was the only homegrown Malaysian brand to make it into the Top Ten, ranking ahead of a number of renowned international brands. The award is a coup for GBKL and has reinforced Gardenia's dominance and leadership in the Malaysian wholesale bakery business.

To cater to consumers' demand for variety and convenience, GBKL introduced the Gardenia Delicia Soft Rolls in 2009. The soft rolls came in 3 delicious flavours - Butter Toffee, Milky Chocolate and Coffee Cinnamon, giving consumers a larger variety of bakery products to choose from.

As part of its brand enhancement program, GBKL erected a large eye-catching lighted signboard that has since become a landmark in Selangor. The signboard is clearly visible from the highway, creating a memorable and valuable brand imprint on motorists and commuters.

Going forward, GBKL is confident of achieving further growth in sales revenue and market share.

Operational Review

THE PHILIPPINES
GARDENIA BAKERIES (PHILIPPINES), INC
('GARDENIA PHILIPPINES')

Gardenia Philippines, the largest bread producer in the Philippines, saw another record year of positive growth in 2009. This was an achievement given the general decline in the country's total bread demand. Profitability also increased due to stringent cost containment measures.

Gardenia Philippines is the market leader in the loaf bread industry with a market share exceeding 60% in Metro Manila. Its distribution network is the largest in the baking industry, covering the entire Luzon archipelago and the Western part of the Visayas archipelago, including Mindoro, Panay and Negros islands. The company has also expanded its geographical reach to the Eastern part of the Visayas, bringing freshly baked Gardenia products to the major islands of Samar and Leyte, using roll-on roll-off (RORO) vessels and its fleet of company-owned feeder trucks.

In November, Gardenia Philippines inaugurated a new fully automated state-of-the-art loaf plant with a capacity for producing 6,000 loaves per hour. The plant has not only provided the company with the additional capacity to enable it to venture into untapped markets in the Philippines, but has also become an educational plant tour destination, playing host to some 3,000 - 8,000 visitors a day. Gardenia Philippines's 4 loaf production lines, a pandesal bun plant and a snack cake plant have a combined capacity for producing in excess of 200 million loaves and buns a year.

During the year, Gardenia Philippines launched the Slim & Fit Wheaten Bread aimed at health-conscious consumers. This new bread contains L-Carnitine and is a good source of dietary fiber to aid in weight management. The company also introduced a Cookies and Cream flavor to its Cream Roll snack line. In addition to collaborative promotions with major supermarkets and chain stores, the company launched 2 major advertising campaigns to promote its Classic White bread and High Fiber Wheat bread. Gardenia Philippines holds a 90% market share in the high fiber whole wheat bread segment.

Gardenia Philippines is committed to corporate social responsibility, supporting charitable organizations and institutions that serve sectors of society in need, including street children, orphans, oppressed women and victims of calamities. In September, during the worst flooding to occur in the last 40 years in Metro Manila and surrounding provinces, the company worked with relief organizations such as the Red Cross, the Department of Social Welfare, and other civic organizations to provide basic goods, especially bread, to the victims.

As a re-affirmation of the company's commitment to food safety and world-class quality standards, Gardenia Philippines holds the latest ISO 9001:2008 Certification for product quality and a HACCP Certification for food safety, certifications that the company has held for 6 consecutive years.

AUSTRALIA
BAKERS MAISON AUSTRALIA PTY LTD
('BAKERS MAISON')

The Bakers Maison bakery in Sydney, Australia, is a specialist manufacturer of authentic French style breads and pastries. Its plant at Revesby produces Frozen Par Baked breads and pastries, Fully Baked Frozen pastries, and Fresh daily-baked pastries. Its range of bread products includes batards, bread rolls and baguettes. It has an extensive array of handmade full butter pastries comprising various types of croissants, pies and assorted danishes, and a range of sweets such as muffins, banana loaves and friands.

Bakers Maison's par baked and frozen products are distributed throughout Australia. To maintain their quality and fresh taste, fresh daily-baked pastries are distributed only within the Sydney area. Bakers Maison's customers comprise airlines, food manufacturers, food distributors, food caterers, hotels, restaurants, cafes, bakery shops, convenience stores and petrol stations.

In 2009, the food service industry was impacted by the global economic crisis resulting in a sharp downturn in tourist arrivals into Australia and a reduction in corporate conferencing and convention business. Despite the poor economic environment, the company was able to achieve healthy sales volumes through product innovation, marketing initiatives and increased consumer demand.

New products launched in 2009 included 3 different flavours of Gourmet Mixed Rolls - Onion & Balsamic, Olive & Rosemary, and Sea Salt & Rosemary, a ciabatta garlic bread, a mini ciabatta, a chocolate chip hot cross bun, and a new range of flavoured par baked batards - Sundried Tomato, Romano Cheese, and Rosemary & Garlic. The company also expanded its range of freshly baked products which are now sold under the 'Daily Delice' brand name. Daily Delice was introduced to the trade at the Sydney Fine Food Show and was very well received.

During the year, a new showroom featuring Bakers Maison's extensive range of bakery products was set up inside its Revesby plant. The showroom provides visitors and potential customers with information on the company's baking processes and different product ranges and also enables product sampling.

Bakers Maison also provides contract manufacturing services to customers. In 2009, Bakers Maison created an exclusive selection of bread rolls for a national franchise sandwich chain that has since proved very popular with customers. The company also produces par baked batards for a supermarket chain.

Bakers Maison has recently commenced contract manufacturing for 2 other large companies and is hopeful of the future potential for this segment of its business. It will continue to pursue new opportunities for growth and expansion, strengthen its research and development capabilities, and continue to create new bakery items and products to meet customers' tastes and requirements.

Operational Review

PRIMARY PRODUCTION

AUSTRALIA
RIVALEA (AUSTRALIA) PTY LTD
('RIVALEA')

The Group's Primary Production business segment comprises the operations of its wholly-owned subsidiary, Rivalea (formerly known as QAF Meat Industries Pty Ltd), and an 80%-owned subsidiary, Diamond Valley Pork Pty Ltd ('Diamond Valley').

Rivalea is a fully integrated meat production operation based in Australia. It is involved in all stages of the meat processing operations such as grain growing, stockfeed milling, breeding and farm operations, abattoir (slaughterhouse) operations, deboning, meat cutting, packaging of fresh meat products and meat distribution.

Rivalea is the largest producer of pork meat in the Australasian region, accounting for 20% of Australia's total meat production. The company is also the largest exporter of pork products to the major export markets of Singapore, Japan, New Zealand and other Asian countries.

In 2009, Rivalea produced about 45,000 MT of meat achieving a profit before taxation of $28.6 million for FY2009, as compared to a loss before taxation of $31.3 million for FY2008. The steep loss was attributed to the severe drought in Australia that was compounded by a sharp escalation in global grain prices in 2008.

During the year, the company operated against the backdrop of a tough economic environment and the outbreak of the H1N1 flu pandemic that affected animals and humans and sparked a decline in pork consumption and prices. However, the company was able to reap the benefits of cost control measures, lower feed and production costs and higher margins from the sales of its proprietary brands of fresh meat cuts to turn in an impressive set of results for FY2009.

Rivalea has a major presence in the Australian meat market holding dominant positions in the various market segments. It is a major supplier of carcasses and meat products to wholesalers and provides live animals to a major meat processor. It is also the largest producer of vacuum-packed meat cuts and tray-packed products for a major national supermarket chain. The company's own unique fresh moisture-infused meat cuts are sold to butcheries, meat retail outlets, the food service industry and independent supermarkets. The meat cuts are marketed under the company's proprietary brand names - Murray Valley (for butcheries and meat retail outlets), High Country (for the food service industry) and Family Chef (for independent supermarkets).

Rivalea's breeding and farm operations are carried out within the states of New South Wales and Victoria, on 9 company-owned sites spread over a total area of about 100 square kilometres. Production is also carried out by a number of third-party contract growers who provide labour and housing facilities to grow the livestock till marketable age with Rivalea providing the feed, the animals and technical knowledge, and the meat processing and distribution. This arrangement provides the flexibility for Rivalea to quickly increase livestock numbers at any time without incurring heavy capital expenditure.

Operational Review

Production systems at the farm operations are environmentally clean and efficient and are based on the latest methods and technologies, including eco-shelter production systems. The use of all-in-all-out ('AIAO') systems ensure that the sheds are completely cleaned out between batches of animals and Segregated Weaning Systems ('SEW') are used to separate and isolate different herd batches as they grow. These production systems maintain the health status of the herd by reducing the incidence of disease transmission.

The main raw materials used in stockfeed, such as wheat grain, barley, triticale, canola, and other grains and pulses, are purchased directly from growers in the surrounding grain producing areas. To ensure that a certain proportion of its grain requirements can be met, Rivalea also operates a Land Lease Management program under which it leases and crops in excess of 10,000 hectares of land. It proposes to lease additional land to grow more grain so as to ensure availability of its raw material requirements and achieve predictability of costs.

Rivalea's company-owned stockfeed mills produce all the company's stockfeed requirements. This in-house feed production enables Rivalea to reduce the costs of feed production through economies of scale and ensure that its livestock receives the best quality feed at the best formulations. The company owns and operates one of the largest stockfeed mills in Australia with a capacity of more than 450,000 MT per year. This mill is situated in Corowa, NSW, while a smaller facility is located in Balpool, NSW. Rivalea also produces a wide range of branded feedstock for sale to external customers and this profitable business has been growing at a steady pace.

All the meat used in the production of the company's meat products is supplied by the company's abattoirs and this enables Rivalea to achieve the best quality carcasses and meat cuts at the highest hygiene and sanitation standards and the lowest possible cost. Rivalea's abattoir and deboning facility at Corowa is export-registered and is the largest abattoir in Australia that is situated on a single site. It has the capacity to slaughter 1 million heads per annum. An adjoining boning facility uses the latest technologies to efficiently and hygienically debone the meat which is then immediately vacuum packed into case/slice ready primals for the retail market, or wrapped and chilled for either the domestic or export market.

The boning facility currently processes more than 300,000 carcasses a year. A moisture enhanced facility processes Rivalea's branded moisture infused meat products. An in-house processing plant maintains quality control on the products and this is backed by integrated risk procedures and an on-site NATA-accredited laboratory. The processing plant has also obtained ISO 9001:2000 certification, SQF 2000 certification and complies with the guidelines issued by the AQIS Approved Meat Safety and Quality Assurance Standard.

Diamond Valley operates a smaller abattoir and boning business in Melbourne, Victoria. This facility slaughters approximately 470,000 heads per annum and processes animals from both Rivalea as well as external customers. The facility also has a minced meat and packing line to add value to its meat products.

One of the core strengths of Rivalea lies in its established research and innovation capability. The company's Research and Innovation Division ('R&I') comprises a team of scientists who support all the operational units of the company with effective and the latest state-of-the-art technical capabilities. Rivalea is one of the largest

private investors in pork meat research in Australia and a significant contributor to international research. Research programs are conducted in the areas of animal welfare, genetics and animal breeding, veterinary science, reproduction, growth and nutrition, meat science and food safety, new product development and environmental sustainability.

The R&I also undertakes contract research programs for external clients such as multinational drug companies like Pfizer, Fort Dodge and Alltech. Additionally, Rivalea's R&I is an integral research base for Australian Pork Limited and the Pork Cooperative Research Centre, and is a research partner with many government and university research groups. This extensive network of collaboration provides not only monetary benefits in the way of fees, but enables the company to apply the knowledge gained to its operations and thereby enhance the company's technological and competitive advantage.

Rivalea's R&I also sells technical products to external parties through its Primegro Technologies brand ('Primegro'). Some unique Primegro products are genetics, a process to determine the future growth and efficiency potential of an animal at its birth, and insulin growth products. The R&I also provides technical consultancy work to the rapidly growing Asian pork industry and supplies vitamin products, mineral supplements and stockfeed solutions to the export markets. It also helps to develop new innovative meat products.

In line with consumers' increasing demand that farm animals be treated humanely, Rivalea practices a comprehensive animal welfare policy. Two-thirds of its sow population currently spend all or most of their pregnancies in group housing where there is freedom of movement and the company is committed to completing the removal of all pregnant sow stalls in the near future. Half of the company's animals are reared in straw-bedded barns so as to provide social interaction. All livestock and farm workers possess National TAFE Certificates in Agriculture and are supervised by highly qualified people including veterinarians and animal behavioral scientists. Rivalea's reputation for being in the forefront of animal welfare has resulted in increased demand for its products from supermarkets and consumers.

Rivalea has successfully positioned itself to pursue new market opportunities and continue growing its business through growth-oriented initiatives. In this regard, Rivalea's future business strategies are to maximise its production capacity through the restocking of animals at its farms, the expansion of its boning facilities and increase in its research and development activities.

Rivalea intends to increase its output of fresh meat cuts and branded products as these products command better and more stable margins. The company proposes to open up new markets for its range of branded fresh and moisture infused products, particularly in good growth markets such as Sydney, Melbourne, Brisbane and Adelaide. In this regard, the company is actively seeking to acquire existing distribution companies, or setting up distribution hubs to achieve this goal.

The company also expects to sell more technological products such as genetics and farming consultancy services to the fast growing Asian markets. The expertise built up by Rivalea over the years, especially in the area of product development, production systems and technological know-how enables the company to successfully undertake new ventures and expand this area of its business.

Operational Review

FOOD MANUFACTURING

AUSTRALIA
CHALLENGE AUSTRALIAN DAIRY PTY LTD
('CHALLENGE')

The Group's associate, Challenge, trades in raw milk and manufactures high quality cheese, butter, cream and dairy ingredients under the Capel brand. The company's production facilities are located at Capel and Boyanup in Western Australia.

Fresh milk for Challenge's operations is supplied by farmers from Challenge Dairy Co-operative Ltd, a co-operative owned by nearly half of all dairy producers in Western Australia. The co-operative holds a 51% stake in Challenge.

Challenge manufactures gourmet and specialty cheeses 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 quality butter products under the Capel Butter brand. Capel products are sold in major supermarket and retail chains in Australia. Challenge is also a major supplier of fresh milk and milk concentrate products to leading Asian milk manufacturers with some 50% of its milk production being exported.

In 2009, the company added the Vintage, Matured and Semi-Matured Australian Cheddar Cheeses to its Capel Valley line of cheeses. It also expanded its product range with the addition of a 'Deli Fresh' range of European and Middle Eastern cheeses and introduced a 'Gourmet Handcrafted' range of premium cheeses including flavoured Cheddar cheeses, Pecorino, Parmesan, Soft Ripened Brie and Double Cream Blue.

