STRENGTH THROUGH STABILITY

ANNUAL REPORT 2012

QAF Limited

CONTENTS

CORPORATE INFORMATION
(As at 15 March 2013)

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

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 Philip Ng
(Since the financial year ended 31 December 2012)

PRINCIPAL BANKERS
DBS Bank Limited
Rabobank International
Standard Chartered Bank
United Overseas Bank Limited

CHAIRMAN'S STATEMENT

Dear Shareholders,

2012 proved to be a volatile and challenging year as the financial turmoil in the eurozone continued to impact on the global economic recovery, weakening trade and employment and slowing economic growth.

Oil prices remained high and volatile. The prices of grains and raw materials soared on the back of natural disasters, climate change and drought in grain producing countries.

I am pleased to report that against the backdrop of a fragile economic environment, our businesses remained focused and we were able to leverage on our strong portfolio of brands to sustain sales in all our business segments.

For the financial year ended 31 December 2012, the Board is pleased to recommend a final dividend of 4 cents per share. If approved by shareholders, the total dividend payout during the year will be 5 cents, including an interim dividend of 1 cent per share that was paid in September 2012.

On behalf of the Board, I wish to thank our bankers, suppliers, customers, business associates, management and staff, and shareholders for their loyal and unfailing support.

DIDI DAWIS
Chairman
15 March 2013

I am pleased to report that against the backdrop of a fragile economic environment, our businesses remained focused and we were able to leverage on our strong portfolio of brands to sustain sales in all our business segments.

GROUP MANAGING DIRECTOR'S REPORT

In Malaysia, Gardenia was voted the country's Most Preferred Brand for the 3rd year in a row in a nationwide poll of Malaysian consumers, garnering a Gold award in the prestigious 2012 Putra Brand Awards.

Evolution of the European debt crisis took centre stage in 2012, threatening the stability of the global economy and monetary system. A sluggish US economy, a sharp slowdown in China, rising unemployment and deteriorating international trade prompted governments to adopt ultra-accommodative monetary polices to support growth. Oil and raw material costs remained high, creating inflationary pressures.

In Singapore, the flagging external demand and concerns over rising business costs weighed heavily on business sentiment. Amidst these challenging economic conditions, Group revenue rose to $984.2 million for the financial year ended 31 December 2012 ('FY2012') from $977.0 million for the financial year ended 31 December 2011 ('FY2011').

The increase was attributable to revenue contributions from our Bakery and Trading & Logistics business segments. However, contribution from our Primary Production business segment under Rivalea (Australia) Pty Ltd ('Rivalea') was relatively flat as Rivalea had restructured its meat trading activities to substantially cut down on the sales of low-margin meat to concentrate on higher-margin value-added meat cuts.

Despite the marginal increase in revenue of 1%, we are encouraged that the strong market position and resilience of our brands has enabled our major business segments to sustain sales under difficult trading conditions.

Gardenia remained the top-selling brand of packaged bread in the Singapore, Malaysian and Philippine markets, maintaining its market share in each respective country despite fierce competition from other bread brands. Gardenia's loyal customer base and strong focus on product innovation and effective marketing strategies gave it a competitive advantage and enabled it to drive sales in all its markets.

In Singapore, Gardenia Foods (S) Pte Ltd continued to lead the local packaged bread market with a wide range of 56 varieties of bakery products. Its diverse product range reflects its commitment to keep abreast of the demands of a fast-changing market and has enabled it to enjoy increased sales.

In the Philippines, Gardenia dominated the Metro Manila packaged bread market, commanding a market share in excess of 60%. Despite operating in a highly competitive environment marked by aggressive price cutting and 'Buy-1-Take-1' promotional offers, Gardenia Bakeries (Philippines) Inc posted healthy sales increases.

In Malaysia, Gardenia was voted the country's Most Preferred Brand for the 3rd year in a row in a nationwide poll of Malaysian consumers, garnering a Gold award in the prestigious 2012 Putra Brand Awards. Despite keen competition, the Malaysian operations saw successful launches of several innovative and healthy breads. To meet increased demand, a new production line was commissioned during the year.

In Australia, our operations under Bakers Maison Australia Pty Ltd ('Bakers Maison') posted another impressive year of double-digit sales growth as it further expanded its distribution network into new territories. Bakers Maison is a specialist manufacturer of wholesale authentic French-style breads, pastries and sweets in Sydney. During the year, the company commissioned a new bread line for the production of artisan bread products.

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

Staff costs rose by 7% from $206.8 million in FY2011 to $222.2 million in FY2012. This was due to increased staff hiring by the Group's Bakery operations for its expanded distribution activities and by the Primary Production operations for its increased meat processing, meat cutting and distribution activities.

Amortisation and depreciation increased by 5% to $36.4 million in FY2012, due mainly to increased depreciation charges resulting from additional production lines and facilities in the Bakery operations.

GROUP MANAGING DIRECTOR'S REPORT

To maintain its competitiveness, the Group has taken significant steps to drive growth and increase sales and profitability. The measures, which include the launch of new innovative products and increased marketing and promotional efforts, have begun to produce positive results.

Other operating expenses increased from $55.8 million in FY2011 to $84.4 million in FY2012. This was mainly attributable to a one-time write-back of allowance for doubtful debts of $21.3 million in FY2011. The write-back was in respect of advances made to a former associate, Shaanxi Hengxing Fruit Juice Co Ltd. There is no write-back of allowance in FY2012 as the Group had sold its interest in this associate in FY2011 and obtained repayment of the advances.

High international oil prices resulted in higher distribution and transportation expenses for the Group. Advertising and promotion costs also increased in FY2012, due to the launches of several new products by the Bakery and Primary Production business segments.

Group finance costs (interest expense) decreased by 24% to $5.1 million in FY2012, as compared to $6.7 million in FY2011, due generally to lower interest rates.

Group profit before taxation for FY2012 fell by 41% to $47.9 million from $81.7 million in FY2011.

The decline is mainly attributable to the above mentioned write-back of allowance for doubtful debts of $21.3 million in FY2011. As the Group had obtained repayment of the advances, there was no write-back in FY2012. However, if the write-back of allowance for doubtful debts of $21.3 million was excluded in FY2011, the Group's profit before taxation would have decreased by 21% or $12.5 million against a profit before taxation of $60.4 million, instead of $81.7 million in FY2011.

The Trading and Logistics business segment saw increased profitability in FY2012 from higher sales and better margins. The Gardenia operations in the Philippines also turned in healthy profits, boosted by sales of innovative new products.

During the year, the Bakery segment operated in a highly competitive environment impacted by high fuel, utilities, raw material and business costs. This had adversely affected the sales of certain higher margin products leading to a decline in margins and smaller contributions from the Bakery business segment.

In addition to high fuel and utilities costs, the Primary Production business segment was also impacted by depressed selling prices for its products. This had eroded margins, resulting in a reduced contribution to profit.

To maintain its competitiveness, the Group has taken significant steps to drive growth and increase sales and profitability. The measures, which include the launch of new innovative products and increased marketing and promotional efforts, have begun to produce positive results.

Group taxation decreased by 40% to $9.4 million in FY2012, as compared to $15.7 million in FY2011.

Group profit after taxation decreased by 42% to $38.5 million for FY2012, as compared to $65.9 million for FY2011.

The decline in Group profit after taxation saw earnings per share fall from 11.6 cents to 6.6 cents. The Group's net asset value per share remained unchanged at 74.9 cents.

