QAF Limited

Building Dynamic Brands

Annual Report 2011

Contents

Corporate Information

(As at 16 March 2012)

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
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)
80 Robinson Road #02-00
Singapore 068898
Tel : 6236 3333
Fax : 6236 4399

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,

Despite a favourable start to 2011, the global economic recovery ran into the headwinds of escalating commodity prices, soaring food costs and the spectre of a contagion crisis in the eurozone.

World oil prices climbed amid heightened Middle East tensions and the Group grappled with the challenges of increasing fuel and raw material costs. I am pleased to report that our businesses remained resilient and was able to build on its momentum to record buoyant increases in sales from all its major business segments.

Our strong performance during the year enabled the company to reward shareholders with an interim dividend payment of 1 cent per share.

For the financial year ended 31 December 2011, the Board of Directors has recommended a final dividend of 4 cents per share. The total dividend payout of 5 cents is an increase of 25% over the previous year's dividend of 4 cents.

On behalf of the Board, I would like to express my sincere appreciation to our bankers, suppliers, customers, business associates, management and staff, and shareholders for their dedication and loyal support.

DIDI DAWIS
Chairman
16 March 2012

Group Managing **Director's Report**

Growth in the global economy moderated after a strong performance in 2010, derailed by high commodity and grain prices, soaring inflation, the earthquake and tsunami in Japan and the spillover effects of the eurozone sovereign debt crisis. Turmoil in oil producing countries pushed up oil prices, and global food costs rose to a record high. The general uncertainty impacted businesses, slowing the global recovery. Singapore's economy was not spared as exports fell in line with constrained demand in the developed markets.

Despite high fuel and raw ingredient input costs, our businesses continued to grow strongly as we were able to successfully manage our cost base whilst maintaining our competitiveness and high standards.

I am pleased to report that the Group delivered a sterling result, posting strong sales growth from all our major business segments – Bakery, Primary Production and Trading & Logistics.

Group revenue for the financial year ended 31 December 2011 ('FY2011') climbed 14% to \$977.0 million from \$856.4 million for the financial year ended 31 December 2010 ('FY2010'). This was achieved through expansion into new markets, increased market share, development and launch of new products, increased sales of higher value-added products, and the opening of new production facilities.

Despite fierce competition from other bread brands, Gardenia continued to lead the Singapore, Malaysian and Philippine bread markets as the top-selling brand of packaged bread.

In Malaysia, sales of Gardenia bread achieved new highs as we widened our distribution to over 23,000 outlets. Our commitment to producing top quality bread garnered 2 consumer-voted awards.

Gardenia was voted most favourite bread in the Superbrands 2011 consumers' survey of Malaysia's Top Ten Favourite Brands, securing an enviable third-place ranking. The survey covered over 500 of Malaysian consumers' favourite brands across 100 consumer product and services categories.

Gardenia also received a Gold for a second consecutive year in the Putra Brand Awards 2011 as Malaysian consumers' most preferred bread brand.

Gardenia Bakeries (Philippines) Inc ('Gardenia Philippines') turned in a record sales growth of 25%, out-performing a market that grew by 10% and setting a new benchmark for the bakery industry. Our new plant at Cebu also completed a successful first full-year of operations, further expanding our geographical footprint in the Visayas and Mindanao markets.

During the year, Gardenia Philippines bagged all 3 awards in the Search for Model Company organized by the Philippine Department of Trade and Industry – Center for Industrial Competitiveness. Gardenia Philippines was the only company to win all 3 Pro-Active Programs Achievement Awards in the categories of Labor Management Relations, Family Welfare/Community Relations Programs, and Quality and Productivity.

" Gardenia was voted most favourite bread in the Superbrands 2011 consumers' survey of Malaysia's Top Ten Favourite Brands, securing an enviable third-place ranking. "

In Singapore, Gardenia Foods (S) Pte Ltd continued to grow its market by expanding its reach into the food service industry and securing contracts to supply buns to several popular fast food chains.

In Australia, our bakery operations under Bakers Maison Australia Pty Ltd ('Bakers Maison') turned in pleasing results with sales growing by more than 15% over the previous year. Bakers Maison is a specialist manufacturer of authentic French-style breads, pastries and sweets in Sydney. During the year, the company streamlined and simplified its operations to focus on the production of frozen and par-baked bakery items and successfully clinched a number of new supply contracts for the food service sector.

Our fully integrated Primary Production operations in Australia under Rivalea (Australia) Pty Ltd ('Rivalea') achieved robust revenue growth due to increased sales of its branded and valued-added products, increased market share, entry into new supply chains and a full-year's contribution from Coral Park Pastoral Meat Trading, our meat distribution business in Sydney. During the year, the boning rooms at Corowa and Melbourne were upgraded with increased capacity to meet the growing demand requirements of our value-added segment.

The Trading & Logistics segment under Ben Foods (S) Pte Ltd ('Ben Foods') also recorded healthy growth with increases in sales revenues from its trading activities in the domestic and export markets, and rental income from 4 new freezer rooms at its cold storage facility. Ben Foods' proprietary brands of food and beverage products are Cowhead, Farmland, Haton, Spices of the Orient and Orchard Fresh.

Group profit before taxation increased by a credible 15% to $81.7 million for FY2011, compared to $70.9 million for FY2010.

Trading conditions during the year were challenging with the prices of flour, raw material food ingredients, utilities, fuel and diesel costs rising worldwide. The Group was beset by escalating raw material and fuel input costs which pushed production costs to unrealistically high levels.

The healthy sales growth from our bakery operations in Malaysia, the Philippines, and Australia, which would normally have translated into a commensurate increase in profitability, was adversely impacted by the exceptionally high raw material and fuel input costs. This resulted in a decline in margins and a lower contribution to profit.

The Malaysian bakery operations saw higher costs and expenses associated with the commissioning and initial operations of its new bread plant. To help us develop the best products for our customers, we set up a new bread plant in Malaysia to formulate and test market new food products for our bakery operations in the region.

The plant, which also supports our Singapore bakery operations, is owned by Bakers Maison (M) Sdn Bhd ('Bakers Maison Malaysia'), a wholly owned subsidiary. During the year, Bakers Maison Malaysia developed and launched a new line of waffles into the Malaysian market that was very well received.

Rivalea's strategy of focusing on the sales of branded and value-added products in order to protect its overall margins proved to be a success. The company enjoyed an improvement in profitability enabling it to make a contribution to Group profit. Rivalea's meat products are sold under the brand names of Murray Valley, High Country, Family Chef and Riverview Farms.

Costs of materials increased by 19% to $541.8 million in FY2011 as compared to $455.6 million in FY2010. The higher costs of raw materials arose from Rivalea's increased meat trading business activities and new production activities from the Bakers Maison Malaysia plant.

Share of profits of associates was $0.04 million for FY2011, as compared to a share of losses of $1.8 million in FY2010. This resulted from the cessation of the loss-making operations of Challenge Australian Dairy Pty Ltd, a dairy product manufacturing associate in Australia.

There was a write-back of allowance for doubtful debts that was previously provided on advances made to a former associate, Shaanxi Hengxing Fruit Juice Co Ltd. The provision is no longer required as the Group sold its interest in this associate in FY2011 and obtained repayment of the advances.

Group taxation increased by 12% to $15.7 million in FY2011, as compared to $14.1 million in FY2010, in line with the Group's higher profitability.

Group profit after taxation rose by 16% to $65.9 million for FY2011, compared to $56.8 million for FY2010.

The higher profit after taxation saw earnings per share rise to 11.6 cents from 10 cents. The Group's net asset value per share increased by 9.3%, from 68.5 cents to 74.9 cents.

In our pursuit for corporate and business excellence, we have not forgotten to give back to society. Our corporate social responsibility efforts extend to the communities within which we operate and we support those communities by giving to various charities and social causes.

Our Gardenia operations regularly sponsor school, welfare and community events in their respective markets. To promote healthy lifestyles and good eating habits, Gardenia also participates in community outreach and social responsibility initiatives, including collaborations with hospitals and health organizations. It also donates bread and basic food items to the underprivileged and victims of natural disasters.

The global economic outlook is fraught with uncertainty as Middle East tensions and sovereign debt problems in the euro area continue to be major factors influencing developments in the global economy.

Singapore and the major Asian economies are expected to see slower growth on weaker export demand and policy tightening, while businesses grapple with the uncertainty of a prolonged global slowdown and recession.

However, we believe we have built a strong market position and have the organisational ability to meet the challenges ahead and respond effectively to an ever-changing business and economic environment. Our strong market position and core portfolio of businesses have established a solid foundation for our continued growth and expansion into existing and new markets.

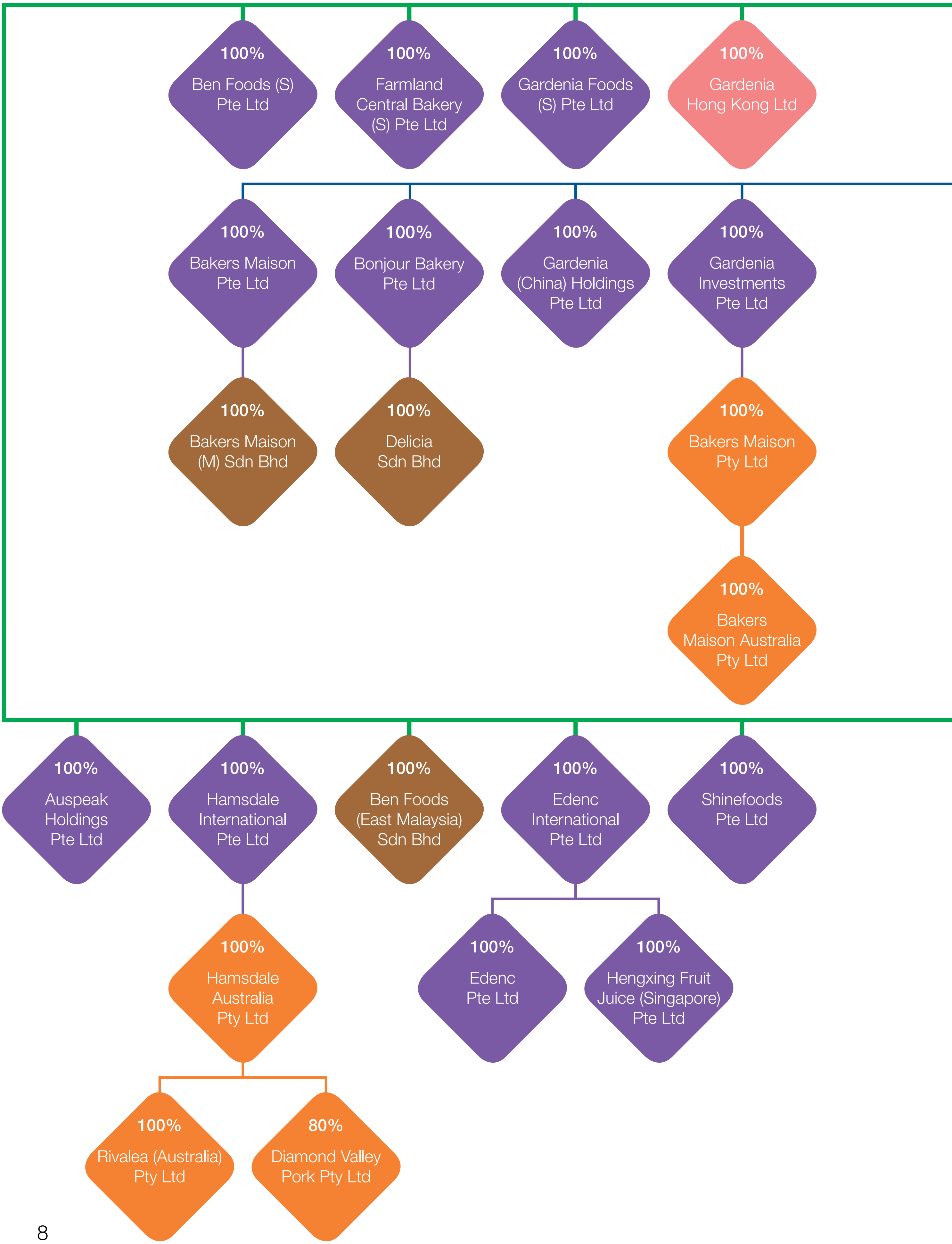
We will continue to streamline our operations to create a more focused, innovative and cost-effective business so as to remain competitive in a changing business environment. We will proactively manage our cost base and mitigate the impact of high raw material prices through increased operational and manufacturing efficiencies and higher sales volumes. We will enhance our product innovation and continue to create products that meet the current trends of health and wellness, and convenience.