Despite the highly competitive business environment faced by the dairy industry with falling milk prices throughout 2009, Challenge recorded higher sales revenue for FY2009 from both its domestic and export markets. The higher contribution to sales was attributable to increased marketing efforts, higher exports and bulk milk trading.

The higher revenue did not translate into increased profitability and Challenge incurred a loss for FY2009 as a result of the depressed selling prices of its milk and dairy products. The depressed milk prices were a global phenomenon during the recession and in Western Australia, milk and dairy prices fell throughout 2009.

Challenge will explore various initiatives in relation to its milk processing activities including the rationalization of product lines to improve profit margins.

Operational Review

SINGAPORE
BEN FOODS (S) PTE LTD
('BEN FOODS')

Ben Foods carries out the Group's wholesale food distribution activities in Singapore. The company distributes a wide variety of premium food and beverage products including meat, milk and dairy products, soups, pastries, confectionery, sauces, spreads, snack products, wines and juices. Customers include food manufacturers, fast-food chains and restaurants, supermarkets and independent retail outlets, hotels, wholesalers, bakeries, flight kitchens and sea vessels.

The company strives to strengthen its proprietary brands by launching new, convenient and functional food products each year. Ben Foods' proprietary brands have become familiar household names in Singapore and in the countries where they are exported. Its house brands are Cowhead (milk and dairy products), Farmland (processed meat and foodstuff), Haton (seafood products), Orchard Fresh (beverages and fruit toppings) and Spices of the Orient (sauces and seasonings). Cowhead dairy products,

which include UHT milk, instant powdered milk, cheddar cheese, butter, organic oats and biscuits, are also exported to the Philippines, Vietnam, Cambodia, Myanmar and Macau. The company's Cowhead and Farmland brands have both been awarded Superbrand status.

Products launched in 2009 were the Farmland Big Wave Potato chips in Original, Hot & Spicy and Seaweed Wasabi flavours, and Cowhead Hazelnut Spread in 2 flavours – Hazelnut with Cocoa & Milk, and Hazelnut with Cocoa. The calcium-enriched spreads were well received by consumers due to their competitive pricing.

The resilience of the company during the financial turmoil was due to the success of its long term business strategy of developing and growing its proprietary branded products to enhance brand presence, broaden its customer base and increase market share. The company will continue to keep abreast of food trends and develop consumer staples that meet the changing tastes of the market.

SINGAPORE
NCS COLD STORES (S) PTE LTD
('NCS')

NCS owns and operates the largest independent public cold store in Singapore. Strategically located in Jurong Industrial Estate, it is less than 10 minutes' drive from Jurong Port where ships berth to load and unload their cargoes of marine products.

NCS Cold Stores is wholly automated with fully computerised facilities. Occupying a land area of over 27,000 square metres, it has a total storage area of 50,000 cubic metres with a capacity for 14,000 pallets. The cold store contains multiple temperature storage rooms for cargo, ranging from dry air-conditioned chillers to freezer rooms.

The company provides customers with an efficient one-stop service with integrated facilities for container plug-in services, cargo clearance, delivery services, as well as rental of office and processing rooms. Awarded the HACCP certification in October 2008, the company is a member of the International Association of Refrigerated Warehouses (IARW), USA, and Seafood Industries Association, Singapore.

The company's performance improved in FY2009 mainly due to higher occupancy rates of 90%, compared to 80% in the previous year.

NCS has received in-principle approval from the Jurong Town Corporation for a 17-year extension of one of the leases on its property when the current lease expires in February 2013. The company will be undertaking a $1.7 million upgrading and renovation program to its property, plant and machinery.

Operational Review

AUSTRALIA
OXDALE DAIRY ENTERPRISE PTY LTD ('OXDALE DAIRY')

In Australia Oxdale Dairy operates 2 dairy production facilities in Cobram, Victoria. The production facilities comprise more than 733 hectares of freehold land that currently accommodate a herd of more than 1,700 cattle and are fully equipped with 2 rotary dairies (a 42-stand and a 50-stand), irrigation equipment, infrastructure, laneways, barns and extensive fences. The cattle are predominantly Holstein, Holstein Jersey Cross and Brown Swiss cattle.

The Oxdale Dairy property is self-sufficient in regard to the water supply necessary for its operations as it is favoured by the presence of underground water that can be exploited from both shallow and deep water aquifers. The dairy operations also benefit from their close proximity to the large tracts of buffer pasture land belonging to Rivalea as cattle are able to graze on this pasture land resulting in lower feed costs for the company. The huge expanse of buffer land also gives the company the ability to increase its herd size without incurring additional or substantial investments in land, water resources and feedlots. The company has the added advantage of being able to tap on Rivalea's expertise in the areas of feed formulation and production, veterinary science and animal husbandry. All these factors have enabled Oxdale Dairy to reduce production costs and enjoy higher efficiencies per cow. The company maintains a positive long-term outlook for the dairy operations.

CHINA
SHAANXI HENGXING FRUIT JUICE CO. LTD ('SHAANXI HENGXING')

The Group's associate, Shaanxi Hengxing, produces apple juice concentrate mainly for export to the United States, the European Union, Russia and Australia.

The company's juice production operations are headquartered in Shaanxi within China's main apple growing belt. The company has 9 production facilities located in 4 provinces, all within close proximity to apple growing areas. The apples used in the production of apple juice concentrate are sourced mainly from external third party farmers and contract growers.

In FY2009, the global demand for apple juice concentrate suffered a substantial decline due to depressed economic conditions and poor export demand from the company's overseas markets. The drastic fall in global apple juice concentrate prices was exacerbated by customers holding back from making purchase commitments and this had an adverse impact on sales volumes.

A pick-up in prices and demand for the company's products is expected as global economies recover.

Our Brands

Capel Choice — Quality Guaranteed

Bonjour — Simply Delicious

Cowhead

capelcrest

Spices of the Orient

Nutrimax — Balanced grain additives

Bakers Maison

Murray Valley

Haton 哈多

Orchard Fresh

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

Capel Cut — Challenge Australian Dairy — Capel Dairy Est. 1900

Optimilk™

riverview farms™

High Country

Black Diamond

FamilyChef — Juicy. Tasty. Easy. — Easy to cook!

Capel Valley

Capel Butter

Auntie Rosie's

Veanavite — Proven formula Super Performance

Primegro™ Technologies

farmland®

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 are 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	3	NA	NA	NA	NA	NA	NA
Tan Kong King	4	4	NA	NA	1	1	NA	NA
Tarn Teh Chuen	4	4	NA	NA	NA	NA	NA	NA
Kelvin Chia Hoo Khun	4	3	4	3	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
Soh Gim Teik(1)	4	2	4	2	NA	NA	NA	NA
Phua Bah Lee(2)	4	1	4	1	1	1	1	1
Derek Cheong Kheng Beng(3)	4	4	NA	NA	NA	NA	NA	NA

Notes:

(1) Mr Soh Gim Teik was appointed to the Board with effect from 11 May 2009.

(2) Mr Phua Bah Lee ceased to be a Director with effect from 30 April 2009.

(3) Mr Derek Cheong ceased to be a Director with effect from 1 December 2009.

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

Corporate Governance Report

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

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

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

Principle 2 : Board Composition and Balance

The Board at present comprises eight Directors of whom two 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, Mr Tan Hin Huat, Mr Soh Gim Teik and Mr Daniel Halim.

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

Mr Phua Bah Lee retired on the annual general meeting of the Company held on 30 April 2009 without seeking re-election due to his wishes to reduce his commitments and his advancing age.

Mr Derek Cheong was re-designated to focus on the Primary Production Division of the Group. He was made the finance director of Hamsdale International Pte Ltd (a wholly-owned subsidiary of the Company) and ceased to be a Director on the Board with effect from 1 December 2009.

The Board considers Mr Kelvin Chia, Mr Tan Hin Huat and Mr Soh Gim Teik, 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 regards Mr Didi Dawis, a substantial shareholder of the Company who is deemed interested in approximately 9.60% 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.

Principle 4 : Board Membership

The Nominating Committee comprises two non-executive independent Directors and one executive Director, namely Mr Didi Dawis, Mr Kelvin Chia and Mr Tan Kong King. Mr Didi Dawis is the chairman of the Nominating Committee.

The Nominating Committee is empowered by the Board to decide on the re-appointment of Directors who are 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.

Corporate Governance 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 Kelvin Chia and Mr Tan Hin Huat. 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 Director 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.

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

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

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

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

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

Non-executive directors are paid a basic fee and an additional fee for serving as the Chairman of the Board or chairman/members of the Audit Committee. Such fees are subject to approval by the shareholders of the Company as a lump sum payment at each AGM of the Company. The Company holds the view that the interests of maintaining the objectivity and independence of the non-executive Directors is best served by a cash-based fixed fees at a rate broadly in line with those that are adopted by a majority of other listed companies.

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

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

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

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

Corporate Governance Report

Principle 9 : Disclosure on Remuneration

The following tables reflect the breakdown of Directors' remuneration and the remuneration of the top 5 executives of the Group (in addition to the executive Directors) for year 2009:-

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

	Salary	Bonus	Other Benefits*	Total
$2,000,000 to below $2,250,000 Tan Kong King	69%	29%	2%	100%
$250,000 to below $500,000 Tarn Teh Chuen	80%	18%	2%	100%

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

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

$45,000 and below	
Didi Dawis	Chairman of the Company
$30,000 and below	
Andree Halim	Vice-Chairman of the Company
Kelvin Chia	Member of the Board Chairman of the Audit Committee *(till 9.11.2009)*
Tan Hin Huat	Member of the Board Chairman of the Audit Committee *(with effect from 10.11.2009)*
Daniel Halim	Member of the Board
Soh Gim Teik	Member of the Board *(with effect from 11.5.2009)*

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

Number of the top 5 executives of the Group in remuneration bands:-	
$500,000 to below $1,000,000	1
$250,000 to below $500,000	4

The Board is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure on the top five key executives is not in the best interests of the Company and the Group. Such disclosure would 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.

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 Tan Hin Huat (the chairman of the Audit Committee), Mr Kelvin Chia and Mr Soh Gim Teik. All its members are appropriately qualified to discharge their responsibilities. Mr Tan Hin Huat holds a degree in Bachelor of Commerce and Mr Kelvin Chia is a senior practising lawyer. Following Mr Phua Bah Lee's retirement from the Board, Mr Soh Gim Teik was appointed as a member of the Audit Committee. Mr Soh was trained as a public accountant and has many years of working experience with a listed entity as a finance director/chief financial officer. The Company practises rotation of chairman for the Audit Committee amongst the Committee's Directors, and Mr Tan Hin Huat has taken on the position as chairman of the Audit Committee (in place of Mr Kelvin Chia) with effect from 10 November 2009.

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.

Corporate Governance Report

Principle 13: Internal Audit (Cont'd)

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

The Group has an internal audit manager who is a member of the Institute of Certified Public Accountants of Singapore and the Institute of Internal Auditors and he is assisted by an internal audit executive. The internal audit manager reports primarily to the chairman of the Audit Committee. The Audit Committee reviews and approves the annual internal audit plan proposed by the internal audit manager. The internal audit manager, like the external auditors, reports 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 executives

Derek Cheong Kheng Beng, aged 55, has been holding the position of Head of Corporate Development for the QAF Group since January 2002, taking charge of matters in relation to mergers, acquisitions and business development of the Group. Mr Cheong has also recently been tasked to take on the role as the finance director overseeing the primary production division of the Group (namely, Hamsdale International Pte Ltd and its subsidiaries in Australia). Prior to him joining the QAF Group, 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.

Siew Teck Woh, aged 68, 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 57, is the chief executive officer of Rivalea (Australia) Pty Ltd ("Rivalea"), a wholly-owned subsidiary of the QAF Group. He has the responsibility of overseeing the entire integrated meat production business carried out by Rivalea group of companies ("Rivalea Group") in Australia as well as the dairy farming businesses under Oxdale Dairy Enterprise. Mr Pattison has been with the Rivalea Group for over 36 years. Prior to him assuming the position as chief executive officer of Rivalea, he was in various senior management roles including smallgoods production and meat production. He has contributed much in transforming the Rivalea 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.

Rod Williams, aged 54, has held the position of General Manager (Finance & Administration) of Rivalea since January 2000. In 2009, he was redesignated as Corporate Services Director taking charge of corporate services matters including the finance and corporate affairs of the Rivalea Group. Mr Williams has more than 35 years experience in the areas of finance, production, sales, operations and general management in Australia and overseas. Prior to his post in Rivalea, he worked for about 6 years as the chief executive officer of a Singapore joint venture company, KMP Bunge, a fully integrated livestock business with production facilities in Indonesia, exporting livestock to Singapore. He holds a Certificate in Business Studies Accounting from the Wangaratta College of Technical and Further Education.

Yap Kim Shin, aged 58, 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 57, 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 is a part-time Marketing lecturer at the De La Salle University of St. Bernilde in the Philippines, serving for over 14 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 60, was appointed the chief executive officer for the trading and distribution arm of the QAF Group - Ben Foods since 1989. As the 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 34 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.

Derrick Lum Weng Piu, aged 48, 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 24 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 QAF Group consists primarily of Rivalea (Australia) Pty Ltd (“Rivalea”). Rivalea is an integrated producer of meat, which operates 9 company-owned farms and 30 Contract Grower sites spread out across the Australian states of Victoria and New South Wales. Rivalea has more than 50,000 breeder pigs and a total population of about 370,000 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 Rivalea. 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. Rivalea has taken preventive measures of enforcing the highest standards of quarantine and by geographically spreading out its farms to prevent cross contamination. The 9 Rivalea-owned farms and the 30 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.

Supplementary Information
required by the Listing Manual

2. Regulatory Sanctions

(a) Meat Industry

Rivalea 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, Rivalea 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.

Rivalea 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, Rivalea's 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

Rivalea 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, Rivalea 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 Rivalea's 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 Rivalea in the relevant affected markets.

4. Competition

The markets that Rivalea 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, Rivalea's strategy is to maintain themselves as among the most efficient and competitive producers in the region through its production and technological expertise as well as its ability to achieve lower unit cost through economies of scale. Furthermore, Rivalea targets the fresh meat market segments in Australia, Singapore and Japan which are not subject to competition from cheap imported frozen products. Rivalea 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.

4. Competition (Cont'd)

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

5. Employee Turnover/Union Risks

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

Rivalea 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 Rivalea 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 Rivalea 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

Rivalea is involved in livestock farming and the meat industries.