As a responsible corporate citizen, we are committed to operating and growing our businesses in a responsible and economically sustainable manner that minimizes our impact on the environment and eco-system. Key corporate social responsibility ('CSR') initiatives for the Group are social and environmental concerns pertaining to health, local community, labour and environment. During the year, we continued with our CSR efforts and these are detailed in a separate section in this annual report.

The global economy is expected to remain sluggish with uncertainties stemming from Europe's unresolved debt crisis. Developments in the euro area will continue to impact on the global economy. Economic growth in Singapore and the region is expected to remain lackluster, constrained by economic uncertainties, external weaknesses and rising business costs, particularly from higher grain, raw material and fuel prices.

However, we are encouraged by the Group's operational resilience in a tough trading environment and believe that our strong portfolio of businesses, innovative products and leading market position has given us a strong base to drive growth in existing and new markets. In this regard, the Group has started to expand the Gardenia bakery operations to China with the establishment of a joint-venture subsidiary, Gardenia Food (Fujian) Co Ltd ('Gardenia Fujian') in July 2012. Gardenia Fujian will serve as the Group's pilot project for the production and sale of Gardenia products in Fujian Province and give Gardenia a foothold for future expansion of its operations into the Greater China market.

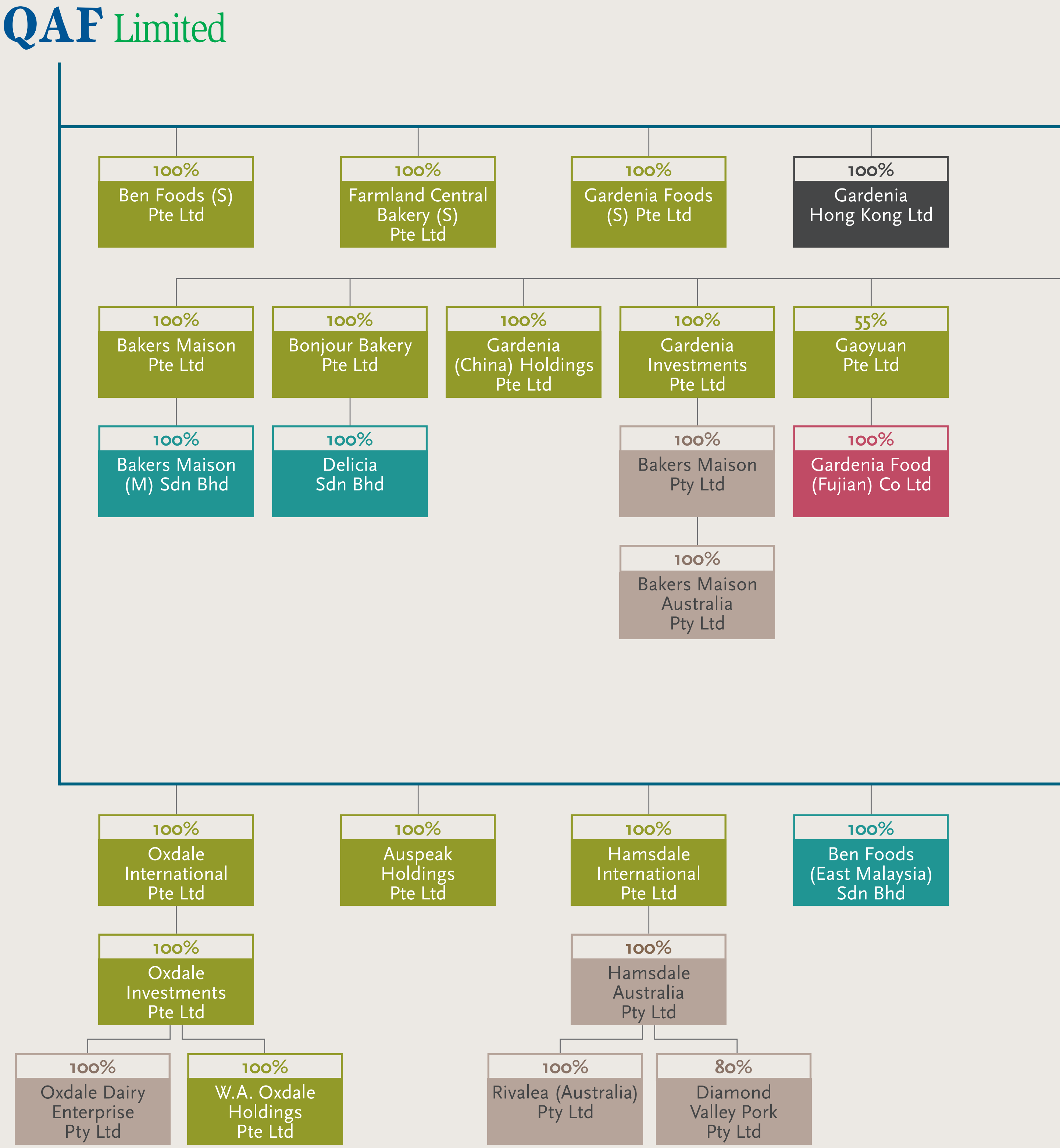
We will continue to enhance operational efficiencies to achieve greater cost effectiveness in order to meet the challenges of an ever-changing economic and competitive business environment. We will invest in the development of our brands through new innovative products and promotions and expect increased sales in the Bakery and Primary Production business segments from new product launches and strategic marketing initiatives.

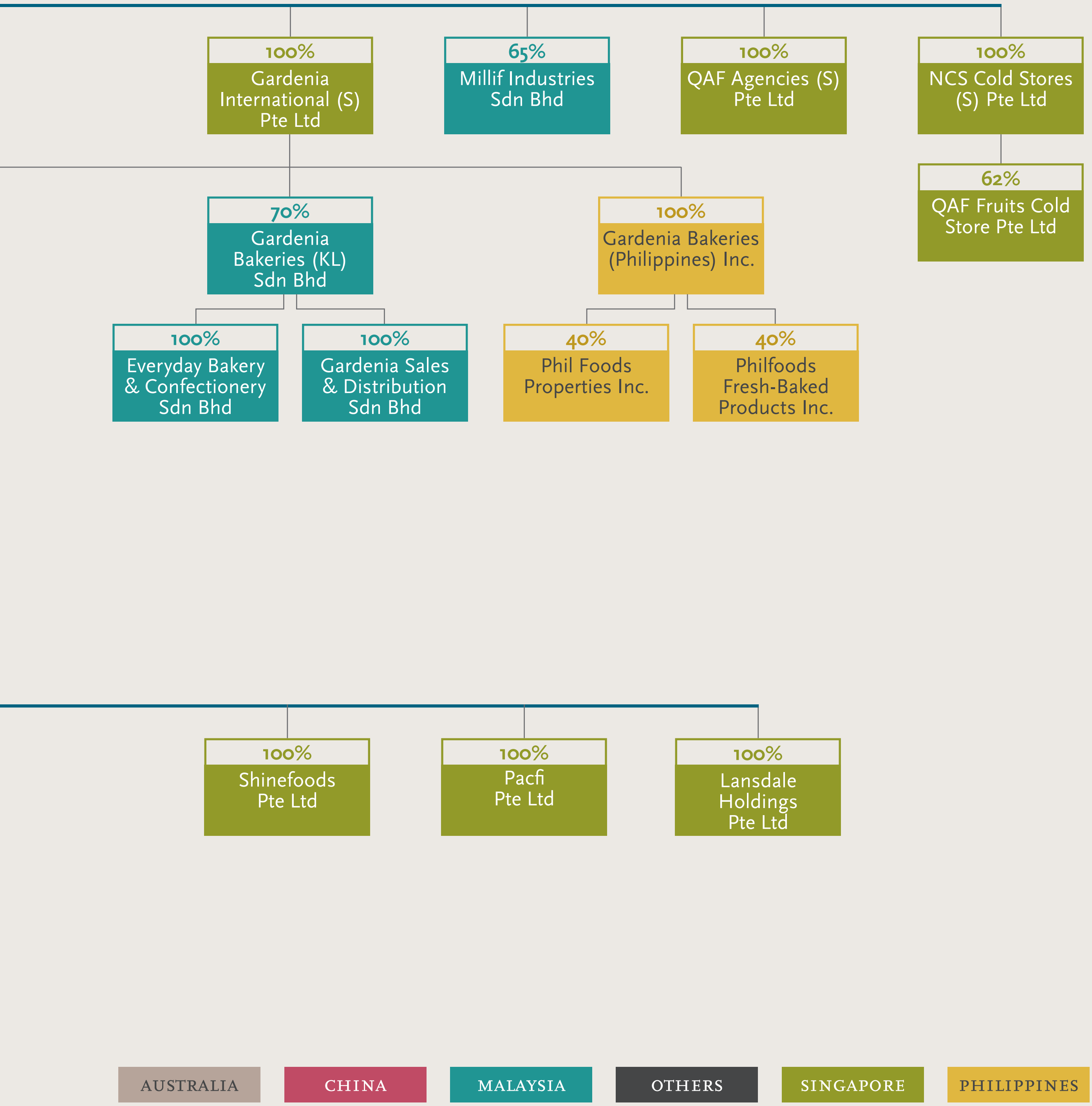
The year ahead is expected to be increasingly challenging with higher escalations in raw material and other operating costs. Despite these challenging conditions, we are cautiously optimistic for the future. Barring any unforeseen circumstances, the Group expects to achieve increased revenues and an encouraging level of profitability, particularly in the later part of 2013.