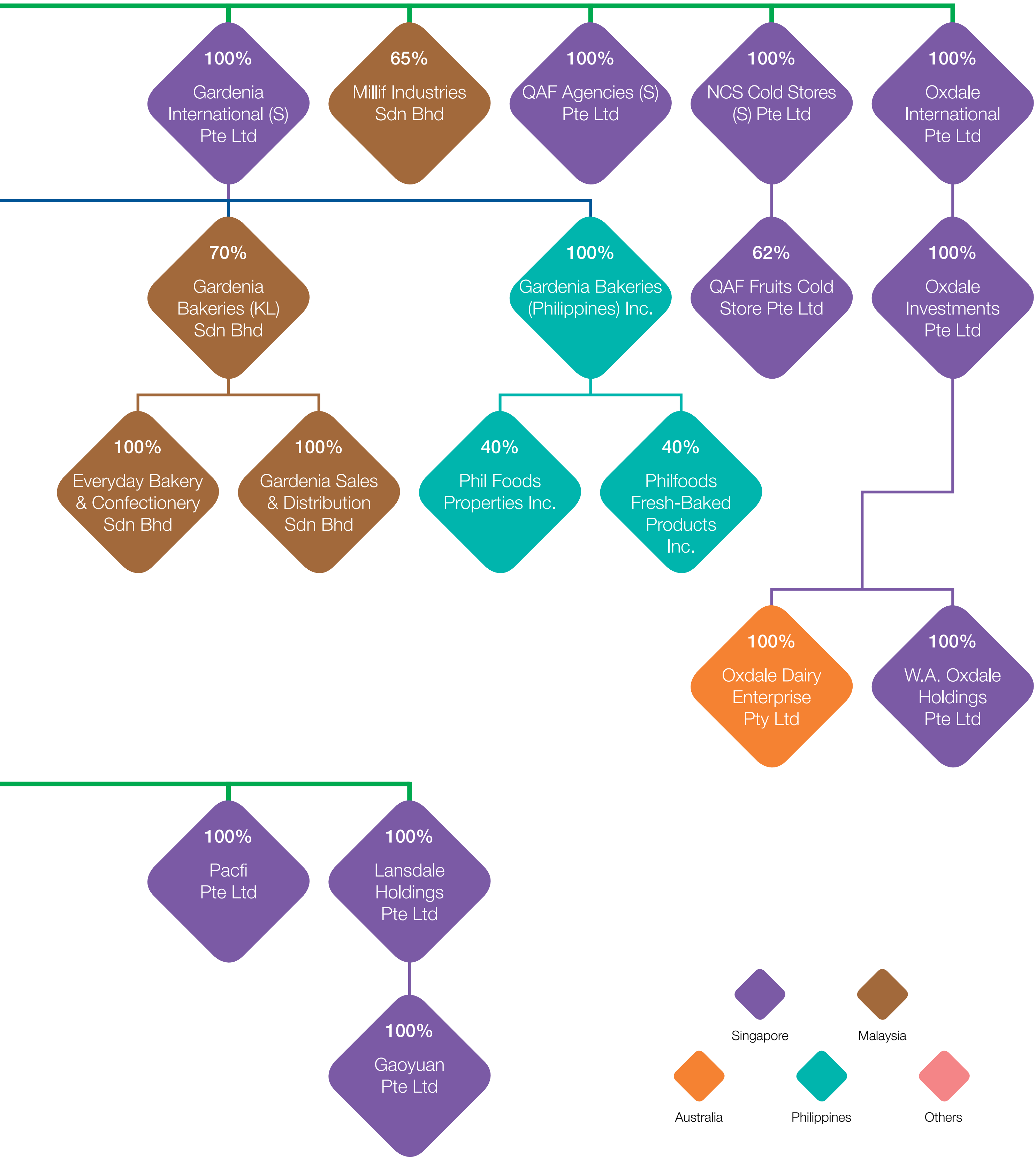
We are cautiously optimistic for the future. There are early indications that global raw material costs may ease and this will relieve the pressure on margins. Barring unexpected shocks to the economic and business environment, we are hopeful that the Group will achieve an encouraging level of profitability in the coming year.

TAN KONG KING
Group Managing Director
16 March 2012

QAF Subsidiaries and Associated Companies (As at 16 March 2012)

QAF Limited





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

Board of **Directors**

1. DIDI DAWIS, 66
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 (including hotel and resort). 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 and has a deemed interest of 8.83% in the total issued shares of the Company as at 16 March 2012.

2. ANDREE HALIM, 64
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 a total deemed interest of 62.20% in the total issued shares of the Company as at 16 March 2012.

Past 3 years' directorship in other listed company

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

3. TAN KONG KING, 61
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 (a Southeast Asia conglomerate) from 1981 to 2004. Mr Tan has over 31 years of experience in managing group operations and over 16 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, 52
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 has been an executive Director and the Head of Treasury for the QAF Group since 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 21 years of experience in treasury matters 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, 60
Non-executive/Independent Director

DATE OF LAST ELECTION
29 April 2011

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 managing partner of Kelvin Chia Partnership, a regional law firm with offices in Singapore, Vietnam, Japan, China, Thailand, Cambodia and North Korea. His areas of specialization include international commercial and corporate transactions, cross-border dispute resolution and the foreign investment laws of various developing countries in the region.

Mr Chia is also a director of Bausch & Lomb Singapore Pte Ltd, ECCO China Wholesale Holding (Singapore) Pte Ltd and many other leading private companies. Mr Chia holds a Bachelor of Law degree from the University of Singapore.

Additionally, he sits on the Singapore Business Federation's SMEC Sub-Committee on Internationalisation and Market Access.

Current directorships in other listed companies
- Scorpio East Holdings Ltd
- Unionmet (Singapore) Ltd

6. TAN HIN HUAT, 59
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 a Senior Director of Credit Agricole (Suisse) SA, Singapore Branch. He has more than 31 years of working experience in regional banking business covering the area of corporate banking, trade finance and private banking. Prior to joining Credit Agricole (Suisse) SA, he was a Senior Vice President of EFG Bank Ltd, Singapore Branch for over 9 years. He had also worked for a number of other major international banks including ING Bank N.V., American Express Bank, Chemical Bank and Credit Lyonnais.

Mr Tan holds a Bachelor of Commerce degree from Nanyang University, Singapore.

7. SOH GIM TEIK, 57
Non-executive/Independent Director

DATE OF LAST ELECTION
29 April 2010

BOARD COMMITTEE
Audit Committee (Member)

Mr Soh was appointed as an independent 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. Mr Soh is a member of the Institute of Certified Public Accountants of Singapore ("ICPAS") and was previously the Chairman of the CFO Committee of ICPAS. He is currently a Board and Governing Council member of the Singapore Institute of Directors and had also served as a committee member of the Professional Accountants in Business Committee of the International Federation of Accountants.

Mr Soh is also an independent director in four other companies (as named below) listed on the Singapore Stock Exchange.

Current directorships in other listed companies
- Advanced Holdings Ltd
- BBR Holdings (S) Ltd
- Craft Print International Limited
- UMS Holdings Limited

Past 3 years' directorship in other listed company
- Heng Long International Ltd (a company delisted from Singapore Stock Exchange on 20 December 2011)

8. LIN KEJIAN, 33
Executive Director

DATE OF LAST ELECTION
29 April 2011

BOARD COMMITTEE
Nil

Mr Lin Kejian was initially appointed as a non-executive Director of the Company on 1 December 2007. On 10 October 2010, he was re-designated as an executive Director of the Company holding the post of Operations director.

Prior to him joining 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 a total deemed interest of 39.99% in the total issued shares of the Company as at 16 March 2012.

9. TRIONO J. DAWIS, 30
Executive Director

DATE OF LAST ELECTION
29 April 2011

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.


HAMBURGER BUNS
BUTTER ROLLS
Gardenia
THE ORIGINAL AMERICAN RECIPE
Junior White
Thick Slice
Hi Calcium
Milk Bread
FRESH

SINGAPORE

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

Gardenia Singapore dominates the local bread market with a wide variety of breads, buns and rolls. Gardenia and Bonjour are Singapore's best-selling brands of packaged bread, widely popular for their diverse range of bakery items.

Despite a challenging year in a highly competitive marketplace marked by escalating fuel, raw material and operating costs, Gardenia Singapore delivered healthy sales volumes underpinned by the launch of new innovative products, successful marketing initiatives and expanded distribution channels.

During the year, Gardenia Singapore expanded its reach into the food service industry, supplying specially baked buns to several popular fast food chains. The company plans to develop and expand this new area of business to maximise production capacity and generate new revenue streams.

Gardenia Singapore is committed to the promotion of healthy eating initiatives. To encourage more consumers to eat whole grains, the company's research team formulated an innovative white bread made with 50% wholemeal flour – the Gardenia Super Soft & Fine Enriched Wholemeal White Bread. Launched in February 2011, the Gardenia Super Soft & Fine Enriched Wholemeal White Bread enabled consumers to enjoy the nutritional goodness of whole grains without the grainy texture.

The company keeps abreast of consumers' fast-changing tastes when developing its products. To offer a diverse variety of bakery items, the company expanded its range of flat breads in July 2011 with 2 types of wraps, the Gardenia Wraps and Gardenia Wholemeal Wraps. The wraps provide consumers with an alternative to sandwich bread and buns, enabling them to prepare fast, tasty and convenient meals. The response has been positive and the company will be looking into the development of other types of flat breads.

In August 2011, the company launched 2 buns – the Gardenia Twist Bun in Chocolate flavour and the Gardenia Twist Bun in Pandan Custard flavour. The buns are produced using a special lamination dough process that gives them an extra soft texture, making them popular with both adults and children.

During the year, Gardenia Singapore further expanded its distribution network and market coverage with the installation of 40 additional bread vending machines at various locations in Singapore. The company currently has 200 vending machines located in condominiums, corporations, hostels and premises of several Residents' Committees. The vending machines not only provide

consumers with fresh bread round the clock, but are powerful marketing tools, greatly enhancing Gardenia's brand presence and visibility. The company plans to further expand this area of retailing by installing new vending machines in strategic locations and enhancing its product mix.

To maintain its competitive edge in a difficult market environment, the company ran a major promotion campaign to increase sales and reward its customers. The 'Health is Wealth Lucky Draw' offered attractive cash prizes worth up to $50,000 and received an overwhelming response.

The Gardenia brand is a name synonymous with wholesome family values, healthy lifestyles and good eating habits. To reinforce its brand positioning, the company continued its participation in the Kindness campaign initiated by the Singapore Kindness Movement. Specially packaged loaves carrying an 'Appreciate Someone this Christmas' overband were sold at a special price to encourage consumers to spread the values of care, compassion and neighbourliness by buying them as gifts in conjunction with the campaign.

The company also participated in various community outreach and social responsibility initiatives centered on food, nutrition, health and education. To encourage good eating habits amongst children and youth, the company continued its sponsorship of both the Sandwich Making Competition and Nutrition Skit segments in various schools through the annual School Health Fair program organized by the Health Promotion Board. Other public outreach activities included healthcare events such as World Diabetics Day, World Osteoporosis Day and SingHealth's Women's Forum.

The company interacts with consumers through the hosting of daily bakery tours at its plant. In 2011, close to 10,000 people visited the Gardenia plant at Pandan Loop. It also organizes annual get-together events for its Homemakers Club members with activities centred on healthy eating and nutrition.

For the year ahead, Gardenia Singapore will continue to focus its resources and capabilities on product innovation and strategic brand enhancement activities. The company will continue to strive for greater operational efficiency and will seek to capitalize on business expansion opportunities in order to maintain its leadership position in the Singapore bakery market.

MALAYSIA

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

GBKL is the largest bakery operation in South-East Asia. It has 10 fully automated production lines comprising 5 bread lines and 5 bun, roll and cake lines with a total machine capacity of over 700 million units of baked products per annum. GBKL is a 70% - owned subsidiary of the QAF Group.

Turnover for FY2011 achieved a new high of RM696.6 million, growing by 13.7% over the previous year. Despite a competitive environment and increases in the costs of ingredients and raw materials, growth was driven by higher productivity and operational efficiencies, new product launches as well as growth of its existing product range.

GBKL strives to develop products that meet consumers' changing tastes and needs. In September 2011, it launched the Delicia Waffles range of tasty, ready-to-eat breakfast waffles. The waffles come in 5 variants – Fresh Egg Vanilla, Blueberry, Banana, Maple Wholemeal & Classic Cinnamon flavours. Sold in 2-piece packs for convenience, the waffles were an instant hit with consumers for their delicious, fresh-from-the-oven taste.

During the year, the company continued to expand its footprint in Peninsular Malaysia. It now has an extensive network of more than 23,000 distribution outlets in cities and major towns.

In 2011, Gardenia's widespread popularity and market leadership won it 2 major awards.

It was voted most favourite brand, ranking in third place in the latest Superbrands 2011 consumers' survey of Malaysia's Top Ten Favourite Brands. The survey was conducted by The Nielsen Company and covered over 500 of Malaysian consumers' favourite brands across 100 consumer product and services categories. Gardenia was previously ranked seventh in the last Superbrands survey in 2009.

Gardenia also won a Gold for the second consecutive year at the Putra Brand Awards 2011, having been voted Malaysian consumers' most preferred bread brand. The Putra Brand Awards was initiated by the Association of Accredited Advertising Agents of Malaysia and is the only brand award in the country that is endorsed by the Malaysia External Trade Development Corporation. Both accolades are a testament to the company's commitment to producing top quality, fresh, great tasting and value-for-money products, and affirm Gardenia's dominance of the Malaysian bakery market.

Looking ahead, the business environment is expected to remain challenging with rising costs and growing competition. The company will continue to enhance long term profitability and competitiveness through enhanced productivity, further expansion of its distribution network and market share, and the development of wholesome, nutritious and delicious products that meet with consumers' needs and expectations.

BAKERS MAISON (M) SDN BHD ('BAKERS MAISON MALAYSIA')

Bakers Maison Malaysia is a 100%-owned subsidiary of the QAF Group. It was set up to support the Group's operations in Singapore and to develop and test new food products for the Group's various markets in the region.

The company currently owns a freehold factory that can accommodate 3 production lines. In 2011, it commissioned 2 production lines, an automated bread line in April to supply bread to the Malaysian and Singapore markets, and a waffle line in September to supply waffles to the Malaysian market.

The company is committed to the development of tasty, value-for-money products that will enable consumers to choose healthier and more wholesome foods. It will continue to identify new markets and segments for its products through the test marketing of new products into the consumer market.

THE PHILIPPINES

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

Gardenia Philippines registered record sales growth of 25% in 2011 with revenue surpassing Php 3 billion. This was a remarkable achievement in a market that grew by 10% and affirms Gardenia's leadership of the Philippine bakery market. This above-market growth was supported by successful marketing initiatives, addition of tasty new products, expansion into new markets and contribution from the company's Cebu plant.

The company's expansion into the southern Philippines was a success with the Cebu plant completing its first full-year of operations. The company made further inroads into the Visayas and Mindanao markets and the provincial Luzon countryside, establishing a strong brand presence in supermarkets, convenience stores and drug store chains.

To meet consumer needs and wants for affordable and convenient products, the company introduced a 2-slice snack pack of its popular flavored breads. The 2-slice snack packs of California Raisin Loaf, Double Delights Ube Cheese and Butterscotch Loaf were very well received and opened up a new market segment for these products.

Gardenia Philippines is committed to making products that consumers love. It continued to delight consumers with the addition of 2 new variants to its popular Cream Roll snack line – the Coffee Cream Roll Dulce de Leche and Coffee Cream Roll Coffee Crumble. These new flavors combine the full-bodied richness of coffee with irresistible creamy fillings in a bun for a delectable snacking experience.

The company's marketing and promotion initiatives in 2011 involved all touch points of its Integrated Marketing Communication program. Digital tools utilized included its corporate website, Facebook, Twitter and YouTube, complemented by TV, print, transit and point-of-purchase advertising, publicity, merchandising, events and promotions. The company's effective use of multi-channel marketing ensured maximum impact on its target audience.