The prices of raw material costs affect the livestock farming and meat industries. These industries are subject to swings in production costs determined largely by grain prices. Grain 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. In particular, Rivalea purchases the bulk of its grain requirements at the harvest season. Any price fluctuations of raw agriculture produce at that point will affect the production costs which Rivalea 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 Rivalea'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.

Supplementary Information
required by the Listing Manual

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. Rivalea exports its fresh chilled meat products by refrigerated containers on board commercial jet airliners. Distribution costs will increase significantly in the event of the escalation of crude oil prices.

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

8. Financial Risks

(a) Credit Risk

In the normal course of business, the Group sales do involve the extension of credit to customers such as supermarkets, convenience stores, petroleum companies, wholesalers, retailers and food service and catering operators.

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 Rivalea 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.

Rule 907 – Interested Person Transactions for financial year 2009

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 Andree Halim, a director and substantial shareholder of the Company	Mr Andree Halim ("AH") and QAF entered into a subscription agreement on 29 July 2009 whereby AH was issued a zero-coupon mandatorily Exchangeable Bond due 31 July 2011 ("the Bond") in a principal amount of $10 million at the issue price equal to 100% of the principal amount of the Bond. The Bond is mandatorily exchangeable into fully paid and unencumbered ordinary shares of the Company's wholly-owned subsidiary, Hamsdale International Pte Ltd ("Hamsdale") in the event that Hamsdale is listed on the Singapore Exchange Securities Trading Limited.	Nil

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

Save as disclosed pursuant to Rule 907 above, 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 and directors of the Company and its subsidiaries hold in aggregate approximately 71.51% of the shares of the Company (see page 141 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 FY2009 amounted to approximately $52,000. 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

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 statement of financial position of the Company for the financial year ended 31 December 2009.

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)
Tarn Teh Chuen	
Kelvin Chia Hoo Khun	
Tan Hin Huat	
Daniel Halim	
Soh Gim Teik	

According to the register kept by the Company in accordance with Section 164 of the Singapore Companies Act, Cap. 50 ("the Act"), 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
Tan Kong King	1,375,000	2,114,928	–	–
Andree Halim	17,661,000	18,931,576	254,830,940	273,164,102
Tarn Teh Chuen	537,500	633,669	–	–
Daniel Halim	–	–	169,887,294	182,109,402
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	–	–
Number of Warrants 2009 to subscribe for shares in QAF Limited				
Andree Halim	47,452,538	–	–	–
Tan Kong King	675,000	–	–	–
Tarn Teh Chuen	57,500	–	–	–

Warrants 2009 had expired on 16 November 2009.

There was no change in any of the abovementioned interests of the directors between the end of the financial year and 21 January 2010.

Directors' Report

Directors of the Company (Cont'd)

Save for the Mandatorily Exchangeable bond (as disclosed in Note 32 to the financial statement) issued to Mr. Andree Halim and save that Messrs. Andree Halim and Daniel Halim are deemed interested, by virtue of Section 7(4) of the Act, 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 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)

(a) Share options under the QAF Limited Share Option Scheme 2000 (the "2000 Scheme") (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 one non-executive director (namely Mr Didi Dawis) 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

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 2009 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	2,103,000	$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	3,850,000	$0.565	19 May 2007	to	18 May 2016
	14,384,000				

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 were valid for exercise within a period of 5 years commencing from the date of issue of the Warrants 2009.

(b) During the financial year, 1,196,600 ordinary shares in the Company were issued pursuant to the exercise by warrant holders. Warrants 2009 had expired on 16 November 2009.

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,

Tan Kong King
Director

Tarn Teh Chuen
Director

Singapore
19 March 2010

Statement by Directors
Pursuant to Section 201(15)

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

(i) the accompanying statements of financial position, consolidated income statement, consolidated statement of comprehensive income, 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 2009 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,

Tan Kong King
Director

Tarn Teh Chuen
Director

Singapore
19 March 2010

Independent Auditors' Report

For the year ended 31 December 2009
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 55 to 136, which comprise the statements of financial position of the Group and the Company as at 31 December 2009, the statement of changes in equity, the income statement, statement of comprehensive income 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. 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.

Audit opinion

In our opinion,

(i) the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the 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 2009 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
19 March 2010

Consolidated Income Statement

for the year ended 31 December 2009
(In Singapore dollars)

	Note	2009 $'000	2008 $'000
Revenue	3	854,982	840,069
Costs and expenses			
Costs of materials		445,229	517,784
Staff costs	4	168,552	157,500
Amortisation and depreciation	5	28,336	27,211
Repairs and maintenance		26,907	23,167
Distribution and transportation expenses		16,353	15,421
Other operating expenses		94,953	89,262
Total costs and expenses		(780,330)	(830,345)
Profit from operating activities	6	74,652	9,724
Finance costs	7	(6,040)	(9,608)
Exceptional items	8	928	4,135
Share of (losses)/profits of associated and joint venture companies		(8,911)	(29,272)
Profit/(loss) before taxation		60,629	(25,021)
Taxation	9	(1,331)	(4,162)
Profit/(loss) after taxation		59,298	(29,183)
Attributable to:			
Shareholders of the Company		56,346	(35,234)
Minority interests		2,952	6,051
		59,298	(29,183)
Earnings/(loss) per ordinary share:	10		
- Basic		12.1 cents	(7.8) cents
- Diluted		12.1 cents	(7.8) cents

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

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009
(In Singapore dollars)

	2009 $'000	2008 $'000
Profit/(loss) after taxation	59,298	(29,183)
Other comprehensive income:		
Currency translation arising on consolidation	31,265	(37,292)
Actuarial gain/(loss) on defined benefit plans	1,748	(4,383)
Net fair value changes on cash flow hedges	755	(755)
Share of other comprehensive income of associated and joint venture companies	555	(740)
Other comprehensive income for the year, net of tax	34,323	(43,170)
Total comprehensive income for the year	93,621	(72,353)
Total comprehensive income attributable to:		
Shareholders of the Company	89,214	(75,642)
Minority interests	4,407	3,289
	93,621	(72,353)

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

Statements of Financial Position

as at 31 December 2009
(In Singapore dollars)

	Note	Group		Company	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
ASSETS					
Current assets					
Biological assets	11	64,105	45,152	–	–
Inventories	12	79,635	70,106	–	–
Trade receivables	13	80,940	78,603	–	–
Other receivables	14	16,947	45,809	62,138	85,460
Tax recoverable		196	367	–	–
Short-term investments	15	–	218	–	–
Cash and deposits	16	64,112	48,255	13,350	11,345
		305,935	288,510	75,488	96,805
Assets classified as held for sale	17(e)	2,052	7,596	–	–
		307,987	296,106	75,488	96,805
Non-current assets					
Property, plant and equipment	17	266,960	207,050	2,361	2,454
Investment properties	18	19,547	20,801	–	–
Subsidiary companies	19	–	–	104,350	107,948
Advances to subsidiary companies	20	–	–	85,622	115,143
Associated companies	21	1,887	381	–	–
Advances to associated companies	22	3,090	3,366	–	–
Joint venture company	23	–	3,223	–	–
Advances to joint venture company	24	–	553	–	–
Long-term investments	25	311	–	–	–
Intangibles	26	20	861	2,846	3,172
Deferred tax assets	27	15,039	1,337	–	–
		306,854	237,572	195,179	228,717
Total assets		614,841	533,678	270,667	325,522

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

Statements of Financial Position

as at 31 December 2009
(In Singapore dollars)

	Note	Group		Company	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
LIABILITIES					
Current liabilities					
Trade payables	28	68,024	68,269	4	147
Other payables	29	51,974	49,381	9,816	14,499
Short-term borrowings	30	64,485	96,386	–	50,368
Long-term loans and finance leases					
- current portion	31	23,021	24,417	9,728	19,000
Provision for taxation		6,300	4,303	1,153	518
		213,804	242,756	20,701	84,532
Non-current liabilities					
Other payables	29	12,845	8,952	–	–
Exchangeable bond	32	10,000	–	10,000	–
Pension liabilities	33	918	4,206	–	–
Long-term loans and finance leases	31	44,914	36,230	17,321	30,000
Deferred tax liabilities	27	9,949	8,732	440	440
		78,626	58,120	27,761	30,440
Total liabilities		292,430	300,876	48,462	114,972
Net assets		322,411	232,802	222,205	210,550
CAPITAL AND RESERVES					
Share capital	34	202,692	195,123	202,692	195,123
Reserves	35	91,349	11,231	19,513	15,427
Interest of shareholders of the Company		294,041	206,354	222,205	210,550
Minority interests		28,370	26,448	–	–
Total equity		322,411	232,802	222,205	210,550

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 2009
(In Singapore dollars)

	Note	Attributable to shareholders of the Company								
		Share capital	Revaluation reserve	Capital reserve	Hedging reserve	Revenue reserve	Foreign currency translation reserve	Total	Minority interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2009		195,123	2,214	19,005	(755)	18,865	(28,098)	206,354	26,448	232,802
Net profit for the year		–	–	–	–	56,346	–	56,346	2,952	59,298
Other comprehensive income for the year		–	195	–	755	1,797	30,121	32,868	1,455	34,323
Total comprehensive income for the year		–	195	–	755	58,143	30,121	89,214	4,407	93,621
Effect of changes in Group structure		–	–	–	–	–	(77)	(77)	1,625	1,548
Issuance of ordinary shares from exercise of warrants	34	598	–	–	–	–	–	598	–	598
Issuance of ordinary shares in lieu of cash dividends	34	6,971	–	–	–	–	–	6,971	–	6,971
Dividends	36	–	–	–	–	(9,019)	–	(9,019)	(4,110)	(13,129)
Balance at 31 December 2009		202,692	2,409	19,005	–	67,989	1,946	294,041	28,370	322,411
Balance at 1 January 2008		195,123	2,263	19,108	–	67,452	7,023	290,969	50,501	341,470
Net (loss)/profit for the year		–	–	–	–	(35,234)	–	(35,234)	6,051	(29,183)
Other comprehensive income for the year		–	(49)	–	(755)	(4,334)	(35,270)	(40,408)	(2,762)	(43,170)
Total comprehensive income 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	36	–	–	–	–	(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 Cash Flows

for the year ended 31 December 2009
(In Singapore dollars)

	Note	2009 $'000	2008 $'000
Cash flows from operating activities:			
Profit/(loss) before taxation		60,629	(25,021)
Adjustments for:			
Amortisation and depreciation		28,336	27,211
Gain on disposal of property, plant and equipment and investment properties		(743)	(1,367)
Share of losses/(profits) of associated and joint venture companies		8,911	29,272
Intangibles written off		812	–
Fair value changes on derivative financial instruments		(968)	1,546
Fair value changes on biological assets		(3,633)	(504)
Interest expense		6,040	9,608
Allowance for doubtful debts charged and debts written off		23,635	394
Dividend and interest income		(1,247)	(5,318)
Impairment charge on property, plant and equipment		606	–
Gain on disposal of subsidiary companies		(697)	(2,378)
Negative goodwill on acquisition of a subsidiary company		(231)	–
Impairment charge on long-term investment		–	1,558
Gain on dilution of interest in a subsidiary company		–	(3,315)
Exchange differences		(4,902)	10,577
Operating profit before working capital changes		116,548	42,263
Decrease in receivables		1,942	53,354
(Increase)/decrease in inventories and biological assets		(1,758)	3,202
(Decrease)/increase in payables		(10,655)	16,501
Cash from operations		106,077	115,320
Interest paid		(6,134)	(10,757)
Interest received		1,226	5,286
Income tax paid		(11,773)	(6,955)
Net cash from operating activities		89,396	102,894

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 2009
(In Singapore dollars)

	Note	2009 $'000	2008 $'000
Cash flows from investing activities:			
Purchase of property, plant and equipment and investment properties		(37,572)	(40,410)
Proceeds from disposal of property, plant and equipment and investment properties		2,448	3,159
Purchase of investments		(33)	(59)
Dividends received from investments		21	32
Decrease/(increase) in advances to associated and joint venture companies		275	(1,168)
Acquisition of a subsidiary company, net of cash acquired	A	(2,674)	–
Net proceeds from disposal of subsidiary companies	B	1,086	3,186
Purchase of additional shares in an associated company		(1,471)	–
Net cash outflow from dilution of interest in a subsidiary company		–	(3,560)
Net cash used in investing activities		(37,920)	(38,820)
Cash flows from financing activities:			
Dividends paid during the year		(2,048)	(9,019)
Dividends paid to minority shareholders of subsidiary companies		(4,611)	(3,623)
Repayment of short-term borrowings		(45,779)	(21,069)
Proceeds from/(repayment of) long-term borrowings		1,082	(33,331)
Proceeds from issuance of share capital		598	–
Proceeds from issuance of exchangeable bond		10,000	–
Net cash used in financing activities		(40,758)	(67,042)
Net increase/(decrease) in cash and cash equivalents		10,718	(2,968)
Cash and cash equivalents at beginning of year	37	44,450	52,072
Effect of exchange rate changes on cash and cash equivalents		3,782	(4,654)
Cash and cash equivalents at end of year	37	58,950	44,450

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 2009
(In Singapore dollars)

Note A - Analysis of acquisition of a subsidiary company

	2009 $'000
Property, plant and equipment	15,409
Inventories	1,006
Receivables	2,899
Payables	(5,056)
Bank borrowings	(5,316)
Deferred taxation	(268)
Bank overdrafts	(549)
Minority share of net assets of subsidiary company	(1,625)
Less: Carrying value of joint venture company	(4,144)
Net assets acquired	2,356
Negative goodwill arising on consolidation	(231)
Cash paid	2,125
Bank overdrafts acquired	549
Net cash outflow on acquisition of a subsidiary company	2,674

Note B - Analysis of disposal of a subsidiary company

	2009 $'000
Property, plant and equipment	401
Inventories	117
Tax recoverable	3
Receivables	269
Cash and cash equivalents	3
Payables	(324)
Net assets disposed	469
Gain on disposal	697
Release of reserves upon disposal of a subsidiary company	(77)
Consideration	1,089
Cash and cash equivalents disposed	(3)
Net cash inflow on disposal of a subsidiary company	1,086

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 statement of financial position 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 financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2009, the Group adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2009.

- FRS 1 Presentation of Financial Statements (Revised)
- Amendments to FRS 18 Revenue
- Amendments to FRS 23 Borrowing Costs
- Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 101 First-time Adoption of Financial Reporting Standards and FRS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 102 Share-based Payment – Vesting Conditions and Cancellations
- Amendments to FRS 107 Financial Instruments: Disclosures
- FRS 108 Operating Segments
- Improvements to FRSs issued in 2008
- INT FRS 113 Customer Loyalty Programmes
- INT FRS 116 Hedges of a Net Investment in a Foreign Operation
- Amendments to INT FRS 109 Reassessment of Embedded Derivatives and FRS 39 Financial Instruments: Recognition and Measurement – Embedded Derivatives
- INT FRS 118 Transfers of Assets from Customers

Notes to the Financial Statements

31 December 2009
(In Singapore dollars)

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

2.2 Changes in accounting policies (Cont'd)

Adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures, including, in some cases, revisions to accounting policies.

