QAF Limited

TARGETING GROWTH

Annual Report 2010

CONTENTS

CORPORATE **INFORMATION**
(As at 18 March 2011)

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 Soh Gim Teik
Mr Lin Kejian (previously known as Daniel Halim)
Mr Triono J. Dawis

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

NOMINATING COMMITTEE
Mr Kelvin Chia Hoo Khun
Mr Tan Kong King
Mr Tan Hin Huat

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

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

CHAIRMAN'S **STATEMENT**

Dear Shareholders,

In 2010, world economies recovered from a severe global economic and financial crisis. The pace of the economic recovery was uneven. The modest growth in major developed countries was marked by high unemployment and sovereign debt concerns. The buoyant growth in Asia and other emerging economies gave rise to inflationary pressures and concerns of overheating. Wild weather patterns around the world disrupted crop production, and surging demand for raw materials and commodities pushed food and commodity prices to unprecedented heights.

Despite the challenges of higher input costs, I am pleased to report that the Group was able to maintain an encouraging level of profitability. Bolstered by growing consumer demand for the Group's products, all our major business segments achieved increases in sales revenues.

During the year, we increased our dividend to shareholders through payment of an interim divided of 1 cent per share. I am pleased to advise that the Board of Directors has recommended a final tax-exempt one-tier dividend of 3 cents per share for the financial year ended 31 December 2010. This marks an increase of 33.3% over the previous year's dividend of 3 cents per share.

I would like to extend a warm welcome to Mr Triono J. Dawis who joined the Board as an executive director of the Company on 1 October 2010. Mr Lin Kejian, who had been serving on the Board as a non-executive director of the Company, was re-designated an executive director on 1 October 2010.

On behalf of the Company, I wish to express my appreciation to my fellow Board members, management, and staff for their contribution and dedication, and to our shareholders, bankers, suppliers, customers and business associates for their unwavering and loyal support.

DIDI DAWIS
Chairman
18 March 2011

GROUP MANAGING DIRECTOR'S REPORT

During the year, global economies staged a recovery from the worst recession since World War II, with the Singapore economy giving a sterling performance. Unfortunately, disastrous weather conditions on an unprecedented scale created widespread havoc in many parts of the world, disrupting agricultural production and destroying food crops. Despite governments' efforts to curb price pressures and restrain inflation, high global demand and production shortages exacerbated rising food, fuel and raw material costs, pushing world food prices to a record high.

Notwithstanding higher business and operating costs, the Group delivered a year of solid revenue growth across all its major business segments – Bakery, Primary Production and Trading & Logistics. Group revenue for the financial year ended 31 December 2010 ('FY2010') increased by $1.4 million to $856.4 million, from $855.0 million for the financial year ended 31 December 2009 ('FY2009'). The increase was achieved despite the deconsolidation of the financial results of Challenge Australian Dairy Pty Ltd, a manufacturer of milk and dairy products in Western Australia, when the Group diluted its shareholding in that company to 49% in early 2010.

In the Bakery segment, the Gardenia bread operations in Singapore, Malaysia and the Philippines hold the niche position of being the number one selling brand of packaged bread in their respective markets.

In Malaysia and the Philippines, the Gardenia operations posted strong gains in both sales volumes and market shares, buoyed by increased production capacity, growing consumption, new product releases and expansion into new markets.

In Malaysia, Gardenia was honoured for the second consecutive year with a Gold Award at the Putra Brand Awards when it was voted Malaysian consumers' most preferred bread brand. The Putra Brand Awards measures best brands by a 'people's choice' selection process and is the only brand award that is endorsed by the Malaysia External Trade Development Corporation (MATRADE). In response to increased consumer demand for its products, Gardenia Bakeries (KL) Sdn Bhd also expanded its extensive distribution network to more than 22,000 outlets throughout the Malay Peninsula.

In the Philippines, Gardenia Bakeries (Philippines Inc ('Gardenia Philippines') established a new bread manufacturing plant in Lapu-Lapu City in Cebu province in December 2010, extending its geographical reach to the southern archipelago of the Philippines. From this strategic base, the company has made inroads into the Central Visayas and the surrounding provinces of Bohol and Mindanao. This strategic foothold in Cebu has put Gardenia Philippines in a position to replicate its successes in the Metro Manila market where it currently commands a market share in excess of 65%.

"Group revenue for the financial year ended 31 December 2010 ('FY2010') increased by $1.4 million to $856.4 million, from $855.0 million for the financial year ended 31 December 2009 ('FY2009')."

In Singapore, Gardenia Foods (S) Pte Ltd's commitment to the highest standards of food safety was rewarded when it was honoured as the first bakery in Singapore to be awarded the Gold Award from the Agri-Food and Veterinary Authority (AVA) for achieving Grade A status for excellence in food hygiene, sanitation and processing for 15 consecutive years, from 1995 to 2009.

Our bakery operations in Australia under Bakers Maison Australia Pty Ltd ('Bakers Maison') also ended a successful year with increased sales in response to strong consumer demand. Bakers Maison is a specialist manufacturer of authentic French-style breads and pastries in Sydney.

Our fully integrated Primary Production operations in Australia under Rivalea (Australia) Pty Ltd ('Rivalea') also posted robust increases in sales revenues from stockfeed and value-added products, supported by its new meat distribution business in Sydney. As part of the Group's strategy of growing its core businesses, Rivalea acquired the business of a wholesale meat trading company, Coral Park Pastoral Meat Trading Company ('Coral Park') in June 2010. Coral Park is a distributor of multi-species meats, including Rivalea's Murray Valley brand of fresh meat cuts. With the acquisition of Coral Park, Rivalea has been able to diversify its distribution activities to encompass other types of meats and position itself for expansion into the Sydney and South East Queensland markets.

The Trading & Logistics segment gave a sterling performance with higher sales revenues from its trading activities and improved rental rates from its cold storage operations. The segment's good performance attests to the strong consumer confidence and resilience of our proprietary brands, namely, Cowhead, Farmland, Haton, Spices of the Orient and Orchard Fresh, brands that have become trusted household staples.

Group profit before taxation rose by 17% to $70.9 million for FY2010, compared to $60.6 million for FY2009.

The Trading & Logistics segment weighed in with a record increase in profits over the previous year on the back of higher sales, better trading conditions and effective cost controls. However, the Bakery segment saw some pressure on margins due to increases in the general costs of production, particularly in the costs of raw materials and fuels.

The Primary Production segment also made a lower contribution to profitability due to lower selling prices for its products. During the year, prices of meat carcasses and commodity meats fell from their 2009 highs due to the large influx of cheap imported meat into Australia. Rivalea's high sales volumes did not translate into the profit margins enjoyed by the company in 2009. Despite the general decline in meat prices however, the prices of Rivalea's branded fresh meat cuts remained stable throughout 2010, a testament to the high quality and value-for-money attributes of its products. The company's value-added meat products are sold under the brand names, Murray Valley, High Country, Family Chef and Riverview Farms.

Due to the slower appreciation of the Australian dollar in 2010 as compared to 2009, the Group's Australian dollar denominated assets recorded a smaller foreign exchange gain of $1.3 million in FY2010, compared to a gain of $12.5 million in FY2009.

Increases in interest rates on the Group's Australian dollar borrowings resulted in higher finance costs (interest expense) of $6.8 million in FY2010, from $6.0 million in FY2009.

Group taxation for FY2010 jumped by $12.8 million to $14.1 million, compared to $1.3 million for FY2009. In FY2009, Rivalea recognised a one-time tax credit of $18.7 million that arose from a timing difference on tax payable due to a revaluation of its livestock. This resulted in a distortion of the effective tax rate to a low of 2% for FY2009.

The higher tax expense negated the 17% gains in Group profit, resulting in Group profit after taxation to decline to $56.8 million for FY2010, as compared to a Group profit after taxation of $59.3 million for FY2009.

The lower profit after taxation saw earnings per share fall to 10 cents, from 12.1 cents. However, the net asset value per share of the Group increased by 11%, from 61.6 cents to 68.5 cents.

For the year ahead, we will continue to focus our resources and capabilities to capture growth opportunities through

"Group profit before taxation rose by 17% to $70.9 million for FY2010, compared to $60.6 million for FY2009."

strategic expansion into food-related businesses that are able to generate new income streams and sustain long-term growth. In line with this focus, we will divest non-strategic businesses and have entered into a conditional sale and purchase agreement in September 2010 to sell our 46.5% interest in Shaanxi Hengxing Fruit Juice Co Ltd, the owner of an apple juice concentrate business in China.

Successful management of the risks posed by the escalating prices of raw materials and ingredients is key to the profitability of our operations. In meeting these challenges, we continually focus our efforts on proactively managing our cost base, whilst maintaining our high standards and remaining competitive. We will continue to streamline and strengthen our core businesses by enhancing production and operational capabilities and expanding the product ranges of our brands.

Barring major external shocks, we believe that the Asian region will continue to drive the global economic recovery over the next few years. We have focused our efforts to position the Group for the future, and to take advantage of the opportunities presented by this growing market. To capitalise on the strong consumer trend in Asia, we will continue to create fresh and innovative products that cater to our customers' changing tastes and cement our brands' market-leading positions. We have expanded our production capabilities in Malaysia and the Philippines and expect the Bakery operations to expand their market shares and sales, boosted by new production capacity which is scheduled to come onstream in the year ahead.

Rivalea is also expected to achieve positive sales growth through the introduction of innovative value-added products and the implementation of new marketing and distribution initiatives. We had previously announced our intention to list the company in the later half of 2010. However, we have not firmed up our plans at the moment and are presently evaluating various alternatives to enhance returns on our investment in Rivalea.

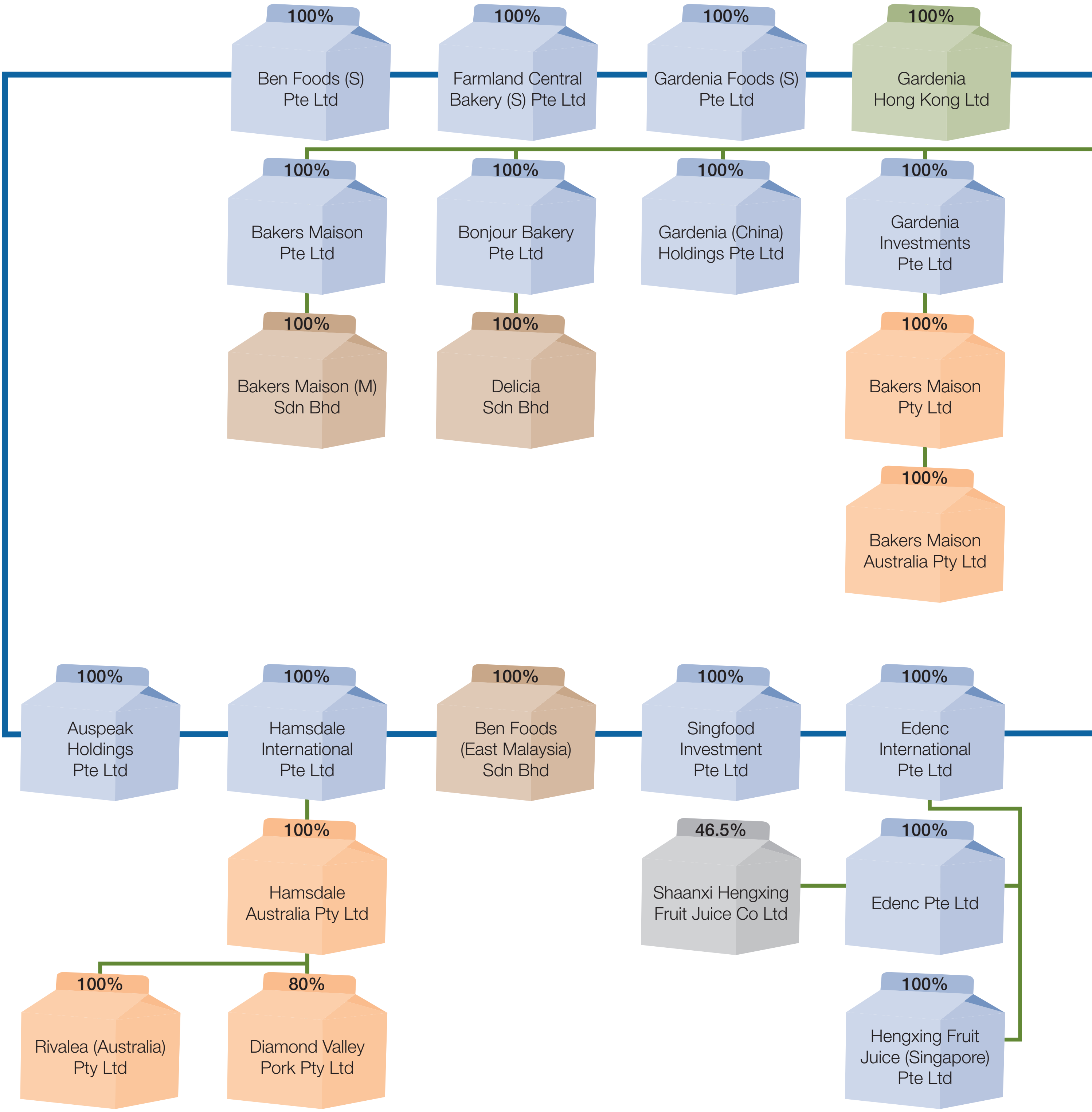
The year ahead will be a challenging one. Whilst the outlook remains positive for Singapore and the emerging economies in the region, there is underlying concern that the sustainability of the global recovery may be threatened by the risks of inflation, rising raw material costs, social unrest and financial turmoil. However, we have made positive inroads in our major markets, and our major business segments are well-positioned to meet the challenges ahead. Barring any significant deterioration in market conditions, the Group expects to achieve an encouraging level of profitability in the year ahead.

TAN KONG KING
Group Managing Director
18 March 2011

QAF SUBSIDIARIES AND **ASSOCIATED COMPANIES**

(As at 18 March 2011)

QAF Limited



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

BOARD OF **DIRECTORS**


7


2


5


1


3


4


9


8


6

1. DIDI DAWIS, 65

Chairman
Non-executive Director

DATE OF LAST ELECTION
29 April 2010

BOARD COMMITTEE
Remuneration Committee (Member)

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 Permanent Honorary Chairman of Indonesia Chinese Entrepreneur Association and the chairman of the International Association of Fuqing Clansmen.

Mr Didi Dawis is a substantial shareholder of the Company having an interest of 9.21% in the total issued shares of the Company as at 18 March 2011.

2. ANDREE HALIM, 63

Vice-Chairman
Non-executive Director

DATE OF LAST ELECTION
30 April 2009

BOARD COMMITTEE
Nil

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 invested in.

Mr Andree Halim is the major substantial shareholder of the Company, having an interest of 61.64% in the total issued shares of the Company as at 18 March 2011.

Past 3 years' directorship in other listed company

- Beijing Properties (Holdings) Limited (formerly known as Peaktop International Holdings Limited), listed in the Hong Kong Stock Exchange

3. TAN KONG KING, 60

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 to focus on various food related sectors, 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 30 years of experience in managing group operations and over 15 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.

4. TARN TEH CHUEN, 51

Executive Director

DATE OF LAST ELECTION
29 April 2010

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 20 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.

5. KELVIN CHIA HOO KHUN, 59

Non-executive/Independent Director

DATE OF LAST ELECTION
30 April 2008

BOARD COMMITTEES
Audit Committee (Member)
Remuneration Committee (Chairman)
Nominating Committee (Chairman)

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.

Current directorships in other listed companies

- Scorpio East Holdings Ltd
- Unionmet (Singapore) Limited

6. TAN HIN HUAT, 58

Non-executive/Independent Director

DATE OF LAST ELECTION
30 April 2009

BOARD COMMITTEES
Audit Committee (Chairman)
Remuneration Committee (Member)
Nominating Committee (Member)

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 30 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.