TAN KONG KING
Group Managing Director
15 March 2013

QAF SUBSIDIARIES AND ASSOCIATED COMPANIES

(As at 15 March 2013)





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

BOARD OF DIRECTORS

DIDI DAWIS

ANDREE HALIM

TAN KONG KING

TARN TEH CHUEN

KELVIN CHIA HOO KHUN

TAN HIN HUAT

SOH GIM TEIK

LIN KEJIAN

DIDI DAWIS, 67

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 8.74% in the total issued shares of the Company as at 15 March 2013.

ANDREE HALIM, 65

Vice-Chairman
Non-executive Director

DATE OF LAST ELECTION
26 April 2012

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 61.57% in the total issued shares of the Company as at 15 March 2013.

TAN KONG KING, 62

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 Directorof 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 32 years of experience in managing group operations and over 17 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.

BOARD OF DIRECTORS

TARN TEH CHUEN, 53

Executive Director

DATE OF LAST ELECTION

26 April 2012

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 22 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.

KELVIN CHIA HOO KHUN, 61

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

TAN HIN HUAT, 60

Non-executive Independent Director

DATE OF LAST ELECTION

26 April 2012

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 32 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.

SOH GIM TEIK, 58

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)

LIN KEJIAN, 34

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 1 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 39.90% in the total issued shares of the Company as at 15 March 2013.


Gardenia
Corn loaf
Banana Walnut Loaf
California Raisin Loaf
Raisin Buns
Butter Rolls
Hamburger Buns
Hotdog Buns
Calcium Milk Bread
plus Omega and Inulin
High Fibre White
Enriched with Vitamins and minerals
White Bread
Fine Grain
Wholemeal Bread
Super Soft & Fine
Wheatgerm & Bran
Whitemeal Bread
Nutri Multi-Grain
Junior White Thick Slice
Junior Fine Grain Wholemeal
Super Soft & Fine
Wholemeal
Fresh Mediterranean Focaccia
Country Loaf
Garlic Wrap
Wholemeal Wraps
Freshly Baked in Singapore
Ciabatta

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

Gardenia is Singapore's leading brand of packaged loaf bread offering a wide variety of sandwich breads, speciality breads, country loaves, fruit loaves, plain and filled buns and rolls. Together with its sister brand, Bonjour, Gardenia occupies a dominant position in the local bread market as Singapore's best-selling brands of packaged bread.

During the year, the strong brand loyalty and support of consumers enabled Gardenia Singapore to successfully overcome the challenges of rising costs and a highly competitive marketplace to further grow its leadership position and achieve higher sales volumes. The company's resilience is attributable to its unwavering focus on product innovation, effective marketing strategies and its efforts to achieve greater manufacturing and distribution efficiencies.

In 2012, the company enhanced its brands with the development of 5 new products, expanding its family of bakery products to a total of 56 varieties.

To keep pace with a fast-changing market and to cater to the tastes of a discerning and sophisticated consumer, the company launched 3 new gourmet breads. They are the Gardenia Garlic Wraps, Gardenia Bread Stix and Gardenia Ciabatta.

The Gardenia Garlic Wraps were launched in April 2012 following consumers' positive reception of its soft freshly-baked wraps in Plain and Wholemeal variants in 2011. The wraps offer consumers a convenient and versatile alternative to sandwich bread.

In June 2012, the company launched the Gardenia Bread Stix in 2 variants – Garlic & Herbs and Tomato & Cheese. These savoury breadsticks come in a pack of 4 to provide consumers with ready-to-eat convenience.

Building on the success of the Gardenia Mediterranean Panini which was launched in 2011, Gardenia introduced the Gardenia Ciabatta, a European-style gourmet bread in October 2012 to expand its Country Loaves range of products.

OPERATIONAL REVIEW
BAKERY

The fast-paced lifestyle of modern society has given rise to an increased demand for convenience foods. To meet this demand, the company introduced two types of buns – the Gardenia Lattice Bun and Gardenia Braided Bun. The Lattice Buns were introduced in June 2012 and come in 2 popular traditional local fillings, Kaya and Red Bean. The Braided Buns were launched In December 2012 and are soft and uniquely shaped. They are available in 2 trendy variants, Salted Caramel and Pineapple Custard and cater to the younger consumer.

Gardenia Singapore is committed to improving the health of consumers and is a staunch advocate of the benefits of wholegrain bread. The company provides the widest range of packaged wholegrain breads in Singapore.

During the year, the company ran 2 major promotion campaigns to instill the message of healthy lifestyles. The 'Gardenia Great Exchange Promotion' kicked off in April 2012 and ran for 2 months. This nationwide campaign encouraged consumers to eat more wholegrain breads by rewarding consumers with a free California Raisin loaf or Corn loaf in exchange for every 4 wholegrain product packagings collected during the promotion period. The campaign was a great success and is an eagerly anticipated event amongst Gardenia's loyal fans.

For its year-end festive promotion in November 2012, Gardenia partnered with the Singapore Kindness Movement ('SKM') for the 8th year to spread SKM's special kindness message on its Fruit & Nut and California Raisin bread loaves. SKM's special kindness message, 'Share goodness. There's always time to make someone's day', was printed on the packaging overbands of these loaves and sold at specially discounted prices to encourage consumers to purchase these loaves as gifts to spread the message of kindness.

Gardenia also promotes healthy lifestyles through joint collaborations and participations in various health promotion programs and activities such as the National Healthy Lifestyle Campaign, Singapore FINEST Food Symposium, World Diabetes Day, Community Mass Health Screening events and the Singapore Health Promotion Board's School Health Fairs.

As part of its educational outreach to the larger community, Gardenia's free factory tours of its bread production facility in 2012 was attended by more than 25,000 visitors comprising students, youths and the elderly from schools, homes and non-profit organizations.