Marketing and branding efforts during the year included the 'Oh I Love Gardenia' campaign to encourage consumers from different age groups, backgrounds and psychographics to eat more bread, and the 'Tagged Healthy' campaign that aimed to raise consumers' health-consciousness by encouraging them to attend a nutrition counseling session or a talk on nutrition.

As part of its corporate social responsibility, Gardenia Philippines runs a daily bread feeding program that donates about 10,000 loaves a week to various foundations, particularly those that support underprivileged children, orphans and former street kids.

The company also partnered with relief and civic organizations to donate bread and basic goods to victims of devastating typhoons and flash floods that hit the Philippines. In December 2011, the company's Cebu plant also donated thousands of bread loaves and canned goods to victims of the flash floods in Mindanao, with many employees coming forward to donate one day's pay to the relief efforts through the Philippine Red Cross.

In the 'I Shared Bread' campaign, the company donated bread to various charities, matching loaf-for-loaf the number of bread loaves purchased by customers and visitors to the bakery plant. Beneficiaries included the Nayon ng Kabataan (Kid's Town) of the Department of Social Welfare and Development (DSWD), and the Manila Youth Reception Center.

In recognition of the company's international quality standards, high productivity and strong corporate social responsibility initiatives, Gardenia Philippines won all 3 awards in the Search for Model Company organized by the Philippine Department of Trade and Industry - Center for Industrial Competitiveness in July 2011. Gardenia Philippines was the only company to win all the Pro-Active Programs Achievement Awards in the 3 categories of Labor Management Relations, Family Welfare/Community Relations Programs, and Quality and Productivity.

Gardenia Philippines will continue to innovate new and delicious products that meet consumer expectations and develop successful marketing strategies to broaden its market reach in key market categories and segments.

AUSTRALIA

BAKERS MAISON AUSTRALIA PTY LTD ('BAKERS MAISON')

Against the backdrop of rising raw ingredient and utility costs and a tough business environment, Bakers Maison turned in pleasing results, growing sales by more than 15% over the previous year and increasing its market share of the frozen bakery market. The increase in sales was achieved through greater product innovation, strong promotional initiatives and improved operational efficiencies.

Bakers Maison is a specialist manufacturer of authentic French-style breads, pastries and sweets. Bread items include batards, bread rolls and baguettes, pastries comprise croissants and assorted danishes, and sweets include muffins, banana loaves and friands. Frozen and par-baked bakery items are distributed to the food service sector throughout Australia from Bakers Maison's plant in Revesby, Sydney. The food service sector comprises cafés, restaurants, hotels, food caterers, airlines, convenience stores and canteens.

The Australian food service industry saw flat growth in 2011 due to the slowdown in tourist arrivals as a consequence of the high Australian dollar. Despite the competitive trading environment, Bakers Maison was able to increase its market share of the food service sector through expansion of its contract manufacturing activities and increased promotional activities throughout its national distributor network.

During the year, the company streamlined and simplified its operations to focus on the production of frozen and par-baked bakery items for the food service sector. As a result of improved operational efficiencies, the company was able to supply to 10 new food service distributors, increasing its market share of the frozen bakery market and extending its reach to more territories and consumers. In August 2011, Bakers Maison unveiled a new logo to reflect its new core business and to symbolize the freshly-baked quality of its products.

To cater to consumer demand for greater taste and variety, Bakers Maison launched a new range of Vienna loaves in 4 different flavours – Sour Dough, Multigrain, White, and Balsamic Vinegar. It also introduced 2 new gluten-free loaves – White and Multigrain – to meet the needs of the health-conscious customer. To tap into this lucrative and growing healthy lifestyle market, the company will be adding an additional bread line to produce a range of 'healthy' bakery items.

In December 2011, Bakers Maison ventured into the in-store bakery sector by supplying frozen par-baked pastries to the in-store bakeries of a large national retail Petrol & Convenience franchise chain. The frozen pastries are baked on-site, providing customers with a delicious 'freshly-baked' product. The in-store bakery sector has shown exciting potential and is an important growth area that Bakers Maison intends to further develop and expand.

For the year ahead, business conditions are expected to remain difficult. The cost of utilities, in particular electricity, is expected to continue to rise. Bakers Maison will seek to overcome these challenges through cost-cutting initiatives, market expansion and the development of new products.

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 2011, Rivalea produced and sold about 754,000 heads or 51,000 MT of meat. The company has achieved higher sales in 2011 as compared to 2010 both in terms of increased numbers sold as well as higher overall selling prices due to a higher proportion of higher value added branded products.

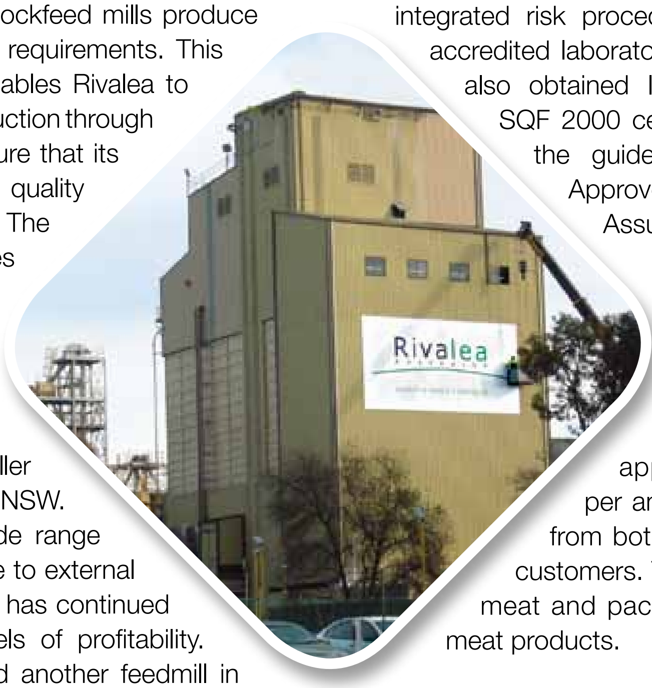
Rivalea has a major presence in the Australian meat market holding dominant positions in the various market segments. It is a major supplier of carcasses and meat products to wholesalers, and provides live animals to a major meat processor. It is also the largest producer of vacuum-packed meat cuts and 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 (for free range meat products).

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. The company has developed a good infrastructure for grain storage which enables it to take advantage of opportunities to secure its grain requirements at the best possible prices and quantities. The Group has recently purchased a facility which is capable of increasing the storage capacity for grain raw materials by an additional 33,000 MT, bringing the company's grain storage capacity to almost 110,000 MT.

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. The main 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 has continued to achieve encouraging levels of profitability. In 2011, the Group acquired another feedmill in Corowa which has a capacity of 70,000 MT per year. This acquisition will give Rivalea increased flexibility and the necessary efficiency to produce and supply good quality stockfeed products for its rapidly expanding customer base.



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 about 365,000 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 another abattoir and boning business in Melbourne, Victoria. This facility slaughters approximately 600,000 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. The Group's trading arm in Sydney, Coral Park Pastoral Meat Trading, has achieved success in establishing itself as one of the leading distributors of multi-meat products including Rivalea's Murray Valley branded products. Rivalea has also started a distribution facility in 2011 in Brisbane to serve the fast growing 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 and meat products to supply major retail customers 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.


farmland
Potato Crisp
Oven Baked • No Cholesterol • Using Fresh Potat
Individual Sachets Pack
Net Weight 160g
farmland
AUSTRALIA MARBLE
farmland
AUSTRALIA MARBLE
RIBEYE STEAK
farmland
Potato Crisp
Seaweed
HATON 哈多
Tempura
fish nuggets
HATON
SNOW TIGER ABALONE
100% Australia Tiger Abalone
HATON
Yoshihama
Abalone
Orchard Fresh
Grape Float
WITH NATURAL PEELED
Cowhead
Dandelion
Trans Fat Free
Buttery Taste
Suitable for Baking & Fry
Product of Norway
Cowhead
Cowhead
Omega 3
Enriched
PURE MILK
LOW FAT
HIGH
CALCIUM

SINGAPORE

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

2011 saw another year of strong growth by the company with increases in sales volumes and revenues. This was mainly due to improved operational efficiencies, the strengthening of the company's proprietary branded business and high tourist numbers.

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. Ben Foods handles third-party agency lines from international food manufacturers and distributors, as well as its own proprietary brands of food and beverage products.

The company's proprietary food brands are Cowhead (milk, dairy products, confectionery), Farmland (meat, frozen vegetables, potato snacks), Haton (seafood products), Orchard Fresh (beverages) and Spices of the Orient (sauces, seasonings). These brands are 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.

To stay ahead in an increasingly competitive marketplace, the company further strengthened its brands portfolio during the year with the addition of 6 new innovative products. These are Farmland Marble Steak, a pre-marinated steak that uses a special Japanese larding process to enhance juiciness, Farmland Potato Crisp, a healthy snack of oven-baked crisps in Cheese and Seaweed flavours, Haton Tempura Fish Nuggets, and Haton premium canned abalones from Australia, specially produced for the Lunar New Year season.

The company also expanded its range of dairy and canned juice products with Cowhead Dandelion, a fresh buttery flavoured margarine from Norway suitable for baking and frying, and Orchard Fresh Grape Float, a 100% natural grape juice rich in Vitamin C, containing natural peeled grapes. The new products were very well received.

For the year ahead, the company will continue to focus on strengthening its operations, extending its distribution and developing a wider range of products that will enhance its brands portfolio and generate higher growth and profitability.

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

The company posted higher revenue growth buoyed by improved occupancy rates and the rental income from 4 new freezer rooms.

NCS owns and operates the largest independent public cold store in Singapore in terms of land area. Sited over 27,000 sq. m. of land with a capacity for 14,000 pallets, the cold store is strategically located in the Jurong seafood industrial area, 5 minutes from Jurong Port.

NCS offers multiple temperature storage rooms and integrated services such as container plug-in, cargo clearance, delivery services, and rental of office and processing rooms. The company's competitive edge lies in its ability to provide customers with an efficient one-stop service, enabling it to retain its customer base and maintain its leadership of the cold store industry.

In 2011, the cold store completed a $1.8 million upgrading for the purposes of obtaining an extension of its leasehold term upon its expiry in 2013. JTC Corporation has given its in-principle approval for the extension of the lease for another 17 years to 2030.

NCS is HACCP Certified and a member of the International Association of Refrigerated Warehouses, USA, and the Seafood Industries Association, Singapore.

NCS has a 62% interest in QAF Fruits Cold Store Pte Ltd, the owner of a cold store for the storage of fresh fruits and vegetables. The cold rooms and office space are leased to third-party tenants.

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 1,600 cattle of predominantly Holstein, Holstein Jersey Cross and Brown Swiss breeds.

The production facilities are fully equipped with rotary dairies, irrigation equipment, infrastructure, laneways, barns and extensive fences. Oxdale Dairy enjoys lower feed costs as cattle are able to graze on large tracts of adjoining buffer pasture land belonging to Rivalea (Australia) Pty Ltd ('Rivalea'), a related company. The close proximity also enables Oxdale Dairy to increase herd size without substantial investments in land, water resources or feedlots, as well as leverage on Rivalea's expertise in the areas of feed formulation and production. These advantages have resulted in reduced production costs and higher efficiencies per cow.

Oxdale Dairy owns a large grain storage facility in Corowa, New South Wales, with a capacity of approximately 37,000 tonnes. The storage facility is leased out to Rivalea for purposes of its feedmill operations. In November 2011, the company acquired a small feedmill in Corowa that is also leased out to Rivalea.

For FY2011, dairy revenue increased by 26% over the previous year due to improved whole milk prices. Oxdale Dairy produced approximately 8.4 million litres of whole milk that was supplied under contract to Murray Goulburn Co-operative Co. Limited, the largest milk processor in Australia's dairy industry.

During the year, the company restructured its dairy operations by integrating the operations of both Oxdale farms under a single operation located on Oxdale 2 as it possessed superior infrastructure and grazing pastures.

With the integration, the company is able to take advantage of operational efficiencies and economies of scale to significantly maximise the number of cows milked, and increase the number of milkings per day for certain genetically superior herds. The restructuring is expected to improve overall revenue growth and result in an increased milk production in 2012.

The persistent drought affecting many parts of Victoria in 2010 had led to a decline in total cow numbers. However, with the return of more normalised weather conditions and the availability of abundant irrigation water, many farmers have begun rebuilding stock numbers to maximise their milking herds in future seasons.

The outlook for the dairy industry is reasonably strong with growth forecasts by the major processors aligned with the expected resurgence of demand from Asia.

Our **Brands**

Cowhead

SPICES OF THE ORIENT

Eggstra

BAKERS MAISON

FamilyChef

Squiggles

HIGH COUNTRY

OPTIMILK
Experience dairy feed with a difference

NUTRIMAX
Balanced grain additives

Orchard Fresh

MURRAYVALLEY

BLACK DIAMOND

Riverview Farms

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

Toastem

Primegro Technologies

veanavite

HATON 哈多

TWIGGIES

Auntie Rosie's

farmland

BONjour
Simply Delicious

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	NA	NA	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	1	1	1	1
Soh Gim Teik	4	4	4	4	NA	NA	NA	NA
Lin Kejian	4	3	NA	NA	NA	NA	NA	NA
Triono J. Dawis	4	4	NA	NA	NA	NA	NA	NA

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

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

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

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

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 had organized orientation programmes which gave 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, one third of the Board is constituted by independent non-executive Directors, namely Mr Kelvin Chia, Mr Tan Hin Huat and Mr Soh Gim Teik.

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.

Mr Didi Dawis (a substantial shareholder of the Company) and Mr Triono J. Dawis (son of Mr Didi Dawis) are both regarded as non-independent Directors of the Company.

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

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

The Nominating Committee 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.

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. Mr Kelvin Chia is the chairman of the Remuneration Committee.

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

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

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 fee 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 2011:

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

	Salary	Bonus	Other Benefits*	Total
$2,500,000 to below $2,750,000				
Tan Kong King	67%	32%	1%	100%
$500,000 to below $750,000				
Tarn Teh Chuen	76%	22%	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

(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

Principle 9 : Disclosure on Remuneration (continued)

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).

Save as provided in paragraph above, the Group does not employ any other immediate family members of a Director or the Group Managing Director.

Principle 10 : Accountability

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

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

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

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)

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

- 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.