7. SOH GIM TEIK, 56

Non-executive/Independent Director

DATE OF LAST ELECTION

29 April 2010

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 had practised as a public accountant and also 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 was previously 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

8. LIN KEJIAN, 32

Executive Director

DATE OF LAST ELECTION

30 April 2008

BOARD COMMITTEE

Nil

Mr Lin Kejian was appointed as a non-executive Director of the Company on 1 December 2007. With effect from 1 October 2010, he has been designated as an Operations director of the Company.

Prior to his redesignation as an executive Director of the Company, Mr Lin was the Business 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 Lin had previously been a director of several private enterprises which he and/or his family has an interest.

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

Mr Lin 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 38.46% in the total issued shares of the Company as at 18 March 2011.

9. TRIONO J. DAWIS, 29

Executive Director

DATE OF LAST ELECTION

Not Applicable

BOARD COMMITTEE

Nil

Mr Triono Dawis was appointed as an executive Director and a Business Development director of the Company on 1 October 2010.

Mr Dawis graduated with a Bachelor of Science degree in Business Administration from the University of California, Berkeley, California.

Prior to joining the Company, Mr Dawis was involved as a Business Development director in the various business enterprises in Indonesia owned by his family, ranging from business in food industry, real estate development, trading to video rental franchising.

Mr Triono Dawis is the son of Mr Didi Dawis, a Director cum Chairman of the Company.


No Trans Fat
HOME-BAKED Fresh IN SINGAPORE
Gardenia THE ORIGINAL AMERICAN RECIPE
Corn loaf
JUMBO 600
Enriched with Vitamins and minerals
WHITE BREAD
Net Wt: 600g
Fine Grain
WHOLEMEAL BREAD
Country LOAF
ROYAL WHITE BREAD
ロイヤル

SINGAPORE

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

The Gardenia bakery operations continued to achieve healthy sales volumes, maintaining its dominance and strong leadership position as the best selling brand of packaged bread in Singapore.

During the year, the company introduced 2 new products in response to the growing interest in healthy lifestyles. The Gardenia Mediterranean Panini was created for consumers who prefer the European-style of rectangular flat breads for their sandwiches, and is part of the County Loaf range.

The Gardenia Super Soft & Fine Enriched Wholemeal Bread, a unique bread developed by the company's advanced and innovative research, caters to consumers who want the wholesome goodness of wholegrains without the grainy texture. The Super Soft & Fine Enriched Wholemeal Bread has the softness of white bread, and is the only bread in Singapore to be made from 100% super fine wholemeal flour. Bursting with healthy ingredients, the bread is endorsed with the Healthier Choice Symbol and meets the 'Higher in Whole-Grains' nutritional guidelines set by the Health Promotion Board. As testament to the company's commitment to help people eat and live better, Gardenia Singapore is one of the major bakeries in Singapore to offer the widest range of wholemeal and multi-grain breads endorsed with the Healthier Choice Symbol.

During the year, a nation-wide campaign by the Health Promotion Board to promote the health benefits of eating whole-grains created increased demand for the company's wholemeal breads and resulted in sales of its wholemeal breads growing by 14% over the previous year. The company intends to leverage on the competitive advantage presented by its leading position in the wholemeal and multi-grain bread market and focus its efforts on more product innovations and greater marketing initiatives to expand and promote this segment of healthy breads.

In 2008, Gardenia Singapore opened up a new market for its products when it introduced Singapore's first bread vending machine. The vending machines have made freshly baked bread available all times of the day or night, and are a boon to busy consumers. There are currently 160 bread vending machines installed in various condominiums, schools, hostels, corporations and premises of Residents' Committees. The vending machines have proven to be a powerful marketing tool in enhancing Gardenia's brand presence and growing sales, and the company intends to expand this market by installing more vending machines.

In July 2010, Gardenia Singapore's unwavering commitment to ensuring that every product that reaches consumers is of the highest quality and safety standards, was rewarded when Gardenia bakery became the first local bakery to be awarded the Gold Award by the Agri-Food and Veterinary Authority (AVA) for consistently achieving Grade A status for excellence in food hygiene, sanitation and processing for 15 consecutive years, from 1995 to 2009.

During the year, the company ran two major promotion campaigns that were very well received. The much anticipated National Consumer Promotion, 'The Great Exchange', rewarded customers with a free loaf of Gardenia California Raisin Loaf or Gardenia Corn Loaf in exchange for any 4 bread packaging from selected Gardenia breads. The Gardenia Fruit & Nut Loaf Year End Festive Promotion gave consumers a special 'price off' on the Fruit & Nut Loaf.

Gardenia Singapore continued its active participation in community outreach and social responsibility initiatives to instill healthy lifestyles. Activities included sponsorships of the Health Promotion Board's annual School Health Fair and Roving Health Bazaars to promote Gardenia's wholemeal and multi-grain breads, and collaborations with hospitals and health organizations, including the Diabetics Society of Singapore, to promote Gardenia's Low Glycemic Nutri Multi-Grain bread to diabetics.

As part of its branding activities, the company created a new website, www.bonjour.sg, for Bonjour, the company's number two selling brand of packaged bread in Singapore.

Despite a competitive operating environment, Gardenia Singapore has maintained its position as the market leader in Singapore and this is testament to the company's efforts to ensure that its products remain a cut above the rest. The company will continue to strengthen its research and development capabilities, produce innovative bakery products, enhance its brand, and pursue opportunities for expansion. Moving forward, Gardenia Singapore expects to enjoy healthy growth and profits.

MALAYSIA

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

GBKL operates the largest bakery operation in South-East Asia with 8 fully automated production lines with a machine capacity for producing more than 700 million loaves of bread, snack cakes, buns and rolls per annum.

In March 2011, Gardenia was honoured for the second consecutive year with a Gold Award at the Putra Brand Awards in recognition of its being voted Malaysian consumers' most preferred bread brand. The Putra Brand Awards is a recognition and brand valuation exercise initiated by the Association of Accredited Advertising Agents Malaysia (4As) that measures best brands by consumer preference, or a 'people's choice' selection process. It is the only brand award in the country that is endorsed by the Malaysia External Trade Development Corporation (MATRADE). Winning a Gold Award for the second year has solidified Gardenia's popularity and leadership of the West Malaysian branded bread market and is a tribute to the brand's consistent quality, freshness, great taste and value-for-money attributes.

GBKL, a 70%-owned subsidiary of the Group, delivered another year of strong performance in FY2010 with gains in both sales volumes and market share. Turnover was a record RM617.0 million, an increase of 10.7% over the previous year.

Despite its dominant market position, GBKL continually seeks to increase market share in its existing markets, and expand its reach into new markets. During the year, the company added to the number of delivery routes and sales outlets in its extensive distribution network and now has a total of more than 22,000 outlets throughout Peninsular Malaysia.

To maintain its competitive edge, GBKL regularly creates new flavours and varieties to ensure that its products are novel, nutritious and stay abreast of consumer trends. In 2010, following the success of its Delicia Soft Rolls, the company created the new Fluffy Bun range which comes in 2 flavours, Red Bean and Pandan Coconut. The new buns were very well received and have expanded Gardenia's wide selection of flavoured buns and snack cakes to a total of 12 varieties.

THE PHILIPPINES

GARDENIA BAKERIES (PHILIPPINES) INC
('GARDENIA PHILIPPINES')

Despite a challenging year of rising raw material and fuel costs, the Philippines' largest bread producer, Gardenia Philippines continued to dominate the branded bread market in 2010, growing sales by an impressive 19% and expanding its market share by 3%, to command more than 65% of the Metro Manila market.

During the year, the company laid the foundation for further growth in the Philippine bread market by establishing a strategic bread manufacturing base in Lapu-Lapu City in Cebu province. This was the company's first foray into the southern archipelago of the Philippines, and the untapped Visayas and Mindanao markets.

The Cebu bread plant commenced operations in December 2010, supplying supermarkets, chain retail stores and groceries in the Central Visayas, including the entire province of Cebu. Using the roll-on roll-off (RORO) ferry system, Gardenia Philippines also expanded its distribution into the surrounding provinces of Bohol and Mindanao, and to the modern cities of Cagayan de Oro, Butuan, Iligan, Malaybalay and Davao.

As part of its corporate social responsibility program to provide job opportunities for the people and in line with the company's business strategy of providing consumers with greater convenience, the company launched the Gardenia Pedicart Program in March 2010. Pedicarts transport freshly baked Gardenia products right to the doorsteps of consumers living in the residential subdivisions and clustered communities of Metro Manila.

For the year ahead, rising operating costs are expected to threaten margins and put pressure on selling prices.

GBKL will continue its ongoing efforts to cushion the impact of higher costs through stringent cost management and controls, enhanced management information systems and efficient use of resources. It will also continue to streamline efficiency and productivity through rationalization of product mix and yield improvements.

The company will continue to pursue increased sales through ongoing brand enhancement marketing programs. It will capitalize on the strong consumer demand for its products to expand its portfolio of bakery items to meet the varied tastes of its customers and enhance long-term profitability.

The Pedicart Program has been a huge success, providing a livelihood to many people, carving inroads into a new market, and enhancing Gardenia's brand presence.

During the year, several new products were introduced to delight the taste buds of loyal consumers. A new Butterscotch Loaf was launched in the Amazing range. This sweet and caramel-y tasting bread packed with loads of butterscotch chips gives sweet-toothed consumers a novel way to enjoy bread.

To cater to the current trend towards health and wellness, a High Fiber Wheat Raisin Loaf targeted health-conscious consumers who want the health benefits of wholemeal flour, and the natural goodness of raisins with its high fiber content and anti-oxidants.

The company also expanded its snack product line in response to the needs of consumers for single-serve, cheap and convenient products. It introduced 2 additional variants of cream roll buns in Choco Strawberry and Rocky Road flavors, a 2-Slice snack pack of Black Forest Loaf, and a 5-Slice pack of Cinnamon Toast.

As part of its marketing and brand management and to reinforce the superior quality of Gardenia's products, an advertising campaign was launched to showcase the company's modern bread manufacturing plant and its use of only the best ingredients in its bread production.

To fully engage with consumers and ensure that its message of delighting every Filipino consumer reached all segments of the population, the company developed an Integrated Marketing Communication program covering multi touch points. This included television and radio broadcasts, print, transit ads, merchandising, publicity, plant tours and promotional events, and new technology low-cost social networking and digital promotion media.

The company currently utilizes social networking tools such as Facebook, Twitter and YouTube to promote the Gardenia brand to consumers. It intends to expand its marketing efforts into other newer technologies and social media platforms to bring the Gardenia brand closer to a younger generation of consumers.

AUSTRALIA

BAKERS MAISON AUSTRALIA PTY LTD
('BAKERS MAISON')

Despite the rising costs of raw ingredients and utilities and against a highly competitive operating environment, Bakers Maison turned in a strong performance in FY2010 with solid growth in revenue and a positive operating result.

Bakers Maison is a specialist manufacturer of authentic French-style breads and pastries. Bread products include batards, bread rolls and baguettes. There is a range of hand-made full butter pastries comprising croissants and assorted danishes, and a range of sweets such as muffins, banana loaves and friands.

From its plant in Revesby, Sydney, Bakers Maison distributes Frozen Par Baked breads and pastries and Fully Baked Frozen pastries to airlines, food manufacturers, food distributors, food caterers, hotels, restaurants, cafes, bakery shops, convenience stores and petrol stations throughout Australia. It also delivers fresh daily-baked pastries within the Sydney area.

Against the backdrop of rising inflation, an appreciating Australian dollar and weak tourist numbers, the foodservice industry saw limited growth during the year. Aggressive competition and price-cutting amongst small and medium sized foodservice operators further drove down margins. Despite the challenging business environment, Bakers Maison was able to increase its market share due to greater product innovation, increased marketing activities and expansion into contract manufacturing services. In response to strong consumer demand for its products, the company added an additional shift to its bread department in May 2010.

During the year, the company developed a number of new products. It introduced a 'low salt' bread for the NSW Health Department. As part of its contract manufacturing services, Bakers Maison developed a number of products for its customers. These comprised a Sour Dough Bread Roll and a Wholemeal Fruit Bun for a national prepared meal manufacturer; a range of 4 Savoury Scrolls for a large national convenience store chain with over 400 stores; a range of healthy breads such as Quinoa Baguette, Soy & Linseed Baguette, and several variants of Panini, such as Multigrain and Rosemary, for a national fast food franchise operating over 80 stores.

To encourage increased awareness and consumption of its products, Bakers Maison opened a factory shop inside its Revesby premises in August 2010 to cater to local businesses, clubs, schools and the local community. The shop offers a wide range of fresh and frozen products and store traffic has seen increases each month.

In its ongoing efforts to provide consumers with the best tasting product at the highest quality and standards, the company obtained SQF 2000 Level 3 Certification in July 2010, achieving all the requirements of a Comprehensive Food Safety and Quality Management System. SQF 2000 Level 3 Certification requires compliance to Levels 1 and 2, which incorporates the Certified HACCP Food Safety Plans.

Looking ahead, the scenario of rising costs is expected to continue. The company will continuously monitor all aspects of its production and strive for greater operational efficiencies and opportunities for business expansion.

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 pork 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 and in Australia, accounting for 20% of the latter'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 2010, Rivalea produced and sold about 736,000 heads or 46,000 MT of meat. The company faced pressure on selling prices in 2010 due to a high level of cheap imports into Australia.

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 in butcheries, meat retail outlets, food service customers 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), Family Chef (for independent supermarkets) and Riverview Farms (mince, sausages and specialty products for supermarkets).

Rivalea's breeding and farm operations are carried out within the states of New South Wales and Victoria, on 7 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.

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, 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 about 6,000 hectares of land and this program achieved an encouraging level of profitability in 2010 as a result of a good harvest.

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 business achieved a record increase in sales and profitability in 2010.

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 June 2010, Rivalea acquired the business of Coral Park Pastoral Meat Trading Company, an established meat distribution company in Sydney. Under Rivalea's management, Coral Park has achieved successes in the distribution of Rivalea's branded Murray Valley products as well as other multi-meat products. Plans are afoot to expand its operations not just in Sydney but also in the South East Queensland market.

As part of its strategy to focus more in producing value-added fresh products where it has the competitive advantage, Rivalea launched a new range of fresh mince products to supply a major retail customer and volumes have exceeded all expectations. The company will continue to grow and develop the fresh value-added product segment by formulating and introducing new product lines to new and existing customers.

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.


Orchard Fresh
Pineapple Float
WITH NATURAL DICED PINEAPPLE
Vitamin C Enriched
No Colouring & Preservatives
farmland
READY TO COOK
Hot & Spicy
CHICKEN NUGGETS
NO PRESERVATIVES
TEMPURA BATTER
No Trans Fat
Cowhead
Tasty Grated
Natural Cheddar
Cheese
Cowhead
BLACK
Cocoa Biscuits
Cheese Cream
trans fat free
Net Wt 208g
8 Sachets
Cowhead
BLACK
Cocoa Biscuits
Milk Cream
trans fat free
Net Wt 208g
8 Sachets
Cowhead
BLACK
Cocoa Biscuits
Hazelnut Cream
Cowhead
Original
Crackers
trans fat free
Cowhead
EXTRA OLD
Vintage
Contains Calcium
Cowhead
EXTRA TASTY
NATURAL CHEDDAR CHEESE
Contains Calcium
250g Net

TRADING & LOGISTICS

SINGAPORE

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

Ben Foods' success in growing and enhancing its portfolio of proprietary brands and its focus on achieving operational and cost efficiencies has enabled the company to post excellent increases in sales revenues and margins in FY2010. The solid performance was made on the back of a booming economy and record tourist arrivals.