In May 2012, the company launched its new website. The new website is more user-friendly and has a vibrant and fresh appearance. It has enhanced communication with consumers by keeping them posted of new products and events and has enabled consumers to provide feedback and engage with the company.

The business environment is expected to remain challenging with rising costs and increased competition. Gardenia Singapore is committed to maintaining its leadership position in the Singapore bakery market and will focus its resources and capabilities to achieve greater operational and cost efficiencies. It will continue to develop innovative products and expand its market share in order to maintain a sustainable competitive advantage in an increasingly competitive business environment.

MALAYSIA

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

Gardenia continued to be the market leader in a difficult business environment despite keen competition and high raw material costs. Its dominance of the Malaysian bread market was reaffirmed when Malaysian consumers nationwide resoundingly voted Gardenia their Most Preferred Brand for the 3rd year in a row, honouring GBKL with a Gold award in the prestigious 2012 Putra Brand Awards.

The Gold Award has not only cemented Gardenia's leadership of the Malaysian bread market but is testament to its high standards of quality, freshness, taste and innovation. As a result of these innovation efforts in 2012, all the company's bread products now use natural ingredients such as vinegar and raisin juice concentrate to maintain shelf-life.

Several new and innovative products were successfully launched during the year. GBKL's commitment to developing wholesome and nutritious breads saw the introduction of 3 healthy products in the Low Fat Fibremeal range to complement Gardenia's popular 100% Wholegrain with Sunflower Seeds loaf.

They are the 100% Wholegrain with Canadian Purple Wheat loaf which is rich in anti-oxidants, the Honey Wholemeal High Fibremeal loaf made with unbleached flour and containing a high percentage of finely milled grains which are high in fibre, and the Bran & Wheatgerm Light Fibremeal loaf, full of the goodness of wheatgerm and fibre but having the taste and texture of white bread.

To expand its product range and to meet the demand for European-style crusty breads, the company

also developed 3 new artisan breads. They are the Bonjour Le Classique Sesawhite loaf topped with black and white sesame seeds, the Sommerset Cottage Multi Grain & Seed loaf, a homestyle traditional hearty English loaf packed with 12 wholemeal grains & seeds, and the Passione Italiana Herbal Mediterranean Mixed Grains loaf, containing the goodness of sundried tomatoes and olives with a delicate blend of Italian herbs.

To meet increased demand for its products, the Malaysian operations commissioned a new production line.

During the year, the company continued to spread the message of good health and nutrition through its school health programs and collaborations with NGOs and health organizations such as the Nutrition Society of Malaysia and the National Diabetes Institute of Malaysia. The company's free educational factory tour of its production facility also welcomed more than 25,000 visitors.

As part of its corporate social responsibility efforts to help the less fortunate, the company continued its support of charitable causes through free daily bread donations. This assistance now extends to more than 65 charity homes, including old folks homes, children's homes and shelters.

Looking ahead, trading conditions are expected to become more challenging given an uncertain global economic environment and higher raw material and manpower costs.

However, the company is focused on remaining competitive and maintaining its position as the No. 1 Baker in Malaysia. It will continue to tighten its control on costs whilst innovating and growing its business to provide consumers with products that offer great value and quality and drive continued sales growth in 2013.

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

Gardenia dominates the packaged bread market in the Philippines, commanding a market share in excess of 60% in Metro Manila. Despite the aggressive price cutting and 'Buy-1-Take-1' promotional offers of its competitors, Gardenia Philippines proved resilient, achieving growth in sales and profitability.

The company's strong performance is attributable to its range of popular bakery products that cater to every taste and pocket, the development of innovative new products and its aggressive marketing efforts.

During the year, the company introduced several new product variants to expand its product line.

Following upon the huge success of its High Fiber Wheat Raisin loaf, the company launched the Wheat Cranberry loaf, a uniquely flavoured sweet and tangy tasting bread containing the health benefits of fiber and cranberries. The Wheat Cranberry Loaf met consumer demand for an indulgent and tasty bakery product that also provided a health benefit. The bread was a big hit and has secured Gardenia's foothold in the health bread category.

To cater to consumers looking for a single-serve, lower priced indulgent product, the company expanded its range of best-selling cream rolls with 2 new exciting flavors – Mangoes 'n Cream and Choco Peanut Butter. It also introduced 2 new variants to its tasty muffins – Mango and Banana-Choco. The Mango Muffins are packed with flavor from real mango bits, and the Banana-Choco Muffins contain real chocolate chips and banana bits.

To strengthen its range of Amazing Flavored Bread, the company added the Amazing Dates and Walnuts Loaf which contains the perfect mix of dates and walnuts baked into a premium loaf.

During the year, Gardenia Philippines stepped-up its health and wellness activities by increasing the number of visits to offices and supermarkets where it provided free nutrition counseling services on good health and proper diet. The company also participated in many marathon competitions, fun runs and other sporting events to spread the message of good nutrition and promote its healthy bread products. The company's popular bread plant tour, which incorporates a brief lecture on hygiene, healthy eating and nutrition also saw increased visitorship of more than 350,000 guests in 2012.

In conjunction with World Bread Day, Gardenia Philippines held the country's first-ever Happy Bread Day Fair at Eastwood City Mall Open Park, Quezon City in October 2012. The Fair was held in partnership with many well-known food and beverage brands and widely promoted through a fully-integrated multi-channel marketing program. The event brought together thousands of bread lovers, including families, students and working adults for a day of enjoyment with fun activities that included booth samplings, games, interactive cooking demos and a variety show.

Besides being a fun-filled promotional event, the Happy Bread Day Fair was also a CSR initiative as it helped to raise funds for less-privileged children in 2 children's foundations through its 'I Shared Bread' promotion. For every loaf of Gardenia bread bought at the Fair, the company donated 2 loaves of bread, 1 loaf to the Bahay Bata in Luzon and another loaf to the Lingap Center in Visayas.

Another major marketing initiative that also created micro-entrepreneurial opportunities for the unemployed was the company's 'Sari-cycle' program. The program used motorcycles with mounted product displays to sell Gardenia products near schools, parks, churches, offices and factories, further extending the company's distribution network in the Metro Manila market.

During the year, the company launched a major campaign to promote Gardenia's brand identity and product quality. The campaign was widely advertised on TV and on Gardenia's delivery trucks, which were repainted to feature photos of the company's mouth watering sandwiches under the slogan, 'A good sandwich starts with a good bread'.

To promote higher bread consumption, Gardenia launched an online sandwich campaign that featured videos and photos of creative Gardenia bread recipes on its corporate website, YouTube and Facebook.

The company's advertising initiatives also included online advertising to capitalize on the increasing popularity of social media. The company increased its online presence on social media outlets such as Facebook, Twitter, YouTube, various blog sites, as well as its corporate website.

To develop brand affinity with the younger generation, the company also participated in bloggers' events and advertised its products through online ad placements and sponsored posts on blogs.

To take advantage of the widespread use of smartphones, Gardenia Philippines was among the first in the local bakery industry to use the Quick Response Code (QR Code) to advertise its products. QR Codes were put on Gardenia's delivery trucks and advertising material to update consumers on the company's latest promotions.

Other advertising initiatives included the use of media personnel to cover the company's high-tech bread production plant and automated bread-making processes, and interviews and talks over TV and radio.

For the year ahead, the company will continue to innovate new and exciting products and intensify its marketing and promotion efforts to maintain its dominant leadership of the Metro Manila bread market.