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.

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. 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)(b)(iii) : Information relating to the background of key executives

Derek Cheong Kheng Beng, aged 57, 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 and holds a Master of Business Administration from the University of British Columbia, Canada.

Siew Teck Woh, aged 70, 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 59, 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 38 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 56, 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 37 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 60, 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. Mr. Yap has been with the Gardenia Malaysia Group since 1987, contributing significantly in building the "Gardenia" brand and the bakery business in

Malaysia. Gardenia has been recognized as one of the Superbrands in Malaysia since 2002 and was presented the Gold Medal in The Putra Brand Awards for 3 consecutive years from 2010. Mr Yap is a Monash Science graduate and has completed a post graduate programme in Marketing Management in London. Prior to joining Gardenia Malaysia, Mr Yap had worked with IAC (M) Sdn Bhd and Cold Storage Malaysia Bhd.

Simplicio P. Umali, Jr, aged 59, 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 graduate of Business Administration (majored both in Finance and Marketing) and holds a Master of Business Administration from the University of the Philippines. In 2011, he was awarded the prestigious Agora Award for Outstanding Achievement in Marketing Management from the Philippines Marketing Association and the Outstanding Alumnus Award of the University of the Philippines College of Business Administration.

Philip Lee Tuck Wah, aged 62, 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 36 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 50, 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 26 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)(b)(iv) : 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 54,000 breeder pigs and a total population of about 405,000 pigs. In addition, the Group operates 2 dairy farms at Cobram, Victoria, Australia with about 1,700 heads of dairy cows.

All livestock face potential health epidemic outbreaks. Infectious diseases can be spread by either animal contact or farm contamination. Livestock farming is the mainstay of Rivalea. If a health epidemic should erupt in the

1. Disease Outbreak and Farm Contamination (continued)

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.

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.

5. Employee Turnover/Union Risks (continued)

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 2011

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than $100,000)
Mr Andree Halim ("AH"), a director and substantial shareholder of the Company	Pursuant to the subscription agreement entered into in July 2009 ("Subscription Agreement"), AH subscribed and was issued a zero-coupon mandatorily Exchangeable Bond by the Company for the principal sum of $10 million ("Bond") in total. The Bond which was due for redemption by the Company on 31 July 2011 has been extended at the mutual agreement of both parties on 1 August 2011 for a further term of 2 years ("Further Term") subject to the same terms and conditions as stated in the Subscription Agreement. The Bond is mandatorily exchangeable into fully paid and unencumbered ordinary shares of the Company's wholly-owned subsidiary, Hamsdale International Pte Ltd ("Hamsdale") in the event Hamsdale is listed on the Singapore Exchange Securities Trading Limited or the Company shall redeem the Bond in full should the initial public offering of Hamsdale fail to take place by the expiry of the Further Term.	Nil

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

Save as disclosed pursuant to Rule 907 above, there were no material contracts (or loans) entered into by the Company and/or its subsidiaries with the directors or chief executive officer or substantial shareholders of the Company which were still subsisting at the end of the financial year under review, or if not then subsisting, entered into since the end of the previous financial year.

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

Based on the information available to the Company, the substantial shareholders and directors of the Company and its subsidiaries hold in aggregate approximately 72% of the shares in the Company and approximately 28% of the shareholdings is held in the public hands. The Company confirms that it is in compliance with Rule 723 of the SGX Listing Manual.

Rule 1207(6) – Audit and Non-Audit Services of Auditors

The Company appoints Ernst & Young LLP which is a firm registered with the Accounting and Corporate Regulatory Authority to conduct audit on its financial statements. The Company also engages Ernst & Young LLP for audit of its Singapore-incorporated subsidiaries and member firms of Ernst & Young LLP for its significant foreign incorporated subsidiaries and associated companies.

The audit fees paid by the Group to the auditors for the audit of FY2011 and non-audit services in FY 2011 amounted to approximately $1,082,000 and $150,000 respectively.

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.

Rule 1207(10) – Board's Opinion on the Adequacy of Internal Controls

The Board, with the concurrence of the audit committee, is of the opinion 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.

Financial **Contents**

Directors' Report

The directors have pleasure in presenting their report together with the audited financial statements of QAF Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2011.

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	
Triono J. Dawis	

According to the register kept by the Company in accordance with Section 164 of the Singapore Companies Act (the "Act"), Chapter 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			**Deemed interest**		
Names of Directors	**At 1.1.2011**	**At 31.12.2011**	**At 21.1.2012**	**At 1.1.2011**	**At 31.12.2011**	**At 21.1.2012**
Number of shares in QAF Limited						
Didi Dawis	–	–	–	45,820,712	45,820,712	45,820,712
Andree Halim	–	–	–	306,071,547	322,428,286	322,837,286
Tan Kong King	2,530,475	2,661,136	2,661,136	–	–	–
Tarn Teh Chuen	904,993	951,722	951,722	–	–	–
Lin Kejian	–	–	–	190,822,770	207,179,509	207,588,509
Number of QAF Limited Share Options to subscribe for shares in the Company						
Tan Kong King	2,000,000	2,000,000	2,000,000	–	–	–
Tarn Teh Chuen	750,000	750,000	750,000	–	–	–

Directors of the Company *(continued)*

Save for the Mandatorily Exchangeable Bond (as disclosed in Note 28 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, 1,122,000 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 2011 comprise:

	Outstanding unexercised options for ordinary shares in the Company	Exercise price per share	Exercise period		
Year 2002	1,139,000	$0.555	6 April 2003	to	5 April 2012
Year 2004	1,950,000	$0.523	14 May 2005	to	13 May 2014
Year 2005	1,745,000	$0.513	18 August 2006	to	17 August 2015
Year 2006	2,875,000	$0.565	19 May 2007	to	18 May 2016
	7,709,000				

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.

Directors' Report

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 2012

Statement by **Directors**

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 2011 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 2012

Independent **Auditors' Report**

For the year ended 31 December 2011

To the Members of QAF Limited

Report on the financial statements

We have audited the accompanying financial statements of QAF Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 54 to 147, which comprise the statements of financial position of the Group and the Company as at 31 December 2011, the consolidated statement of changes in equity, the consolidated income statement, consolidated statement of comprehensive income and consolidated 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 financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Independent **Auditors' Report**

For the year ended 31 December 2011
To the Members of QAF Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and of 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 2012

Consolidated **Income Statement**

For the year ended 31 December 2011
(In Singapore dollars)

	Note	2011 $'000	2010 $'000
Revenue	3	976,981	856,410
Costs and expenses			
Costs of materials		541,796	455,595
Staff costs	4	206,809	183,105
Amortisation and depreciation	5	34,791	31,139
Repairs and maintenance		31,964	27,365
Other operating expenses		73,284	79,648
Total costs and expenses		(888,644)	(776,852)
Profit from operating activities	6	88,337	79,558
Finance costs	7	(6,725)	(6,808)
Share of profits/(losses) of associates		42	(1,811)
Profit before taxation		81,654	70,939
Taxation	8	(15,746)	(14,092)
Profit after taxation		65,908	56,847
Attributable to:			
Owners of the parent		59,162	48,737
Non-controlling interests		6,746	8,110
		65,908	56,847
Earnings per ordinary share:	9		
– Basic		11.6 cents	10.0 cents
– Diluted		11.6 cents	10.0 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 2011
(In Singapore dollars)

	2011 $'000	2010 $'000
Profit after taxation	65,908	56,847
Other comprehensive income:		
Currency translation arising on consolidation	(342)	6,513
Actuarial loss on defined benefit plans	(2,886)	(1,297)
Realisation of reserves upon disposal of an associate	(694)	–
Share of other comprehensive income of associates	4	(24)
Other comprehensive income for the year, net of tax	(3,918)	5,192
Total comprehensive income for the year	61,990	62,039
Total comprehensive income attributable to:		
Owners of the parent	55,637	53,575
Non-controlling interests	6,353	8,464
	61,990	62,039

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

Statements of **Financial Position**

As at 31 December 2011
(In Singapore dollars)

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
ASSETS					
Current assets					
Biological assets	10	62,507	60,500	–	–
Inventories	11	84,609	65,637	–	–
Trade receivables	12	84,467	78,824	–	–
Other receivables	13	13,896	37,145	40,668	41,912
Tax recoverable		384	135	–	–
Short-term investments	14	456	381	–	–
Cash and deposits	15	74,872	68,046	25,735	21,436
		321,191	310,668	66,403	63,348
Assets classified as held for sale	16	1,673	8,810	–	–
		322,864	319,478	66,403	63,348
Non-current assets					
Property, plant and equipment	17	311,544	261,599	2,522	2,502
Investment properties	18	18,923	19,548	–	–
Subsidiaries	19	–	–	98,718	98,718
Advances to subsidiaries	20	–	–	123,210	111,631
Associates	21	1,942	1,896	–	–
Advances to associates	22	3,019	3,009	–	–
Long-term investments	23	8,886	–	6,886	–
Intangibles	24	3,058	2,726	2,449	2,638
Deferred tax assets	25	17,769	17,749	–	–
		365,141	306,527	233,785	215,489
Total assets		688,005	626,005	300,188	278,837

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

Statements of **Financial Position**

As at 31 December 2011
(In Singapore dollars)

		Group		Company	
	Note	2011 $'000	2010 $'000	2011 $'000	2010 $'000
LIABILITIES					
Current liabilities					
Trade payables	26	87,040	73,243	55	71
Other payables	27	48,135	41,044	6,688	7,110
Exchangeable bond	28	–	10,000	–	10,000
Short-term borrowings	29	71,524	41,416	7,863	–
Long-term loans and finance leases – current portion	30	2,554	18,543	–	9,851
Provision for taxation		4,057	6,179	1,672	1,995
		213,310	190,425	16,278	29,027
Non-current liabilities					
Other payables	27	14,684	13,655	–	–
Exchangeable bond	28	10,000	–	10,000	–
Pension liabilities	31	2,815	740	–	–
Long-term loans and finance leases	30	23,080	43,694	–	7,469
Deferred tax liabilities	25	11,944	10,674	450	485
		62,523	68,763	10,450	7,954
Total liabilities		275,833	259,188	26,728	36,981
Net assets		412,172	366,817	273,460	241,856
CAPITAL AND RESERVES					
Share capital	32	227,156	214,823	227,156	214,823
Reserves	33	161,028	125,517	46,304	27,033
Equity attributable to owners of the parent		388,184	340,340	273,460	241,856
Non-controlling interests		23,988	26,477	–	–
Total equity		412,172	366,817	273,460	241,856

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 2011

(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 2011		214,823	2,360	19,005	96,071	8,081	340,340	26,477	366,817
Total comprehensive income for the year									
Net profit for the year		–	–	–	59,162	–	59,162	6,746	65,908
Other comprehensive income for the year:									
- Currency translation arising on consolidation		–	–	–	–	51	51	(393)	(342)
- Transfer between reserves		–	(48)	–	48	–	–	–	–
- Actuarial loss on defined benefit plans		–	–	–	(2,886)	–	(2,886)	–	(2,886)
- Realisation of reserves upon disposal of an associate		–	–	(1,064)	–	370	(694)	–	(694)
- Share of other comprehensive income of associates		–	–	–	–	4	4	–	4
Other comprehensive income for the year, net of tax		–	(48)	(1,064)	(2,838)	425	(3,525)	(393)	(3,918)
Total comprehensive income for the year		–	(48)	(1,064)	56,324	425	55,637	6,353	61,990
Transactions with owners in their capacity as owners									
Contributions by and distributions to owners									
Issuance of ordinary shares from exercise of options	32	590	–	–	–	–	590	–	590
Issuance of ordinary shares in lieu of cash dividends	32	11,743	–	–	–	–	11,743	–	11,743
Dividends	34	–	–	–	(20,126)	–	(20,126)	(8,842)	(28,968)
Total transactions with owners in their capacity as owners		12,333	–	–	(20,126)	–	(7,793)	(8,842)	(16,635)
Balance at 31 December 2011		227,156	2,312	17,941	132,269	8,506	388,184	23,988	412,172

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 2011
(In Singapore dollars)

	Note	Attributable to owners of the parent						Non-controlling interests $'000	Total equity $'000
		Share capital $'000	Revaluation reserve $'000	Capital reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Total $'000		
Balance at 1 January 2010		202,692	2,409	19,005	67,989	1,946	294,041	28,370	322,411
Total comprehensive income for the year									
Net profit for the year		–	–	–	48,737	–	48,737	8,110	56,847
Other comprehensive income for the year:									
- Currency translation arising on consolidation		–	–	–	–	6,159	6,159	354	6,513
- Transfer between reserves		–	(49)	–	49	–	–	–	–
- Actuarial loss on defined benefit plans		–	–	–	(1,297)	–	(1,297)	–	(1,297)
- Share of other comprehensive income of associates		–	–	–	–	(24)	(24)	–	(24)
Other comprehensive income for the year, net of tax		–	(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
Transactions with owners in their capacity as owners									
Contributions by and distributions to owners									
Effect of changes in Group structure		–	–	–	–	–	–	(2,375)	(2,375)
Issuance of ordinary shares from exercise of options	32	2,674	–	–	–	–	2,674	–	2,674
Issuance of ordinary shares in lieu of cash dividends	32	9,457	–	–	–	–	9,457	–	9,457
Dividends	34	–	–	–	(19,407)	–	(19,407)	(7,982)	(27,389)
Total transactions with owners in their capacity as owners		12,131	–	–	(19,407)	–	(7,276)	(10,357)	(17,633)
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 **Cash Flows**

For the year ended 31 December 2011
(In Singapore dollars)

	2011 $'000	2010 $'000
Cash flows from operating activities:		
Profit before taxation	81,654	70,939
Adjustments for:		
Amortisation and depreciation	34,791	31,139
Gain on disposal of property, plant and equipment and investment properties	(383)	(1,201)
Share of (profits)/losses of associates	(42)	1,811
Fair value adjustment on investment securities	92	–
Fair value changes on biological assets	(1,338)	3,154
Interest expense	6,725	6,808
Allowance for doubtful debts written back, net and bad debts written back	(21,280)	(5,749)
Dividend and interest income	(2,338)	(1,790)
Gain on disposal of an associate	(766)	–
Negative goodwill on acquisition of business	(786)	–
Impairment charge on net investment in an associate	–	691
Exchange differences	(546)	(2,997)
Operating profit before working capital changes	95,783	102,805
Decrease/(increase) in receivables	22,114	(628)
(Increase)/decrease in inventories and biological assets	(19,109)	9,459
Increase in payables	15,970	10,892
Cash from operations	114,758	122,528
Interest paid	(6,789)	(6,783)
Interest received	2,282	1,737
Income tax paid	(15,357)	(15,996)
Net cash from operating activities	94,894	101,486