Ben Foods is the Group's wholesale food distribution arm in Singapore. It distributes a wide range of premium food and beverage products to food manufacturers, fast-food chains and restaurants, supermarkets and independent retail outlets, hotels, wholesalers, bakeries, flight kitchens and sea vessels.

The company has over the years, successfully developed its own proprietary brands of food products. These are Cowhead (milk and dairy products, and confectionery), Farmland (processed meat, frozen vegetables and potato snacks), Haton (seafood products), Orchard Fresh (beverages) and Spices of the Orient (sauces and seasonings). Ben Foods' house brands have become familiar and trusted household staples, with Cowhead and Farmland both attaining Superbrand status. Cowhead products are also exported to the Philippines, Vietnam, Cambodia, Myanmar, Macau, Malaysia, Bangladesh and Brunei.

In 2010, the company introduced 9 new products. It launched the Cowhead Natural Cheddar Cheese range comprising of three variants, the Extra Tasty Block, the Extra Old Vintage Block and Tasty Grated Cheddar. It also expanded its popular range of Cowhead biscuits to include plain Original Crackers, and a Black Cocoa Biscuit range comprising 3 flavours, Cheese Cream, Hazelnut Cream and Milk Cream. Cowhead's large and varied biscuit range caters to consumers' different tastes.

Other new additions are the Farmland Hot & Spicy Chicken Nuggets and Orchard Fresh Pineapple Float. The refreshing Pineapple Float is enriched with vitamin C, contains natural diced pineapples and is free from colouring and preservatives.

To meet the challenges of rising business costs, the company will continue to focus on further improving its operational efficiencies, growing market share and creating new products that meet consumers' needs.

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

The company recorded improved revenue growth on the back of higher occupancy and better rental rates from its cold storage operations.

NCS owns and operates the largest independent public cold store in Singapore. Occupying a land area of over 27,000 square metres with a capacity for 14,000 pallets, the cold store has multiple temperature storage rooms that provide customers with an efficient one-stop service, including container plug-in, cargo clearance, delivery services, and rental of office and processing rooms.

The cold store's strategic location in the Jurong seafood industrial area 5 minutes away from Jurong Port, and its customer-focused services has enabled it to maintain its number one position in the public cold store industry.

The company has completed a $1.7 million upgrading and renovation program to its property, plant and machinery at No. 9 Fishery Port Road. With the completion of the upgrading program, the company expects the current lease on the premises to be extended for another 17 years upon its expiry in February 2013.

NCS is HACCP certified and a member of the International Association of Refrigerated Warehouses (IARW), USA, and Seafood Industries Association, Singapore.

NCS also has a 62% interest in QAF Fruits Cold Store Pte Ltd, the owner of a cold store that provides cold storage facilities for fresh fruits and vegetables. During the year, all its cold rooms were fully leased out.

AUSTRALIA

OXDALE DAIRY ENTERPRISE PTY LTD
('OXDALE DAIRY')

Oxdale Dairy operates 2 freehold dairy production facilities in Cobram, Victoria. The properties have an area of more than 733 hectares and currently accommodate a herd of more than 1,500 cattle of predominantly Holstein, Holstein Jersey Cross and Brown Swiss breeds.

The production facilities are fully equipped with 2 rotary dairies (a 42-stand and a 50-stand), irrigation equipment, infrastructure, laneways, barns and extensive fences. As the properties are sited close to large tracts of buffer pasture land belonging to Rivalea, the company has been able to enjoy lower feed costs as cattle can graze on the land. There is also the flexibility of being able to increase herd size without substantial investments in land, water resources or feedlots. The company is also able to leverage on Rivalea's expertise in the areas of feed formulation and production, and thereby reduce production costs and enjoy higher efficiencies per cow.

For FY2010, sales revenue from the dairy operations increased by 19% over the previous year on the back of improved milk prices.

The drought conditions affecting many parts of Victoria eased in the later part of 2010 and early 2011. The heavy rains that filled water storages on the river system have ensured the availability of full water entitlements for the year ahead. The Oxdale Dairy properties are entirely self-sufficient in regard to water supply as they have access to underground water from an enviable mix of water sources. Over the years, the company was able to sustain its dairy operations during the difficult drought periods in the region.

The company strengthened its income stream when it acquired a large grain storage facility in Corowa, New South Wales, in October 2010. The storage facility has a capacity of approximately 37,000 tonnes and has been leased out to Rivalea for purposes of its feedmill operations.

CHINA/AUSTRALIA

SHAANXI HENGXING FRUIT JUICE CO LTD
('SHAANXI HENGXING')
CHALLENGE AUSTRALIAN DAIRY PTY LTD
('CHALLENGE')

The Group's investments in two associated companies are a 46.5% interest in Shaanxi Hengxing, and a 49% interest in Challenge.

Shaanxi Hengxing is the owner of an apple juice concentrate business in China. In line with the Group's focus of concentrating its resources and capabilities on the continued growth of its core businesses and to divest non-strategic businesses, it entered into a conditional sale and purchase agreement in September 2010 to sell its interest in Shaanxi Hengxing. Completion of the sale is subject to satisfactory due diligence by the purchaser and regulatory reviews and approvals.

Challenge is a manufacturer of milk and dairy products in Western Australia. The company was recently placed under liquidation due to liquidity and working capital shortages. The owner of the other 51% shareholding in Challenge is a dairy co-operative. The liquidation is not expected to have a material financial effect on the Group.

OUR
BRANDS

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	4	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	1	1	1	1
Tan Hin Huat	4	4	4	4	NA	NA	1	1
Soh Gim Teik	4	4	4	4	NA	NA	NA	NA
Lin Kejian (*previously known as Daniel Halim*) [(1)]	4	4	NA	NA	NA	NA	NA	NA
Triono J. Dawis [(2)]	4	1	NA	NA	NA	NA	NA	NA

Notes:

(1) Mr Lin Kejian, previously a non-executive director, became an executive director with effect from 1 October 2010.

(2) Mr Triono J. Dawis was appointed as an executive director to the Board with effect from 1 October 2010.

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.

Principle 1 : Board's Conduct of its Affairs *(continued)*

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

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

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

A formal letter of appointment setting out a Director's duties and obligations is given to each new Director upon appointment. To familiarize new Directors with the Group's business activities, the Company has organized orientation programmes and given the newly appointed Directors the opportunity to visit key operations of the Group.

Principle 2 : Board Composition and Balance

The Board at present comprises nine Directors as follows:

Didi Dawis	(non-executive/non-independent Director)
Andree Halim	(non-executive/non-independent Director)
Tan Kong King	(executive Director)
Tarn Teh Chuen	(executive Director)
Kelvin Chia	(non-executive/independent Director)
Tan Hin Huat	(non-executive/independent Director)
Soh Gim Teik	(non-executive/independent Director)
Lin Kejian	(executive Director)
Triono J. Dawis	(executive Director)

Based on the criterion of independence and principles set out in Guidelines 2.1 of the Code 2005, the Board regards Mr Kelvin Chia, Mr Tan Hin Huat and Mr Soh Gim Teik, who are non-executive directors, to be independent Directors.

Mr Andree Halim and Mr Lin Kejian are both regarded as non-independent Directors in view of them having controlling stakes in the share capital of the Company. Mr Lin Kejian is the son of Mr Andree Halim.

Principle 2 : Board Composition and Balance *(continued)*

Since the appointment of Mr Triono J. Dawis (son of Mr Didi Dawis) as an executive employee of the Company, Mr Didi Dawis has been regarded as a non-independent Director.

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. The Board is made up of members with a diverse background and experience, ranging from accounting, finance and legal expertise to entrepreneur business skills and regional investment experience which are all essential and valuable to the decision making and direction setting of the Group.

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

One third of the Board is constituted by independent non-executive Directors.

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, facilitates constructive interactions and discussions between the board members and ensures the proper workings of the Board as a whole.

Principle 4 : Board Membership

With Mr Didi Dawis ceased to be regarded by the Board as an independent Director, the Nominating Committee was reconstituted on 11 February 2011 and now comprises two non-executive independent Directors, namely Mr Kelvin Chia and Mr Tan Hin Huat and one executive Director, Mr Tan Kong King. Mr Kelvin Chia 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.

Principle 4 : Board Membership *(continued)*

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 any Director's ability to carry out his/her duties adequately.

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

The Nominating Committee also reviews annually as to whether there is a change to the independence status previously accorded to the relevant Directors following the guidelines as set out in the Code 2005.

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

Principle 5 : Board Performance

The Board takes the view that all its members should be involved in the assessment of the effectiveness of the Board as a whole and that Board performance is ultimately reflected in the performance of the Group.

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

Principle 6 : Access to Information

In order to ensure that the Board is able to fulfil its responsibilities, the Management provides all the Board members with the Group's monthly management accounts. Detailed Board papers are prepared for each meeting of the Board and are normally circulated at least two days in advance of each meeting to allow sufficient lead time for Directors to peruse and review the items tabled at the meetings. 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.

Principles 7 and 8 : Procedures for Developing Remuneration Policies/Level and Mix of Remuneration

The Remuneration Committee comprises three Directors, namely Mr Didi Dawis, Mr Kelvin Chia and Mr Tan Hin Huat. A majority of the Remuneration Committee is constituted by independent non-executive Directors. With Mr Didi Dawis ceased to be regarded as an independent Director, the chairman of the Remuneration Committee has been changed to Mr Kelvin Chia with effect from 11 February 2011.

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

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

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.

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 2010:

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

	Salary	Bonus	Other Benefits*	Total
$2,250,000 to below $2,500,000				
Tan Kong King	68%	30%	2%	100%
$500,000 to below $750,000				
Tarn Teh Chuen	77%	21%	2%	100%
Below $250,000				
Lin Kejian	100%	–	–	100%
Triono J. Dawis	100%	–	–	100%

* *excluding share options (as disclosed in the Directors' Report) or any gains where such options are exercised but includes employer's CPF contribution and car allowances.*

(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/Audit Committee
Tan Hin Huat	Member of the Board/Chairman of the Audit Committee
Soh Gim Teik	Member of the Board/Audit Committee
Lin Kejian	Non-executive Member of the Board (till 30.9.2010)

(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 $750,000	2
$250,000 to below $500,000	3

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 employs Mr Lin Kejian and Mr Triono J. Dawis respectively as the Operations director and Business Development director of the Group. Mr Lin Kejian is the immediate family member of Mr Andree Halim (the Vice-Chairman) and Mr Triono J. Dawis is the immediate family member of Mr Didi Dawis (the Chairman).

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.

Principles 11, 12 and 13 : Audit Committee/Internal Controls/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. Mr Soh Gim Teik 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 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 audit manager and with the assistance of the internal audit manager, conduct an annual review of the effectiveness of the Group's material internal controls
- To set up and review (as may be necessary) a whistle-blower procedure for the Group.

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

Principles 11, 12 and 13 : Audit Committee/Internal Controls/Internal Audit *(continued)*

In performing its function, the Audit Committee met with internal and external auditors, reviewed the audit plans of both internal and external auditors and the assistance given by Management to the auditors, so as to ensure sufficient coverage in terms of the scope of audit. All audit findings and recommendations are presented to the Audit Committee for discussion. The Audit Committee meets with the internal auditor four times a year and with the external auditors, without the presence of Management, at least once a year.

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.

Principles 14 and 15 : Communication with Shareholders/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.

Principles 14 and 15 : Communication with Shareholders/Greater Participation by Shareholders *(continued)*

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.

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

Derek Cheong Kheng Beng, aged 56, was appointed as the Head of Corporate Development for the QAF Group in January 2002, taking charge of matters in relation to mergers, acquisitions and business development of the Group. Mr Cheong has also been tasked in December 2009 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 69, 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 58, 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 37 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 55, 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 36 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 59, 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.

Rule 1207(4)(c) : Information relating to the background of key executives *(continued)*

Simplicio P. Umali, Jr, aged 58, 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-College of St. Bernilde in the Philippines, serving for over 13 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 61, 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 35 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 49, 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 25 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 7 company-owned farms and 22 Contract Grower sites spread out across the Australian states of Victoria and New South Wales. Rivalea has more than 53,000 breeder pigs and a total population of about 375,000 pigs. In addition, the Group operates 2 dairy farms at Cobram, Victoria, Australia with about 1,600 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 7 Rivalea-owned farms and the 22 Contract Grower farms are well spaced out across the two Australian states. Within each farm, large tracts of buffer land are also maintained which surrounds the production units and this minimises the probability of contamination from spreading between the different herds.

2. Regulatory Sanctions

(a) Meat Industry

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 *(continued)*

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.

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 Ben Foods (S) Pte Ltd and Rivalea export some of their products in United States Dollars and other currencies, respectively. The fluctuations of these currencies do have some impact on the profits 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 2010

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)
Nil	Nil	Nil

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

Save for the Mandatorily Exchangeable Bond as disclosed in Note 29 to the financial statement herein, 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 71.76% of the shares of the Company (see page 151 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 FY2010 amounted to approximately $79,000. 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.

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The directors have pleasure in presenting their report together with the audited financial statements of QAF Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2010.

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	
Soh Gim Teik	
Lin Kejian (previously known as Daniel Halim)	
Triono J. Dawis	(appointed on 1.10.2010)

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

	Direct interest		Direct 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	2,114,928	2,530,475	–	–
Andree Halim	18,931,576	–	273,164,102	306,071,547
Tarn Teh Chuen	633,669	904,993	–	–
Lin Kejian	–	–	182,109,402	190,822,770
Number of QAF Limited Share Options to subscribe for shares in the Company				
Tan Kong King	2,300,000	2,000,000	–	–
Tarn Teh Chuen	980,000	750,000	–	–

There was no change in any of the abovementioned interests of the directors between the end of the financial year and 21 January 2011.

Directors of the Company *(continued)*

Save for the Mandatorily Exchangeable Bond (as disclosed in Note 29 to the financial statement) issued to Mr Andree Halim and save that Messrs. Andree Halim and Lin Kejian are deemed interested, by virtue of Section 7(4) of the Act, in the shares held by the Company in its subsidiaries, 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.

The 2000 Scheme expired in 2010 without renewal. However, the discontinuation of the 2000 Scheme does not affect the rights of the option holders to validly exercise their options within the respective relevant exercise period as stated below in sub-paragraph (b).