AUSTRALIA

BAKERS MAISON AUSTRALIA PTY LTD ('BAKERS MAISON')

Bakers Maison is a specialist manufacturer of authentic French-style breads, pastries and sweets. The products are distributed in frozen and par-baked form to the foodservice sector throughout Australia. The company's foodservice clients comprise cafés, restaurants, hotels, food caterers, airlines, convenience stores and canteens.

During the year, the Australian foodservice sector operated under a tough trading environment with many operators impacted by the increasing costs of raw ingredients and commodities.

Despite these unfavourable conditions, Bakers Maison gave a strong overall performance, posting another year of double-digit sales growth. This was achieved through market expansion, greater product innovation and increased promotional activities throughout its national distributor network.

In 2012, the company took significant steps to streamline its production processes. It commissioned a new bread line for the production of artisan bread products and outsourced the production of its sweet items to free up production capacity in order to concentrate on the manufacture of frozen breads. The extra production capacity and higher output from increased production runs has resulted in higher productivity and yields, lower operating costs and improved product quality.

During the year, Bakers Maison added 15 new distributors to its network of foodservice distributors, expanding its share of the foodservice market particularly in the southern Australian states.

As part of its initiative to grow its business, the company also started to sell its products through independent retailers in markets where it is not represented by local distributors. This has extended the company's distribution network into new retail markets and the company intends to add to this growing network of independent retailers.

In 2012, the company developed a number of new products. These included a 'Turkish' style bread in 3 sizes to fill a gap in the company's lunch sandwich offering, a healthy lunch roll with 9 different grains and seeds to cater to the health-conscious market, and an Artisan Sour Dough Baguette.

The Artisan Sour Dough Baguette was developed after a 4-month collaboration with a European ingredient manufacturer and launched in November 2012. The baguette is made from fermented dough that is allowed to rest for 1 day to produce a uniquely-flavoured authentic French-style bread. The initial response from customers has been very encouraging and sales of the Artisan Sour Dough Baguette are expected to be strong.

During the year, Bakers Maison participated in a major national marketing program that widely showcased its products to the foodservice market. As a result of this marketing program, the company secured new contract manufacturing orders to supply products to 2 major national food franchises.

Although trading conditions are not expected to improve in 2013, the company is optimistic that new products released in late 2012, the development of new innovative products and expansion into new markets will enable it to deliver continued sales growth.

OPERATIONAL REVIEW
PRIMARY PRODUCTION

AUSTRALIA

RIVALEA (AUSTRALIA) PTY LTD ('RIVALEA')

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

Rivalea is the largest 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 about 20% of the latter's total meat production. The company is also one of the largest exporters of pork products to the major export markets of Singapore, Japan, New Zealand and other Asian countries. In 2012, Rivalea produced and sold about 739,000 heads or about 60,000 MT of meat.

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 also owns a facility which is capable of increasing the storage capacity for grain raw materials by an additional 35,600 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 gives 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. In 2012, the Group acquired an adjacent 1.8 hectare site which can be used for Diamond Valley's future expansion as the company is facing rapidly increasing demand for its services and 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. All of its sow population is now housed in group housing where there is freedom of movement. Half of the company's animals are reared in straw-bedded barns so as to provide social interaction. The company has also successfully developed and implemented its own free-range farming system. 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.

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.


Cowhead
lactose free
PURE MILK
99.9% Lactose Free
farmland
Snow White Corn
Extraordinary Sweetness
Cowhead
Processed Cheese
8 Portions
Net Wt: 140g
Made from Pasteurised Cow's Milk
Product of Austria
HALAL
Cowhead
Toast Melt
Processed Cheddar Cheese
Net Wt. 250g
Made from Natural Fresh Cow's Milk

SINGAPORE

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

Ben Foods saw another successful year of operations in 2012 with sales growing by 5% over the previous year driven primarily by higher exports.

Ben Foods is a distributor of 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. These products comprise renowned third-party agency lines as well as Ben Foods' own proprietary brands of food and beverage products.

Ben Foods' house 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).

The company's house brands are familiar and trusted value-for-money household staples, with Cowhead and Farmland attaining Superbrand status. Cowhead products are exported to the Philippines, Vietnam, Cambodia, Myanmar, Macau, Malaysia, Bangladesh and Brunei.

During the year, the company expanded its house brands with the introduction of several new products. They are Cowhead Lactose-free milk, Cowhead Toast Melt Processed Cheddar Cheese, Cowhead Processed Cheese Portions wedged cheese and Farmland Snow White Corn. The products have been well received by consumers.

To enable consumers to sample its products, the company organized 2 events. The Farmland Day Celebration featured Farmland's Marble Steak and other Farmland products and was held over 3 Saturdays in June 2012. In October 2012, a Cowhead Day celebration with the theme, 'Healthy Breakfast' promoted Cowhead's range of milk, biscuits, organic rolled oats and cheese products.

In September 2012, Cowhead launched its Facebook page to create a stronger brand awareness of its products and engage with consumers online.

For the year ahead, the company will continue to focus on extending its distribution both in domestic and overseas markets, increasing its marketing initiatives and developing new products that will enhance competitiveness and drive sustained growth.

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

NCS enjoyed a year of growth with revenue rising by 6% over the previous year due to increased occupancy rates.

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

NCS provides customers with an efficient one-stop service comprising rental of multiple-temperature storage rooms, meat processing rooms and office space, container plug-in services, cargo clearance and delivery services. NCS is also HACCP Certified and a member of the International Association of Refrigerated Warehouses, USA, and the Seafood Industries Association, Singapore.

The industry faced a shortage of cold room space in 2012. Some of NCS's major customers entered into 2-year leases for fixed storage space providing the company with a steady stream of fixed income.

As part of its social responsibility initiative to operate in an environmentally sustainable manner, the company completed a $800,000 program to replace its plant and machinery under the National Environment Agency's energy efficiency program. The new energy efficient plant is expected to save about $120,000 a year in electricity usage.

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 store has 16 cold rooms and offices that are leased to third-party tenants. The cold store was closed for the first 4 months of the year for reinstatement work after a fire broke out the previous year. The reinstatement work was completed in May 2012.

OPERATIONAL REVIEW
OTHER INVESTMENTS

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 1,700 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. In 2011, the 2 dairy operations were integrated under a single operation located on Oxdale 2 to take advantage of operational efficiencies and economies of scale.

The production facilities are sited close to large tracts of buffer pasture land belonging to Rivalea (Australia) Pty Ltd ('Rivalea'), a related company. This has allowed Oxdale Dairy to enjoy lower feed costs as its cattle are able to graze on Rivalea's land. The company is also able to 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. The company also has a competitive edge as it enjoys the flexibility being able to easily increase herd size in the future without substantial investments in land, water resources or feedlots.

During the year, the Australian dairy industry was impacted by lower milk prices and higher feed and energy costs. However, the company's focus on improving operating efficiency, maximising productivity and tightening cost control has enabled it to minimize the impact of these adverse operating conditions.

In 2012, Oxdale Dairy produced approximately 7.6 million litres of whole milk that is supplied under contract to Murray Goulburn Co-operative Co. Limited, the largest milk processor in Australia's dairy industry, controlling some 30% of Australia's milk supply.

In 2010, the company started to make strategic acquisitions to diversify its business operations and create a recurring revenue stream. It acquired a large grain storage facility in Corowa with a capacity of 35,600 MT and in 2011, it purchased a small feedmill in Corowa, New South Wales. Both properties are leased out to Rivalea for purposes of its feedmill operations.

In September 2012, the company acquired a third property, a commercial warehouse located in Laverton, Victoria. The warehouse is leased to a third party on a long term basis.