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 2011
(In Singapore dollars)

	Note	2011 $'000	2010 $'000
Cash flows from investing activities:			
Purchase of property, plant and equipment and investment properties		(57,010)	(37,714)
Progress payment for purchase of property, plant and equipment		–	(16,222)
Proceeds from disposal of property, plant and equipment and investment properties		1,891	1,795
Purchase of investments		(9,039)	(55)
Dividends received from investments		56	53
(Increase)/decrease in advances to associates		(10)	81
Net cash inflow on disposal of an associate	A	72	–
Net cash outflow from decrease in interest in a subsidiary		–	(1)
Net cash outflow on acquisition of business	B	(2,264)	(3,944)
Net cash used in investing activities		(66,304)	(56,007)
Cash flows from financing activities:			
Dividends paid during the year		(8,383)	(9,950)
Dividends paid to non-controlling interests		(5,155)	(10,641)
Proceeds from short-term borrowings		29,599	2,861
Repayment of long-term borrowings		(41,208)	(22,276)
Proceeds from issuance of share capital		590	2,674
Net cash used in financing activities		(24,557)	(37,332)
Net increase in cash and cash equivalents		4,033	8,147
Cash and cash equivalents at beginning of year	35	68,046	58,950
Effect of exchange rate changes on cash and cash equivalents		(65)	949
Cash and cash equivalents at end of year	35	72,014	68,046

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 2011
(In Singapore dollars)

Note A - Analysis of disposal of an associate

	2011 $'000
Net assets disposed	–
Gain on disposal of an associate	766
Realisation of reserves upon disposal of an associate	(694)
Net cash inflow on disposal of an associate	72

Note B - Analysis of acquisition of business

	2011 $'000
Property, plant and equipment	(2,602)
Intangibles	(448)
Net business acquired	(3,050)
Negative goodwill arising on consolidation	786
Net cash outflow on acquisition of business	(2,264)

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 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, Chapter 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 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

(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 are not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendment to FRS 101 – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 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
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 Employee Benefits	1 January 2013
Revised FRS 27 Separate Financial Statements	1 January 2013
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2013
FRS 110 Consolidated Financial Statements	1 January 2013
FRS 111 Joint Arrangements	1 January 2013
FRS 112 Disclosure of Interests in Other Entities	1 January 2013
FRS 113 Fair Value Measurements	1 January 2013

Except for the revised FRS 19, Amendments to FRS 1 and FRS 112, 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 19, Amendments to FRS 1 and FRS 112 are described below.

Revised FRS 19 Employee Benefits

The revised FRS 19 Employee Benefits is effective for financial periods beginning on or after 1 January 2013.

The revised FRS 19 removes the corridor mechanism for defined benefit plans and no longer allows actuarial gains and losses to be recognised in profit or loss. The distinction between short-term and long-term employee benefits is based on expected timing of settlement rather than employee entitlement. The revised FRS 19 is to be applied retrospectively.

The Group does not expect any material impact on its financial position or performance upon adoption of this standard.

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

2.3 ***Standards issued but not yet effective*** *(continued)*

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is effective for financial periods beginning on or after 1 January 2013.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

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.

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

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

Business combinations from 1 January 2010 (continued)

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.

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.

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

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

Business combinations before 1 January 2010 (continued)

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.

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.

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

2.6 ***Property, plant and equipment*** *(continued)*

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.

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 $^1/_3$
Freehold buildings	–	2 - 2 $^1/_2$
Leasehold properties	–	2 - 6
Leasehold improvements	–	2 - 20
Plant and machinery	–	5 - 33 $^1/_3$
Furniture, fittings and office equipment	–	7 $^1/_2$ - 40
Motor vehicles	–	10 - 33 $^1/_3$

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

2.8 ***Depreciation*** *(continued)*

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***

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.

Associates are accounted for under the equity method whereby the Group's share of profits and losses of associates 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 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 are accounted for at cost less impairment losses.

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

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.

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.

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

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

(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) *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

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

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the 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.

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.

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

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

(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.

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.

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

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

(iv) *Other intangible assets (continued)*

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.

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.

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

2.16 *Trade and other receivables* *(continued)*

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.

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

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

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

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***

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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

2.19 ***Financial liabilities*** *(continued)*

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss *(continued)*

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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. Summary of significant accounting policies *(continued)*

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.

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.

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

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

Deferred tax (continued)

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.

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. Summary of significant accounting policies *(continued)*

2.25 *Borrowing costs*

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

2.26 *Employee benefits*

(i) *Executives' Share Option Scheme*

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

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

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

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

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

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

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

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

2.26 *Employee benefits* *(continued)*

(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.

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.

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

2.27 ***Leases*** *(continued)*

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 44, 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.

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.

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

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

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

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.

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.

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

2.31 ***Hedge accounting*** *(continued)*

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 related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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.

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

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

Key sources of estimation uncertainty (continued)

(i) Impairment of goodwill

The Company and Group determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is 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 Group's goodwill at 31 December 2011 was $1,801,000 (2010: $1,786,000). More details are given in Note 24.

(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 goodwill 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 2011 was $1,672,000 (2010: $1,995,000) and $4,057,000 (2010: $6,179,000) respectively. The carrying amount of the Group's tax recoverable as at 31 December 2011 was $384,000 (2010: $135,000). The carrying amount of the Company's deferred tax liabilities as at 31 December 2011 was $450,000 (2010: $485,000). The Group's deferred tax assets and deferred tax liabilities as at 31 December 2011 was $17,769,000 (2010: $17,749,000) and $11,944,000 (2010: $10,674,000) respectively.

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

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

Key sources of estimation uncertainty (continued)

(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 2011 was $2,522,000 (2010: $2,502,000) and $311,544,000 (2010: $261,599,000). The carrying amount of the Group's investment properties as at 31 December 2011 was $18,923,000 (2010: $19,548,000). 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 31.

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 2011 $'000	Group 2010 $'000
Sale of goods	961,159	840,738
Rental income from storage and warehousing facilities	5,331	5,494
Interest income from:		
– Fixed deposits with financial institutions	1,090	913
– Advances to associates	207	401
– Others	985	423
Gross dividends from investments	56	53
Miscellaneous	8,153	8,388
	976,981	856,410

4. Staff costs

	Group 2011 $'000	Group 2010 $'000
Staff costs (including Executive Directors):		
– salaries, wages and other related costs	192,542	170,661
– CPF and contributions to other plans	7,017	6,641
– superannuation contributions	7,250	5,803
	206,809	183,105

5. Amortisation and depreciation

	Note	Group 2011 $'000	Group 2010 $'000
Amortisation of intangibles	24	142	85
Depreciation of property, plant and equipment	17	33,553	29,635
Depreciation of investment properties	18	1,096	1,419
		34,791	31,139

6. Profit from operating activities

	Note	Group 2011 $'000	Group 2010 $'000
Profit from operating activities is stated after charging/(crediting):			
Auditors' remuneration:			
– Auditor of the Company		469	501
– Member firms of the auditor of the Company		613	417
Professional fees paid to:			
– Member firms of the auditor of the Company		150	79
Fees and remuneration for the directors of the Company:			
– fees and remuneration		3,626	3,221
– contribution to the Central Provident Fund		18	15
Research and development cost		10,237	14,959
Government grants		–	(273)
(Increase)/decrease in the fair value less estimated point-of-sale costs of livestock, net	10	(1,478)	5,371
Impairment charge on net investment in an associate		–	691
Foreign exchange loss/(gain), net		677	(1,345)
Operating lease rental expense		8,775	6,860
Gain on disposal of property, plant and equipment and investment properties		(383)	(1,201)
Gain on disposal of an associate		(766)	–
Negative goodwill on acquisition of business		(786)	–
Allowance for inventory obsolescence (written back)/ charged		(67)	59
Allowance for doubtful trade debts charged	12	219	558
Allowance for doubtful other debts written back	13	(12,201)	(6,335)
Bad debts (written back)/write-off	21	(9,298)	28
Rental income from investment properties		(5,270)	(5,429)
Direct operating expenses arising from investment properties that generate rental income		5,132	4,848
Provision for long service leave and retirement benefits charged	27(a)	1,354	1,606
Fair value adjustment on investment securities		92	–

7. Finance costs

	Group 2011 $'000	Group 2010 $'000
Interest expense on bank loans and finance leases	6,725	6,808

8. Taxation

	Note	Group 2011 $'000	Group 2010 $'000
Income tax expense/(credit) on the profit for the year:			
– current tax		13,634	15,776
– deferred tax		2,736	(1,613)
		16,370	14,163
(Over)/under provision in respect of prior years:			
– current tax		(624)	240
– deferred tax		–	(311)
		(624)	(71)
Tax expense		15,746	14,092
Deferred tax expense related to other comprehensive income:			
– actuarial loss on defined benefit plans	25	(1,237)	(556)

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% (2010: 17%) to the profit before taxation due to the following factors:

	2011 $'000	2010 $'000
Profit before taxation	81,654	70,939
Tax expense at statutory tax rate of 17% (2010: 17%)	13,881	12,060
Adjustments:		
Income not subject to tax	(4,562)	(2,352)
Expenses not deductible for tax purposes	998	1,831
Tax reliefs, rebates and incentives	(1,402)	(2,140)
Utilisation of tax benefits not recognised in previous years	–	(374)
Tax benefits not recognised in current year	3,892	1,055
Difference in effective tax rates in other countries	3,225	4,215
Over provision in respect of prior years	(624)	(71)
Others	338	(132)
Tax expense	15,746	14,092

The Group has unutilised tax losses and capital allowances of approximately $59,236,000 (2010: $51,216,000) and $1,249,000 (2010: Nil) respectively, which subject to the provisions of relevant local tax legislation and agreement with the relevant tax authorities, can be carried forward and utilised to set off against future taxable profits. The potential tax benefit arising from such unutilised tax losses and capital allowances has not been recognised in the financial statements due to the uncertainty of recoverability.

9. Earnings per ordinary share ("EPS")

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

	Group	
	2011	**2010**
	$'000	**$'000**
Group's earnings used for the calculation of EPS:		
Earnings for the financial year attributable to owners of the parent	59,162	48,737

	2011	**2010**
	'000	**'000**
Number of shares used for the calculation of:		
(i) *Basic EPS*		
Weighted average number of ordinary shares in issue	508,246	488,077
(ii) *Diluted EPS*		
Weighted average number of ordinary shares in issue	509,185	489,249

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.

10. Biological assets

	Group	
	2011	**2010**
	$'000	**$'000**
Livestock		
– at fair value	35,294	32,843
– at cost	27,213	27,657
	62,507	60,500

10. 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	
	2011	**2010**
Physical quantity of pigs:		
– Number of progeny	331,001	321,130
– Number of breeders	52,414	53,078
	383,415	374,208

	Group	
	2011	**2010**
	$'000	**$'000**
Reconciliation of changes in the carrying amount:		
Balance at 1 January	60,500	64,105
Currency realignment	529	1,766
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	2,304	(130)
Loss arising from changes in fair value less estimated point-of-sale costs attributable to price changes	(826)	(5,241)
Balance at 31 December	62,507	60,500

11. Inventories

	Group 2011 $'000	Group 2010 $'000
Raw materials	47,253	34,087
Finished goods	19,515	15,643
Spare parts and consumables	14,821	13,675
Work-in-progress	–	11
Goods-in-transit	3,020	2,221
Total inventories at lower of cost and net realisable value	84,609	65,637

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

	Group 2011 $'000	Group 2010 $'000
First-in-first-out	24,292	21,679
Weighted average	60,317	43,958
	84,609	65,637
Inventories are stated after deducting allowance for obsolescence of	1,439	1,753

Raw materials of the Group as at 31 December 2011 amounting to $24,401,000 (2010: $10,673,000) 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.

12. Trade receivables

	Group 2011 $'000	Group 2010 $'000
Trade receivables	87,427	81,606
Less: Allowance for doubtful debts	(2,960)	(2,782)
	84,467	78,824

At the end of the reporting period, approximately 20.16% (2010: 24.46%) 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.

12. Trade receivables *(continued)*

	Group 2011 $'000	Group 2010 $'000
An aging analysis of receivables that are past due but not impaired:		
Lesser than 3 months	13,231	13,210
3 months to 6 months	1,124	1,061
6 months to 12 months	135	273
More than 12 months	86	483
	14,576	15,027
Receivables that are impaired:		
Gross amount	2,960	2,782
Less: Allowance for doubtful debts	(2,960)	(2,782)
	–	–

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 2011 $'000	Group 2010 $'000
Movements in the allowance for doubtful debts:		
At 1 January	2,782	2,309
Charge for the year (Note 6)	219	558
Written-off against allowance	(35)	(31)
Currency realignment	(6)	(10)
Decrease in interest in a subsidiary	–	(44)
At 31 December	2,960	2,782

13. Other receivables

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Non-financial assets				
Prepayments	5,307	5,361	57	111
Financial assets				
Sundry deposits	1,586	18,158	30	11
Staff advances and loans	109	102	–	–
	1,695	18,260	30	11
Sundry debtors	12,220	17,277	11	18
Less: Allowance for doubtful debts	(5,407)	(3,890)	–	–
	6,813	13,387	11	18
Amounts due from subsidiaries				
– interest bearing	–	–	8,570	5,619
– non-interest bearing	–	–	37,487	42,318
Less: Allowance for doubtful debts	–	–	(5,487)	(6,165)
	–	–	40,570	41,772
Amounts due from associates				
– non-interest bearing	81	15,669	–	–
Less: Allowance for doubtful debts	–	(15,532)	–	–
	81	137	–	–
	8,589	31,784	40,611	41,801
	13,896	37,145	40,668	41,912
Receivables that are impaired:				
Gross amount	5,407	20,894	5,487	6,165
Less: Allowance for doubtful debts	(5,407)	(19,422)	(5,487)	(6,165)
	–	1,472	–	–

13. Other receivables *(continued)*

Movements in the allowance for doubtful debts are as follows:

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
At 1 January		19,422	28,278	6,165	11,203
Write back during the year	6	(12,201)	(6,335)	(140)	(4,957)
Written-off against allowance		(1,638)	(16)	(581)	–
Currency realignment		(176)	(2,505)	43	(81)
At 31 December		5,407	19,422	5,487	6,165

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 1.88% to 5.75% (2010: 1.70% to 5.95%) 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.