The principal effects of these changes are as follows:

FRS 1 Presentation of Financial Statements – Revised Presentation

The revised FRS 1 separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented in the statement of other comprehensive income. In addition, the Standard introduces the statement of comprehensive income which presents income and expense recognised in the period. This statement may be presented in one single statement, or two linked statements. The Group has elected to present this statement as two linked statements.

Amendments to FRS 107 Financial Instruments: Disclosures

The amendments to FRS 107 require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and liquidity risk disclosures are presented in Note 44 and Note 42(b) to the financial statements respectively.

FRS 108 Operating Segments

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting. Additional disclosures about each of the segments are shown in Note 46.

Improvements to FRSs issued in 2008

In 2008, the Accounting Standards Council issued an omnibus of amendments to FRS. There are separate transitional provisions for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group:

- FRS 1 Presentation of Financial Statements: Assets and liabilities classified as held for trading in accordance with FRS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the balance sheet. The Group amended its accounting policy accordingly and analysed whether Management's expectation of the period of realisation of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of financial instruments between current and non-current in the balance sheet.

- FRS 16 Property, Plant and Equipment: Replaces the term "net selling price" with "fair value less costs to sell". The Group amended its accounting policy accordingly, which did not result in any change in the financial position.

- FRS 23 Borrowing Costs: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of "borrowing costs" into one – the interest expense calculated using the effective interest rate method calculated in accordance with FRS 39. The Group has amended its accounting policy accordingly which did not result in any change in its financial position.

(In Singapore dollars)

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

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 27 Consolidated and Separate Financial Statements	1 July 2009
Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Item	1 July 2009
Revised FRS 103 Business Combinations	1 July 2009
Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
INT FRS 117 Distributions of Non-cash Assets to Owners	1 July 2009
Improvements to FRSs issued in 2009:	
– Amendments to FRS 38 Intangible Assets	1 July 2009
– Amendments to FRS 102 Share-based Payment	1 July 2009
– Amendments to FRS 108 Operating Segments	1 July 2009
– Amendments to INT FRS 109 Reassessment of Embedded Derivatives	1 July 2009
– Amendments to INT FRS 116 Hedges of a Net Investment in a Foreign Operation	1 July 2009
– Amendments to FRS 1 Presentation of Financial Statements	1 January 2010
– Amendments to FRS 7 Statement of Cash Flows	1 January 2010
– Amendments to FRS 17 Leases	1 January 2010
– Amendments to FRS 36 Impairment of Assets	1 January 2010
– FRS 39 Financial Instruments: Recognition and Measurement	1 January 2010
– Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2010
– Amendments to FRS 108 Operating Segments	1 January 2010

Except for the revised FRS 103 and the amendments to FRS 27, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 103 and the amendments to FRS 27 are described below.

Revised FRS 103 Business Combinations and Amendments to FRS 27 Consolidated and Separate Financial Statements

The revised standards are effective for annual periods beginning on or after 1 July 2009. The revised FRS 103 introduces a number of changes in the accounting for business combinations occurring after 1 July 2009. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The Amendments to FRS 27 require that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to FRS 7 Statement of Cash Flows, FRS 12 Income Taxes, FRS 21 The Effects of Changes in Foreign Exchange Rates, FRS 28 Investments in Associates and FRS 31 Interests in Joint Ventures. The changes from revised FRS 103 and Amendments to FRS 27 will affect future acquisitions or loss of control and transactions with minority interests. The standards may be early applied. However, the Group does not intend to early adopt.

Notes to the Financial Statements

31 December 2009
(In Singapore dollars)

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

2.4 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 2.13 for the accounting policy on goodwill on acquisition of subsidiary companies.

2.5 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 date of the statement of financial position are translated into functional currency at exchange rates ruling at the date of the statement of financial position. 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 recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity.

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 date of the statement of financial position 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. Summary of significant accounting policies (Cont'd)

2.6 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 statement of financial position 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 recognised in other comprehensive income and accumulated in equity under revaluation reserve, 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.

2.7 Investment properties

Investment properties are stated at cost less accumulated depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are included in the income statement.

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment as set out in Note 2.6 up to the date of change in use.

Notes to the Financial Statements

31 December 2009
(In Singapore dollars)

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

2.8 *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 - 33⅓
Freehold buildings	-	2 - 2½
Leasehold properties	-	2 - 6
Leasehold improvements	-	2 - 20
Plant and machinery	-	5 - 33⅓
Furniture, fittings and office equipment	-	7½ - 40
Motor vehicles	-	10 - 33⅓

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.

2.9 *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.

2.10 *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 statement of financial position. 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.

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

2.10 Associated and joint venture companies (Cont'd)

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.

2.11 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 statement of financial position, separately from parent shareholders' equity.

2.12 Financial assets

Financial assets are recognised on the statement of financial position 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.

(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.

Notes to the Financial Statements

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

2.12 *Financial assets (Cont'd)*

(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 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 recognised in fair value reserve is reclassified from equity to the income statement as a reclassification adjustment.

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 date of the statement of financial position. 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.

2.13 *Intangibles*

(i) Goodwill

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

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

(ii) Negative goodwill

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

(iii) Trademarks

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. Summary of significant accounting policies (Cont'd)

2.14 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.

2.15 Biological assets

Livestock

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

Net increase or decrease in the fair value of livestock are included in the income statement, determined as:

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

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

2.16 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.

2.17 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.

Notes to the Financial Statements

31 December 2009
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2. Summary of significant accounting policies (Cont'd)

2.18 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 the income statement except for assets that are previously revalued where the revaluation was taken to revaluation reserve. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

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

2.19 Financial liabilities

Financial liabilities are recognised on the statement of financial position 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.

2.20 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 date of the statement of financial position 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.

2.21 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 at bank and 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.

Notes to the Financial Statements

31 December 2009
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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 date of the statement of financial position.

Current taxes are recognised in the income statement except to the extent that the tax relates to items recognised directly in equity.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the date of the statement of financial position 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 date of the statement of financial position.

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 date of the statement of financial position, 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.

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

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

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.

Notes to the Financial Statements

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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 statement of financial position 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 date of the statement of financial position 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 date of the statement of financial position. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates that match, as closely as possible, the estimated future cash outflows.

2.27 Leases

Finance leases

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

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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

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

2.28 Segment information

For management purposes, the Group is organised into operating segments based on their products and services. The management of the Company regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 46, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.29 Impairment of financial assets

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

(a) Assets carried at amortised cost

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

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

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

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

(b) Assets carried at cost

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

(c) Available-for-sale financial assets

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

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

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 statement of financial position 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 other comprehensive income in hedging reserve, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to hedging reserve 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 hedging reserve are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in hedging reserve 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 hedging reserve remain in hedging reserve until the forecast transaction or firm commitment affects profit or loss.

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

2.32 Exchangeable bonds

At initial recognition the derivative component of the exchangeable bonds is measured at fair value and presented as part of derivative financial instruments [see Note 2.19]. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component.

The derivative component is subsequently remeasured in accordance with Note 2.19. The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

2.33 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 date of the statement of financial position, 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 2009 was $2,846,000 (2008: $3,172,000) and $20,000 (2008: $861,000) respectively. More details are given in Note 26.

(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.

Notes to the Financial Statements

31 December 2009
(In Singapore dollars)

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

2.33 Significant accounting estimates and judgements (Cont'd)

***Key sources of estimation uncertainty** (Cont'd)*

(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 2009 was $1,153,000 (2008: $518,000) and $6,300,000 (2008: $4,303,000) respectively. The carrying amount of the Group's tax recoverable as at 31 December 2009 was $196,000 (2008: $367,000). The carrying amount of the Company's deferred tax liabilities as at 31 December 2009 was $440,000 (2008: $440,000). The Group's deferred tax assets and deferred tax liabilities as at 31 December 2009 was $15,039,000 (2008: $1,337,000) and $9,949,000 (2008: $8,732,000) respectively.

(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 2009 was $2,361,000 (2008: $2,454,000) and $266,960,000 (2008: $207,050,000). The carrying amount of the Group's investment properties as at 31 December 2009 was $19,547,000 (2008: $20,801,000). 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 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 33.

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	
	2009 $'000	2008 $'000
Sale of goods	843,115	820,320
Rental income from storage and warehousing facilities	5,001	4,898
Interest income from:		
- Fixed deposits with financial institutions	734	810
- Advances to associated and joint venture companies	216	234
- Receivables from associated company	–	3,465
- Others	276	777
Gross dividends from investments	21	32
Gain on disposal of property, plant and equipment and investment properties	743	1,367
Miscellaneous	4,876	8,166
	854,982	840,069

4. Staff costs

	Group	
	2009 $'000	2008 $'000
Staff costs (including Executive Directors):		
- salaries, wages and other related costs	155,875	145,144
- CPF and contributions to other plans	7,711	7,428
- superannuation contributions	4,966	4,928
	168,552	157,500

5. Amortisation and depreciation

	Note	Group	
		2009 $'000	2008 $'000
Amortisation of intangibles	26	136	138
Depreciation of property, plant and equipment	17	26,774	25,660
Depreciation of investment properties	18	1,426	1,413
		28,336	27,211

Notes to the Financial Statements

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6. Profit from operating activities

	Note	Group	
		2009 $'000	2008 $'000
Profit from operating activities is stated after charging/(crediting):			
Professional fees for non-audit services rendered by other auditors		52	46
Fees and remuneration for the directors of the Company:			
- fees and remuneration		3,136	2,725
- contribution to the Central Provident Fund		24	25
Research and development cost		9,382	9,987
Government grants		(22,242)	(17,707)
(Increase)/decrease in the fair value less estimated point-of-sale costs of livestock, net	11	(6,483)	8,197
Impairment charge on property, plant and equipment	17(f)	606	–
Intangibles written off	26	812	–
Foreign exchange (gain)/loss		(12,548)	14,445
Operating lease rental expense		6,613	7,160
Allowance for inventory obsolescence charged		2,060	589
Allowance for doubtful trade debts charged	13	343	366
Allowance for doubtful other debts charged	14	23,139	19
Debts written off		153	9
Fair value changes on derivative financial instruments		(968)	1,546
Restructuring costs:			
- redundancy costs		–	3,238
- other related costs		18	307
Rental income from investment properties		(4,890)	(4,635)
Direct operating expenses arising from investment properties that generate rental income		4,370	4,379
Provision for long service leave and retirement benefits charged/(written-back)	29(a)	1,278	(326)

7. Finance costs

	Group	
	2009 $'000	2008 $'000
Interest expense on bank loans and finance leases	6,040	9,608

8. Exceptional items

	Note	Group	
		2009 $'000	2008 $'000
Impairment charge on long-term investment	25	–	(1,558)
Negative goodwill on acquisition of a subsidiary company		231	–
Gain on dilution of interest in a subsidiary company		–	3,315
Gain on disposal of subsidiary companies		697	2,378
		928	4,135

9. Taxation

	Group	
	2009 $'000	**2008 $'000**
Income tax expense/(credit) on the profit/(loss) for the year:		
- current tax	13,975	8,900
- deferred tax	(11,898)	(3,402)
	2,077	5,498
Over provision in respect of prior years:		
- current tax	(118)	(460)
- deferred tax	(628)	(876)
	(746)	(1,336)
Tax expense	1,331	4,162

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 17% (2008: 18%) to the profit/(loss) before taxation due to the following factors:

	Group	
	2009 $'000	**2008 $'000**
Profit/(loss) before taxation	60,629	(25,021)
Tax credit at statutory tax rate of 17% (2008: 18%)	10,307	(4,504)
Adjustments:		
Income not subject to tax	(738)	(1,213)
Expenses not deductible for tax purposes	5,467	8,691
Tax reliefs, rebates and incentives	(1,208)	(4,245)
Utilisation of tax benefits not recognised in previous years	(3,332)	(183)
Tax benefits not recognised in current year	4,329	7,286
Difference in effective tax rates in other countries	6,390	(869)
Over provision in respect of prior years	(664)	(1,336)
Effect of change in statutory tax rate	(82)	–
Capital gains tax on disposal/dilution of subsidiary companies	–	582
Change in livestock valuation methodology for tax purposes	(18,662)	–
Others	(476)	(47)
Tax expense	1,331	4,162

The statutory income tax rate applicable to Singapore companies of the Group was reduced to 17% for Year of Assessment 2010 from 18% for Year of Assessment 2009. The statutory income tax rate applicable to Malaysian companies of the Group was reduced from 27% to 26% and 25% for the Year of Assessment 2008 and the Year of Assessment 2009 onwards respectively.

The Group has unutilised tax losses and capital allowances of approximately $45,970,000 (2008: $99,856,000) and $nil (2008: $442,000) 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.

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10. Earnings/(loss) per ordinary share ("EPS")

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

	Group	
	2009 $'000	2008 $'000
Group's earnings/(loss) used for the calculation of EPS:		
Earnings/(loss) for the financial year attributable to shareholders	56,346	(35,234)

	2009 '000	2008 '000
Number of shares used for the calculation of:		
(i) ***Basic EPS***		
Weighted average number of ordinary shares in issue	464,187	450,974
(ii) ***Diluted EPS***		
Weighted average number of ordinary shares in issue	464,187	450,974

Basic earnings per share is calculated on the Group's earnings/(loss) 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. During the year, all the potential ordinary shares are anti-dilutive.

11. Biological assets

	Group	
	2009 $'000	2008 $'000
Livestock		
- at fair value	35,717	23,999
- at cost	28,388	21,153
	64,105	45,152

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.

11. Biological assets (Cont'd)

	Group	
	2009	2008
Physical quantity of pigs:		
- Number of progeny	315,715	309,338
- Number of breeders	52,493	50,976
	368,208	360,314

	Group	
	2009 $'000	2008 $'000
Reconciliation of changes in the carrying amount:		
Balance at 1 January	45,152	65,982
Currency realignment	12,470	(12,633)
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	3,281	(15,678)
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	3,202	7,481
Balance at 31 December	64,105	45,152

12. Inventories

	Group	
	2009 $'000	2008 $'000
Raw materials	43,736	32,007
Finished goods	19,859	23,121
Spare parts and consumables	13,193	11,935
Work-in-progress	7	–
Goods-in-transit	2,840	3,043
Total inventories at lower of cost and net realisable value	79,635	70,106

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

First-in-first-out	18,705	19,183
Weighted average	60,930	50,923
	79,635	70,106
Inventories are stated after deducting allowance for obsolescence of	3,484	1,560

Raw materials of the Group as at 31 December 2009 amounting to $25,321,000 (2008: $13,001,000) 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.