Share Options to subscribe for ordinary shares *(continued)*

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

(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 owners of the parent 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	600,000	2,000,000
Tarn Teh Chuen	Nil	1,460,000	710,000	750,000

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

(b) During the financial year, 4,777,000 ordinary shares of the Company were issued pursuant to the exercise of options by employees and directors of the Group. Unissued ordinary shares under options as at 31 December 2010 comprise:

Outstanding unexercised options for ordinary shares in the Company		Exercise price per share	Exercise period		
Year 2001	268,000	$0.430	20 April 2002	to	19 April 2011
Year 2002	1,294,000	$0.555	6 April 2003	to	5 April 2012
Year 2004	2,305,000	$0.523	14 May 2005	to	13 May 2014
Year 2005	2,020,000	$0.513	18 August 2006	to	17 August 2015
Year 2006	3,280,000	$0.565	19 May 2007	to	18 May 2016
	9,167,000				

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

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

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 of directors:

Tan Kong King
Director

Tarn Teh Chuen
Director

Singapore
16 March 2011

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 2010 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 of directors:

Tan Kong King
Director

Tarn Teh Chuen
Director

Singapore
16 March 2011

To the Members of QAF Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of QAF Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 52 to 146, which comprise the statements of financial position of the Group and the Company as at 31 December 2010, 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 information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

To the Members of QAF Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity 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 2010 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries 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
16 March 2011

CONSOLIDATED
INCOME STATEMENT
For the year ended 31 December 2010

(In Singapore dollars)

	Note	2010 $'000	2009 $'000
Revenue	3	856,410	854,982
Costs and expenses			
Costs of materials		455,595	445,229
Staff costs	4	183,105	168,552
Amortisation and depreciation	5	31,139	28,336
Repairs and maintenance		27,365	26,907
Other operating expenses		79,648	111,306
Total costs and expenses		(776,852)	(780,330)
Profit from operating activities	6	79,558	74,652
Finance costs	7	(6,808)	(6,040)
Exceptional items	8	–	928
Share of losses of associates and joint venture		(1,811)	(8,911)
Profit before taxation		70,939	60,629
Taxation	9	(14,092)	(1,331)
Profit after taxation		56,847	59,298
Attributable to:			
Owners of the parent		48,737	56,346
Non-controlling interests		8,110	2,952
		56,847	59,298
Earnings per ordinary share:	10		
– Basic		10.0 cents	12.1 cents
– Diluted		10.0 cents	12.1 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 2010

(In Singapore dollars)

	2010 $'000	2009 $'000
Profit after taxation	56,847	59,298
Other comprehensive income:		
Currency translation arising on consolidation	6,513	31,265
Actuarial (loss)/gain on defined benefit plans	(1,297)	1,748
Net fair value changes on cash flow hedges	–	755
Share of other comprehensive income of associates and joint venture	(24)	555
Other comprehensive income for the year, net of tax	5,192	34,323
Total comprehensive income for the year	62,039	93,621
Total comprehensive income attributable to:		
Owners of the parent	53,575	89,214
Non-controlling interests	8,464	4,407
	62,039	93,621

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

STATEMENTS OF
FINANCIAL POSITION
As at 31 December 2010

(In Singapore dollars)

	Note	Group		Company	
		2010	2009	2010	2009
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Biological assets	11	60,500	64,105	–	–
Inventories	12	65,637	79,635	–	–
Trade receivables	13	78,824	80,940	–	–
Other receivables	14	37,145	16,947	41,912	62,138
Tax recoverable		135	196	–	–
Short-term investments	15	381	–	–	–
Cash and deposits	16	68,046	64,112	21,436	13,350
		310,668	305,935	63,348	75,488
Assets classified as held for sale	17	8,810	2,052	–	–
		319,478	307,987	63,348	75,488
Non-current assets					
Property, plant and equipment	18	261,599	266,960	2,502	2,361
Investment properties	19	19,548	19,547	–	–
Subsidiaries	20	–	–	98,718	104,350
Advances to subsidiaries	21	–	–	111,631	85,622
Associates	22	1,896	1,887	–	–
Advances to associates	23	3,009	3,090	–	–
Long-term investments	24	–	311	–	–
Intangibles	25	2,726	20	2,638	2,846
Deferred tax assets	26	17,749	15,039	–	–
		306,527	306,854	215,489	195,179
Total assets		626,005	614,841	278,837	270,667

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

STATEMENTS OF
FINANCIAL POSITION
As at 31 December 2010

(In Singapore dollars)

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
LIABILITIES					
Current liabilities					
Trade payables	27	73,243	68,024	71	4
Other payables	28	41,044	51,974	7,110	9,816
Exchangeable bond	29	10,000	–	10,000	–
Short-term borrowings	30	41,416	64,485	–	–
Long-term loans and finance leases					
– current portion	31	18,543	23,021	9,851	9,728
Provision for taxation		6,179	6,300	1,995	1,153
		190,425	213,804	29,027	20,701
Non-current liabilities					
Other payables	28	13,655	12,845	–	–
Exchangeable bond	29	–	10,000	–	10,000
Pension liabilities	32	740	918	–	–
Long-term loans and finance leases	31	43,694	44,914	7,469	17,321
Deferred tax liabilities	26	10,674	9,949	485	440
		68,763	78,626	7,954	27,761
Total liabilities		259,188	292,430	36,981	48,462
Net assets		366,817	322,411	241,856	222,205
CAPITAL AND RESERVES					
Share capital	33	214,823	202,692	214,823	202,692
Reserves	34	125,517	91,349	27,033	19,513
Equity attributable to owners of the parent		340,340	294,041	241,856	222,205
Non-controlling interests		26,477	28,370	–	–
Total equity		366,817	322,411	241,856	222,205

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 2010

(In Singapore dollars)

		Attributable to owners of the parent							
	Note	Share capital $'000	Revaluation reserve $'000	Capital reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2010		202,692	2,409	19,005	67,989	1,946	294,041	28,370	322,411
Net profit for the year		–	–	–	48,737	–	48,737	8,110	56,847
Other comprehensive income for the year		–	(49)	–	(1,248)	6,135	4,838	354	5,192
Total comprehensive income for the year		–	(49)	–	47,489	6,135	53,575	8,464	62,039
Effect of changes in Group structure		–	–	–	–	–	–	(2,375)	(2,375)
Issuance of ordinary shares from exercise of options	33	2,674	–	–	–	–	2,674	–	2,674
Issuance of ordinary shares in lieu of cash dividends	33	9,457	–	–	–	–	9,457	–	9,457
Dividends	35	–	–	–	(19,407)	–	(19,407)	(7,982)	(27,389)
Balance at 31 December 2010		214,823	2,360	19,005	96,071	8,081	340,340	26,477	366,817

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 2010

(In Singapore dollars)

		Attributable to owners of the parent								
	Note	**Share capital $'000**	**Revaluation reserve $'000**	**Capital reserve $'000**	**Hedging reserve $'000**	**Revenue reserve $'000**	**Foreign currency translation reserve $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'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	33	598	–	–	–	–	–	598	–	598
Issuance of ordinary shares in lieu of cash dividends	33	6,971	–	–	–	–	–	6,971	–	6,971
Dividends	35	–	–	–	–	(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

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 2010

(In Singapore dollars)

	2010	2009
	$'000	**$'000**
Cash flows from operating activities:		
Profit before taxation	70,939	60,629
Adjustments for:		
Amortisation and depreciation	31,139	28,336
Gain on disposal of property, plant and equipment and investment properties	(1,201)	(743)
Share of losses of associates and joint venture	1,811	8,911
Intangibles written off	–	812
Fair value changes on derivative financial instruments	–	(968)
Fair value changes on biological assets	3,154	(3,633)
Interest expense	6,808	6,040
Allowance for doubtful debts (written-back)/charged and debts written off	(5,749)	23,635
Dividend and interest income	(1,790)	(1,247)
Impairment charge on property, plant and equipment	–	606
Gain on disposal of a subsidiary	–	(697)
Negative goodwill on acquisition of a subsidiary	–	(231)
Impairment charge on net investment in an associate	691	–
Exchange differences	(2,997)	(4,902)
Operating profit before working capital changes	102,805	116,548
(Increase)/decrease in receivables	(628)	1,942
Decrease/(increase) in inventories and biological assets	9,459	(1,758)
Increase/(decrease) in payables	10,892	(10,655)
Cash from operations	122,528	106,077
Interest paid	(6,783)	(6,134)
Interest received	1,737	1,226
Income tax paid	(15,996)	(11,773)
Net cash from operating activities	101,486	89,396

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 2010

(In Singapore dollars)

	Note	2010 $'000	2009 $'000
Cash flows from investing activities:			
Purchase of property, plant and equipment and investment properties		(37,714)	(37,572)
Progress payment for purchase of property, plant and equipment		(16,222)	–
Proceeds from disposal of property, plant and equipment and investment properties		1,795	2,448
Purchase of investments		(55)	(33)
Dividends received from investments		53	21
Decrease in advances to associates		81	275
Acquisition of a subsidiary, net of cash acquired		–	(2,674)
Net proceeds from disposal of a subsidiary		–	1,086
Purchase of additional shares in an associate		–	(1,471)
Net cash outflow from decrease in interest in a subsidiary	A	(1)	–
Acquisition of business	B	(3,944)	–
Net cash used in investing activities		(56,007)	(37,920)
Cash flows from financing activities:			
Dividends paid during the year		(9,950)	(2,048)
Dividends paid to non-controlling interests		(10,641)	(4,611)
Proceeds from/(repayment) of short-term borrowings		2,861	(45,779)
(Repayment of)/proceeds from long-term borrowings		(22,276)	1,082
Proceeds from issuance of share capital		2,674	598
Proceeds from issuance of exchangeable bond		–	10,000
Net cash used in financing activities		(37,332)	(40,758)
Net increase in cash and cash equivalents		8,147	10,718
Cash and cash equivalents at beginning of year	36	58,950	44,450
Effect of exchange rate changes on cash and cash equivalents		949	3,782
Cash and cash equivalents at end of year	36	68,046	58,950

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

(In Singapore dollars)

Note A – Analysis of decrease in interest in a subsidiary

	2010
	$'000
Property, plant and equipment	12,369
Inventories	10,506
Receivables	11,075
Deferred taxation	663
Payables	(23,160)
Borrowings	(7,224)
Cash and cash equivalents	1
Non-controlling interests	(2,375)
Net assets disposed	1,855
Realisation of foreign currency translation reserve	644
Reclassification to associates	(2,499)
Consideration	–
Cash and cash equivalents deconsolidated	(1)
Net cash outflow on decrease in interest in a subsidiary	(1)

Note B – Analysis of acquisition of business

	2010
	$'000
Inventories	(1,248)
Receivables	(474)
Intangibles	(2,553)
Payables	78
Deferred taxation	253
Net business acquired/cash paid	(3,944)

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 and principal place of business 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 in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2010. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

FRS 103 Business Combinations (revised) and FRS 27 Consolidated and Separate Financial Statements (revised)

The revised FRS 103 *Business Combinations* and FRS 27 *Consolidated and Separate Financial Statements* are applicable for annual periods beginning on or after 1 July 2009. As of 1 January 2010, the Group adopted both revised standards at the same time in accordance with their transitional provisions.

2. Summary of significant accounting policies *(continued)*

2.2 *Changes in accounting policies* *(continued)*

FRS 103 Business Combinations (revised)

The revised FRS 103 introduces a number of changes to the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Changes in significant accounting policies resulting from the adoption of the revised FRS 103 include:

- Transaction costs would no longer be capitalised as part of the cost of acquisition but will be expensed immediately;
- Consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will no longer be adjusted against goodwill but recognised in profit or loss;
- The Group elects for each acquisition of a business, to measure non-controlling interest at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, and this impacts the amount of goodwill recognised; and
- When a business is acquired in stages, the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss, and this impacts the amount of goodwill recognised.

According to its transitional provisions, the revised FRS 103 has been applied prospectively. Assets and liabilities that arose from business combinations whose acquisition dates are before 1 January 2010 are not adjusted.

FRS 27 Consolidated and Separate Financial Statements (revised)

Changes in significant accounting policies resulting from the adoption of the revised FRS 27 include:

- A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss recognised in profit or loss;
- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and
- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in profit or loss.

According to its transitional provisions, the revised FRS 27 has been applied prospectively, and does not impact the Group's consolidated financial statements in respect of transactions with non-controlling interests, attribution of losses to non-controlling interests and disposal of subsidiaries before 1 January 2010. The changes will affect future transactions with non-controlling interests.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

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
Amendment to FRS 32 *Financial Instruments: Presentation – Classification of Rights Issues*	1 February 2010
INT FRS 119 *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
Revised FRS 24 *Related Party Disclosures*	1 January 2011
Amendments to INT FRS 114 *Prepayments of a Minimum Funding Requirement*	1 January 2011
INT FRS 115 *Agreements for the Construction of Real Estate*	1 January 2011
Amendments to FRS 107 *Disclosures – Transfers of Financial Assets*	1 July 2011
Amendments to FRS 12 *Deferred Tax – Recovery of Underlying Assets*	1 January 2012
Improvements to FRSs 2010	1 January 2011, unless otherwise stated

Except for the revised FRS 24, 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 24 is described below.

Revised FRS 24 Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Group is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2011.

2. Summary of significant accounting policies *(continued)*

2.4 *Basis of consolidation*

Business combinations from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.13. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

2.4 ***Basis of consolidation*** *(continued)*

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.5 ***Foreign currencies***

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions arising in foreign currencies during the year are translated into functional currencies at rates closely approximating those ruling on the transaction dates. Foreign currency monetary assets and liabilities at the end of the reporting period are translated into functional currency at exchange rates ruling at the end of the reporting period. All exchange differences arising from such translations are included in the profit or loss. 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 end of the reporting period 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 profit or loss.

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.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

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 profit or loss. 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 profit or loss.

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 profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, 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 profit or loss.

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 profit or loss 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.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

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

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

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

2.9 *Subsidiaries*

A subsidiary 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 subsidiaries are accounted for at cost less impairment losses.

2.10 *Associates and joint ventures*

The Group treats as associates 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.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

2.10 ***Associates and joint ventures*** *(continued)*

Associates and joint ventures are accounted for under the equity method whereby the Group's share of profits and losses of associates and joint ventures is included in the consolidated profit or loss. 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.

Where the accounting policies of associates and joint ventures 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 associate is included in the carrying amount of the investment.

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

2.11 ***Transactions with non-controlling interests***

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

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 profit or loss.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

2.12 ***Financial assets*** *(continued)*

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 profit or loss.

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 profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

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

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised in 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 profit or loss 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 end of the reporting period. 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.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

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 profit or loss.

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

(ii) *Negative goodwill*

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

(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 profit or loss through the "amortisation and depreciation" line item.

(iv) *Other intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

2. Summary of significant accounting policies *(continued)*

2.13 ***Intangibles*** *(continued)*

(iv) *Other intangible assets (continued)*

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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 subsidiaries, 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 profit or loss, 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.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

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 profit or loss as incurred.

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

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.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

2.18 *Impairment of non-financial assets* *(continued)*

Goodwill (continued)

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 profit or loss. 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 profit or loss 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.

2.19 *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 profit or loss 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 profit or loss. Net gains or losses on derivatives include exchange differences.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

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 end of the reporting period 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 profit or loss 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 profit or loss.

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.

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 profit or loss in the accounting period in which the Group's right to receive payment is established.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

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 end of the reporting period.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised directly in equity.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

2.24 ***Income taxes*** *(continued)*

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

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.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

2.26 ***Employee benefits*** *(continued)*

(i) *Executives' Share Option Scheme (continued)*

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.

(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 profit or loss. 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 end of the reporting period 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 end of the reporting period. 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.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

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 profit or loss.

Operating leases

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

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 45, 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 end of the reporting period 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 profit or loss.

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.

2. Summary of significant accounting policies *(continued)*

2.29 ***Impairment of financial assets*** *(continued)*

(a) *Assets carried at amortised cost (continued)*

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 profit or loss, 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 profit or loss, is transferred from equity to the profit or loss. Reversals of impairment loss in respect of equity instruments are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through the profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

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 profit or loss 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 profit or loss 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 profit or loss. Alternatively, they are deducted in reporting the related expenses.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

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 profit or loss.

Amounts taken to hedging reserve are transferred to the profit or loss when the hedged transaction affects the profit or loss, 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 profit or loss. 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.

2.32 *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. Summary of significant accounting policies *(continued)*

2.33 *Related parties*

A party is considered to be related to the Group if:

(a) The party, directly or indirectly through one or more intermediaries,

- (i) controls, is controlled by, or is under common control with, the Group;
- (ii) has an interest in the Group that gives it significant influence over the Group; or
- (iii) has joint control over the Group;

(b) The party is an associate;

(c) The party is a jointly-controlled entity;

(d) The party is a member of the key management personnel of the Group or its parent;

(e) The party is a close member of the family of any individual referred to in (a) or (d); or

(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) The party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

2.34 *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 end of the reporting period, 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 2010 was $2,638,000 (2009: $2,846,000) and $2,726,000 (2009: $20,000) respectively. More details are given in Note 25.