The year ahead is expected remain challenging. The company will continue to tighten its hold on costs and seek new investment opportunities to strengthen its business operations.

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

The QAF Group's major business activities comprise bakery, primary production, and the trading and distribution of food products in Singapore, Malaysia, the Philippines and Australia.

We provide quality, wholesome and nutritious food to millions of people regionally. The health and well-being of the customers we serve are directly impacted by our manufacturing processes and the products we produce.

As a responsible corporate citizen, we are committed to operating and growing our businesses in a responsible and economically sustainable manner that minimizes our impact on the environment and eco-system.

We are also committed to making a positive impact on the people we serve through initiatives that contribute to the betterment of society.

Sustainable business practices not only ensure that future generations are assured of a stable food supply, it also reduces input costs and enables us to give back to society by enabling us to maintain the prices of our products. Our efforts will enable people to get the best nutritional value for their money that will enable them to live healthier lives.

Key CSR initiatives for the Group are social and environmental concerns pertaining to health, local community, labour and environment.

To encourage more people to switch to whole-grains, Gardenia produced a soft and fine wholemeal bread that combined the goodness of whole-grains with the softness of white bread.

PROMOTING HEALTHY EATING AND LIFESTYLES

We are committed to improving the health and well-being of consumers by helping them to eat and live better.

We achieve this through the innovation of healthy products and collaborations with health industry partners to instill healthy lifestyles.

Over the years, Gardenia has developed several healthy bakery products to address the special nutritional needs of consumers. These include sugar-free breads and breads with low glycemic index suitable for diabetics, breads fortified with L-carnitine to aid in weight management, breads with prebiotic properties, and breads containing beta glucans to help lower cholesterol.

In Singapore, Gardenia has been promoting a healthy diet and the benefits of whole-grains since 1999. To encourage more people to switch to whole-grains, Gardenia produced a soft and fine wholemeal bread that combined the goodness of whole-grains with the softness of white bread.

In Malaysia, Gardenia expanded its range of healthy breads with the introduction of a 100% wholegrain bread with Canadian purple wheat, an ingredient that is high in anti-oxidants.

Pairing of mom and kid in a Healthy Sandwich competition sponsored by GBKL during a roadshow by Nutrition Month Malaysia.

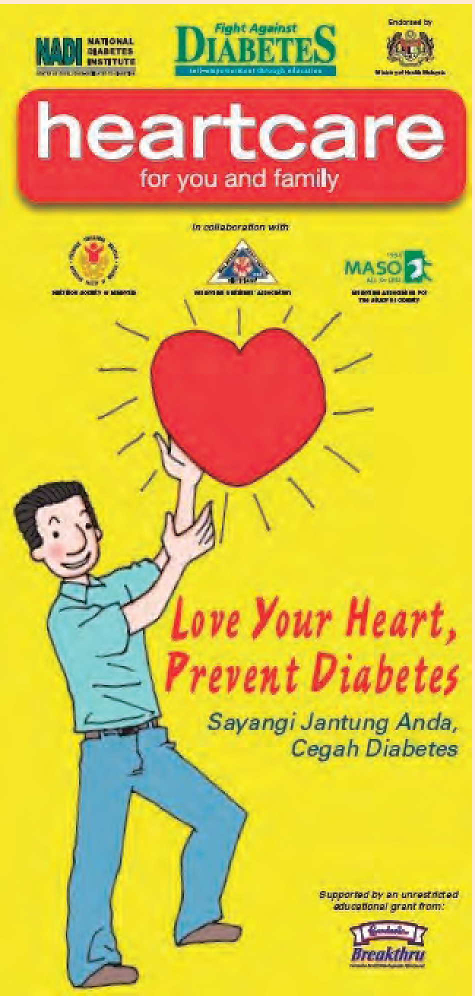
CORPORATE SOCIAL RESPONSIBILITY

HEALTH PROMOTION INITIATIVES

In 2012, Gardenia supported and participated in numerous events organized by the Singapore Health Promotion Board to promote healthy eating including the FINEST Food Symposium and the National Healthy Lifestyle Campaign where attendees sampled Gardenia's wide range of Healthier Choice wholegrain breads.

In Malaysia, Gardenia partnered with the National Diabetes Institute for 3 years in its 'Fight Against Diabetes' educational programs. In 2012, it collaborated with the Nutrition Society of Malaysia for the 4th consecutive year to promote healthy eating habits.

Gardenia also collaborates with NGOs to publish articles to promote health awareness. It actively supports the research work of healthcare professionals and universities in Malaysia with complimentary products. In 2012, it supported the research paper by Sangeetha Shyam and Prof Fatimah Arshad titled, 'Low Glycaemic Index (GI) Diets Improve Management of Body Weight and Glucose Tolerance in Women with Previous History of Gestational Diabetes: A Randomized Trial'.



500,000 copies of Heart-care Booklets were produced by GBKL in collaboration with the National Diabetes Institute as part of a major health educational program.

Gardenia Singapore promoting the benefits of wholegrain bread to the young.

Winner of the inter-school Healthy Activities Scrapbook contest organised by the Nutrition Month Malaysia program and co-sponsored by GBKL.

SCHOOL HEALTH FAIRS

We believe that healthy eating habits should be instilled in the young and for more than 20 years, Gardenia has partnered with the Health Promotion Board in its School Health Fair program. The program teaches school children in Singapore to eat a healthy diet, stressing the importance of having breakfast and the benefits of eating wholegrain foods such as wholemeal breads.

In 2012, more than 23,000 students from various primary schools across Singapore participated in Gardenia's interactive School Health Fair program that included health talks, educational skits on healthy diets and healthy sandwich-making competitions.

In Malaysia, Gardenia has for the past 3 years conducted health programs in schools to promote healthy eating habits in conjunction with Nutrition Month Malaysia, which is usually held in April.

In the Philippines, Gardenia's School Nutri-tour program teaches school children how to incorporate good eating habits with an active lifestyle.

Gardenia also conducts free nutrition counseling services on good health and healthy diets in supermarkets and offices in the Philippines and partners with organizations that conduct medical and dental missions to bring the message of a healthy lifestyle to communities living in various depressed regions in the Philippines.

School children participate in a Healthy Sandwich-Making competition organised by Gardenia Singapore during a School Health Fair program.

CORPORATE SOCIAL RESPONSIBILITY

EDUCATIONAL FACTORY AND BREAD PLANT TOURS

Gardenia spreads its message of healthy eating to the larger community through free educational factory and bread plant tours of its technologically advanced production facilities.

In 2012, more than 25,000 students, youths and the elderly from schools, homes and non-profit organizations, visited the Gardenia bread plant in Singapore where they sampled Healthier Choice Gardenia wholegrain products and were provided with educational brochures.

In the Philippines, Gardenia's bread plant at Laguna has become one of the leading educational plant tour destinations in the country for students, parents, professionals and community organizations. In 2012, the plant played host to more than 350,000 visitors. The tour program incorporates a brief lecture on hygienic practices, healthy eating and nutrition.

In Malaysia, Gardenia has opened its factory to visitors since 1991 and now welcomes more than 25,000 visitors each year. Visitors get to see the bread-making process from start to finish and the logistical challenges of bringing fresh bread to consumers all over the country on a daily basis.

Spreading the message of healthy eating during a factory tour of Gardenia Singapore's bakery plant.

Visitors at Gardenia Philippines' bread plant tour in Laguna.

COMMUNITIES IN NEED

We strive to be a caring corporate citizen by giving back to society through our support of various philanthropic, community and charitable causes such as community development, sponsorships and aid programs.