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13. Trade receivables

	Group	
	2009 $'000	2008 $'000
Trade debtors		
- third parties	83,249	77,015
- joint venture company	–	3,280
	83,249	80,295
Less: Allowance for doubtful debts - third parties	(2,309)	(1,692)
	80,940	78,603

Trade receivables amounting to $1,754,000 (2008: $1,550,000) as at 31 December 2009 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 included an amount of $11,944,000 which were factored to banks with recourse to the Group as at the date of the statement of financial position. The corresponding cash received amounting to $10,749,000 as at 31 December 2008 was recorded as bank borrowings. There is no such factoring as at 31 December 2009.

	Group	
	2009 $'000	2008 $'000
An aging analysis of receivables that are past due but not impaired:		
Lesser than 3 months	15,972	13,633
3 months to 6 months	1,095	2,162
6 months to 12 months	111	129
More than 12 months	261	476
	17,439	16,400
Receivables that are impaired:		
Gross amount	2,309	2,114
Less: Allowance for doubtful debts	(2,309)	(1,692)
	–	422

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

Movements in the allowance for doubtful debts:		
At 1 January	1,692	4,687
Charge for the year	343	366
Written-off against allowance	(11)	(648)
Currency realignment	295	(36)
Dilution of interest in a subsidiary company	–	(2,677)
Disposal of a subsidiary company	(10)	–
At 31 December	2,309	1,692

14. Other receivables

	Note	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Non-financial assets					
Prepayments		4,413	3,347	48	105
Financial assets					
Sundry deposits		1,539	700	11	11
Staff advances and loans		45	29	–	–
		1,584	729	11	11
Sundry debtors		10,678	8,645	189	140
Less: Allowance for doubtful debts		(144)	(101)	–	–
		10,534	8,544	189	140
Amounts due from subsidiary companies					
- interest bearing		–	–	14,159	34,937
- non-interest bearing		–	–	58,934	56,565
Less: Allowance for doubtful debts		–	–	(11,203)	(6,298)
		–	–	61,890	85,204
Amounts due from associated companies					
- interest bearing		28,134	38,944	–	–
- non-interest bearing		137	507	–	–
Less: Allowance for doubtful debts		(28,134)	(6,298)	–	–
		137	33,153	–	–
Amount due from joint venture company					
- non-interest bearing		–	36	–	–
Derivative financial assets	29(b)	279	–	–	–
		12,534	42,462	62,090	85,355
		16,947	45,809	62,138	85,460
Receivables that are impaired:					
Gross amount		28,278	39,045	11,203	25,974
Less: Allowance for doubtful debts		(28,278)	(6,399)	(11,203)	(6,298)
		–	32,646	–	19,676

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14. Other receivables (Cont'd)

	Group		Company	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Movements in the allowance for doubtful debts are as follows:				
At 1 January	6,399	238	6,298	43
Transfer from associated companies	–	6,298	–	–
Charge for the year	23,139	19	4,905	6,298
Written-off against allowance	(3)	(125)	–	(43)
Currency realignment	(1,257)	(22)	–	–
Dilution of interest in a subsidiary company	–	(9)	–	–
At 31 December	28,278	6,399	11,203	6,298

In view that Shaanxi Hengxing Fruit Juice Co. Ltd ("Shaanxi Hengxing"), an associated company which manufactures fruit juices in China, continues to operates in difficult worldwide industry conditions, the Group has recognised an additional allowance of $23,092,000 during the financial year to fully provide for the amount owing by Shaanxi Hengxing to the Group. Consequently, the Company has also recognised an additional allowance of $25,974,000 during the financial year to fully provide for advances to a subsidiary company in connection with the amount provided to Shaanxi Hengxing (see Note 20).

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 2.04% to 4.50% (2008: 2.68% to 7.25%) 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 2.88% to 6.73% (2008: 4.11% to 7.97%) 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.

15. Short-term investments

	Group	
	2009 $'000	**2008 $'000**
Unquoted equity shares in corporations, at fair value	–	218

16. Cash and deposits

	Note	Group		Company	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
Cash and bank balances	37	28,128	25,635	2,202	2,465
Fixed deposits with financial institutions	37	35,984	22,620	11,148	8,880
		64,112	48,255	13,350	11,345

Fixed deposits are placed for varying periods between twenty-one days to 1 year depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates.

17. Property, plant and equipment

	Freehold land	Freehold buildings	Leasehold properties	Leasehold improvements	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Cost/valuation:									
At 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 and 1.1.2009	15,041	102,052	53,769	12,875	261,735	26,109	32,770	9,145	513,496
Currency realignment	3,769	26,916	1,770	337	33,243	3,072	1,635	218	70,960
Additions	–	427	441	636	18,383	2,115	6,516	9,240	37,758
Disposals	–	–	–	(20)	(1,666)	(1,991)	(1,735)	(560)	(5,972)
Disposal of a subsidiary company	–	–	(357)	–	(772)	(153)	(32)	–	(1,314)
Acquisition of a subsidiary company	2,554	6,853	–	–	10,768	221	117	38	20,551
Transfers between categories	–	15,175	(14,849)	963	14,846	254	14	(16,403)	–
Transfer from assets classified as held for sale	4,354	1,710	–	–	–	–	–	–	6,064
At 31.12.2009	25,718	153,133	40,774	14,791	336,537	29,627	39,285	1,678	641,543

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

	Freehold land	Freehold buildings	Leasehold properties	Leasehold improvements	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group (Cont'd)									
Accumulated depreciation and impairment loss:									
At 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 and 1.1.2009	–	43,585	25,685	6,498	183,976	21,402	25,300	–	306,446
Currency realignment	–	12,195	676	(19)	24,940	2,562	1,198	4	41,556
Charge for the year (Note 5)	–	4,377	1,474	638	15,732	1,758	2,795	–	26,774
Disposals	–	–	–	(20)	(1,623)	(1,994)	(1,756)	–	(5,393)
Disposal of a subsidiary company	–	–	(55)	–	(682)	(146)	(30)	–	(913)
Acquisition of a subsidiary company	–	1,200	–	–	3,744	128	70	–	5,142
Transfers between categories	–	5,329	(5,329)	–	–	–	–	–	–
Transfer from assets classified as held for sale	–	365	–	–	–	–	–	–	365
Impairment loss	–	–	–	–	563	–	–	43	606
At 31.12.2009	–	67,051	22,451	7,097	226,650	23,710	27,577	47	374,583
Net carrying amount:									
At 31.12.2009	25,718	86,082	18,323	7,694	109,887	5,917	11,708	1,631	266,960
At 31.12.2008	15,041	58,467	28,084	6,377	77,759	4,707	7,470	9,145	207,050

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

Analysis of cost and valuation

	Cost	Assets at valuation	Total
	$'000	$'000	$'000
At 31 December 2009			
Freehold land	25,718	–	25,718
Freehold buildings	153,133	–	153,133
Leasehold properties	28,042	12,732	40,774
Leasehold improvements	14,791	–	14,791
Plant and machinery	336,537	–	336,537
Furniture, fittings and office equipment	29,627	–	29,627
Motor vehicles	39,285	–	39,285
Construction-in-progress	1,678	–	1,678
	628,811	12,732	641,543
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

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

	Leasehold office and improvements	Furniture, fittings and office equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000
Company				
Cost:				
At 1.1.2008	2,817	1,048	769	4,634
Additions	3	125	–	128
Disposals	–	(38)	–	(38)
At 31.12.2008 and 1.1.2009	2,820	1,135	769	4,724
Additions	21	14	–	35
Disposals	–	(1)	–	(1)
At 31.12.2009	2,841	1,148	769	4,758
Accumulated depreciation:				
At 1.1.2008	593	849	593	2,035
Charge for the year	96	64	99	259
Disposals	–	(24)	–	(24)
At 31.12.2008 and 1.1.2009	689	889	692	2,270
Charge for the year	59	35	34	128
Disposals	–	(1)	–	(1)
At 31.12.2009	748	923	726	2,397
Net carrying amount				
At 31.12.2009	2,093	225	43	2,361
At 31.12.2008	2,131	246	77	2,454

(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 carrying amount of the Group's leasehold properties had it been carried at cost is $15,970,000 (2008: $25,443,000).

(c) During the year, the Group acquired property, plant and equipment with an aggregate cost of $449,000 (2008: $1,286,000) by means of finance leases. The net carrying amount of property, plant and equipment held under finance leases as at 31 December 2009 was $1,976,000 (2008: $3,736,000).

(d) At the end of the financial year, property, plant and equipment with net carrying amounts of $26,501,000 (2008: $8,773,000) were mortgaged/pledged to third parties to secure credit facilities.

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

(e) As at 31 December 2009, certain freehold land and buildings of a subsidiary company involved in the Primary Production Segment located in Australia, with net carrying amount amounting to $2,052,000 have been classified as held for sale current assets as the intention is to sell these properties as part of the public announced restructuring program. It is estimated that the sale of these properties will be completed by 31 December 2010.

(f) In 2009, the Group recognised an impairment loss of $606,000 included under other operating expenses to write down the carrying amount of certain property, plant and equipment to its recoverable amount.

18. Investment properties

	Note	Group
		$'000
Cost:		
At 1 January 2008		43,291
Additions		402
At 31 December 2008 and 1 January 2009		43,693
Additions		182
Disposals		(178)
At 31 December 2009		43,697
Accumulated depreciation:		
At 1 January 2008		21,479
Charge for the year	5	1,413
At 31 December 2008 and 1 January 2009		22,892
Charge for the year	5	1,426
Disposals		(168)
At 31 December 2009		24,150
Net carrying amount:		
At 31 December 2009		19,547
At 31 December 2008		20,801

The fair value of investment properties amounted to $20,243,000 (2008: $21,066,000) as at 31 December 2009. The fair value was determined based on management's assessment making references to discounted cash flow generated from the properties using a discount rate of 8.2% (2008: 7.7%) per annum.

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19. Subsidiary companies

	Company	
	2009 $'000	2008 $'000
Cost of investment:		
Unquoted equity shares, at cost	110,232	109,648
Less: Impairment loss	(5,882)	(1,700)
	104,350	107,948

During the year, the Company recognised an impairment loss of $182,000 to write down the carrying amount of its investment in a subsidiary company to management's estimate of the recoverable amount in view of reduced operations of the subsidiary company during the year.

In addition, the Company also recognised an impairment loss of $4,000,000 to write down the carrying amount of its investment in another subsidiary company to management's estimate of the recoverable amount in view of the losses incurred by the subsidiary company due to depressed selling prices which are in line with difficult worldwide industry conditions.

Details of subsidiary companies are set out in Note 47(a).

Acquisition of a subsidiary company

In May 2009, the Group's interest in Diamond Valley Pork Pty Ltd ("DVP"), was increased from 51% to 80% pursuant to the purchase of an additional 29% shareholding interest. DVP is in the business of pig meat processing and wholesale in Australia.

The fair value of the identifiable assets and liabilities of DVP as at the date of acquisition were:

	Recognised on acquisition $'000	Carrying amount before combination $'000
Property, plant and equipment	15,409	14,725
Inventories	1,006	1,006
Receivables	2,899	2,899
Payables	(5,056)	(5,056)
Bank borrowings	(5,316)	(5,316)
Deferred taxation	(268)	(62)
Bank overdrafts	(549)	(549)
Minority share of net assets of subsidiary company	(1,625)	(1,529)
Less: Carrying value of joint venture company	(4,144)	(3,900)
Net assets acquired	2,356	2,218
Negative goodwill arising on consolidation	(231)	
Total purchase consideration - in cash	2,125	

Impact of acquisition on income statement

From the date of acquisition, DVP had incurred loss after taxation of $102,000 for the period from 1 May 2009 to 31 December 2009. If the acquisition had incurred on 1 January 2009, the Group revenue would have been $866,049,000 and profit after taxation would have been $59,691,000.

20. Advances to subsidiary companies

	Company	
	2009 $'000	2008 $'000
Advances to subsidiary companies	110,964	115,143
Less: Allowance for doubtful debts	(25,342)	–
	85,622	115,143

Movements in the allowance for doubtful debts are as follows:

At 1 January	–	34,725
Charge for the year	25,974	7,258
Write-back	–	(532)
Write-off against allowance	–	(41,451)
Currency realignment	(632)	–
At 31 December	25,342	–

The net advances to subsidiary companies, which are to be settled in cash, are unsecured and interest-free except for an amount of $69,476,000 (2008: $81,223,000) with effective interest rates ranging from 3.00% to 6.25% (2008: 0.40% to 9.25%) per annum. These advances have no fixed terms of repayment and no repayments are expected within the next 12 months.

21. Associated companies

	Group	
	2009 $'000	2008 $'000
Unquoted equity shares, at cost	24,266	22,795
Quasi-equity loan	9,357	–
Group's share of post-acquisition accumulated profits and losses	(38,388)	(29,068)
Currency realignment	354	356
Transfer to other receivables	6,298	6,298
	1,887	381

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

The increase in unquoted equity shares as at 31 December 2009 is due to additional capital injection into Philfoods Fresh-Baked Products Inc during the financial year. There has been no change to the shareholdings after the capital injection.

Details of associated companies are set out in Note 47(b).

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21. Associated companies (Cont'd)

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

	Group	
	2009 $'000	**2008 $'000**
Statement of financial position:		
Property, plant and equipment	182,365	201,190
Other assets	198,592	212,731
Liabilities	(411,753)	(426,928)
	(30,796)	(13,007)
Income statement:		
Revenue	136,245	196,995
Expenditure	(156,296)	(259,550)
Loss before taxation	(20,051)	(62,555)
Taxation	21	(36)
Loss after taxation	(20,030)	(62,591)

22. Advances to associated companies

The advances to associated companies, which are to be settled in cash, are unsecured, with no fixed terms of repayment and are not expected to be repaid within the next twelve months. Effective interest rate approximating 7.57% (2008: 8.73%) per annum is receivable on the advances.

23. Joint venture company

	Group	
	2009 $'000	**2008 $'000**
Unquoted equity shares, at cost	–	2,997
Acquisition costs	–	52
Group's share of post-acquisition accumulated profits and losses	–	235
Currency realignment	–	(61)
	–	3,223

In 2008, the Group's investment in the joint venture company represents unquoted equity shares held by a subsidiary company. During the financial year, the cost of investment has been reclassified to subsidiary company following the increase in shareholdings to 80%.