2. Summary of significant accounting policies *(continued)*

2.34 ***Significant accounting estimates and judgements*** *(continued)*

Key sources of estimation uncertainty *(continued)*

(ii) *Impairment of non-financial assets*

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

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

(iii) *Income taxes*

The Group operates in various countries and is subject to different tax jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Company's and the Group's provision for taxation as at 31 December 2010 was $1,995,000 (2009: $1,153,000) and $6,179,000 (2009: $6,300,000) respectively. The carrying amount of the Group's tax recoverable as at 31 December 2010 was $135,000 (2009: $196,000). The carrying amount of the Company's deferred tax liabilities as at 31 December 2010 was $485,000 (2009: $440,000). The Group's deferred tax assets and deferred tax liabilities as at 31 December 2010 was $17,749,000 (2009: $15,039,000) and $10,674,000 (2009: $9,949,000) 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 2010 was $2,502,000 (2009: $2,361,000) and $261,599,000 (2009: $266,960,000). The carrying amount of the Group's investment properties as at 31 December 2010 was $19,548,000 (2009: $19,547,000). 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 32.

(In Singapore dollars)

2. Summary of significant accounting policies *(continued)*

2.34 *Significant accounting estimates and judgements* *(continued)*

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	
	2010	**2009**
	$'000	**$'000**
Sale of goods	840,738	843,115
Rental income from storage and warehousing facilities	5,494	5,001
Interest income from:		
– Fixed deposits with financial institutions	913	734
– Advances to associates and joint venture	401	216
– Others	423	276
Gross dividends from investments	53	21
Gain on disposal of property, plant and equipment and investment properties	1,201	743
Miscellaneous	7,187	4,876
	856,410	854,982

(In Singapore dollars)

4. Staff costs

	Group 2010 $'000	Group 2009 $'000
Staff costs (including Executive Directors):		
– salaries, wages and other related costs	170,661	155,875
– CPF and contributions to other plans	6,641	7,711
– superannuation contributions	5,803	4,966
	183,105	168,552

5. Amortisation and depreciation

	Note	Group 2010 $'000	Group 2009 $'000
Amortisation of intangibles	25	85	136
Depreciation of property, plant and equipment	18	29,635	26,774
Depreciation of investment properties	19	1,419	1,426
		31,139	28,336

(In Singapore dollars)

6. Profit from operating activities

	Note	Group 2010 $'000	Group 2009 $'000
Profit from operating activities is stated after charging/(crediting):			
Professional fees for non-audit services rendered by auditors		79	52
Fees and remuneration for the directors of the Company:			
– fees and remuneration		3,221	3,136
– contribution to the Central Provident Fund		15	24
Research and development cost		14,959	9,382
Government grants		(273)	(22,242)
Decrease/(increase) in the fair value less estimated point-of-sale costs of livestock, net	11	5,371	(6,483)
Impairment charge on property, plant and equipment		–	606
Impairment charge on net investment in an associate		691	–
Intangibles written off	25	–	812
Foreign exchange gain		(1,345)	(12,548)
Operating lease rental expense		6,860	6,613
Allowance for inventory obsolescence charged		59	2,060
Allowance for doubtful trade debts charged	13	558	343
Allowance for doubtful other debts (written back)/charged	14	(6,335)	23,139
Debts written off		28	153
Fair value changes on derivative financial instruments		–	(968)
Rental income from investment properties		(5,429)	(4,890)
Direct operating expenses arising from investment properties that generate rental income		4,848	4,370
Provision for long service leave and retirement benefits charged	28(a)	1,606	1,278

7. Finance costs

	Group 2010 $'000	Group 2009 $'000
Interest expense on bank loans and finance leases	6,808	6,040

(In Singapore dollars)

8. Exceptional items

	Group 2010 $'000	Group 2009 $'000
Negative goodwill on acquisition of a subsidiary	–	231
Gain on disposal of a subsidiary	–	697
	–	928

9. Taxation

	Note	Group 2010 $'000	Group 2009 $'000
Income tax expense/(credit) on the profit for the year:			
– current tax		15,776	13,975
– deferred tax		(1,613)	(11,898)
		14,163	2,077
Under/(over) provision in respect of prior years:			
– current tax		240	(118)
– deferred tax		(311)	(628)
		(71)	(746)
Tax expense		14,092	1,331
Deferred tax expense related to other comprehensive income:			
– actuarial (loss)/gain on defined benefit plans	26	(556)	749
– net fair value changes on cash flow hedges	26	–	354
		(556)	1,103

(In Singapore dollars)

9. Taxation *(continued)*

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% (2009: 17%) to the profit before taxation due to the following factors:

	Group	
	2010	**2009**
	$'000	**$'000**
Profit before taxation	70,939	60,629
Tax expense at statutory tax rate of 17% (2009: 17%)	12,060	10,307
Adjustments:		
Income not subject to tax	(2,352)	(738)
Expenses not deductible for tax purposes	1,831	5,467
Tax reliefs, rebates and incentives	(2,140)	(1,208)
Utilisation of tax benefits not recognised in previous years	(374)	(3,332)
Tax benefits not recognised in current year	1,055	4,329
Difference in effective tax rates in other countries	4,215	6,390
Over provision in respect of prior years	(71)	(664)
Effect of change in statutory tax rate	–	(82)
Change in livestock valuation methodology for tax purposes	–	(18,662)
Others	(132)	(476)
Tax expense	14,092	1,331

The Group has unutilised tax losses of approximately $51,216,000 (2009: $45,970,000), 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 has not been recognised in the financial statements due to the uncertainty of its recoverability.

(In Singapore dollars)

10. Earnings per ordinary share ("EPS")

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

	Group	
	2010	2009
	$'000	$'000
Group's earnings used for the calculation of EPS:		
Earnings for the financial year attributable to owners of the parent	48,737	56,346

	2010	2009
	'000	'000
Number of shares used for the calculation of:		
(i) ***Basic EPS***		
Weighted average number of ordinary shares in issue	488,077	464,187
(ii) ***Diluted EPS***		
Weighted average number of ordinary shares in issue	489,249	464,187

Basic earnings per share is calculated on the Group's earnings for the financial year attributable to owners of the parent divided by the weighted average number of ordinary shares in issue during the year.

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

11. Biological assets

	Group	
	2010	2009
	$'000	$'000
Livestock		
– at fair value	32,843	35,717
– at cost	27,657	28,388
	60,500	64,105

11. Biological assets *(continued)*

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

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

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

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

	Group	
	2010	**2009**
Physical quantity of pigs:		
– Number of progeny	321,130	315,715
– Number of breeders	53,078	52,493
	374,208	368,208

	Group	
	2010	**2009**
	$'000	**$'000**
Reconciliation of changes in the carrying amount:		
Balance at 1 January	64,105	45,152
Currency realignment	1,766	12,470
(Loss)/gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	(130)	3,281
(Loss)/gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	(5,241)	3,202
Balance at 31 December	60,500	64,105

(In Singapore dollars)

12. Inventories

	Group 2010 $'000	Group 2009 $'000
Raw materials	34,087	43,736
Finished goods	15,643	19,859
Spare parts and consumables	13,675	13,193
Work-in-progress	11	7
Goods-in-transit	2,221	2,840
Total inventories at lower of cost and net realisable value	65,637	79,635

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

	Group 2010 $'000	Group 2009 $'000
First-in-first-out	21,679	18,705
Weighted average	43,958	60,930
	65,637	79,635
Inventories are stated after deducting allowance for obsolescence of	1,753	3,484

Raw materials of the Group as at 31 December 2010 amounting to $10,673,000 (2009: $25,321,000) have been pledged to a bank in connection with credit facilities granted to a subsidiary.

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

13. Trade receivables

	Group 2010 $'000	Group 2009 $'000
Trade receivables	81,606	83,249
Less: Allowance for doubtful debts	(2,782)	(2,309)
	78,824	80,940

At the end of the reporting period, approximately 24.46% (2009: 19.04%) of the Group's trade receivables are secured by deposits received, credit insurances and letter of credits or bank guarantees issued by banks in countries where the customers are based.

(In Singapore dollars)

13. Trade receivables *(continued)*

	Group 2010 $'000	Group 2009 $'000
An aging analysis of receivables that are past due but not impaired:		
Lesser than 3 months	13,210	15,972
3 months to 6 months	1,061	1,095
6 months to 12 months	273	111
More than 12 months	483	261
	15,027	17,439
Receivables that are impaired:		
Gross amount	2,782	2,309
Less: Allowance for doubtful debts	(2,782)	(2,309)
	–	–

Trade receivables that are determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties and have defaulted on payments.

	Group 2010 $'000	Group 2009 $'000
Movements in the allowance for doubtful debts:		
At 1 January	2,309	1,692
Charge for the year (Note 6)	558	343
Written-off against allowance	(31)	(11)
Currency realignment	(10)	295
Decrease in interest in a subsidiary	(44)	–
Disposal of a subsidiary	–	(10)
At 31 December	2,782	2,309

14. Other receivables

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Non-financial assets					
Prepayments		5,361	4,413	111	48
Financial assets					
Sundry deposits		18,158	1,539	11	11
Staff advances and loans		102	45	–	–
		18,260	1,584	11	11
Sundry debtors		17,277	10,678	18	189
Less: Allowance for doubtful debts		(3,890)	(144)	–	–
		13,387	10,534	18	189
Amounts due from subsidiaries					
– interest bearing		–	–	5,619	14,159
– non-interest bearing		–	–	42,318	58,934
Less: Allowance for doubtful debts		–	–	(6,165)	(11,203)
		–	–	41,772	61,890
Amounts due from associates					
– non-interest bearing		15,669	28,271	–	–
Less: Allowance for doubtful debts		(15,532)	(28,134)	–	–
		137	137	–	–
Derivative financial assets	28(b)	–	279	–	–
		31,784	12,534	41,801	62,090
		37,145	16,947	41,912	62,138

	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Receivables that are impaired:				
Gross amount	20,894	28,278	6,165	11,203
Less: Allowance for doubtful debts	(19,422)	(28,278)	(6,165)	(11,203)
	1,472	–	–	–

(In Singapore dollars)

14. Other receivables *(continued)*

Included in sundry debtors of the Group as at 31 December 2010 is an amount totalling $1,472,000, net of allowance of $3,681,000, owing by a former associate of the Group which had been reclassified to a long term investment during the current year (Note 24).

Movements in the allowance for doubtful debts are as follows:

		Group		Company	
	Note	**2010**	**2009**	**2010**	**2009**
		$'000	**$'000**	**$'000**	**$'000**
At 1 January		28,278	6,399	11,203	6,298
Charge for the year	6	(6,335)	23,139	(4,957)	4,905
Written-off against allowance		(16)	(3)	–	–
Currency realignment		(2,505)	(1,257)	(81)	–
At 31 December		19,422	28,278	6,165	11,203

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 subsidiaries are unsecured and repayable upon demand. The interest bearing amounts due from subsidiaries are unsecured, bear interests at rates ranging from 1.70% to 5.95% (2009: 2.04% to 4.50%) per annum and are repayable upon demand.

The amounts due from associates are unsecured and repayable upon demand.

The amounts due from subsidiaries and associates are to be settled in cash.

15. Short-term investments

	Group	
	2010	**2009**
	$'000	**$'000**
Unquoted equity shares in corporation, at fair value	381	–

(In Singapore dollars)

16. Cash and deposits

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Cash and bank balances	36	33,175	28,128	2,341	2,202
Fixed deposits with financial institutions	36	34,871	35,984	19,095	11,148
		68,046	64,112	21,436	13,350

Fixed deposits are placed for varying periods depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2010 for the Group and the Company were 2.65% and 2.59% (2009: 1.90% and 2.37%) respectively.

17. Assets classified as held for sale

Certain freehold land and buildings of subsidiaries involved in the Primary Production segment and Others segment, both located in Australia, have been reclassified as "Assets classified as held for sale". This is due to the subsidiaries' intention to sell these assets.

	Group 2010 $'000	Group 2009 $'000
Property, plant and equipment	8,810	2,052

(In Singapore dollars)

18. 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 1.1.2009	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	–	–	(357)	–	(772)	(153)	(32)	–	(1,314)
Acquisition of a subsidiary	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 and 1.1.2010	25,718	153,133	40,774	14,791	336,537	29,627	39,285	1,678	641,543
Currency realignment	822	5,594	66	133	7,368	683	521	191	15,378
Additions	6,217	3,926	–	1,394	11,142	1,787	6,404	7,022	37,892
Disposals	–	–	(15)	(1)	(2,288)	(114)	(1,491)	–	(3,909)
Decrease in interest in a subsidiary	(1,940)	(3,643)	–	–	(13,602)	(747)	(1,127)	(168)	(21,227)
Transfers between categories	–	538	(16)	964	1,929	265	(5)	(3,675)	–
Transfer to assets classified as held for sale (Note 17)	(4,944)	(1,985)	–	–	(1,707)	(25)	(370)	–	(9,031)
At 31.12.2010	25,873	157,563	40,809	17,281	339,379	31,476	43,217	5,048	660,646

(In Singapore dollars)

18. Property, plant and equipment *(continued)*

	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									
Accumulated depreciation and impairment loss:									
At 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	–	–	(55)	–	(682)	(146)	(30)	–	(913)
Acquisition of a subsidiary	–	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 and 1.1.2010	–	67,051	22,451	7,097	226,650	23,710	27,577	47	374,583
Currency realignment	–	2,675	14	24	5,678	566	380	–	9,337
Charge for the year (Note 5)	–	4,538	1,177	696	17,676	1,908	3,640	–	29,635
Disposals	–	–	(5)	(1)	(2,224)	(108)	(1,478)	–	(3,816)
Decrease in interest in a subsidiary	–	(2,160)	–	–	(5,513)	(445)	(693)	(47)	(8,858)
Transfers between categories	–	–	–	8	(8)	–	–	–	–
Transfer to assets classified as held for sale (Note 17)	–	(495)	–	–	(1,046)	(15)	(278)	–	(1,834)
At 31.12.2010	–	71,609	23,637	7,824	241,213	25,616	29,148	–	399,047
Net carrying amount:									
At 31.12.2010	25,873	85,954	17,172	9,457	98,166	5,860	14,069	5,048	261,599
At 31.12.2009	25,718	86,082	18,323	7,694	109,887	5,917	11,708	1,631	266,960

(In Singapore dollars)

18. Property, plant and equipment *(continued)*

Analysis of cost and valuation

	Cost $'000	Assets at valuation $'000	Total $'000
At 31 December 2010			
Freehold land	25,873	–	25,873
Freehold buildings	157,563	–	157,563
Leasehold properties	27,874	12,935	40,809
Leasehold improvements	17,281	–	17,281
Plant and machinery	339,379	–	339,379
Furniture, fittings and office equipment	31,476	–	31,476
Motor vehicles	43,217	–	43,217
Construction-in-progress	5,048	–	5,048
	647,711	12,935	660,646
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

(In Singapore dollars)

18. Property, plant and equipment *(continued)*

	Leasehold office and improvements $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost:				
At 1.1.2009	2,820	1,135	769	4,724
Additions	21	14	–	35
Disposals	–	(1)	–	(1)
At 31.12.2009 and 1.1.2010	2,841	1,148	769	4,758
Additions	–	7	326	333
Disposals	–	–	(325)	(325)
At 31.12.2010	2,841	1,155	770	4,766
Accumulated depreciation:				
At 1.1.2009	689	889	692	2,270
Charge for the year	59	35	34	128
Disposals	–	(1)	–	(1)
At 31.12.2009 and 1.1.2010	748	923	726	2,397
Charge for the year	61	31	100	192
Disposals	–	–	(325)	(325)
At 31.12.2010	809	954	501	2,264
Net carrying amount:				
At 31.12.2010	2,032	201	269	2,502
At 31.12.2009	2,093	225	43	2,361

(In Singapore dollars)

18. Property, plant and equipment *(continued)*

(a) Leasehold properties owned by an overseas subsidiary 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. The valuations were done based on permitted accounting standards at the relevant time.