ENCOURAGING ENTREPRENEURSHIP

We encourage entrepreneurship and provide people with opportunities to earn a livelihood. Gardenia's Territorial Distributorship and Pedicart program in the Philippines has enabled the unemployed to be their own boss and earn a decent living by selling Gardenia bread products house-to-house from pedicarts. Gardenia has also launched a similar livelihood program using motorcycles, the Sari-cycle program, where bread is sold near schools, parks, churches, offices and factories in Metro Manila.

TRANSFORMING LIVES

We take a pro-active role in transforming lives. During the year, Gardenia's active support of the Tuloy sa Don Bosco Foundation has given poor and abandoned children, many of whom were former drug addicts, snatchers and thieves, a chance to receive an education and be rehabilitated into responsible citizens. To enable the Foundation to earn extra income, Gardenia hires staff from Tuloy to run its in-house bread store at its plant in Laguna. It also accepts a number of Tuloy's students for on-the-job training and offers employment to qualified graduates.

***(R-L)*: Gardenia Philippines' President & GM Jun Umali, the Department of Trade and Industry's Secretary and executives from SM Supermarket at the launch of 'Pinoy Tasty', an affordable loaf bread.**

BRINGING AFFORDABLE FOOD TO THE PEOPLE

We actively participate in initiatives to improve people's quality of life by providing them with access to affordable food.

During the year, Gardenia collaborated with the Philippine Baking Industry Group, Inc to bring affordable loaf bread and pandesal, such as Pinoy Tasty and Pinoy Pandesal to lower-income Filipino consumers. The project was undertaken with the Department of Trade and Industry ('DTI') and other bakery associations.

In 2012, Gardenia also continued its participation in the DTI's Diskwento Caravan to provide discounted products and basic commodities to poor communities.

SPONSORSHIPS AND SUPPORT OF CHARITABLE CAUSES AND COMMUNITY PROGRAMS

During the year, we provided financial support to a range of charitable organizations and causes.

This included the setting up of the UOB-SMU Asian Enterprise Institute in Singapore to offer subsidized business consulting for small and medium enterprises. We also supported the POSB PAssion Run for Kids 2012 organized by the POSB and People's Association to support less fortunate children in the community and contributed to the arts through our support of the activities of the Wild Rice Ball.

In Australia, Rivalea is a regular sponsor of local sporting groups such as football, tennis, netball, hockey and swimming clubs. During the year, it supported the development of a new pitch for its local hockey club and the addition of new club rooms for its local tennis club.

Besides monetary support, we contribute our resources towards the welfare of the less fortunate. We support corporate social initiatives and community programs by offering complimentary sponsorships.

CORPORATE SOCIAL RESPONSIBILITY

In 2012, Gardenia distributed bakery products at heavily subsidized rates to some 25 charities, homes, hospitals and non-profit organizations in Singapore. It also sponsored the activities of the Health Promotion Board, Community Chest, People's Association, SAFRA, NTUC's Low Income Workers' Union and Singapore Press Holdings. More than 250,000 loaves of bread and bakery products were distributed to charitable organisations and through sponsorships of community programs.

In Malaysia, Gardenia continued its bread donations to various charities and organizations, including old folks homes, children's homes and shelters. Ever since it started operations back in 1986, it has been supplying free bread and products to more than 65 charity homes daily.

In 2012, Gardenia's 'Daily Bread' program in the Philippines donated an average of 10,000 loaves a week to various poor communities and foundations.

Gardenia also continued its 'I Shared Bread' campaign for the 2nd consecutive year, donating to 2 children's charities in the Philippines, 2 loaves of bread for every loaf of bread purchased by customers during the Happy Bread Day Fair.

RESPONDING TO CALAMITIES

As a caring corporate citizen, we have a responsibility to help communities stricken by natural disasters. In the Philippines, flooding caused by typhoons occur frequently and Gardenia regularly partners with relief and civic organizations such as the Philippine National Red Cross, Department of Social Welfare and Development, Armed Forces of the Philippines, GMA Kapuso Foundation and ABS-CBN Foundation to speedily serve victims of natural calamities like floods, typhoons and fires.

In 2009, Gardenia worked with relief organizations to provide basic goods, especially bread, to the victims

Gardenia Philippines partners with the Philippine National Red Cross to provide aid to victims of a fire in Pasay.

of the worst flooding in decades brought by Typhoon Ondoy. The massive flooding affected Metro Manila and surrounding provinces.

COMMUNITY INVOLVEMENT

PROMOTING KINDNESS TO THE COMMUNITY

Beyond instilling healthy lifestyles, we are committed to cultivating a kinder and more caring society.

Gardenia was the first and most active corporate supporter of the Singapore Kindness Movement ('SKM') organized by the Ministry of Culture Community and Youth more than 8 years ago.

In 2012, it continued its complimentary support of the Kindness Movement. Two of Gardenia's popular speciality loaves, the Gardenia Fruit & Nut loaf and Gardenia California Raisin loaf carrying a special kindness message – 'Share goodness. There's always time to make someone's day', allowed SKM's kindness message to be spread to consumers at over 3,000 retail outlets throughout Singapore.

Gardenia Philippines' bread distribution program to curb hunger and malnutrition in less fortunate children.

We take an active part in community activities to foster close relationships and strong ties within the communities in which we operate. In Malaysia, Gardenia joins with the local community in celebrating various local festivals and organizes an Open House each year.

PROVIDING VALUABLE WORK EXPERIENCE FOR THE YOUNG

We invest in the young by providing them with opportunities to undertake a work stint in our facilities.

In Malaysia, Gardenia accepts undergraduate students into its bakeries for industrial training to expose and prepare them for the real work environment.

In Australia, Rivalea provides opportunities for local high school students to visit its production facilities and to undertake work experience, an initiative that has often led to students becoming valued future employees.

Daily bread contributions by GBKL to the special class students of Telok Gadong National School, Klang, for their recess breaks.

The Good Samaritan Home at Klang, one of the recipients of daily bread contributions by GBKL.

ENVIRONMENT

We are committed to minimizing and mitigating our negative environmental impact and maximizing our positive environmental contributions.

We focus on optimizing our operations to be more sustainable and collaborating for an environmentally sustainable world.

ENVIRONMENTAL MANAGEMENT SYSTEM

Rivalea has adopted the ISO 14001 standard for Environmental Management Systems and is currently working towards compliance with the ISO50001 standard for Energy Management Systems. All Rivalea sites are regulated under State Environment Protection Agencies and the company regularly monitors and reports on potential environmental impacts such as ground water, soil nutrients, air quality, odour and pollution.

BIOGAS TO ENERGY

Rivalea is particularly focused on its efforts to reduce emissions. It built its 1st biogas facility in 2009, ahead of the government's Voluntary Carbon Farming Initiative in 2011 to encourage farmers to reduce emissions. Rivalea's 2nd biogas facility commenced producing biogas in 2012.

Rivalea's biogas projects aim to reduce emissions by 30,000 tonnes of CO2-equivalent annually. The next stage of this project aims to further reduce CO2 emissions through utilization of biogas as a substitute fuel to replace LPG and grid electricity generated from coal.

Rivalea's biogas projects aim to reduce emissions by 30,000 tonnes of CO2-equivalent annually.

Rivalea's biogas facility at Corowa captures and burns methane from effluent to reduce greenhouse gas emissions.

Rivalea uses nutrient-rich treated waste water from its operations to grow valuable crops.