23. Joint venture company (Cont'd)

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

	Group	
	2009 $'000	2008 $'000
Statement of financial position:		
Property, plant and equipment	–	7,055
Other assets	–	1,539
Liabilities	–	(5,423)
	–	3,171
Income statement:		
Revenue	5,627	14,983
Expenditure	(5,042)	(15,274)
Profit/(loss) before taxation	585	(291)
Taxation	(176)	95
Profit/(loss) after taxation	409	(196)

24. Advances to joint venture company

In 2008, the advances to joint venture company, which were to be settled in cash, were unsecured, with no fixed terms of repayment and were not expected to be repaid within the next twelve months. Effective interest rate approximating 11.35% per annum was receivable on the advances exceeding Australian Dollars 100,000. In 2009, the joint venture company became a subsidiary company following the increase in shareholdings to 80%.

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25. Long-term investments

	Note	Group 2009 $'000	Group 2008 $'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		7,650	7,339
Less: Impairment loss		(7,339)	(7,339)
		311	–
		311	–

Movements in impairment loss are as follows:

Quoted equity shares in corporation:

	Note	2009 $'000	2008 $'000
Balance at beginning of year		1,558	–
Charge during the year	8	–	1,558
Balance at end of year		1,558	1,558
Unquoted investments:			
Balance at beginning and end of year		7,339	7,339

26. Intangibles

	Group			Company
	Trademark	Goodwill	Total	Trademark
	$'000	$'000	$'000	$'000
Cost:				
At 1.1.2008	2,750	894	3,644	7,150
Currency realignment	–	(189)	(189)	–
At 31.12.2008 and 1.1.2009	2,750	705	3,455	7,150
Currency realignment	–	107	107	–
Write-off during the year (Note 6)	–	(812)	(812)	–
At 31.12.2009	2,750	–	2,750	7,150
Accumulated amortisation and impairment loss:				
At 1.1.2008	2,456	–	2,456	3,684
Amortisation for the year (Note 5)	138	–	138	294
At 31.12.2008 and 1.1.2009	2,594	–	2,594	3,978
Amortisation for the year (Note 5)	136	–	136	326
At 31.12.2009	2,730	–	2,730	4,304
Net carrying amount:				
At 31.12.2009	20	–	20	2,846
At 31.12.2008	156	705	861	3,172

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

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27. Deferred taxation

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at beginning of year	7,395	14,697	440	440
Currency realignment	(1,330)	(848)	–	–
Acquisition of a subsidiary company	268	–	–	–
Write-back during the financial year	(11,898)	(3,402)	–	–
Over provision in prior years	(628)	(876)	–	–
Charge to equity	1,103	(2,176)	–	–
Balance at end of year	(5,090)	7,395	440	440
Represented by:				
- Deferred tax assets	(15,039)	(1,337)	–	–
- Deferred tax liabilities	9,949	8,732	440	440
	(5,090)	7,395	440	440

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

	Property, plant and equipment	Employee benefits	Fair value adjustment on biological assets	Others	Total
	$'000	$'000	$'000	$'000	$'000
Deferred tax assets					
At 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 and 1 January 2009	3,226	4,325	(11,657)	5,443	1,337
Credit/(write-back) to income statement	117	173	18,283	(4,880)	13,693
(Over)/under provision in prior years	(22)	(1)	–	5	(18)
Tax effect of actuarial gain on defined benefit plans charged to equity	–	–	–	(749)	(749)
Tax effect of cash flow hedges charged to equity	–	–	–	(354)	(354)
Acquisition of a subsidiary company	(248)	–	–	(20)	(268)
Currency realignment	928	1,055	(1,363)	778	1,398
At 31 December 2009	4,001	5,552	5,263	223	15,039

27. Deferred taxation (Cont'd)

	Property, plant and equipment	Investment allowances	Employee benefits	Fair value adjustment on biological assets	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities						
At 1 January 2008	4,877	(233)	(6,808)	16,924	933	15,693
Charge/(write-back) to income statement	938	(1,378)	1,646	(1,461)	(3,282)	(3,537)
(Over)/under provision in prior years	(74)	27	–	–	(829)	(876)
Currency realignment	(124)	40	354	(974)	(399)	(1,103)
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 and 1 January 2009	9,430	(1,544)	–	458	388	8,732
Charge/(write-back) to income statement	309	1,520	–	161	(195)	1,795
Under/(over) provision in prior years	239	–	–	–	(885)	(646)
Currency realignment	(42)	24	–	134	(48)	68
At 31 December 2009	9,936	–	–	753	(740)	9,949

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

	Earnings retained overseas	Property, plant and equipment	Total
	$'000	$'000	$'000
At 1 January 2008, 31 December 2008, 1 January 2009 and 31 December 2009	155	285	440

28. Trade payables

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Trade payables:				
- third parties	67,464	67,703	4	147
- joint venture company	–	566	–	–
- associated company	560	–	–	–
	68,024	68,269	4	147

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29. Other payables

(a) *Other payables*

	Note	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Payable within one year:					
Staff related expenses		18,348	14,754	1,489	1,437
Accrued operating expenses		14,004	14,030	393	1,134
Sundry creditors		18,089	15,811	517	123
Amounts due to subsidiary companies		–	–	7,417	9,524
Amount due to a related party		1,533	1,570	–	–
Derivative financial liabilities	29(b)	–	3,216	–	2,281
		51,974	49,381	9,816	14,499

	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Payable after one year:				
Provision for long service leave and retirement benefits	11,810	8,952	–	–
Loan from minority shareholder	1,035	–	–	–
	12,845	8,952	–	–

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

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

The loan from minority shareholder of a subsidiary company is unsecured and interest-free. The loan has no fixed terms of repayment and no repayment is expected within the next 12 months.

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

	Note	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Balance at beginning of year		8,952	11,576	–	–
Currency realignment		2,019	(2,191)	–	–
Provision charged/ (written-back) during the year	6	1,278	(326)	–	–
Utilised during the year		(439)	(107)	–	–
Balance at end of year		11,810	8,952	–	–

29. **Other payables** (Cont'd)

(b) ***Derivative financial assets/(liabilities) are as follows:***

	2009		2008	
	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	5,284	279	11,803	(2,281)
	5,284	279	17,019	(3,216)
Company				
Foreign currency contracts				
- not designated as hedges	–	–	9,152	(2,281)

At 31 December 2009, the settlement dates on open foreign currency contracts ranged between 1 to 12 months for the following notional amounts:

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Contracts to deliver Singapore Dollars and receive:				
United States Dollars	251	1,924	–	–
Australian Dollars	149	9,297	–	9,152
Other currencies	151	582	–	–
Contracts to deliver Japanese Yen and receive:				
Australian Dollars	4,733	5,216	–	–
	5,284	17,019	–	9,152

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30. Short-term borrowings

	Note	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Bank overdrafts	37	5,162	3,805	–	–
Short-term bank loans:					
- unsecured		36,534	65,146	–	50,368
- secured		22,789	27,435	–	–
		64,485	96,386	–	50,368

Bank overdrafts, repayable on demand, are denominated in Australian Dollar, bear interest at 9.58% (2008: 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 4.96% to 7.90% (2008: 2.50% to 8.71%) per annum. The secured portion of the borrowings as at 31 December 2009 was charged against certain property, plant and equipment and inventories of the Group.

31. Long-term loans and finance leases

	Effective interest rate per annum %	Maturities	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Loans from banks:						
- Loan A	1.77	2010	–	30,000	–	30,000
- Loan B	1.61	2009	–	19,000	–	19,000
- Loan C	4.28	2010	–	7,998	–	–
- Loan D	9.54	2013	–	59	–	–
- Loan E	3.41	2012	27,049	–	27,049	–
- Loan F	6.88	2012	32,246	–	–	–
- Loan G	5.28	2014	6,241	–	–	–
- Other loans	7.55 - 9.54	2015	684	–	–	–
Finance leases			1,715	3,590	–	–
			67,935	60,647	27,049	49,000
Less: Current portion			(23,021)	(24,417)	(9,728)	(19,000)
Non-current portion of loans			44,914	36,230	17,321	30,000

Loan A, denominated in Singapore Dollar, with fixed interest rate of 1.77% per annum, was unsecured and was repayable in February 2010. The loan was fully repaid during the financial year.

Loan B, denominated in Singapore Dollar, with floating interest rate of 1.61% per annum, was unsecured and was repayable in 4 semi-annual instalments commencing from June 2008. The loan was fully repaid during the financial year.

Loan C, denominated in Malaysian Ringgit, with floating interest rate of 4.28% per annum, was unsecured and was repayable in 11 monthly instalments commencing from August 2009. The loan was fully repaid during the financial year.

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

Loan D, denominated in Australian Dollar, with fixed interest rate of 9.54% per annum, was secured on certain property, plant and equipment of the Group and was repayable in monthly instalments until August 2013. The loan was fully repaid during the financial year.

Loan E, denominated in Singapore Dollar, with floating interest rate of 3.41% per annum, is unsecured, and is repayable in 12 quarterly instalments commencing from November 2009.

Loan F, denominated in Australian Dollar, with floating interest rate of 6.88% per annum, is unsecured and is repayable in 12 quarterly instalments commencing from September 2009.

Loan G, denominated in Australian Dollar, with floating interest rate of 5.28% per annum, is secured on floating charge on certain property, plant and equipment of the Group, and is repayable in monthly instalments until May 2014.

Other loans denominated in Australian Dollar, with fixed interest rates ranging from 7.55% to 9.54% per annum, are secured on certain property, plant and equipment of the Group and is repayable in monthly instalments until 2015.

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

	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	2009 $'000	2009 $'000	2008 $'000	2008 $'000
Group				
Within one year	593	472	2,044	1,688
Between one and five years	1,408	1,243	2,129	1,902
Total minimum lease payments	2,001	1,715	4,173	3,590
Less: Amount representing finance charges	(286)	–	(583)	–
Present value of minimum lease payments	1,715	1,715	3,590	3,590

Effective interest rates on finance leases range from 6.75% to 9.50% (2008: 5.82% to 9.61%) 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.

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32. Exchangeable bond

	Group and Company	
	2009 $'000	2008 $'000
Face value of exchangeable bond issued in July 2009	10,000	–
Derivatives component of the bond at initial recognition	(500)	–
Liability component of the bond at initial recognition	9,500	–
Add: Accumulated amortisation of discount	–	–
Liability component of the bond at 31 December	9,500	–
Add: Derivative component of the bond at 31 December	500	–
Carrying value of the bond at 31 December	10,000	–

In July 2009, the Company issued a zero-coupon Mandatorily Exchangeable bond due 2011 in a principal amount of $10 million (the "Bond") at an issue price equal to 100% of the principal amount of the Bond, to its controlling shareholder. The Bond shall be mandatorily exchangeable into fully paid and unencumbered ordinary shares (the "Hamsdale Shares") of the Company's wholly-owned subsidiary company, Hamsdale International Pte Ltd ("Hamsdale"), on the date Hamsdale is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The price at which a Hamsdale Share shall be exchanged shall be 95% of the offer price of a Hamsdale Share in the initial public offer. In the event that, in connection with the initial public offering of Hamsdale, the Hamsdale Shares are offered in different tranches and at different prices, the Exchange Price shall be 95% of the offer price of a Hamsdale Share offered to the retail public. Unless mandatorily exchanged and cancelled, the Company will redeem the Bond at its principal amount on the maturity date, 31 July 2011.

33. Pension liabilities

The Group's companies in Australia operate a superannuation scheme that include Rivalea 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 2009.

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

33. Pension liabilities (Cont'd)

	Group	
	2009 $'000	2008 $'000
Benefit liability		
Fair value of plan assets	22,079	16,656
Present value of benefit obligation	(22,997)	(20,862)
Net benefit liability	(918)	(4,206)
Changes in the fair value of plan assets are as follows:		
At 1 January	16,656	30,080
Expected return on plan assets	1,206	1,759
Actuarial gains/(losses)	1,622	(7,300)
Employer contributions	2,024	528
Contributions by plan participants	1,033	1,135
Benefits paid	(4,242)	(2,775)
Taxes, premiums and expenses paid	(547)	(326)
Currency realignment	4,327	(6,445)
At 31 December	22,079	16,656
Changes in the present value of the defined benefit obligation are as follows:		
At 1 January	20,862	27,437
Interest cost	782	1,210
Current service cost	712	1,110
Contributions by plan participants	1,033	1,135
Benefits paid	(4,242)	(2,775)
Actuarial gains on obligation	(875)	(1,039)
Taxes, premiums and expenses paid	(547)	(326)
Currency realignment	5,272	(5,890)
At 31 December	22,997	20,862

The Group expects to contribute $246,000 to its defined benefit pension plan in 2010.

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

	Group	
	2009 %	2008 %
Australian equities	33	31
Overseas equities	28	27
Fixed interest securities	16	17
Property	9	11
Other	14	14
	100	100

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33. Pension liabilities (Cont'd)

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

	Group	
	2009 %	2008 %
Discount rate	5.3	3.9
Salary increase rate	4.0	4.0
Expected rate of return on assets	6.7	6.7

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

	Group	
	2009 $'000	2008 $'000
Net benefit expense (recognised within staff costs):		
Service cost	712	1,110
Interest cost	782	1,210
Expected return on assets	(1,206)	(1,759)
	288	561
Actual return on plan assets	2,940	(5,838)

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

	Group				
	2009 $'000	2008 $'000	2007 $'000	2006 $'000	2005 $'000
	$'000	$'000	$'000	$'000	$'000
Plan assets	22,079	16,656	30,080	25,961	25,718
Defined benefit obligation	(22,997)	(20,862)	(27,437)	(24,399)	(24,458)
	(918)	(4,206)	2,643	1,562	1,260

34. Share capital

	Group and Company			
	2009		2008	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid :				
At 1 January	450,974,216	195,123	450,974,216	195,123
Issued during the year	26,271,755	7,569	–	–
At 31 December	477,245,971	202,692	450,974,216	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 and have no par value.

During the financial year,

(i) the Company issued 25,075,155 ordinary shares at $0.278 per share pursuant to the QAF Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2008; and

(ii) the Company issued 1,196,600 ordinary shares for cash at the exercise price of $0.50 per share upon the exercise of 1,196,600 warrants by holders of Warrants 2009.