(b) The net carrying amount of the Group's leasehold properties had it been carried at cost is $14,940,000 (2009: $15,970,000).

(c) During the year, the Group acquired property, plant and equipment with an aggregate cost of $966,000 (2009: $449,000) by means of finance leases. The net carrying amount of property, plant and equipment held under finance leases as at 31 December 2010 was $1,306,000 (2009: $1,976,000).

(d) At the end of the financial year, property, plant and equipment with net carrying amounts of $30,643,000 (2009: $26,501,000) were mortgaged/pledged to third parties to secure credit facilities.

19. Investment properties

	Group $'000
Cost:	
At 1 January 2009	43,693
Additions	182
Disposals	(178)
At 31 December 2009 and 1 January 2010	43,697
Additions	1,420
Disposals	(393)
At 31 December 2010	44,724

(In Singapore dollars)

19. Investment properties *(continued)*

	Note	Group $'000
Accumulated depreciation:		
At 1 January 2009		22,892
Charge for the year	5	1,426
Disposals		(168)
At 31 December 2009 and 1 January 2010		24,150
Charge for the year	5	1,419
Disposals		(393)
At 31 December 2010		25,176
Net carrying amount:		
At 31 December 2010		19,548
At 31 December 2009		19,547

The fair value of investment properties amounted to $20,775,000 (2009: $20,243,000) as at 31 December 2010. 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 8.22% (2009: 8.22%) per annum.

20. Subsidiaries

	Company 2010 $'000	Company 2009 $'000
Cost of investment:		
Unquoted equity shares, at cost	104,350	110,232
Less: Impairment loss	(5,632)	(5,882)
	98,718	104,350

(In Singapore dollars)

20. Subsidiaries *(continued)*

	Company 2010 $'000	Company 2009 $'000
Movements in impairment loss are as follows:		
Balance at beginning of year	5,882	1,700
Charge for the year	5,632	4,182
Write-off during the year	(5,882)	–
Balance at end of year	5,632	5,882

During the year, the Company recognised an impairment loss of $2,032,000 to write down the carrying amount of its investment in subsidiaries to management's estimate of the recoverable amount in view of reduced operations of the subsidiaries during the year.

In addition, the Company also recognised an impairment loss of $3,600,000 to write down the carrying amount of its investment in another subsidiary to management's estimate of the recoverable amount in view of the losses incurred by the subsidiary due to impairment loss recognised in relation to an associate.

Details of subsidiaries are set out in Note 46(a).

21. Advances to subsidiaries

	Company 2010 $'000	Company 2009 $'000
Advances to subsidiaries	134,843	110,964
Less: Allowance for doubtful debts	(23,212)	(25,342)
	111,631	85,622
Movements in the allowance for doubtful debts are as follows:		
At 1 January	25,342	–
Charge for the year	–	25,974
Currency realignment	(2,130)	(632)
At 31 December	23,212	25,342

(In Singapore dollars)

21. Advances to subsidiaries *(continued)*

The net advances to subsidiaries, which are to be settled in cash, are unsecured and interest-free except for an amount of $71,220,000 (2009: $69,476,000) with effective interest rates ranging from 4.75% to 5.50% (2009: 3.00% to 6.25%) per annum. These advances have no fixed terms of repayment and no repayments are expected within the next 12 months.

22. Associates

	Group	
	2010	2009
	$'000	$'000
Unquoted equity shares, at cost	24,266	24,266
Quasi-equity loan	9,357	9,357
Group's share of post-acquisition accumulated profits and losses	(32,057)	(32,090)
Currency realignment	330	354
	1,896	1,887

The Group's investment in associates represent equity shares held by subsidiaries.

The unquoted equity shares include an equity interest of 46.5% in Shaanxi Hengxing Fruit Juice Co., Ltd ("Shaanxi Hengxing") which had been written down to nil in financial year 2009. During the year, the Company announced that one of its wholly-owned subsidiary had entered into a share purchase agreement to sell its entire equity interest in Shaanxi Hengxing. The sale is subject to all regulatory and other applicable approvals being obtained from the relevant approval authorities and the completion of the buyer's due diligence on Shaanxi Hengxing.

Details of associates are set out in Note 46(b).

22. Associates *(continued)*

The summarised financial information of the associates are as follows:

	Group	
	2010	**2009**
	$'000	**$'000**
Statement of financial position:		
Property, plant and equipment	169,812	182,365
Other assets	84,533	198,592
Liabilities	(302,951)	(411,753)
	(48,606)	(30,796)
Income statement:		
Revenue	340,174	136,245
Expenses	(380,107)	(156,296)
Loss before taxation	(39,933)	(20,051)
Taxation	(37)	21
Loss after taxation	(39,970)	(20,030)

23. Advances to associates

The advances to associates, 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 6.99% (2009: 7.57%) per annum is receivable on the advances.

(In Singapore dollars)

24. Long-term investments

	Group	
	2010	2009
	$'000	$'000
Available-for-sale		
Unquoted equity shares in corporations		
– At fair value	–	1,558
Less: Impairment loss	–	(1,558)
	–	–
Unquoted investments		
– At cost	691	7,650
Less: Impairment loss	(691)	(7,339)
	–	311
	–	311

Movements in impairment loss are as follows:

Unquoted equity shares in corporation:		
Balance at beginning of year	1,558	1,558
Write-off during the year	(1,558)	–
Balance at end of year	–	1,558
Unquoted investments:		
Balance at beginning of year	7,339	7,339
Charge for the year	691	–
Write-off during the year	(7,339)	–
Balance at end of year	691	7,339

During the year, a then associate of the Company went under voluntary administration and receivership and was reclassified as a long-term investment. The carrying value of the investment was fully written to nil during the financial year.

Subsequent to the end of the financial year 2010, the appointed receivers of the former associate has entered into agreements to dispose of the assets of the said former associate. The proceeds will be used first to settle the debts owing to the bank, any remaining amount will go towards payment of all remaining creditors of the former associate.

(In Singapore dollars)

25. Intangibles

	Group				Company
	Trademark	Customers list	Goodwill	Total	Trademark
	$'000	$'000	$'000	$'000	$'000
Cost:					
At 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 and 1.1.2010	2,750	–	–	2,750	7,150
Currency realignment	–	87	154	241	–
Acquisition of business	–	921	1,632	2,553	–
At 31.12.2010	2,750	1,008	1,786	5,544	7,150
Accumulated amortisation and impairment loss:					
At 1.1.2009	2,594	–	–	2,594	3,978
Amortisation for the year (Note 5)	136	–	–	136	326
At 31.12.2009 and 1.1.2010	2,730	–	–	2,730	4,304
Currency realignment	–	3	–	3	–
Amortisation for the year (Note 5)	20	65	–	85	208
At 31.12.2010	2,750	68	–	2,818	4,512
Net carrying amount:					
At 31.12.2010	–	940	1,786	2,726	2,638
At 31.12.2009	20	–	–	20	2,846

Trademark and customers list with finite life are amortised on a straight-line basis over their useful lives of 20 and 8 years, respectively.

(In Singapore dollars)

25. Intangibles *(continued)*

Acquisition of business during the year

In June 2010, Rivalea Australia Pty Ltd ("Rivalea") acquired a wholesale meat trading business in Sydney. At the date of acquisition, Rivalea recognised the fair value of the identified assets and liabilities of the meat trader which continues to trade as Coral Park Pastoral Meat Trading Company ("Coral Park") as a separate cash generating unit.

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

	Recognised on acquisition $'000
Inventories	1,248
Receivables	474
Intangible – customers list	921
Payables	(78)
Deferred taxation	(253)
Net assets acquired	2,312
Goodwill arising on consolidation	1,632
Total purchase consideration – in cash	3,944

Impact of acquisition on profit or loss

From the date of acquisition, Coral Park has contributed $27,403,000 of revenue and $492,000 to the Group's profit for the year. If the acquisition had incurred on 1 January 2010, the Group revenue would have been $883,818,000 and profit after taxation would have been $57,339,000.

Impairment testing of indefinite life goodwill

Goodwill acquired through business combinations has been allocated to the Coral Park cash generating units. The recoverable amount has been determined based on value in use calculation.

To calculate this, cashflow projections are based on financial budgets approved by senior management covering a 5 year period. The discounted rate applied to the cash flows is 11%, which is the same as the long term average growth rate for the agriculture industry.

(In Singapore dollars)

26. Deferred taxation

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Balance at beginning of year	(5,090)	7,395	440	440
Currency realignment	(421)	(1,330)	–	–
Acquisition of a subsidiary	–	268	–	–
Decrease in interest in a subsidiary	663	–	–	–
Acquisition of business	253	–	–	–
Write-back during the financial year	(1,613)	(11,898)	(42)	–
(Over)/under provision in prior years	(311)	(628)	87	–
Charge to other comprehensive income	(556)	1,103	–	–
Balance at end of year	(7,075)	(5,090)	485	440
Represented by:				
– Deferred tax assets	(17,749)	(15,039)	–	–
– Deferred tax liabilities	10,674	9,949	485	440
	(7,075)	(5,090)	485	440

26. Deferred taxation *(continued)*

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

	Property, plant and equipment $'000	Employee benefits $'000	Fair value adjustment on biological assets $'000	Others $'000	Total $'000
Deferred tax assets					
At 1 January 2009	3,226	4,325	(11,657)	5,443	1,337
Credit/(write-back) to profit or loss	117	173	18,283	(4,880)	13,693
(Over)/under recognition in prior years	(22)	(1)	–	5	(18)
Tax effect of actuarial gain on defined benefit plans charged to other comprehensive income	–	–	–	(749)	(749)
Tax effect of cash flow hedges charged to other comprehensive income	–	–	–	(354)	(354)
Acquisition of a subsidiary	(248)	–	–	(20)	(268)
Currency realignment	928	1,055	(1,363)	778	1,398
At 31 December 2009 and 1 January 2010	4,001	5,552	5,263	223	15,039
Credit/(write-back) to profit or loss	416	161	1,528	(764)	1,341
Under recognition in prior years	94	–	360	26	480
Tax effect of actuarial loss on defined benefit plans charged to other comprehensive income	–	–	–	556	556
Acquisition of business	–	24	–	(277)	(253)
Currency realignment	177	196	287	(74)	586
At 31 December 2010	4,688	5,933	7,438	(310)	17,749

(In Singapore dollars)

26. Deferred taxation *(continued)*

	Property, plant and equipment $'000	Investment allowances $'000	Fair value adjustment on biological assets $'000	Others $'000	Total $'000
Deferred tax liabilities					
At 1 January 2009	9,430	(1,544)	458	388	8,732
Charge/(write-back) to profit or loss	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 and 1 January 2010	9,936	–	753	(740)	9,949
Decrease in interest in a subsidiary	(223)	–	–	886	663
Write-back to profit or loss	(21)	–	(46)	(205)	(272)
Under provision in prior years	81	–	–	88	169
Currency realignment	140	–	27	(2)	165
At 31 December 2010	9,913	–	734	27	10,674

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

	Earnings retained overseas $'000	Property, plant and equipment $'000	Total $'000
At 1 January 2009, 31 December 2009 and 1 January 2010	155	285	440
(Write-back)/charge to profit or loss	(155)	113	(42)
Under provision in prior years	–	87	87
At 31 December 2010	–	485	485

27. Trade payables

	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Trade payables:				
– third parties	72,685	67,464	71	4
– associate	558	560	–	–
	73,243	68,024	71	4

(In Singapore dollars)

28. Other payables

(a) *Other payables*

Payable within one year:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Staff related expenses	18,632	18,348	1,392	1,489
Accrued operating expenses	12,299	14,004	415	393
Sundry creditors	10,113	18,089	–	517
Amounts due to subsidiaries	–	–	5,303	7,417
Amount due to a related party	–	1,533	–	–
	41,044	51,974	7,110	9,816

Payable after one year:

	Group		Company	
	2010	**2009**	**2010**	**2009**
	$'000	**$'000**	**$'000**	**$'000**
Provision for long service leave and retirement benefits	12,580	11,810	–	–
Loan from non-controlling interest	1,075	1,035	–	–
	13,655	12,845	–	–

The amounts due to subsidiaries 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 non-controlling interest of a subsidiary is unsecured and bears interest at 10.00% (2009: nil) per annum. The loan has no fixed terms of repayment and no repayment is expected within the next 12 months.

(In Singapore dollars)

28. Other payables *(continued)*

(a) *Other payables (continued)*

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

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Balance at beginning of year		11,810	8,952	–	–
Currency realignment		357	2,019	–	–
Provision charged during the year	6	1,606	1,278	–	–
Utilised during the year		(983)	(439)	–	–
Decrease in interest in a subsidiary		(210)	–	–	–
Balance at end of year		12,580	11,810	–	–

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

	2010 Contract notional amount $'000	2010 Fair value $'000	2009 Contract notional amount $'000	2009 Fair value $'000
Group				
Foreign currency contracts				
– not designated as hedges	–	–	5,284	279

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

	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Contracts to deliver Singapore Dollars and receive:				
United States Dollars	–	251	–	–
Australian Dollars	–	149	–	–
Other currencies	–	151	–	–
Contracts to deliver Japanese Yen and receive:				
Australian Dollars	–	4,733	–	–
	–	5,284	–	–

(In Singapore dollars)

29. Exchangeable bond

	Group and Company	
	2010	2009
	$'000	$'000
Face value of exchangeable bond issued in July 2009	10,000	10,000
Derivatives component of the bond at initial recognition	(500)	(500)
Liability component of the bond at initial recognition	9,500	9,500
Add: Accumulated amortisation of discount	500	–
Liability component of the bond at 31 December	10,000	9,500
Add: Derivative component of the bond at 31 December	–	500
Carrying value of the bond at 31 December	10,000	10,000
Payable within one year	10,000	–
Payable after one year	–	10,000
	10,000	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, 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.

(In Singapore dollars)

30. Short-term borrowings

	Note	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Bank overdrafts	36	–	5,162	–	–
Short-term bank loans:					
– unsecured		31,809	36,534	–	–
– secured		9,607	22,789	–	–
		41,416	64,485	–	–

In 2009, bank overdrafts, repayable on demand, were denominated in Australian Dollar, bear interest at 9.58% per annum and were secured by a fixed and floating charge over certain property, plant and equipment.

The short-term bank loans bear effective interest rates ranging from 4.48% to 6.40% (2009: 4.96% to 7.90%) per annum. The secured portion of the borrowings as at 31 December 2010 was charged against inventories of the Group.

31. Long-term loans and finance leases

	Effective interest rate per annum %	Maturities	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
Loans from banks:						
– Loan A	3.09	2012	17,320	27,049	17,320	27,049
– Loan B	7.92	2012	20,873	32,246	–	–
– Loan C	6.26	2014	6,249	6,241	–	–
– Loan D	6.14	2017	16,668	–	–	–
– Other loans	7.55 - 9.54	2015	–	684	–	–
Finance leases			1,127	1,715	–	–
			62,237	67,935	17,320	27,049
Less: Current portion			(18,543)	(23,021)	(9,851)	(9,728)
Non-current portion of loans			43,694	44,914	7,469	17,321

(In Singapore dollars)

31. Long-term loans and finance leases *(continued)*

Loan A, denominated in Singapore Dollar, with floating interest rate of 3.09% per annum, is unsecured, and is repayable in 12 quarterly instalments commencing from November 2009.

Loan B, denominated in Australian Dollar, with floating interest rate of 7.92% per annum, is unsecured and is repayable in 12 quarterly instalments commencing from September 2009.

Loan C, denominated in Australian Dollar, with floating interest rate of 6.26% 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.

Loan D, denominated in Philippines Peso, with floating interest rate of 6.14% per annum, is secured on floating charge on certain property, plant and equipment of the Group and of an associate, and is repayable in 20 equal instalments commencing from September 2012.