14. Short-term investments

	Group 2011 $'000	Group 2010 $'000
Unquoted equity shares in corporation, at fair value	456	381

15. Cash and deposits

		Group		Company	
	Note	**2011**	**2010**	**2011**	**2010**
		$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	35	35,933	33,175	4,235	2,341
Fixed deposits with financial institutions	35	38,939	34,871	21,500	19,095
		74,872	68,046	25,735	21,436

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 2011 for the Group and the Company were 1.57% and 0.38% (2010: 2.65% and 2.59%) respectively.

16. Assets classified as held for sale

As at 31 December 2011, certain freehold land and buildings of a subsidiary involved in the Primary Production segment located in Australia, have been classified as "Assets classified as held for sale". This is due to the subsidiary's intention to sell these assets.

	Group	
	2011	**2010**
	$'000	**$'000**
Property, plant and equipment	1,673	8,810

17. Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Leasehold properties $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group									
Cost/valuation:									
At 1.1.2010	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	(4,944)	(1,985)	–	–	(1,707)	(25)	(370)	–	(9,031)
At 31.12.2010 and 1.1.2011	25,873	157,563	40,809	17,281	339,379	31,476	43,217	5,048	660,646
Currency realignment	(14)	1,011	(240)	(147)	(535)	28	(322)	67	(152)
Additions	–	1,581	535	10,210	45,337	2,315	7,704	7,138	74,820
Disposals	(312)	–	(2)	(34)	(2,357)	(714)	(2,152)	–	(5,571)
Acquisition of business	472	769	–	–	1,321	–	40	–	2,602
Transfers between categories	–	462	–	41	4,450	337	18	(5,308)	–
Transfer from assets classified as held for sale	4,986	2,002	–	–	1,722	25	372	–	9,107
At 31.12.2011	31,005	163,388	41,102	27,351	389,317	33,467	48,877	6,945	741,452

17. 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 1.1.2010	–	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	–	(495)	–	–	(1,046)	(15)	(278)	–	(1,834)
At 31.12.2010 and 1.1.2011	–	71,609	23,637	7,824	241,213	25,616	29,148	–	399,047
Currency realignment	–	621	(50)	(44)	(110)	39	(212)	–	244
Charge for the year (Note 5)	–	4,753	794	1,044	20,329	2,022	4,611	–	33,553
Disposals	–	–	(1)	(34)	(1,983)	(704)	(2,063)	–	(4,785)
Transfer from assets classified as held for sale	–	499	–	–	1,054	15	281	–	1,849
At 31.12.2011	–	77,482	24,380	8,790	260,503	26,988	31,765	–	429,908
Net carrying amount:									
At 31.12.2011	31,005	85,906	16,722	18,561	128,814	6,479	17,112	6,945	311,544
At 31.12.2010	25,873	85,954	17,172	9,457	98,166	5,860	14,069	5,048	261,599

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

Analysis of cost and valuation

	Cost $'000	Assets at valuation $'000	Total $'000
At 31 December 2011			
Freehold land	31,005	–	31,005
Freehold buildings	163,388	–	163,388
Leasehold properties	27,149	13,953	41,102
Leasehold improvements	27,351	–	27,351
Plant and machinery	389,317	–	389,317
Furniture, fittings and office equipment	33,467	–	33,467
Motor vehicles	48,877	–	48,877
Construction-in-progress	6,945	–	6,945
	727,499	13,953	741,452
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

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

	Leasehold office and improvements $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost:				
At 1.1.2010	2,841	1,148	769	4,758
Additions	–	7	326	333
Disposals	–	–	(325)	(325)
At 31.12.2010 and 1.1.2011	2,841	1,155	770	4,766
Additions	–	14	184	198
Disposals	–	(480)	(273)	(753)
At 31.12.2011	2,841	689	681	4,211
Accumulated depreciation:				
At 1.1.2010	748	923	726	2,397
Charge for the year	61	31	100	192
Disposals	–	–	(325)	(325)
At 31.12.2010 and 1.1.2011	809	954	501	2,264
Charge for the year	53	24	99	176
Disposals	–	(478)	(273)	(751)
At 31.12.2011	862	500	327	1,689
Net carrying amount:				
At 31.12.2011	1,979	189	354	2,522
At 31.12.2010	2,032	201	269	2,502

(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 $13,321,000 (2010: $14,940,000).

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

(c) During the year, the Group acquired property, plant and equipment with an aggregate cost of $1,743,000 (2010: $966,000) by means of finance leases. The net carrying amount of property, plant and equipment held under finance leases as at 31 December 2011 was $2,958,000 (2010: $1,306,000).

(d) At the end of the financial year, property, plant and equipment with net carrying amounts of $30,800,000 (2010: $30,643,000) were mortgaged/pledged to third parties to secure credit facilities.

18. Investment properties

	Note	Group $'000
Cost:		
At 1 January 2010		43,697
Additions		1,420
Disposals		(393)
At 31 December 2010 and 1 January 2011		44,724
Additions		1,193
Disposals		(1,886)
At 31 December 2011		44,031
Accumulated depreciation:		
At 1 January 2010		24,150
Charge for the year	5	1,419
Disposals		(393)
At 31 December 2010 and 1 January 2011		25,176
Charge for the year	5	1,096
Disposals		(1,164)
At 31 December 2011		25,108
Net carrying amount:		
At 31 December 2011		18,923
At 31 December 2010		19,548

The fair value of investment properties amounted to $20,872,000 (2010: $20,775,000) as at 31 December 2011. 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 7.36% (2010: 8.22%) per annum.

19. Subsidiaries

	Company 2011 $'000	Company 2010 $'000
Cost of investment:		
Unquoted equity shares, at cost	102,720	104,350
Less: Impairment loss	(4,002)	(5,632)
	98,718	98,718
Movements in impairment loss are as follows:		
Balance at beginning of year	5,632	5,882
Charge for the year	–	5,632
Write-off during the year	(1,630)	(5,882)
Balance at end of year	4,002	5,632

During the year, the Company wrote-off the cost of investment amounting to $1,630,000 against the impairment loss provided in prior years as the subsidiary was struck off the Register.

Details of subsidiaries are set out in Note 45(a).

20. Advances to subsidiaries

	Company 2011 $'000	Company 2010 $'000
Advances to subsidiaries	123,210	134,843
Less: Allowance for doubtful debts	–	(23,212)
	123,210	111,631
Movements in the allowance for doubtful debts are as follows:		
At 1 January	23,212	25,342
Write back during the year	(23,212)	–
Currency realignment	–	(2,130)
At 31 December	–	23,212

20. 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 $90,772,000 (2010: $71,220,000) with effective interest rates ranging from 1.48% to 5.75% (2010: 4.75% to 5.50%) per annum. These advances have no fixed terms of repayment and no repayments are expected within the next 12 months.

21. Associates

	Group	
	2011	**2010**
	$'000	**$'000**
Unquoted equity shares, at cost	2,128	24,266
Quasi-equity loan	–	9,357
Group's share of post-acquisition accumulated profits and losses	149	(32,057)
Currency realignment	(335)	330
	1,942	1,896

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

During the year, the Group disposed of its 46.5% equity interest in Shaanxi Hengxing Fruit Juice Co., Ltd for cash consideration of $72,000. In addition, the quasi-equity loan of $9,298,000 was recovered. The equity interest had been written down to nil in previous financial years. The gain on disposal amounted to $766,000.

Details of associates are set out in Note 45(b).

21. Associates *(continued)*

The summarised financial information of the associates are as follows:

	Group	
	2011	**2010**
	$'000	**$'000**
Statement of financial position:		
Property, plant and equipment	4,718	169,812
Other assets	1,387	84,533
Liabilities	(3,829)	(302,951)
	2,276	(48,606)
Income statement:		
Revenue	12,804	340,174
Expenses	(16,085)	(380,107)
Loss before taxation	(3,281)	(39,933)
Taxation	(45)	(37)
Loss after taxation	(3,326)	(39,970)

22. 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 7.00% (2010: 7.00%) per annum is receivable on the advances.

23. Long-term investments

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Fair value through profit or loss				
Unquoted debt securities				
At fair value	908	–	908	–
Held-to-maturity investments				
Quoted debt securities				
At amortised cost	7,978	–	5,978	–
Available-for-sale				
Unquoted investments				
At cost	691	691	–	–
Less: Impairment loss	(691)	(691)	–	–
	–	–	–	–
	8,886	–	6,886	–

The unquoted debt securities does not carry interest (2010: nil) and mature in August 2017.

The quoted debt securities carry interest rates of 2.40% to 4.40% (2010: nil) and mature between February 2013 to June 2021.

Movements in impairment loss are as follows:

	Group	
	2011	2010
	$'000	$'000
Unquoted investments:		
Balance at beginning of year	691	7,339
Charge for the year	–	691
Write-off during the year	–	(7,339)
Balance at end of year	691	691

24. Intangibles

	Group				Company
	Trademark	**Customers lists**	**Goodwill**	**Total**	**Trademark**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Cost:					
At 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 and 1.1.2011	2,750	1,008	1,786	5,544	7,150
Currency realignment	–	14	15	29	–
Acquisition of business	–	448	–	448	–
At 31.12.2011	2,750	1,470	1,801	6,021	7,150
Accumulated amortisation and impairment loss:					
At 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 and 1.1.2011	2,750	68	–	2,818	4,512
Currency realignment	–	3	–	3	–
Amortisation for the year (Note 5)	–	142	–	142	189
At 31.12.2011	2,750	213	–	2,963	4,701
Net carrying amount:					
At 31.12.2011	–	1,257	1,801	3,058	2,449
At 31.12.2010	–	940	1,786	2,726	2,638

Trademark and customers lists with finite life are amortised on a straight-line basis over their useful lives of 20 and 8 to 9 years, respectively.

24. Intangibles *(continued)*

Acquisition of business during the year

In November 2011, a subsidiary acquired a feed mill business in Corowa, New South Wales. At the date of acquisition, the subsidiary recognised the fair value of the identified assets and liabilities of the feed miller.

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

	Recognised on acquisition $'000
Property, plant and equipment	2,602
Intangible – customers list	448
Net assets acquired	3,050
Negative goodwill on acquisition of business	(786)
Total purchase consideration - in cash	2,264

Impairment testing of indefinite life goodwill

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

To calculate this, cash flow projections are based on financial budgets approved by senior management covering a 5 year period. The discount rate applied to the cash flows is 12.5% (2010: 11.0%).

25. Deferred taxation

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Balance at beginning of year	(7,075)	(5,090)	485	440
Currency realignment	(249)	(421)	–	–
Decrease in interest in a subsidiary	–	663	–	–
Acquisition of business	–	253	–	–
Utilised/(addition) during the financial year	2,736	(1,613)	(35)	(42)
(Over)/under provision in prior years	–	(311)	–	87
Charge to other comprehensive income	(1,237)	(556)	–	–
Balance at end of year	(5,825)	(7,075)	450	485
Represented by:				
– Deferred tax assets	(17,769)	(17,749)	–	–
– Deferred tax liabilities	11,944	10,674	450	485
	(5,825)	(7,075)	450	485

25. 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 2010	4,001	5,552	5,263	223	15,039
Addition/(utilised) during the year	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 and 1 January 2011	4,688	5,933	7,438	(310)	17,749
(Utilised)/addition during the year	553	217	(1,644)	(468)	(1,342)
Tax effect of actuarial loss on defined benefit plans charged to other comprehensive income	–	–	–	1,237	1,237
Currency realignment	48	52	38	(13)	125
At 31 December 2011	5,289	6,202	5,832	446	17,769

25. Deferred taxation *(continued)*

	Property, plant and equipment $'000	Fair value adjustment on biological assets $'000	Others $'000	Total $'000
Deferred tax liabilities				
At 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 and 1 January 2011	9,913	734	27	10,674
Charge to profit or loss	1,225	97	72	1,394
Currency realignment	(142)	8	10	(124)
At 31 December 2011	10,996	839	109	11,944

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 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 and 1 January 2011	–	485	485
Write-back to profit or loss	–	(35)	(35)
At 31 December 2011	–	450	450

26. Trade payables

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Trade payables:				
– third parties	86,331	72,685	55	71
– associate	709	558	–	–
	87,040	73,243	55	71

27. Other payables

(a) ***Other payables***

Payable within one year:

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Staff related expenses		19,160	18,632	1,533	1,392
Accrued operating expenses		12,294	12,299	236	415
Sundry creditors		16,588	10,113	2	–
Amounts due to subsidiaries		–	–	4,917	5,303
Amount due to an associate		90	–	–	–
Derivative financial liabilities	27(b)	3	–	–	–
		48,135	41,044	6,688	7,110

Payable after one year:

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Provision for long service leave and retirement benefits	13,600	12,580	–	–
Loan from non-controlling interest	1,084	1,075	–	–
	14,684	13,655	–	–

The amounts due to subsidiaries and an associate are unsecured, interest-free, repayable upon demand and are to be settled in cash.

The loan from non-controlling interest of a subsidiary is unsecured and bears interest at 7.00% (2010: 10.00%) per annum. The loan has no fixed terms of repayment and no repayment is expected within the next 12 months.

27. Other payables *(continued)*

(a) *Other payables (continued)*

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

	Note	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Balance at beginning of year		12,580	11,810	–	–
Currency realignment		84	357	–	–
Provision charged during the year	6	1,354	1,606	–	–
Utilised during the year		(418)	(983)	–	–
Decrease in interest in a subsidiary		–	(210)	–	–
Balance at end of year		13,600	12,580	–	–

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

	2011 Contract notional amount $'000	2011 Fair value $'000	2010 Contract notional amount $'000	2010 Fair value $'000
Group				
Foreign currency contracts				
– not designated as hedges	5,726	3	–	–

At 31 December 2011, the settlement dates on open foreign currency contracts ranged between 1 to 15 months for the following notional amounts:

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Contracts to deliver Singapore Dollars and receive:				
United States Dollars	175	–	–	–
Australian Dollars	232	–	–	–
Other currencies	73	–	–	–
Contracts to deliver Japanese Yen and receive:				
Australian Dollars	5,246	–	–	–
	5,726	–	–	–

28. Exchangeable bond

	Group and Company 2011 $'000	Group and Company 2010 $'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	9,500	10,000
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. Unless mandatorily exchanged and cancelled, the Company was to redeem the Bond at its principal amount on the maturity date, 31 July 2011. The initial public offer of Hamsdale did not take place on or before the maturity date and on 1 August 2011, the maturity date of the Bond was extended for a further term of 2 years to 31 July 2013.