Pursuant to a rights issue carried out in October 2004 and completed on 8 November 2004, 87,952,593 Rights Shares were issued at an issue price of $0.50 for each Rights Share on the basis of 1 Rights Share with 1 warrant ("Warrants 2009") for every 4 existing ordinary shares in the Company, each warrant carrying the right to subscribe for 1 ordinary share in the capital of the Company at the exercise price of $0.50 for each new share. A total of 87,952,593 Warrants 2009 were issued as a result of the rights issue on 17 November 2004. Warrants 2009 were valid for exercise within a period of 5 years commencing from the date of issue of the Warrants 2009. During the financial year, 1,196,600 ordinary shares in the Company were issued pursuant to the exercise by warrant holders. Warrants 2009 had expired on 16 November 2009.

35. Reserves

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Revaluation reserve	2,409	2,214	–	–
Capital reserve	19,005	19,005	1,705	1,705
Hedging reserve	–	(755)	–	–
Revenue reserve	67,989	18,865	17,808	13,722
Foreign currency translation reserve	1,946	(28,098)	–	–
	91,349	11,231	19,513	15,427

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35. Reserves (Cont'd)

	Company	
	2009 $'000	**2008 $'000**
Analysis of movement in the reserves of the Company:		
Capital reserve		
At beginning and end of year	1,705	1,705
Revenue reserve		
At beginning of year	13,722	14,118
Net profit for the year	13,105	8,623
Dividends	(9,019)	(9,019)
At end of year	17,808	13,722
Total	19,513	15,427

Revaluation reserve

Revaluation reserve comprise of the following:

(a) 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; and

(b) surplus arising from share of joint venture company's revaluation of property, plant and equipment on acquisition of additional interest in the joint venture company.

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

35. Reserves (Cont'd)

Capital reserve (Cont'd)

c) amounts transferred from the revenue reserve due to statutory requirement of associated company in the People's Republic of China ("PRC"). In accordance with the Foreign Enterprise Law applicable to the 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	
	2009 $'000	2008 $'000	2009 $'000	2008 $'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 associated company	1,064	1,064	–	–
	19,005	19,005	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 currency translation 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.

36. Dividends

	Group and Company	
	2009 $'000	2008 $'000
Final tax-exempt (one-tier) dividend of 2 cents per share in respect of the financial year ended 31 December 2008	9,019	–
Final tax-exempt (one-tier) dividend of 2 cents per share in respect of the financial year ended 31 December 2007	–	9,019

The Company's Scrip Dividend Scheme under which shareholders may elect to receive dividends in the form of new shares in lieu of cash had been applied in respect of the final dividend for the financial year ended 31 December 2008.

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36. Dividends (Cont'd)

The directors have proposed a bonus dividend of 1 cent per share in addition to the first and final dividend of 2 cents per share, which aggregate to a total proposed final dividend of 3 cents per share for FY2009 ("Total FY2009 Final Dividend"), amounting to approximately $14,317,000 be paid in respect of the financial year ended 31 December 2009. The dividend will be recorded as a liability in the statement of financial position of the Company and Group upon approval of the shareholders at the Annual General Meeting of the Company.

The Company's Scrip Dividend Scheme will apply to the Total FY2009 Final Dividend.

There are no income tax consequence (2008: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

37. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following statement of financial position amounts:

	Note	Group	
		2009 $'000	2008 $'000
Cash and bank balances	16	28,128	25,635
Fixed deposits with financial institutions	16	35,984	22,620
		64,112	48,255
Less: Bank overdrafts	30	(5,162)	(3,805)
		58,950	44,450

38. 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 2009	Weighted average exercise price in financial year 2009	No. of options in financial year 2008	Weighted average exercise price in financial year 2008
	'000	$	'000	$
Outstanding at beginning of year	14,409	0.547	14,599	0.547
Granted	Nil	–	Nil	–
Exercised	Nil	–	Nil	–
Lapsed/forfeited	(25)	0.561	(190)	0.543
Outstanding at end of year	14,384	0.547	14,409	0.547
Exercisable at end of year	14,384	0.547	14,409	0.547

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38. Employee benefits (Cont'd)

Share options *(Cont'd)*

The following table summarises information about options outstanding and exercisable as at 31 December 2009 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	2,103,000	$0.555	06.04.2003	05.04.2012	2,103,000
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	3,850,000	$0.565	19.05.2007	18.05.2016	3,850,000
	14,384,000				14,384,000

During the financial year, there were no exercise of options.

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 2009, the cumulative expenses recognised in respect of share options amounted to $1,705,000 (2008: $1,705,000).

39. Commitments

	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
(i) Capital commitments not provided for in the financial statements:				
Expenditure contracted for proposed expansion of manufacturing facilities	9,835	2,553	–	–
Approved by the directors but not contracted for	2,338	6,606	–	–
	12,173	9,159	–	–
(ii) Commitments to purchase bulk supplies of raw materials	36,463	17,941	–	–
(iii) Commitment to purchase gas for factory operations	8,569	–	–	–
(iv) 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	4,974	5,584	91	91
Between one and five years	8,001	9,082	46	141
After five years	19,335	19,126	–	–
	32,310	33,792	137	232

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.

(v) 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.

40. Contingent liabilities (unsecured)

	Group 2009 $'000	Group 2008 $'000	Company 2009 $'000	Company 2008 $'000
Guarantees issued for bank facilities granted to subsidiary companies	–	–	139,238	211,655
Amounts utilised by subsidiaries as at date of the statement of financial position	–	–	73,149	37,939

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

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41. Related party transactions

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

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Purchases from associated and joint venture companies	6,019	8,607	–	–
Sales to joint venture company	1,959	5,828	–	–
Rental paid to an associated company	210	219	–	–
Interest income from associated and joint venture companies	216	3,699	–	–
Rental paid to a director	38	38	38	38
Other income from associated and joint venture companies	303	525	–	–
Management fees from subsidiary companies	–	–	1,237	1,427
Royalty income from subsidiary companies	–	–	17,655	16,159
Interest income from advances to subsidiary companies	–	–	3,054	6,036
Dividend income from subsidiary companies	–	–	22,568	31,116
Exchangeable bond issued to a director	10,000	–	10,000	–

(b) Compensation of key management personnel

	Group	
	2009 $'000	2008 $'000
Fees and remuneration	3,136	2,725
Contribution to the Central Provident Fund	24	25

42. 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.

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

(a) *Credit risk*

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

Exposure to credit risk

At the date of the statement of financial position, 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 statements of financial position; and

- a nominal amount of $139,238,000 (2008: $211,655,000) 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 date of the statement of financial position is $73,149,000 (2008: $37,939,000).

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

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 date of the statement of financial position is as follows:

	Group			
	2009		2008	
	$'000	% of total	$'000	% of total
By industry:				
Food manufacturing	10,175	13	11,026	14
Bakery	37,835	47	34,662	44
Primary production	18,174	22	17,865	23
Trading and logistics	14,529	18	14,763	19
Investments and others	227	–	287	–
	80,940	100	78,603	100
By country:				
Singapore	29,431	36	30,081	38
Australia	24,345	30	27,781	35
Philippines	11,598	15	10,231	13
Malaysia	12,375	15	9,963	13
Other countries	3,191	4	547	1
	80,940	100	78,603	100

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

(b) Liquidity risk

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

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

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the date of the statement of financial position based on contractual undiscounted repayment obligations.

	2009			2008		
	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Financial assets:						
Trade and other receivables	93,474	–	93,474	121,065	–	121,065
Investment securities	–	311	311	218	–	218
Cash and deposits	64,112	–	64,112	48,255	–	48,255
Advances to associated companies	–	3,090	3,090	–	3,366	3,366
Advances to joint venture company	–	–	–	–	553	553
Total undiscounted financial assets	157,586	3,401	160,987	169,538	3,919	173,457
Financial liabilities:						
Trade and other payables	119,998	1,035	121,033	117,650	–	117,650
Borrowings	88,624	45,561	134,185	121,877	37,129	159,006
Exchangeable bond	–	10,000	10,000	–	–	–
Total undiscounted financial liabilities	208,622	56,596	265,218	239,527	37,129	276,656
Total net undiscounted financial liabilities	(51,036)	(53,195)	(104,231)	(69,989)	(33,210)	(103,199)

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

	2009			2008		
	1 year or less	1 to 5 years	Total	1 year or less	1 to 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Company						
Financial assets:						
Other receivables	62,090	–	62,090	85,355	–	85,355
Cash and deposits	13,350	–	13,350	11,345	–	11,345
Advances to subsidiary companies	–	85,622	85,622	–	115,143	115,143
Total undiscounted financial assets	75,440	85,622	161,062	96,700	115,143	211,843
Financial liabilities:						
Trade and other payables	9,820	–	9,820	14,646	–	14,646
Borrowings	10,688	17,950	28,638	69,930	30,620	100,550
Exchangeable bond	–	10,000	10,000	–	–	–
Total undiscounted financial liabilities	20,508	27,950	48,458	84,576	30,620	115,196
Total net undiscounted financial assets	54,932	57,672	112,604	12,124	84,523	96,647

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

Company						
Financial guarantees	73,149	–	73,149	37,939	–	37,939

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

(c) *Interest rate risk*

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

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

Sensitivity analysis for interest rate risk

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

Loans denominated in	Increase/ decrease in basis points	Effect on profit after taxation 2009 $'000	Effect on profit after taxation 2008 $'000
Singapore Dollar	+ 50	(34)	(228)
United States Dollar	+ 50	–	100
Australian Dollar	+ 50	(428)	(169)
Singapore Dollar	– 50	34	228
United States Dollar	– 50	–	(100)
Australian Dollar	– 50	428	169

(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) and United States Dollar (USD). 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 and Australia. The Group's net investments in Malaysia and Australia are not hedged as currency positions in Ringgit 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.

		2009		2008	
		Profit after taxation	Equity	Profit after taxation	Equity
		$'000	$'000	$'000	$'000
USD	– strengthened 1% (2008: 1%)	25	–	181	44
	– weakened 1% (2008: 1%)	(25)	–	(181)	(44)
AUD	– strengthened 1% (2008: 1%)	219	903	385	619
	– weakened 1% (2008: 1%)	(219)	(903)	(388)	(625)

43. Classification of financial instruments

	Group		Company	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Loans and receivables				
Trade receivables	80,940	78,603	–	–
Other receivables	12,255	42,462	62,090	85,355
Cash and deposits	64,112	48,255	13,350	11,345
Advances to associated companies	3,090	3,366	–	–
Advances to joint venture company	–	553	–	–
Advances to subsidiary companies	–	–	85,622	115,143
	160,397	173,239	161,062	211,843
Derivatives designated as cash flow hedges				
Foreign currency contracts	–	(935)	–	–
Available-for-sale financial assets				
Short-term investments	–	218	–	–
Long-term investments	311	–	–	–
	311	218	–	–
Financial liabilities measured at amortised cost				
Trade payables	68,024	68,269	4	147
Other payables	53,009	46,165	9,816	12,218
Liability component of exchangeable bond	9,500	–	9,500	–
Short-term borrowings	64,485	96,386	–	50,368
Long-term loans and finance leases	67,935	60,647	27,049	49,000
	262,953	271,467	46,369	111,733
Fair value through profit or loss				
Forward currency contracts	279	(2,281)	–	(2,281)
Derivative component of exchangeable bond	(500)	–	(500)	–
	(221)	(2,281)	(500)	(2,281)

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44. Fair value of financial instruments

A. *Fair value of financial instruments that are carried at fair value*

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Note	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		$'000	$'000	$'000
Group				
2009				
Financial assets				
Forward currency contracts	29(b)	–	279	–
Financial liabilities				
Derivative component of exchangeable bond	32	–	–	500

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Determination of fair value

Fair value of forward currency contracts is determined by reference to current forward exchange rates for contracts with similar maturity profiles.

44. Fair value of financial instruments (Cont'd)

A. *Fair value of financial instruments that are carried at fair value* (Cont'd)

Movement in level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (level 3).

	Group and Company Derivative component of exchangeable bond
	$'000
At 1 January 2009	–
Total gain/(losses) in income statement	–
Issued during the year	500
	500

Impact of changes to key assumptions on fair value of level 3 financial instruments

The fair value of the derivative component of exchangeable bond had been determined using a discounted cash flow model where assumptions are made to the estimated initial public offer date of Hamsdale International Pte Ltd and discount rate that are not supported by observable market data. The Group has assessed the impact of possible alternative assumptions on the fair value as insignificant.

B. *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, current trade and other payables, 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.

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44. Fair value of financial instruments (Cont'd)

C. *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Note	2009 $'000 Carrying amount	2009 $'000 Fair value	2008 $'000 Carrying amount	2008 $'000 Fair value
Group					
Financial liabilities:					
Long-term loans and finance leases					
- obligations under finance leases		1,243	1,109	1,902	1,689
- fixed rate bank loans		550	411	30,048	30,101
Liability component of exchangeable bond		9,500	9,614	–	–

Determination of fair value

The fair values as disclosed above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the balance sheet date.

The advances to associated and joint venture companies and loan from minority shareholder have no fixed terms of repayment and are not expected to be repaid within the next twelve months. Accordingly, the fair value is not determinable as the timing of the future cash flows cannot be estimated reliably.

45. Financial risk management strategies relating to livestock

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

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

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

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

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 previous year. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group will enter into forward contracts to secure the supply of grain at reasonable price. Details of such commitments are disclosed in Note 39(ii).