Other loans denominated in Australian Dollar, with fixed interest rates ranging from 7.55% to 9.54% per annum, were secured on certain property, plant and equipment of the Group and was repayable in monthly instalments until 2015. The loans were deconsolidated upon the decrease in interest in a subsidiary during the year.

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

	Minimum lease payments 2010 $'000	Present value of payments 2010 $'000	Minimum lease payments 2009 $'000	Present value of payments 2009 $'000
Group				
Within one year	357	295	593	472
Between one and five years	925	832	1,408	1,243
Total minimum lease payments	1,282	1,127	2,001	1,715
Less: Amount representing finance charges	(155)	–	(286)	–
Present value of minimum lease payments	1,127	1,127	1,715	1,715

Effective interest rates on finance leases range from 5.72% to 11.57% (2009: 6.75% to 9.50%) per annum. The finance leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or entering into other leasing agreements.

(In Singapore dollars)

32. 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 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.

	Group	
	2010	**2009**
	$'000	**$'000**
Benefit liability		
Fair value of plan assets	19,004	22,079
Present value of benefit obligation	(19,744)	(22,997)
Net benefit liability	(740)	(918)
Changes in the fair value of plan assets are as follows:		
At 1 January	22,079	16,656
Expected return on plan assets	1,333	1,206
Actuarial (losses)/gains	(691)	1,622
Employer contributions	2,225	2,024
Contributions by plan participants	271	1,033
Benefits paid	(6,474)	(4,242)
Taxes, premiums and expenses paid	(464)	(547)
Currency realignment	725	4,327
At 31 December	19,004	22,079

32. Pension liabilities *(continued)*

	Group 2010 $'000	Group 2009 $'000
Changes in the present value of the defined benefit obligation are as follows:		
At 1 January	22,997	20,862
Interest cost	1,039	782
Current service cost	538	712
Contributions by plan participants	271	1,033
Benefits paid	(6,474)	(4,242)
Actuarial losses/(gains) on obligation	1,162	(875)
Taxes, premiums and expenses paid	(464)	(547)
Currency realignment	675	5,272
At 31 December	19,744	22,997

The Group expects to contribute $2,259,000 to its defined benefit pension plan in 2011.

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

	Group 2010 %	Group 2009 %
Australian equities	29	33
Overseas equities	27	28
Fixed interest securities	18	16
Property	10	9
Other	16	14
	100	100

(In Singapore dollars)

32. Pension liabilities *(continued)*

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

	Group	
	2010	**2009**
	%	**%**
Discount rate	5.4	5.3
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 profit or loss:

	Group	
	2010	**2009**
	$'000	**$'000**
Net benefit expense (recognised within staff costs):		
Service cost	538	712
Interest cost	1,039	782
Expected return on assets	(1,333)	(1,206)
	244	288
Actual return on plan assets	700	2,940

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

	Group				
	2010	**2009**	**2008**	**2007**	**2006**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Plan assets	19,004	22,079	16,656	30,080	25,961
Defined benefit obligation	(19,744)	(22,997)	(20,862)	(27,437)	(24,399)
	(740)	(918)	(4,206)	2,643	1,562

(In Singapore dollars)

33. Share capital

	Group and Company			
	2010		2009	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid:				
At 1 January	477,245,971	202,692	450,974,216	195,123
Issued during the year	19,860,112	12,131	26,271,755	7,569
At 31 December	497,106,083	214,823	477,245,971	202,692

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 15,083,112 ordinary shares at $0.627 per share pursuant to the QAF Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2009; and

(ii) the Company issued 4,777,000 ordinary shares for cash at the average exercise price of $0.56 per share upon the exercise of 4,777,000 share options by employees pursuant to the QAF Limited Share Option Scheme 2000 (Note 37).

34. Reserves

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Revaluation reserve	2,360	2,409	–	–
Capital reserve	19,005	19,005	1,705	1,705
Revenue reserve	96,071	67,989	25,328	17,808
Foreign currency translation reserve	8,081	1,946	–	–
	125,517	91,349	27,033	19,513

(In Singapore dollars)

34. Reserves *(continued)*

	Company	
	2010	2009
	$'000	$'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	17,808	13,722
Net profit for the year	26,927	13,105
Dividends	(19,407)	(9,019)
At end of year	25,328	17,808
Total	27,033	19,513

Revaluation reserve

Revaluation reserve comprise of the following:

(a) surplus arising from the revaluation of property, plant and equipment by a subsidiary. 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 a subsidiary's revaluation of property, plant and equipment on acquisition of additional interest in the subsidiary.

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 as fully paid shares through capitalisation of its revenue reserve; and

c) amounts transferred from the revenue reserve due to statutory requirement of associate 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.

34. Reserves *(continued)*

Capital reserve *(continued)*

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Cumulative value of services received from employees	1,705	1,705	1,705	1,705
Bonus shares issued by a subsidiary	16,236	16,236	–	–
Statutory requirement of PRC associate	1,064	1,064	–	–
	19,005	19,005	1,705	1,705

Foreign currency translation reserve

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

35. Dividends

	Group and Company	
	2010	2009
	$'000	$'000
Interim tax-exempt (one-tier) dividend of 1 cent per share in respect of the financial year ended 31 December 2010	4,968	–
Final tax-exempt (one-tier) dividend of 3 cents per share in respect of the financial year ended 31 December 2009	14,439	–
Final tax-exempt (one-tier) dividend of 2 cents per share in respect of the financial year ended 31 December 2008	–	9,019
	19,407	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 years ended 31 December 2008 and 31 December 2009.

The directors have proposed a final tax-exempt (one-tier) dividend of 3 cents per share ("Proposed Final Dividend for FY 2010"), amounting to approximately $14,913,000 be paid in respect of the financial year ended 31 December 2010. The dividend will be recorded as 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.

(In Singapore dollars)

35. Dividends *(continued)*

The Company's Scrip Dividend Scheme under which shareholders may elect to receive dividends in the form of new shares in lieu of cash will apply to the Proposed Final Dividend for FY 2010.

There are no income tax consequence (2009: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

36. Cash and cash equivalents

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

	Note	Group 2010 $'000	Group 2009 $'000
Cash and bank balances	16	33,175	28,128
Fixed deposits with financial institutions	16	34,871	35,984
		68,046	64,112
Less: Bank overdrafts	30	–	(5,162)
		68,046	58,950

37. Employee benefits

Share options

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

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

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

(In Singapore dollars)

37. Employee benefits *(continued)*

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 2000 Scheme expired in 2010 without renewal. However, the discontinuation of the 2000 Scheme does not affect the rights of the option holders to validly exercise their options within the respective relevant exercise period stated in the paragraph below.

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 2010 '000	Weighted average exercise price in financial year 2010 $	No. of options in financial year 2009 '000	Weighted average exercise price in financial year 2009 $
Outstanding at beginning of year	14,384	0.547	14,409	0.547
Granted	Nil	–	Nil	–
Exercised	(4,777)	(0.560)	Nil	–
Lapsed/forfeited	(440)	(0.601)	(25)	0.561
Outstanding at end of year	9,167	0.538	14,384	0.547
Exercisable at end of year	9,167	0.538	14,384	0.547

(In Singapore dollars)

37. Employee benefits *(continued)*

The following table summarises information about options outstanding and exercisable as at 31 December 2010 to subscribe for ordinary shares in the Company:

Outstanding			Exercisable		
		Exercise price per share	Exercise period		
Offer date	Number of options		From	To	Number of options
19.04.2001	268,000	$0.430	20.04.2002	19.04.2011	268,000
05.04.2002	1,294,000	$0.555	06.04.2003	05.04.2012	1,294,000
13.05.2004	2,305,000	$0.523	14.05.2005	13.05.2014	2,305,000
18.08.2005	2,020,000	$0.513	18.08.2006	17.08.2015	2,020,000
19.05.2006	3,280,000	$0.565	19.05.2007	18.05.2016	3,280,000
	9,167,000				9,167,000

During the financial year, 4,777,000 ordinary shares of the Company were issued pursuant to the exercise of options by employees and directors of the Group.

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 2010, the cumulative expenses recognised in respect of share options amounted to $1,705,000 (2009: $1,705,000).

(In Singapore dollars)

38. Commitments

	Group 2010 $'000	Group 2009 $'000	Company 2010 $'000	Company 2009 $'000
(i) Capital commitments not provided for in the financial statements:				
Expenditure contracted for proposed expansion of manufacturing facilities	23,057	9,835	–	–
Approved by the directors but not contracted for	1,691	2,338	–	–
	24,748	12,173	–	–
(ii) Commitments to purchase bulk supplies of raw materials	22,660	36,463	–	–
(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	5,248	4,974	135	91
Between one and five years	8,003	8,001	227	46
After five years	19,079	19,335	–	–
	32,330	32,310	362	137

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 subsidiaries.

(In Singapore dollars)

39. Contingent liabilities (unsecured)

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
(a) Guarantees issued for bank facilities granted to subsidiaries	–	–	149,080	139,238
Amounts utilised by subsidiaries as at end of the reporting period	–	–	62,289	73,149
(b) Claims by a subsidiary's employee via industrial court case	42	–	–	–

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

40. Related party transactions

(a) In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions took place during the financial year on terms agreed by the parties concerned:

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Purchases from associates and joint venture	3,553	6,019	–	–
Sales to joint venture	–	1,959	–	–
Land rental charges paid to an associate	233	210	–	–
Interest income from associates and joint venture	401	216	–	–
Office rental paid to a director	38	38	38	38
Management fee income from associates and joint venture	108	303	–	–
Management fee income from subsidiaries	–	–	1,300	1,237
Royalty income from subsidiaries	–	–	19,899	17,655
Interest income from advances to subsidiaries	–	–	3,815	3,054
Dividend income from subsidiaries	–	–	10,543	22,568

(In Singapore dollars)

40. Related party transactions *(continued)*

(b) Compensation of key management personnel

	Group	
	2010	2009
	$'000	$'000
Fees and remuneration	3,221	3,136
Contribution to the Central Provident Fund	15	24

41. Financial risk management objectives and policies

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

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

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

(a) ***Credit risk***

Credit risk is the risk that entities and individuals will be unable to meet their obligations to the Group resulting in financial loss to the Group. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products and services are made to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The Group has made allowances, where necessary, for potential losses on credits extended. The Group's maximum exposure to credit risk in the event the 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 end of the reporting period, 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 $149,080,000 (2009: $139,238,000) relating to corporate guarantees provided by the Company for bank facilities granted to subsidiaries, of which, the amounts utilised by subsidiaries as at the end of the reporting period is $62,289,000 (2009: $73,149,000).

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

41. Financial risk management objectives and policies *(continued)*

(a) *Credit risk (continued)*

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 end of the reporting period is as follows:

	Group			
	2010		2009	
	$'000	% of total	$'000	% of total
By industry:				
Food manufacturing	–	–	10,175	13
Bakery	41,086	52	37,835	47
Primary production	22,786	29	18,174	22
Trading and logistics	14,718	19	14,529	18
Investments and others	234	–	227	–
	78,824	100	80,940	100
By country:				
Singapore	27,831	35	29,431	36
Australia	23,869	30	24,345	30
Philippines	13,137	17	11,598	15
Malaysia	13,604	17	12,375	15
Other countries	383	1	3,191	4
	78,824	100	80,940	100

(b) *Liquidity risk*

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

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

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

(In Singapore dollars)

41. Financial risk management objectives and policies *(continued)*

	2010			2009		
	1 year or less $'000	1 to 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Total $'000
Group						
Financial assets:						
Trade and other receivables	110,608	–	110,608	93,474	–	93,474
Investment securities	381	–	381	–	311	311
Cash and deposits	68,046	–	68,046	64,112	–	64,112
Advances to associates	–	3,009	3,009	–	3,090	3,090
Total undiscounted financial assets	179,035	3,009	182,044	157,586	3,401	160,987
Financial liabilities:						
Trade and other payables	114,287	1,075	115,362	119,998	1,035	121,033
Borrowings	65,819	60,327	126,146	88,624	45,561	134,185
Exchangeable bond	10,000	–	10,000	–	10,000	10,000
Total undiscounted financial liabilities	190,106	61,402	251,508	208,622	56,596	265,218
Total net undiscounted financial liabilities	(11,071)	(58,393)	(69,464)	(51,036)	(53,195)	(104,231)

41. Financial risk management objectives and policies *(continued)*

	2010			2009		
	1 year or less $'000	1 to 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Total $'000
Company						
Financial assets:						
Other receivables	41,801	–	41,801	62,090	–	62,090
Cash and deposits	21,436	–	21,436	13,350	–	13,350
Advances to subsidiaries	–	111,631	111,631	–	85,622	85,622
Total undiscounted financial assets	63,237	111,631	174,868	75,440	85,622	161,062
Financial liabilities:						
Trade and other payables	7,181	–	7,181	9,820	–	9,820
Borrowings	10,078	7,517	17,595	10,688	17,950	28,638
Exchangeable bond	10,000	–	10,000	–	10,000	10,000
Total undiscounted financial liabilities	27,259	7,517	34,776	20,508	27,950	48,458
Total net undiscounted financial assets	35,978	104,114	140,092	54,932	57,672	112,604

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	62,289	–	62,289	73,149	–	73,149

41. Financial risk management objectives and policies *(continued)*

(c) ***Interest rate risk***

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

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

Sensitivity analysis for interest rate risk

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

	Increase/ decrease in	Effect on profit after taxation	
Loans denominated in	**basis points**	**2010**	**2009**
		$'000	**$'000**
Australian Dollar	+ 50	(301)	(428)
Australian Dollar	– 50	301	428

(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. As at the end of the reporting period, the Group's net exposure to AUD (mainly relating to receivables, payables and cash and cash equivalents) amounted to $16,380,000 (2009: $21,080,000).

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 AUD exchange rates (against SGD), with all other variables held constant, of the Group's profit after taxation and equity.

	2010		2009	
	Profit after taxation	**Equity**	**Profit after taxation**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**
AUD – strengthened 1% (2009: 1%)	443	768	219	903
– weakened 1% (2009: 1%)	(443)	(768)	(219)	(903)

(In Singapore dollars)

42. Classification of financial instruments

	Group		Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Loans and receivables				
Trade receivables	78,824	80,940	–	–
Other receivables	31,784	12,255	41,801	62,090
Cash and deposits	68,046	64,112	21,436	13,350
Advances to associates	3,009	3,090	–	–
Advances to subsidiaries	–	–	111,631	85,622
	181,663	160,397	174,868	161,062
Available-for-sale financial assets				
Short-term investments	381	–	–	–
Long-term investments	–	311	–	–
	381	311	–	–
Financial liabilities measured at amortised cost				
Trade payables	73,243	68,024	71	4
Other payables	42,119	53,009	7,110	9,816
Liability component of exchangeable bond	10,000	9,500	10,000	9,500
Short-term borrowings	41,416	64,485	–	–
Long-term loans and finance leases	62,237	67,935	17,320	27,049
	229,015	262,953	34,501	46,369
Fair value through profit or loss				
Forward currency contracts	–	279	–	–
Derivative component of exchangeable bond	–	(500)	–	(500)
	–	(221)	–	(500)

(In Singapore dollars)

43. 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) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Group				
2010				
Financial assets				
Forward currency contracts	28(b)	–	–	–
2009				
Financial assets				
Forward currency contracts	28(b)	–	279	–
Financial liabilities				
Derivative component of exchangeable bond	29	–	–	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.

(In Singapore dollars)

43. Fair value of financial instruments *(continued)*

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

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 2010	500
Total loss in profit or loss	(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, non-current floating rate loans and non-current finance leases 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.

(In Singapore dollars)

43. Fair value of financial instruments *(continued)*

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:

	2010 $'000 Carrying amount	2010 $'000 Fair value	2009 $'000 Carrying amount	2009 $'000 Fair value
Group				
Financial liabilities:				
Liability component of exchangeable bond	10,000	10,000	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 end of the reporting period.