29. Short-term borrowings

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Short-term bank loans:				
– unsecured	49,563	31,809	7,863	–
– secured	21,961	9,607	–	–
	71,524	41,416	7,863	–

The short-term bank loans bear effective interest rates ranging from 1.50% to 5.96% (2010: 4.48% to 6.40%) per annum. The secured portion of the borrowings as at 31 December 2011 was charged against inventories of the Group.

30. Long-term loans and finance leases

	Effective interest rate per annum %	Maturities	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Loans from banks:						
– Loan A	3.09	2012	–	17,320	–	17,320
– Loan B	7.92	2012	–	20,873	–	–
– Loan C	4.14	2017	16,742	16,668	–	–
– Other loans	5.58 - 9.07	2019	6,352	6,249	–	–
Finance leases			2,540	1,127	–	–
			25,634	62,237	–	17,320
Less: Current portion			(2,554)	(18,543)	–	(9,851)
Non-current portion of loans			23,080	43,694	–	7,469

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

Loan A, denominated in Singapore Dollar, with floating interest rate of 3.09% per annum, was unsecured, and was repayable in 12 quarterly instalments commencing from November 2009. The loan was fully repaid during the financial year.

Loan B, denominated in Australian Dollar, with floating interest rate of 7.92% per annum, was unsecured and was repayable in 12 quarterly instalments commencing from September 2009. The loan was fully repaid during the financial year.

Loan C, denominated in Philippines Peso, with floating interest rate of 4.14% (2010: 6.14%) per annum, is secured on certain property, plant and equipment of the Group and of an associate, and is repayable in 20 equal quarterly instalments commencing from October 2012.

Other loans, denominated in Australian Dollar, with interest rates ranging from 5.58% to 9.07% (2010: 6.26%) per annum, are secured on floating charge on certain property, plant and equipment and fixed deposits of the Group, and is repayable in monthly instalments until May 2019.

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

	Minimum lease payments 2011 $'000	Present value of payments 2011 $'000	Minimum lease payments 2010 $'000	Present value of payments 2010 $'000
Group				
Within one year	673	486	357	295
Between one and five years	2,360	2,054	925	832
Total minimum lease payments	3,033	2,540	1,282	1,127
Less: Amount representing finance charges	(493)	–	(155)	–
Present value of minimum lease payments	2,540	2,540	1,127	1,127

Effective interest rates on finance leases range from 5.72% to 11.57% (2010: 5.72% to 11.57%) 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.

31. 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	
	2011	**2010**
	$'000	**$'000**
Benefit liability		
Fair value of plan assets	20,659	19,004
Present value of benefit obligation	(23,474)	(19,744)
Net benefit liability	(2,815)	(740)
Changes in the fair value of plan assets are as follows:		
At 1 January	19,004	22,079
Expected return on plan assets	1,231	1,333
Actuarial losses	(1,913)	(691)
Employer contributions	2,344	2,225
Contributions by plan participants	307	271
Benefits paid	–	(6,474)
Taxes, premiums and expenses paid	(524)	(464)
Currency realignment	210	725
At 31 December	20,659	19,004

31. Pension liabilities *(continued)*

	Group 2011 $'000	Group 2010 $'000
Changes in the present value of the defined benefit obligation are as follows:		
At 1 January	19,744	22,997
Interest cost	968	1,039
Current service cost	582	538
Contributions by plan participants	307	271
Benefits paid	–	(6,474)
Actuarial losses on obligation	2,210	1,162
Taxes, premiums and expenses paid	(524)	(464)
Currency realignment	187	675
At 31 December	23,474	19,744

The Group expects to contribute $2,215,000 to its defined benefit pension plan in 2012.

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

	Group 2011 %	Group 2010 %
Australian equities	30	29
Overseas equities	29	27
Fixed interest securities	19	18
Property	13	10
Other	9	16
	100	100

31. 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	
	2011	**2010**
	%	**%**
Discount rate	3.3	5.4
Salary increase rate	4.0	4.0
Expected rate of return on assets	6.8	6.7

The following table summarises the components of net benefit expense recognised in profit or loss:

	Group	
	2011	**2010**
	$'000	**$'000**
Net benefit expense (recognised within staff costs):		
Service cost	582	538
Interest cost	968	1,039
Expected return on assets	(1,231)	(1,333)
	319	244
Actual return on plan assets	(663)	700

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

	Group				
	2011	**2010**	**2009**	**2008**	**2007**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Plan assets	20,659	19,004	22,079	16,656	30,080
Defined benefit obligation	(23,474)	(19,744)	(22,997)	(20,862)	(27,437)
	(2,815)	(740)	(918)	(4,206)	2,643

32. Share capital

	Group and Company			
	2011		2010	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid :				
At 1 January	497,106,083	214,823	477,245,971	202,692
Issued during the year	21,334,551	12,333	19,860,112	12,131
At 31 December	518,440,634	227,156	497,106,083	214,823

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 20,212,551 ordinary shares at $0.581 per share pursuant to the QAF Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2010; and

(ii) the Company issued 1,122,000 ordinary shares for cash at the average exercise price of $0.526 per share upon the exercise of 1,122,000 share options by employees pursuant to the QAF Limited Share Option Scheme 2000 (Note 36).

33. Reserves

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Revaluation reserve	2,312	2,360	–	–
Capital reserve	17,941	19,005	1,705	1,705
Revenue reserve	132,269	96,071	44,599	25,328
Foreign currency translation reserve	8,506	8,081	–	–
	161,028	125,517	46,304	27,033

33. Reserves *(continued)*

	Company 2011 $'000	Company 2010 $'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	25,328	17,808
Net profit for the year	39,397	26,927
Dividends	(20,126)	(19,407)
At end of year	44,599	25,328
Total	46,304	27,033

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. This reserve was realised upon disposal of the associate.

33. Reserves *(continued)*

Capital reserve *(continued)*

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'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	–	–
	17,941	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.

34. Dividends

	Group and Company	
	2011	**2010**
	$'000	**$'000**
Interim tax-exempt (one-tier) dividend of 1 cent per share in respect of the financial year ended 31 December 2011	5,184	–
Final tax-exempt (one-tier) dividend of 3 cents per share in respect of the financial year ended 31 December 2010	14,942	–
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
	20,126	19,407

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 2009 and 31 December 2010.

The directors have proposed a final tax-exempt (one-tier) dividend of 4 cents per share ("Proposed Final Dividend for FY 2011"), amounting to approximately $20,738,000 be paid in respect of the financial year ended 31 December 2011. 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.

34. 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 2011.

There are no income tax consequence (2010: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

35. Cash and cash equivalents

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

		Group	
	Note	**2011**	**2010**
		$'000	**$'000**
Cash and bank balances	15	35,933	33,175
Fixed deposits with financial institutions	15	38,939	34,871
		74,872	68,046
Less: Fixed deposits pledged as security for credit facilities granted to a subsidiary		(2,858)	–
		72,014	68,046

36. 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.

36. 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 2011 '000	Weighted average exercise price in financial year 2011 $	No. of options in financial year 2010 '000	Weighted average exercise price in financial year 2010 $
Outstanding at beginning of year	9,167	0.538	14,384	0.547
Exercised	(1,122)	(0.526)	(4,777)	(0.560)
Lapsed/forfeited	(336)	(0.498)	(440)	(0.601)
Outstanding at end of year	7,709	0.541	9,167	0.538
Exercisable at end of year	7,709	0.541	9,167	0.538

(In Singapore dollars)

36. Employee benefits *(continued)*

The following table summarises information about options outstanding and exercisable as at 31 December 2011 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
05.04.2002	1,139,000	$0.555	06.04.2003	05.04.2012	1,139,000
13.05.2004	1,950,000	$0.523	14.05.2005	13.05.2014	1,950,000
18.08.2005	1,745,000	$0.513	18.08.2006	17.08.2015	1,745,000
19.05.2006	2,875,000	$0.565	19.05.2007	18.05.2016	2,875,000
	7,709,000				7,709,000

During the financial year, 1,122,000 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 2011, the cumulative expenses recognised in respect of share options amounted to $1,705,000 (2010: $1,705,000).

37. Commitments

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
(i) Capital commitments not provided for in the financial statements:				
Expenditure contracted in respect of property, plant and equipment and investment properties	6,343	23,057	–	–
Approved by the directors but not contracted for	2,147	1,691	–	–
	8,490	24,748	–	–
(ii) Commitments to purchase bulk supplies of raw materials	34,194	22,660	–	–
(iii) Lease commitments payable – where a group company is a lessee				
Commitments under non-cancellable operating leases. The minimum lease payments are leases which expire:				
Within one year	5,865	5,248	91	135
Between one and five years	10,464	8,003	135	227
After five years	23,142	19,079	–	–
	39,471	32,330	226	362

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

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

38. Contingent liabilities (unsecured)

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
(a) Guarantees issued for bank facilities granted to subsidiaries	–	–	130,565	149,080
Amounts utilised by subsidiaries as at end of the reporting period	–	–	63,486	62,289
(b) Claims by a subsidiary's employee via industrial court case	–	42	–	–

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

39. 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 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Purchases from an associate	4,047	3,553	–	–
Land rental charges paid to an associate	236	233	–	–
Interest income from associates	206	401	–	–
Office rental paid to a director	10	38	10	38
Management fee income from an associate	114	108	–	–
Management fee income from subsidiaries	–	–	1,232	1,300
Royalty income from subsidiaries	–	–	22,767	19,899
Interest income from advances to subsidiaries	–	–	4,765	3,815
Dividend income from subsidiaries	–	–	399	10,543

39. Related party transactions *(continued)*

(b) Compensation of key management personnel

	Group	
	2011	**2010**
	$'000	**$'000**
Fees and remuneration	3,626	3,221
Contribution to the Central Provident Fund	18	15

40. 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 $130,565,000 (2010: $149,080,000) 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 $63,486,000 (2010: $62,289,000).

Information regarding credit enhancements for trade receivables is disclosed in Note 12.

40. 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			
	2011		2010	
	$'000	% of total	$'000	% of total
By industry:				
Bakery	46,041	55	41,086	52
Primary production	20,975	25	22,786	29
Trading and logistics	17,131	20	14,718	19
Investments and others	320	–	234	–
	84,467	100	78,824	100
By country:				
Singapore	30,342	36	27,831	35
Australia	22,644	27	23,869	30
Philippines	14,639	17	13,137	17
Malaysia	16,331	19	13,604	17
Other countries	511	1	383	1
	84,467	100	78,824	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.

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

(b) ***Liquidity risk*** *(continued)*

	2011				2010		
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Total $'000
Group							
Financial assets:							
Trade and other receivables	93,056	–	–	93,056	110,608	–	110,608
Investment securities	719	6,471	3,396	10,586	381	–	381
Cash and deposits	74,872	–	–	74,872	68,046	–	68,046
Advances to associates	–	3,019	–	3,019	–	3,009	3,009
Total undiscounted financial assets	168,647	9,490	3,396	181,533	179,035	3,009	182,044
Financial liabilities:							
Trade and other payables	135,175	1,084	–	136,259	114,287	1,075	115,362
Borrowings	76,427	23,431	2,277	102,135	65,819	60,327	126,146
Exchangeable bond	–	10,000	–	10,000	10,000	–	10,000
Total undiscounted financial liabilities	211,602	34,515	2,277	248,394	190,106	61,402	251,508
Total net undiscounted financial (liabilities)/assets	(42,955)	(25,025)	1,119	(66,861)	(11,071)	(58,393)	(69,464)

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

(b) ***Liquidity risk*** *(continued)*

	2011				2010		
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Total $'000
Company							
Financial assets:							
Investment securities	215	4,466	3,396	8,077	–	–	–
Other receivables	40,611	–	–	40,611	41,801	–	41,801
Cash and deposits	25,735	–	–	25,735	21,436	–	21,436
Advances to subsidiaries	–	123,210	–	123,210	–	111,631	111,631
Total undiscounted financial assets	66,561	127,676	3,396	197,633	63,237	111,631	174,868
Financial liabilities:							
Trade and other payables	6,743	–	–	6,743	7,181	–	7,181
Borrowings	7,872	–	–	7,872	10,078	7,517	17,595
Exchangeable bond	–	10,000	–	10,000	10,000	–	10,000
Total undiscounted financial liabilities	14,615	10,000	–	24,615	27,259	7,517	34,776
Total net undiscounted financial assets	51,946	117,676	3,396	173,018	35,978	104,114	140,092

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	63,486	–	–	63,486	62,289	–	62,289

40. 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.

Loans denominated in	Increase/ decrease in basis points	Effect on profit after taxation 2011 $'000	Effect on profit after taxation 2010 $'000
Australian Dollar	+ 50	(235)	(301)
Australian Dollar	– 50	235	301

(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), Philippine Peso (Peso), 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 $116,495,000 (2010: $112,277,000).

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, the Philippines and Australia. The Group's net investments in Malaysia, the Philippines and Australia are not hedged as currency positions in Ringgit, AUD and Peso 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.

	2011		2010	
	Profit after taxation $'000	Equity $'000	Profit after taxation $'000	Equity $'000
AUD – strengthened 1% (2010: 1%)	213	927	252	959
– weakened 1% (2010: 1%)	(213)	(927)	(252)	(959)

41. Classification of financial instruments

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$'000	**$'000**	**$'000**	**$'000**
Loans and receivables				
Trade receivables	84,467	78,824	–	–
Other receivables	8,589	31,784	40,611	41,801
Cash and deposits	74,872	68,046	25,735	21,436
Advances to associates	3,019	3,009	–	–
Advances to subsidiaries	–	–	123,210	111,631
	170,947	181,663	189,556	174,868
Available-for-sale financial assets				
Short-term investments	456	381	–	–
Held-to-maturity financial assets				
Long-term investments	7,978	–	5,978	–
Financial liabilities measured at amortised cost				
Trade payables	87,040	73,243	55	71
Other payables	49,216	42,119	6,688	7,110
Liability component of exchangeable bond	9,500	10,000	9,500	10,000
Short-term borrowings	71,524	41,416	7,863	–
Long-term loans and finance leases	25,634	62,237	–	17,320
	242,914	229,015	24,106	34,501
Fair value through profit or loss				
Long-term investments	908	–	908	–
Forward currency contracts	(3)	–	–	–
Derivative component of exchangeable bond	(500)	–	(500)	–
	405	–	408	–

42. 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				
2011				
Financial assets				
Long-term investments	23	–	908	–
Financial liabilities				
Derivative component of exchangeable bond	28	–	–	500
Forward currency contracts	27(b)	–	3	–

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.