46. Segmental reporting

For management purposes, the Group is currently organised into business units based on their products and services, and has five reportable segments as follows:

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

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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46. Segmental reporting (Cont'd)

	Food manufacturing	Bakery	Primary production	Trading and logistics	Investments and others	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2009							
Revenue and expenses							
Revenue from external customers	97,709	386,975	284,230	74,508	2,782	–	846,204
Other revenue from external customers	365	2,168	4,935	51	394	–	7,913
Inter-segment revenue	6	21	869	50	18,892	(19,838)	–
	98,080	389,164	290,034	74,609	22,068	(19,838)	854,117
Unallocated revenue							865
Total revenue							854,982
Segment results	(36,859)	73,064	33,943	789	1,683	–	72,620
Unallocated revenue							865
Unallocated expenses							1,167
Profit from operating activities							74,652
Finance costs							(6,040)
Exceptional items							928
Share of (losses)/profits of associated and joint venture companies	(9,357)	37	409	–	–	–	(8,911)
Profit before taxation							60,629
Taxation							(1,331)
Profit after taxation							59,298

46. Segmental reporting (Cont'd)

	Food manufacturing	Bakery	Primary production	Trading and logistics	Investments and others	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'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	8,511	44	2,169	–	13,235
Inter-segment revenue	623	4	1,759	72	17,586	(20,044)	–
	90,989	359,148	287,324	94,538	24,720	(20,044)	836,675
Unallocated revenue							3,394
Total revenue							840,069
Segment results	2,880	42,239	(23,356)	1,262	2,289	–	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)

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46. Segmental reporting (Cont'd)

	Food manufacturing $'000	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Consolidated $'000
2009						
Assets and liabilities						
Segment assets	34,239	214,668	265,747	52,413	27,562	594,629
Associated companies	–	4,977	–	–	–	4,977
Total assets	34,239	219,645	265,747	52,413	27,562	599,606
Deferred tax assets						15,039
Tax recoverable						196
Total assets per consolidated statement of financial position						614,841
Segment liabilities	19,287	56,627	45,951	11,025	2,586	135,476
Provision for taxation						6,300
Deferred tax liabilities						9,949
Exchangeable bond						10,000
Bank borrowings						130,705
Total liabilities per consolidated statement of financial position						292,430
Other segment information						
Expenditure for non-current assets	1,616	28,021	7,695	569	39	37,940
Amortisation and depreciation	1,620	16,292	8,091	1,863	470	28,336
Impairment loss	606	–	–	–	–	606
Allowance for inventory obsolescence	1,197	93	218	552	–	2,060
Allowance for doubtful debts and debts written off	23,095	339	131	68	2	23,635

46. Segmental reporting (Cont'd)

	Food manufacturing	Bakery	Primary production	Trading and logistics	Investments and others	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'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 statement of financial position						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 statement of financial position						300,876
Other segment information						
Expenditure for non-current assets	1,876	35,722	2,494	1,083	177	41,352
Amortisation and depreciation	1,659	15,093	7,745	1,758	956	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 off	(43)	288	32	115	2	394

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46. Segmental reporting (Cont'd)

Geographical information

	Revenue		Non-current assets	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Singapore	177,929	191,479	28,851	30,380
Malaysia	239,011	209,931	75,415	73,103
Australia	351,822	349,524	155,445	105,851
Philippines	74,170	77,409	26,816	19,378
Other countries	12,050	11,726	–	–
	854,982	840,069	286,527	228,712

Non-current assets information presented above consist of property, plant and equipment, investment properties and intangible assets as presented in the consolidated statement of financial position.

47. Subsidiary and associated companies

(a) The subsidiary companies as at 31 December 2009 are:-

Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2009 %	2008 %
Food manufacturing			
(1) Hengxing Fruit Juice (Singapore) Pte Ltd (Singapore)	Distribution agency of beverage products (Singapore)	100	100
# Ben Fortune Pastry Manufacturing (M) Sdn Bhd (Malaysia)	Manufacture and distribution of confectionery and pastry (Malaysia)	–	100
(5) Challenge Australian Dairy Pty Ltd (Australia)	Collection and sale of raw milk and the manufacture of dairy products (Australia)	51	51

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47. Subsidiary and associated companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2009 %	2008 %
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
[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

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47. Subsidiary and associated companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2009 %	2008 %
Primary production			
(5) QAF Feeds Pty Ltd (Australia)	Manufacturing of stockfeed and sales and distribution of animal feed products (Australia)	100##	100
(5) Rivalea (Australia) Pty Ltd (previously known as QAF Meat Industries Pty Ltd) (Australia)	Intensive pig production and wholesaling (Australia)	100	100
@ QAF Meat Processors Pty Ltd (Australia)	Pig slaughtering and meat boning (Australia)	–	100
(5) Brooksbank Properties Pty Ltd (Australia)	Intensive pig production and wholesaling (Australia)	100##	100
(5) Diamond Valley Pork Pty Ltd (Australia)	Pig meat processing and wholesale (Australia)	80**	51
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

(In Singapore dollars)

47. Subsidiary and associated companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2009 %	2008 %
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. (Singapore)	Investment holding (Singapore)	100	100
(1) Oxdale International Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(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

Notes to the Financial Statements

31 December 2009
(In Singapore dollars)

47. Subsidiary and associated companies (Cont'd)

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2009 %	Percentage of equity held by the Group 2008 %
	***Investments and others** (Cont'd)*			
(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
	Dormant corporations			
*	Auspeak Holdings Pte Ltd (Singapore)	Dormant	100	100
(1)	Bakers Maison Pte Ltd (Singapore)	Dormant	100	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 (M) Sdn Bhd (previously known as Bakers Maison Pastry (M) Sdn Bhd) (Malaysia)	Dormant	100	100

(In Singapore dollars)

47. Subsidiary and associated companies (Cont'd)

Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2009 %	2008 %
***Dormant corporations** (Cont'd)*			
(1) Lansdale Holdings Pte Ltd (Singapore)	Dormant	100	100
(1) Gaoyuan Pte Ltd (Singapore)	Dormant	100	100
(2) Ben Trading (Malaysia) Sdn Bhd (Malaysia)	Dormant	100	100

(b) The associated companies as at 31 December 2009 are:

Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2009 %	2008 %
(4) Philfoods Fresh-Baked Products Inc (Philippines)	Bread manufacturer (Philippines)	40	40
(4) Phil Foods Properties Inc (Philippines)	Investment holding (Philippines)	40	40
(3) 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	46.5

Note

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

** *Shareholding has been increased to 80% during the year. Consequently, the cost of investment has been reclassified from joint venture company to subsidiary company during the year.*

Disposed during the year

Operations under these subsidiary companies were transferred to Rivalea (Australia) Pty Ltd during the year. These subsidiary companies are in process of being de-registered.

@ *De-registered during the year*

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*

Notes to the Financial Statements

31 December 2009
(In Singapore dollars)

48. 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 35, an associated company of the Group is required by the Foreign Enterprise Law of the People's Republic of China ("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 for the financial years ended 31 December 2009 and 2008.

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, finance leases and liability component of exchangeable bond less cash and deposits. Shareholders' fund relates to interest of shareholders of the Company. The Group's strategy, which was unchanged from 2008, is also to maintain gearing ratios on net debt-to-equity ratio of not exceeding 1.5 times.

	Group	
	2009 **$'000**	**2008** **$'000**
Net debt	77,808	108,778
Shareholders' funds	294,041	206,354
Net debt-to-equity ratio	0.3 times	0.5 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 2009.

49. Subsequent events

The Group's shareholding interest in Challenge Australian Dairy Pty Ltd ("Challenge Dairy") has been diluted from 51% to 49% in March 2010. The dilution was due to the issuance of new shares by Challenge Dairy to the other shareholder. Challenge Dairy ceased to be a subsidiary of the Group and will be treated as an associated company with effect from the financial year ending 31 December 2010.

50. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 19 March 2010.

List of Major Properties

The Group's major properties as at 31 December 2009 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	30-year lease from 2 July 2010
	230A Pandan Loop Singapore	Cold store and office premises	30-year lease from 16 August 2010
	230B Pandan Loop Singapore	Warehouse, bakery and office premises	20-year lease from 1 October 2011
	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
	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 2009 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 2009 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 2010

Issued and Fully paid-up Capital	:	$202,773,325
Class of Shares	:	Ordinary Shares

Analysis of Shareholders by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	400	8.58	83,627	0.02
1,000 - 10,000	3,232	69.30	12,669,336	2.65
10,001 - 1,000,000	1,007	21.59	52,602,288	11.02
1,000,001 and above	25	0.53	412,055,720	86.31
	4,664	100.00	477,410,971	100.00

List of Twenty Largest Shareholders

S/No.	Name of Shareholder	No. of Shares	%
1.	Tian Wan Enterprises Company Limited	91,054,701	19.07
2.	Tian Wan Equities Company Limited	91,054,701	19.07
3.	Tian Wan Holdings Group Limited	91,054,700	19.07
4.	HSBC (Singapore) Nominees Pte Ltd	45,943,627	9.62
5.	Andree Halim @Liem Sien Tjong @ Liem Sien Tjiong	18,931,576	3.97
6.	CIMB Nominees (Singapore) Pte Ltd	13,193,100	2.76
7.	Raffles Nominees (Pte) Ltd	10,018,420	2.10
8.	Goi Seng Hui	8,999,818	1.89
9.	Citibank Nominees Singapore Pte Ltd	7,573,330	1.59
10.	United Overseas Bank Nominees (Private) Limited	5,619,095	1.18
11.	DBS Nominees Pte Ltd	5,050,034	1.06
12.	BNP Paribas Nominees Singapore Pte Ltd	3,452,018	0.72
13.	OCBC Nominees Singapore Private Limited	2,476,134	0.52
14.	Lai Choy Kuen	2,239,832	0.47
15.	Tan Kong King	2,114,928	0.44
16.	Lee Fook Khuen	2,000,547	0.42
17.	Ang Hao Yao	1,642,849	0.34
18.	DBS Vickers Securities (Singapore) Pte Ltd	1,500,965	0.31
19.	Phillip Securities Pte Ltd	1,423,584	0.30
20.	ABN Amro Nominees Singapore Pte Ltd	1,229,777	0.26
		406,573,736	85.16

Substantial Shareholders

Substantial Shareholder	Direct Interest No. of Shares	Direct Interest %	Deemed Interest No. of Shares	Deemed Interest %	Total Interest No. of Shares	Total Interest %
Andree Halim	18,931,576	3.97	273,164,102 [1]	57.22	292,095,576	61.18
Daniel Halim	-	-	182,109,402 [2]	38.14	182,109,402	38.14
Tian Wan Enterprises Company Limited	91,054,701	19.07	-	-	91,054,701	19.07
Tian Wan Equities Company Limited	91,054,701	19.07	-	-	91,054,701	19.07
Tian Wan Holdings Group Limited	91,054,700	19.07	-	-	91,054,700	19.07
Denonshire Group Limited	45,820,712	9.60	-	-	45,820,712	9.60
Didi Dawis	-	-	45,820,712 [3]	9.60	45,820,712	9.60
Saiman Ernawan	-	-	45,820,712 [3]	9.60	45,820,712	9.60

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.*

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 29 April 2010 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 2009. **(Resolution 1)**

2. To approve the total final tax-exempt (one-tier) dividend of 3 cents per share in respect of the year ended 31 December 2009. **(Resolution 2)**

3. To re-elect the following Directors:

   (a) Mr Didi Dawis (retiring under Article 104 of the Articles of Association) **(Resolution 3a)**

   (b) Ms Tarn Teh Chuen (retiring under Article 104 of the Articles of Association) **(Resolution 3b)**

   (c) Mr Soh Gim Teik (retiring under Article 114 of the Articles of Association) **(Resolution 3c)**

4. To approve Directors' fees of $165,000 for the year ended 31 December 2009 (2008: $165,000). **(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, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

7. That pursuant to Section 161 of the Companies Act, Chapter 50 and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Directors of the Company be and are hereby authorized and empowered to issue:

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

   (ii) convertible securities; or

   (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 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 the authority conferred by this Resolution may have ceased to be in force), provided that:

1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company as calculated in accordance with sub-paragraph (2) below ("**Issued Shares**"), provided that the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the total number of Issued Shares;

2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of Issued Shares shall be based on the total issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:

   (i) new shares arising from the conversion or exercise of any convertible securities;

   (ii) (where applicable) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual; and

   (iii) 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, guidelines and measures issued by 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;

4) the fifty per cent (50%) limit in sub-paragraph (1) above may be increased to one hundred per cent (100%) for the Company to undertake renounceable pro-rata rights issues at any time up to 31 December 2010 or such other date as may be determined by the SGX-ST; and

5) (unless revoked or varied by the Company in General Meeting), the authority conferred by this Resolution 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 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 to issue new shares in the capital in the Company other than on a pro-rata basis to shareholders of the Company at an issue price per new share which shall be determined by the Directors in their absolute discretion in accordance with the requirements of the SGX-ST, and during the period up to 31 December 2010 or such other date as may be determined by the SGX-ST, such price may represent up to a twenty per cent (20%) discount to the weighted average price per share determined in accordance with the requirements of the SGX-ST. **(Resolution 8)**

Notice of Annual General Meeting

9. That the Directors be and are hereby authorised 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)**

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, 14 April 2010

Explanatory Notes:

i) For Ordinary Resolution 2: In addition to the normal rate of dividend declared by the Company, the Directors have recommended an additional 1 cent per share as bonus dividend for the shareholders in view of the outstanding performance of the Group for financial year 2009.

ii) For Ordinary Resolutions:

3(a) - Mr Didi Dawis is a non-executive Director of the Company and the Chairman of the Board of Directors. He is a substantial shareholder holding approximately 9.60% of the ordinary shares in the Company. Mr Dawis is also the chairman of the Nominating and Remuneration Committees of the Company.

3(b) - Ms Tarn Teh Chuen is an executive Director of the Company.

3(c) - Mr Soh Gim Teik is a non-executive independent Director of the Company and also a member of the Audit Committee of the Company.

Further information on the above Directors can be found on pages 12, 13 and 15 of the Annual Report.

iii) Ordinary Resolution 7, if passed, will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting of the Company, to issue shares and convertible securities in the Company up to an aggregate number not exceeding 50% of the total number of issued shares in the capital of the Company, of which the aggregate number issued other than on a pro-rata basis to all shareholders of the Company shall not exceed 20% of the total number of issued shares in the capital of the Company. Following the current measures implemented by the SGX-ST, Resolution 7 also allows the Company to increase the foregoing issue limit to 100% of its total number of issued shares in the case of a renounceable pro-rata rights issue as more particularly set out in the Resolution.

iv) Contingent on the passing of Ordinary Resolution 7 above, Ordinary Resolution 8 is proposed following the current measures implemented by the SGX-ST that the Company be allowed to undertake non-pro rata placements of new shares priced at discounts of not more than 20% to the weighted average price of a Share for trades done on the SGX-ST (determined in accordance with the requirements of the SGX-ST).

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

vi) 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 2010 up to and including 14 May 2010 for the purpose of determining shareholders' entitlements to the total final tax-exempt (one-tier) dividend of 3 cents per share for the financial year ended 31 December 2009 ("Dividend 2009").

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 2010 will be entitled to the Dividend 2009 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 2010 will be registered to determine shareholders' entitlements to the Dividend 2009.

The QAF Limited Scrip Dividend Scheme as approved by the members of the Company on 28 April 2006 will apply to the Dividend 2009 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 2009 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, 14 April 2010

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 29 April 2010 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 the total final tax-exempt (one-tier) dividend of 3 cents per share.		
3.	To re-elect Directors:		
	(a) Mr Didi Dawis		
	(b) Ms Tarn Teh Chuen		
	(c) Mr Soh Gim Teik		
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 ____________ 2010 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 right 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

Company Registration No. 195800035D