The advances to associates and loan from non-controlling interest 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.

44. 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.

(In Singapore dollars)

44. Financial risk management strategies relating to livestock *(continued)*

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 38(ii).

45. 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.

45. Segmental reporting *(continued)*

	Food manufacturing $'000	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Eliminations $'000	Consolidated $'000
2010							
Revenue and expenses							
Revenue from external customers	–	428,444	328,007	84,119	3,571	–	844,141
Other revenue from external customers	–	2,655	7,731	62	842	–	11,290
Inter-segment revenue	–	–	980	55	21,199	(22,234)	–
	–	431,099	336,718	84,236	25,612	(22,234)	855,431
Unallocated revenue							979
Total revenue							856,410
Segment results	–	66,791	9,000	3,771	6,974	–	86,536
Unallocated revenue							979
Unallocated expenses							(7,957)
Profit from operating activities							79,558
Finance costs							(6,808)
Share of (losses)/profits of associates	(1,844)	33	–	–	–	–	(1,811)
Profit before taxation							70,939
Taxation							(14,092)
Profit after taxation							56,847

(In Singapore dollars)

45. Segmental reporting *(continued)*

	Food manufacturing $'000	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Eliminations $'000	Consolidated $'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 associates and joint venture	(9,357)	37	409	–	–	–	(8,911)
Profit before taxation							60,629
Taxation							(1,331)
Profit after taxation							59,298

(In Singapore dollars)

45. Segmental reporting *(continued)*

	Food manufacturing	Bakery	Primary production	Trading and logistics	Investments and others	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
2010						
Assets and liabilities						
Segment assets	–	244,262	265,341	54,652	38,961	603,216
Associates	–	4,905	–	–	–	4,905
Total assets	–	249,167	265,341	54,652	38,961	608,121
Deferred tax assets						17,749
Tax recoverable						135
Total assets per consolidated statement of financial position						626,005
Segment liabilities	–	63,244	54,083	9,608	2,874	129,809
Provision for taxation						6,179
Deferred tax liabilities						10,674
Exchangeable bond						10,000
Bank borrowings						102,526
Total liabilities per consolidated statement of financial position						259,188
Other segment information						
Expenditure for non-current assets	–	16,498	12,097	1,941	11,329	41,865
Amortisation and depreciation	–	19,125	9,742	1,811	461	31,139
Impairment loss	–	–	–	–	691	691
Allowance for inventory obsolescence charged/(written back)	–	48	(162)	173	–	59
Allowance for doubtful debts charged/(written back) and debts written off	–	470	(41)	132	(6,310)	(5,749)

(In Singapore dollars)

45. Segmental reporting *(continued)*

	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
Associates	–	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
Intangibles written off	–	–	812	–	–	812
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

45. Segmental reporting *(continued)*

Geographical information

	Revenue		Non-current assets	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Singapore	165,609	177,929	37,021	28,851
Malaysia	268,712	239,011	75,347	75,415
Australia	326,287	351,822	145,800	155,445
Philippines	87,150	74,170	25,705	26,816
Other countries	8,652	12,050	–	–
	856,410	854,982	283,873	286,527

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.

46. Subsidiaries and associates

(a) The subsidiaries as at 31 December 2010 are:

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2010 %	2009 %
	Food manufacturing			
(1)	Hengxing Fruit Juice (Singapore) Pte Ltd (Singapore)	Distribution agency of beverage products (Singapore)	100	100

(In Singapore dollars)

46. Subsidiaries and associates *(continued)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2010 %	2009 %
	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
(2)	Bakers Maison (M) Sdn Bhd (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	100	100

(In Singapore dollars)

46. Subsidiaries and associates *(continued)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2010 %	2009 %
	Primary production			
@	QAF Feeds Pty Ltd (Australia)	Manufacturing of stockfeed and sales and distribution of animal feed products (Australia)	100	100
(5)	Rivalea (Australia) Pty Ltd (Australia)	Intensive pig production and wholesaling (Australia)	100	100
@	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	80
	Trading and logistics			
(1)	Ben Foods (S) Pte Ltd (Singapore)	Trading and distribution of food and beverage products (Singapore)	100	100
(2)	Ben Foods (East Malaysia) Sdn Bhd (Malaysia)	Operation of supermarkets (Malaysia)	100	100
(1)	Shinefoods Pte Ltd (Singapore)	Agency and distribution of food and beverage products (Singapore)	100	100
(1)	NCS Cold Stores (S) Pte Ltd (Singapore)	Operation of warehousing logistics (Singapore)	100	100
(1)	QAF Fruits Cold Store Pte Ltd (Singapore)	Operation of cold storage warehouse (Singapore)	62	62
	Investments and others			
(5)	Oxdale Dairy Enterprise Pty Ltd (Australia)	Milk production (Australia)	100	100
(1)	QAF Agencies (S) Pte Ltd (Singapore)	Share trading and investment holding (Singapore)	100	100

(In Singapore dollars)

46. Subsidiaries and associates *(continued)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2010 %	2009 %
	Investments and others *(continued)*			
(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
(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

(In Singapore dollars)

46. Subsidiaries and associates *(continued)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2010 %	2009 %
	Investments and others *(continued)*			
(1)	Pacfi Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Bakers Maison Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
	Dormant corporations			
*	Auspeak Holdings 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
(1)	Lansdale Holdings Pte Ltd (Singapore)	Dormant	100	100
(1)	Gaoyuan Pte Ltd (Singapore)	Dormant	100	100
@	Ben Trading (Malaysia) Sdn Bhd (Malaysia)	Dormant	100	100
@	QAF Management Services (S) Pte Ltd (Singapore)	Dormant	100	100

(In Singapore dollars)

46. Subsidiaries and associates *(continued)*

(b) The associates as at 31 December 2010 are:

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2010 %	2009 %
(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
Δ	Challenge Australian Dairy Pty Ltd (Australia)	Collection and sale of raw milk and the manufacture of dairy products (Australia)	49	51

Note

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

@ In process of being de-registered/struck off or voluntary winding-up

Δ In March 2010, the Group's shareholding interest in Challenge Australian Dairy Pty ("Challenge Dairy") was decreased from 51% to 49% due to the issuance of new shares by Challenge Dairy to its other shareholder. As a result, Challenge Dairy ceased to be a subsidiary of the Group and was treated as an associate with effect from that date. In October 2010, the company was placed under voluntary administration and receivership for winding up and liquidation. As a result, it was reclassified to a long term investment as disclosed in Note 24.

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

47. Capital management

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

As disclosed in Note 34, an associate 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 associate for the financial years ended 31 December 2010 and 2009.

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 equity attributable to owners of the parent. The Group's strategy, which was unchanged from 2009, is also to maintain gearing ratios on net debt-to-equity ratio of not exceeding 1.5 times.

	Group	
	2010	**2009**
	$'000	**$'000**
Net debt	45,607	77,808
Shareholders' funds	340,340	294,041
Net debt-to-equity ratio	0.1 times	0.3 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 2010.

48. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 16 March 2011.

LIST OF MAJOR **PROPERTIES**

The Group's major properties as at 31 December 2010 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 40300 Shah Alam Selangor Darul Ehsan, Malaysia	Bakery and office premises	99-year lease from May 1999
	Lot 72100 Jalan Klinik Batu 6 ½ off Jalan Bukit Kemuning Seksyen 32 40460 Shah Alam Selangor Darul Ehsan, Malaysia	Bakery and office premises	Freehold
	Lot 2 & 4 Jalan TPP6/12 Taman Perindustrian Puchong Seksyen 6 47100 Petaling Jaya, Malaysia	Bakery and office premises	99-year lease from October 1997
	No. 35 Persiaran Sabak Bernam Seksyen 26 40400 Shah Alam Selangor Darul Ehsan, Malaysia	Bakery and office premises	Freehold

LIST OF MAJOR **PROPERTIES**

The Group's major properties as at 31 December 2010 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

Group's major properties as at 31 December 2010 are:

	Name of building/location	Description	Tenure of land
(c)	**Properties in Australia** *(continued)*		
	Whitehead Street Corowa New South Wales 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
	Oxdale Dairy Lots 11, 13 and 32 Johnson Street, Corowa New South Wales 2646	Grain Storage	Freehold
	96 to 98 Milperra Road Milperra, New South Wales	Bakery and office premises	Freehold

STATISTICS OF **SHAREHOLDINGS**
as at 18 March 2011

Issued and Fully paid-up Capital	:	$214,870,512
Class of Shares	:	Ordinary Shares

Analysis of Shareholders by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	422	9.44	89,925	0.02
1,000 – 10,000	3,056	68.38	11,688,902	2.35
10,001 – 1,000,000	967	21.64	55,311,150	11.12
1,000,001 and above	24	0.54	430,112,106	86.51
	4,469	100.00	497,202,083	100.00

List of Twenty Largest Shareholders

S/No.	Name of Shareholder	No. of Shares	%
1.	Tian Wan Enterprises Company Limited	95,830,385	19.27
2.	Tian Wan Equities Company Limited	95,411,385	19.19
3.	Tian Wan Holdings Group Limited	95,411,384	19.19
4.	HSBC (Singapore) Nominees Pte Ltd	46,614,437	9.38
5.	J&H International Limited	19,837,393	3.99
6.	Raffles Nominees (Pte) Ltd	10,999,420	2.21
7.	Bank of Singapore Nominees Pte Ltd	8,656,039	1.74
8.	Citibank Nominees Singapore Pte Ltd	7,585,667	1.53
9.	CIMB Nominees (Singapore) Pte Ltd	6,393,100	1.29
10.	HL Bank Nominees (Singapore) Pte Ltd	6,062,000	1.22
11.	DBS Nominees Pte Ltd	5,859,730	1.18
12.	United Overseas Bank Nominees (Private) Limited	5,098,156	1.03
13.	Ee Hock Leong Lawrence	3,555,626	0.72
14.	Lai Choy Kuen	3,395,619	0.68
15.	OCBC Securities Private Limited	2,903,500	0.58
16.	Tan Kong King	2,530,475	0.51
17.	OCBC Nominees Singapore Private Limited	2,405,033	0.48
18.	Goi Seng Hui	2,358,818	0.47
19.	Lee Fook Khuen	2,110,547	0.42
20.	BNP Paribas Nominees Singapore Pte Ltd	1,984,352	0.40
		425,003,066	85.48

Substantial Shareholders

Size of Shareholdings	Direct Interest No. of Shares	Direct Interest %	Deemed Interest No. of Shares	Deemed Interest %	Total Interest No. of Shares	Total Interest %
Andree Halim	–	–	306,490,547 [1]	61.64	306,490,547	61.64
Lin Kejian	–	–	191,241,770 [2]	38.46	191,241,770	38.46
Tian Wan Enterprises Company Limited	95,830,385	19.27	–	–	95,830,385	19.27
Tian Wan Equities Company Limited	95,411,385	19.19	–	–	95,411,385	19.19
Tian Wan Holdings Group Limited	95,411,384	19.19	–	–	95,411,384	19.19
Denonshire Group Limited	45,820,712	9.21	–	–	45,820,712	9.21
Didi Dawis	–	–	45,820,712 [3]	9.21	45,820,712	9.21
Saiman Ernawan	–	–	45,820,712 [3]	9.21	45,820,712	9.21

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, Tian Wan Holdings Group Limited and J&H International Limited pursuant to Section 7 of the Companies Act, Cap. 50.*

(2) *Mr Lin Kejian 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 IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at No. 224 Pandan Loop, Singapore 128411 on 29 April 2011 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 2010. **(Resolution 1)**

2. To approve a final tax-exempt (one-tier) dividend of 3 cents per share in respect of the year ended 31 December 2010. **(Resolution 2)**

3. To re-elect the following Directors:

   (a) Mr Kelvin Chia Hoo Khun (retiring under Article 104 of the Articles of Association) **(Resolution 3a)**

   (b) Mr Lin Kejian (retiring under Article 104 of the Articles of Association) **(Resolution 3b)**

   (c) Mr Triono J. Dawis (retiring under Article 114 of the Articles of Association) **(Resolution 3c)**

4. To approve Directors' fees of $160,050 for the year ended 31 December 2010 (2009: $165,000). **(Resolution 4)**

5. To re-appoint Ernst & Young as Auditors of the Company and to authorize 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) (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 the Directors be and are hereby authorized to allot and issue such number of shares as may be required to be issued pursuant to the exercise of share options in accordance with the terms and conditions of the QAF Limited Share Option Scheme 2000. **(Resolution 8)**

9. That the Directors of the Company be and are hereby authorized 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 9)**

By Order of the Board

LEE WOAN LING (Ms)
Company Secretary

Singapore
14 April 2011

Explanatory Notes:

i) For Ordinary Resolutions:

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

3(b) – Mr Lin Kejian (previously known as Daniel Halim) is an executive Director of the Company. He is also a substantial shareholder holding approximately 38.46% of the ordinary shares in the Company.

3(c) – Mr Triono J. Dawis is an executive Director of the Company.

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

ii) 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.

iii) Ordinary Resolution 8 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 8 is in addition to the general authority to issue shares and/or convertible securities sought under Resolution 7.

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

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

NOTICE OF BOOKS
CLOSURE DATE

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members of the Company will be closed from 5.00 p.m. on 12 May 2011 up to and including 13 May 2011 for the purpose of determining shareholders' entitlements to a final tax-exempt (one-tier) dividend of 3 cents per share for the financial year ended 31 December 2010 ("Dividend 2010").

Shareholders whose shares of the Company ("QAF Shares") are deposited with The Central Depository (Pte) Limited ("CDP") and whose securities accounts with CDP are credited with QAF Shares as at 5.00 p.m. on 12 May 2011 will be entitled to the Dividend 2010 on the basis of the QAF Shares standing to the credit of their securities accounts with CDP as at 5.00 p.m. on such date.

Duly completed registrable transfers received by the Company's Registrar, Tricor Barbinder Share Registration Services at 8 Cross Street, #11-00 PWC Building, Singapore 048424 up to 5.00 p.m. on 12 May 2011 will be registered to determine shareholders' entitlements to the Dividend 2010.

The QAF Limited Scrip Dividend Scheme as approved by the members of the Company on 28 April 2006 will apply to the Dividend 2010 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 2010 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 2011

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PROXY **FORM**
Annual General Meeting of QAF Limited

I/We ____

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

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

*and/or (delete as appropriate)

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

or failing him/her the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on 29 April 2011 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy to vote (see Note 3) for or against the Resolutions to be proposed at the Meeting as hereunder indicated.

No.	RESOLUTIONS	FOR	AGAINST
1.	To adopt the audited financial statements and reports thereon.		
2.	To approve a final tax-exempt (one-tier) dividend of 3 cents per share.		
3.	To re-elect Directors:		
	(a) Mr Kelvin Chia Hoo Khun		
	(b) Mr Lin Kejian		
	(c) Mr Triono J. Dawis		
4.	To approve Directors' fees.		
5.	To re-appoint Ernst & Young as Auditors of the Company.		
6.	To transact any other ordinary business of the Company.		
7.	General Authority to issue shares and/or convertible securities.		
8.	Authority to issue shares pursuant to the Share Option Scheme 2000.		
9.	Authority to issue shares pursuant to the Scrip Dividend Scheme.		

Signed this __________ day of ___________________ 2011 by:

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

____
Signature of Member(s) or Common Seal

Notes:

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

Fold along this line (1)

Please
affix
postage
stamp

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

Fold along this line (2)

QAF LIMITED
150 South Bridge Road #09-04
Fook Hai Building
Singapore 058727
Tel: (65) 6538 2866
Fax: (65) 6538 6866
Email: info@qaf.com.sg
Website: www.qaf.com.sg

Company Registration No. 195800035D