42. 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 2011	–
Total loss in profit or loss	–
Recognised during the year	500
	500

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

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

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

Management has determined that the carrying amounts of cash and short term deposits, current trade and other receivables, current trade and other payables, current bank loans, 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 investments stated at cost have no market prices and the fair value cannot be reliably measured using valuation techniques.

42. 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:

	2011 $'000		2010 $'000	
	Carrying amount	Fair value	Carrying amount	Fair value
Group				
Financial liabilities:				
Liability component of exchangeable bond	9,500	9,618	10,000	10,000

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.

43. 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.

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

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

The livestock industry is exposed to risks associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. 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 37(ii).

44. Segmental reporting

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

(i) Bakery – Manufacture and distribution of bread, confectionery and bakery products

(ii) Primary production – Production, processing and marketing of meat; feedmilling and sale of animal feeds and related ingredients

(iii) Trading and logistics – Trading and distribution of food and beverage products and provision for warehousing logistics for food items

(iv) 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.

44. Segmental reporting *(continued)*

	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Eliminations $'000	Consolidated $'000
2011						
Revenue and expenses						
Revenue from external customers	470,346	399,852	89,314	4,675	–	964,187
Other revenue from external customers	2,783	5,124	819	1,786	–	10,512
Inter-segment revenue	14	627	62	23,999	(24,702)	–
	473,143	405,603	90,195	30,460	(24,702)	974,699
Unallocated revenue						2,282
Total revenue						976,981
Segment results	60,029	9,830	3,134	22,612	–	95,605
Unallocated revenue						2,282
Unallocated expenses						(9,550)
Profit from operating activities						88,337
Finance costs						(6,725)
Share of profits of associates	42	–	–	–	–	42
Profit before taxation						81,654
Taxation						(15,746)
Profit after taxation						65,908

44. Segmental reporting *(continued)*

	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	84	–	10,532
Inter-segment revenue	–	980	55	21,199	(22,234)	–
	431,099	336,718	84,236	24,854	(22,234)	854,673
Unallocated revenue						1,737
Total revenue						856,410
Segment results	66,791	9,000	3,771	6,216	–	85,778
Unallocated revenue						1,737
Unallocated expenses						(7,957)
Profit from operating activities						79,558
Finance costs						(6,808)
Share of profits/(losses) of associates	33	–	–	(1,844)	–	(1,811)
Profit before taxation						70,939
Taxation						(14,092)
Profit after taxation						56,847

44. Segmental reporting *(continued)*

	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Consolidated $'000
2011					
Assets and liabilities					
Segment assets	276,071	276,621	60,734	51,465	664,891
Associates	4,961	–	–	–	4,961
Total assets	281,032	276,621	60,734	51,465	669,852
Deferred tax assets					17,769
Tax recoverable					384
Total assets per consolidated statement of financial position					688,005
Segment liabilities	80,094	59,834	12,831	2,455	155,214
Provision for taxation					4,057
Deferred tax liabilities					11,944
Exchangeable bond					10,000
Bank borrowings					94,618
Total liabilities per consolidated statement of financial position					275,833
Other segment information					
Expenditure for non-current assets	61,476	12,749	1,892	2,946	79,063
Amortisation and depreciation	22,295	10,433	1,527	536	34,791
Allowance for inventory obsolescence (written back)/charged	(77)	–	10	–	(67)
Allowance for doubtful debts (written back)/charged and bad debts (written back)/written off	165	40	73	(21,558)	(21,280)

44. Segmental reporting *(continued)*

	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Consolidated $'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 (written back)/charged and debts written off	470	(41)	132	(6,310)	(5,749)

44. Segmental reporting *(continued)*

Geographical information

	Revenue		Non-current assets	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Singapore	166,639	165,609	31,375	28,362
Malaysia	294,082	268,712	119,252	84,006
Australia	407,778	326,287	157,819	145,800
Philippines	101,999	87,150	25,079	25,705
Other countries	6,483	8,652	–	–
	976,981	856,410	333,525	283,873

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.

45. Subsidiaries and associates

(a) The subsidiaries as at 31 December 2011 are:-

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2011 %	2010 %
	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

(In Singapore dollars)

45. Subsidiaries and associates *(continued)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2011 %	2010 %
	Bakery *(continued)*			
(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
(3)	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
	Primary production			
@	QAF Feeds Pty Ltd (Australia)	Manufacturing of stockfeed and sales and distribution of animal feed products (Australia)	–	100
(3)	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
(3)	Diamond Valley Pork Pty Ltd (Australia)	Pig meat processing and wholesale (Australia)	80	80

(In Singapore dollars)

45. Subsidiaries and associates *(continued)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2011 %	2010 %
	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			
(3)	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
(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

(In Singapore dollars)

45. Subsidiaries and associates *(continued)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2011 %	2010 %
	Investments and others *(continued)*			
(1)	Hamsdale International Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(3)	Hamsdale Australia Pty Ltd (Australia)	Investment holding (Australia)	100	100
@	Camellia Bakeries (S) Pte Ltd (Singapore)	Investment holding (Singapore)	–	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
(3)	Bakers Maison Pty Ltd (Australia)	Investment holding (Australia)	100	100
@	Dongjia Investments Pte Ltd (Singapore)	Investment holding (Singapore)	–	100
(1)	Edenc Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Pacfi Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Bakers Maison Pte Ltd (Singapore)	Investment holding (Singapore)	100	100

(In Singapore dollars)

45. Subsidiaries and associates *(continued)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2011 %	2010 %
	Dormant corporations			
*	Auspeak Holdings Pte Ltd (Singapore)	Dormant	100	100
*	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
@	Bonjour Bakery Sdn Bhd (Malaysia)	Dormant	–	100
@	Summit Rainbow Sdn Bhd (Malaysia)	Dormant	–	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
@	QAF Management Services (S) Pte Ltd (Singapore)	Dormant	–	100
(1)	Hengxing Fruit Juice (Singapore) Pte Ltd (Singapore)	Dormant	100	100
^	Singfood Investment Pte Ltd (Singapore)	Dormant	100	100

(In Singapore dollars)

45. Subsidiaries and associates *(continued)*

(b) The associates as at 31 December 2011 are:

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2011 %	2010 %
[4]	Philfoods Fresh-Baked Products Inc (Philippines)	Bread manufacturer (Philippines)	40	40
[4]	Phil Foods Properties Inc (Philippines)	Investment holding (Philippines)	40	40
#	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

Note

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

@ De-registered/struck off or voluntary wound-up during the year

\# Disposed during the year

^ In process of being struck off

Audited by:

(1) Ernst & Young LLP, Singapore

(2) Ernst & Young, Malaysia

(3) Ernst & Young, Australia

(4) Sycip Gorres Velayo & Co, Philippines

46. 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.

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 2010, is also to maintain gearing ratios on net debt-to-equity ratio of not exceeding 1.5 times.

	Group	
	2011	**2010**
	$'000	**$'000**
Net debt	31,786	45,607
Shareholders' funds	388,184	340,340
Net debt-to-equity ratio	0.1 times	0.1 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 2011.

47. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 16 March 2012.

List Of Major **Properties**

The Group's major properties as at 31 December 2011 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

List Of Major **Properties**

The Group's major properties as at 31 December 2011 are:

	Name of building/location	Description	Tenure of land
(b)	**Properties in Malaysia** *(continued)*		
	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
(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
	Corowa Piggery Hudsons Road, Corowa New South Wales 2646	Piggery Farming	Freehold
	Bungowannah Piggery Howlong Road Bungowannah New South Wales	Piggery Farming	Freehold

List Of Major **Properties**

The Group's major properties as at 31 December 2011 are:

	Name of building/location	Description	Tenure of land
(c)	**Properties in Australia** *(continued)*		
	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
	Whitehead Street Corowa, NSW 2646	Farming related use	Freehold
	Diamond Valley Pork 13-15 Thomas Street Laverton, North Victoria	Abattoir	Freehold
	Oxdale Dairy No. 1 RMB 2048 Parnell Road Cobram, Victoria 3644	Dairy Farming	Freehold
	Oxdale Dairy No. 2 Murray Valley Highway Cobram, Victoria 3644	Dairy Farming	Freehold
	Oxdale Dairy Lots 11, 13 and 32 Johnson Street Corowa, NSW 2646	Grain Storage	Freehold
	Oxdale Mill 72 Whitehead Street Corowa, New South Wales	Feedmill	Freehold
	96 to 98 Milperra Road Milperra, New South Wales	Bakery and office premises	Freehold

Statistics of **Shareholdings**

As at 16 March 2012

Issued and Fully paid-up Capital	:	$227,483,834
Class of Shares	:	Ordinary Shares

Analysis of Shareholders by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	437	9.58	105,340	0.02
1,000 - 10,000	3,061	67.11	12,013,797	2.31
10,001 - 1,000,000	1,035	22.69	54,793,411	10.56
1,000,001 and above	28	0.62	452,130,086	87.11
	4,561	100.00	519,042,634	100.00

List of Twenty Largest Shareholders

S/No.	Name of Shareholder	No. of Shares	%
1.	Tian Wan Enterprises Company Limited	112,177,124	21.61
2.	Tian Wan Equities Company Limited	95,411,385	18.38
3.	Tian Wan Holdings Group Limited	95,411,384	18.38
4.	HSBC (Singapore) Nominees Pte Ltd	47,059,933	9.07
5.	J&H International Limited	19,837,393	3.82
6.	Goi Seng Hui	11,390,818	2.19
7.	Citibank Nominees Singapore Pte Ltd	9,466,833	1.82
8.	HL Bank Nominees (Singapore) Pte Ltd	6,403,694	1.23
9.	CIMB Nominees (Singapore) Pte Ltd	6,046,833	1.16
10.	DBS Nominees Pte Ltd	6,034,001	1.16
11.	Bank of Singapore Nominees Pte Ltd	5,967,392	1.15
12.	United Overseas Bank Nominees (Private) Limited	5,621,601	1.08
13.	ABN Amro Nominees Singapore Pte Ltd	4,627,735	0.89
14.	Lai Choy Kuen	3,652,732	0.70
15.	OCBC Securities Private Limited	2,810,676	0.54
16.	Tan Kong King	2,661,136	0.51
17.	OCBC Nominees Singapore Private Limited	2,529,220	0.49
18.	Lee Fook Khuen	2,219,525	0.43
19.	DBS Vickers Securities (Singapore) Pte Ltd	2,077,072	0.40
20.	Mayban Nominees (Singapore) Pte Ltd	1,500,000	0.29
		442,906,487	85.30

Substantial Shareholders

	Direct Interest		Deemed Interest		Total Interest	
Name of Substantial Shareholder	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Andree Halim	–	–	322,837,286 [(1)]	62.20	322,837,286	62.20
Lin Kejian	–	–	207,588,509 [(2)]	39.99	207,588,509	39.99
Tian Wan Enterprises Company Limited	112,177,124	21.61	–	–	112,177,124	21.61
Tian Wan Equities Company Limited	95,411,385	18.38	–	–	95,411,385	18.38
Tian Wan Holdings Group Limited	95,411,384	18.38	–	–	95,411,384	18.38
Denonshire Group Limited	45,820,712	8.83	–	–	45,820,712	8.83
Didi Dawis	–	–	45,820,712 [(3)]	8.83	45,820,712	8.83
Saiman Ernawan	–	–	45,820,712 [(3)]	8.83	45,820,712	8.83

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 of Annual **General Meeting**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at No. 224 Pandan Loop, Singapore 128411 on 26 April 2012 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 2011. **(Resolution 1)**

2. To approve a final tax-exempt (one-tier) dividend of 4 cents per share in respect of the year ended 31 December 2011. **(Resolution 2)**

3. To re-elect the following Directors:

   (a) Mr Andree Halim (retiring under Article 104 of the Articles of Association) **(Resolution 3a)**
   (b) Mr Tan Hin Huat (retiring under Article 104 of the Articles of Association) **(Resolution 3b)**
   (c) Ms Tarn Teh Chuen (retiring under Article 104 of the Articles of Association) **(Resolution 3c)**

4. To approve Directors' fees of $145,200 for the year ended 31 December 2011 (2010: $160,050). **(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 subject to Rule 806 of the Listing Manual of 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 Part VIII of Chapter 8 of 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, 11 April 2012

Explanatory Notes:

i) For Ordinary Resolutions:

3(a) – Mr Andree Halim is a non-executive Director of the Company and a substantial shareholder holding approximately 62.20% of the ordinary shares in the Company.

3(b) - Mr Tan Hin Huat is a non-executive independent Director of the Company. He is the chairman of the Audit Committee as well as a member of the Nominating Committee and Remuneration Committee of the Company.

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

Further information on the above Directors can be found on pages 11 and 12 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 10 May 2012 up to and including 11 May 2012 for the purpose of determining shareholders' entitlements to a final tax-exempt (one-tier) dividend of 4 cents per share for the financial year ended 31 December 2011 ("Dividend 2011").

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 10 May 2012 will be entitled to the Dividend 2011 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 80 Robinson, #02-00, Singapore 068898 up to 5.00 p.m. on 10 May 2012 will be registered to determine shareholders' entitlements to the Dividend 2011.

The QAF Limited Scrip Dividend Scheme as approved by the members of the Company on 28 April 2006 will apply to the Dividend 2011 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 2011 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, 11 April 2012

This page is left blank intentionally

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 26 April 2012 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 4 cents per share.		
3.	To re-elect Directors:		
	(a) Mr Andree Halim		
	(b) Mr Tan Hin Huat		
	(c) Ms Tarn Teh Chuen		
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 ____________________ 2012 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