RECOVERING NUTRIENTS AND WATER FROM WASTE

Recovering nutrients and water from our animal farming operations is essential for meeting our environmental and sustainability objectives. Rivalea's farm at Corowa uses treated effluent water to grow wheat, maize and pasture crops that are milled into the highly nutritious diets that it feeds to its herd. Other by-products from its operations are also processed into products such as compost.

Rivalea is currently involved in a project investigating the use of algal biomass as a potential feed ingredient for its animals. The purpose of this project is to establish a sustainable resource that can be used as an alternative source of dietary protein and energy.

ENERGY SAVING PROJECTS

During the year, we undertook measures to improve our environmental footprint to ensure that our practices and processes are not harmful to the environment through the use of cleaner and more cost efficient energy sources.

In 2012, NCS Cold Store in Singapore completed the replacement of plant and machinery under the National Environment Agency's energy efficiency program. The energy efficient machinery will result in savings of about $120,000 a year in electricity usage. In Malaysia, Gardenia has started the switch over to the use of natural gas for most of its ovens and has replaced all conventional diesel-fired boilers in its production lines with electrical powered steam generators to reduce carbon emissions. To optimize electricity consumption, variable speed drives have been installed in all production lines.

In the Philippines, Gardenia's sustainability practices include recycling and garbage segregation programs. It uses environment-friendly liquefied petroleum gas for its baking processes and a Waste Water Facility treats all used water before it is discharged into the sewers. To reduce air pollution, delivery vehicles undergo regular maintenance.

COMMUNITY ENVIRONMENTAL MEETINGS

Rivalea adopts a proactive approach by holding regular community meetings with its local neighbours to discuss environmental issues and to work together on efforts to reduce or eliminate the environmental impacts of its operations. These meetings have enhanced relations with the local community.

ECONOMIC

DEEPENING OUR BONDS WITHIN THE COMMUNITY

We are committed to ensuring that our activities contribute to the development of the communities in which we operate for the benefit of future generations.

We foster close relationships and deepen our bonds within these communities through our support of key community projects. Together with other local businesses and local councils, Rivalea is currently involved in a project for the establishment of a new jetty on the Murray River at Corowa. We are honoured that the local council has announced that it will be naming the jetty 'Rivalea Wharf' in recognition of Rivalea's support of the local community.

As a large local employer, Rivalea values its unique position in the local community and has a strong preference for using local suppliers and contractors for agriculture, farming operations and maintenance.

OUR PEOPLE

Our people are at the heart of our operations and are the key driving force behind our successes and achievements.

INVESTING IN TRAINING AND EDUCATION

We invest in our employees through various upgrading and career development programs in the form of external and internal training courses.

In Singapore and Malaysia, Gardenia provides local and overseas training and exposure for employees across all levels of seniority to improve their skills and equip them with the necessary knowledge to meet the changing needs of the business.

In the Philippines, Gardenia provides company-sponsored education for employees who wish to undertake further studies and at Rivalea, employees have access to various training, development and career opportunities that also include tertiary qualifications.

INVESTING IN OCCUPATIONAL HEALTH AND SAFETY

We value our employees and invest in various initiatives that actively promote their health, safety and well-being.

Rivalea uses the SafetyMAP standard for Safety Management Systems and is working towards gaining accreditation to the ASNZ 4801 standard.

In 2012, it implemented a new online integrated incident reporting system that allows for real time incident reporting to enable speedy investigations.

Rivalea employees are encouraged to participate in exercise programs using the company gym and its running and walking tracks. They are also given annual flu vaccinations and information on a wide range of health and wellness topics.

Rivalea's in-house Rehabilitation Centre aids in the speedy recovery of any injured employee by providing safe alternative duties, rehabilitation and exercise programs.

Overseas training and exposure for employees of Gardenia Singapore and GBKL at the Pepperidge Farm Bakery, Bloomfield, Connecticut, USA.

INVESTING IN FAMILY WORK-LIFE BALANCE

Our guiding principles are family-oriented and designed to enable employees achieve a meaningful work-life balance.

In Singapore, Gardenia provides free daily transportation and complimentary lunches for employees. It also provides welfare initiatives like a complimentary loaf of Gardenia bread each day, complimentary tickets to local attractions such as the Singapore Zoo and specially packed mini-hampers to celebrate special occasions such as Singapore's National Day.

In the Philippines, Gardenia invests in the well-being of its employees through family-oriented bonding programs and activities to foster a greater sense of belonging. Gardenia hosts an annual plant visit for new employees' families, and celebrates the successes of employees' immediate family members who graduate from elementary, high school and college with graduation gift packs. It also offers the college-level children of employees the opportunity to undertake on-the-job-training at the company during their vacations. To help employees and their families supplement their income, Gardenia also conducts livelihood seminars on various topics including sandwich preparation, candle-making, beadwork and soap-making.

In Malaysia, Gardenia maintains a fund for the benefit of employees who require financial assistance. Employees are also provided with free daily transportation and complimentary meals.

In Australia, Rivalea's Employee Assistance Program provides assistance and counseling on a wide range of issues such as addictions, family matters, grief and bereavement and mental health issues.

Each year, Rivalea celebrates Christmas with employees and their families by holding a Christmas party. In 2012, close to 400 children attended the Christmas party and received an individual gift.

Staff volunteers from Gardenia Singapore at the Health Promotion Board's Pink Ribbon Formation Event.

DIVERSITY

We are a multi-cultural employer employing a diverse range of nationalities. As an equal opportunity employer, we follow fair practices in relation to all employment issues.

In Australia, Rivalea's Equal Employment Opportunity Committee represents the interests of all employees. New international employees and their families are provided with educational opportunities, including English Language classes.

PROMOTING STAFF VOLUNTEERISM FOR A GOOD CAUSE

We believe that helping others contributes towards living a fulfilling and enriching life. Employees are encouraged to take part in community service and to reach out to the needy.

Gardenia employees in the Philippines donate cash to the victims of flash floods through the Philippine Red Cross, and healthy employees are encouraged to donate blood to blood banks.

During the year, Gardenia employees in Singapore participated in the Health Promotion Board's Pink Ribbon Formation Event to promote breast cancer awareness. The event broke the Singapore Book of Records as the largest Pink Ribbon formation by some 3,000 people.

In 2012, many Rivalea employees volunteered their time to set up a vegetable garden at a local primary school. Volunteers worked with students and their parents to build garden beds, supply and spread compost and install a watering system.

PRODUCT RESPONSIBILITY

Quality control is our highest priority and the foremost social responsibility towards our consumers. We take steps to ensure that our products and production processes are safe and comply with agreed specifications and government regulations.

All our major operations hold HACCP international certifications. Gardenia and Rivalea have also attained ISO9001:2008 food safety and quality control accreditations, with Rivalea possessing Export Registered Establishment, SQF 2000, Aus Meat Animal Welfare and Feed Safe accreditations. Additionally, it also holds accreditation with Australia's largest 2 supermarket chains.

Our trading and logistics operations at Ben Foods maintain its own in-house Quality Assurance team to ensure compliance with food industry regulations. It has also formulated procedures to facilitate speedy product recalls. Ben Foods ensures that the sourcing of its products do not harm other animals – its Farmland brand of tuna is sourced from suppliers who practice fishing methods that do not endanger dolphins.

Rivalea's team of meat safety and quality assurance officers undertake daily testing of products and equipment relating to compliance, food safety and customer standards in its onsite microbiology laboratory. The laboratory is accredited with the National Association of Testing Authorities.

In Malaysia, all Gardenia products and production plants are certified halal by The Department of Islamic Development Malaysia (JAKIM). In 1994, we also formed a special Internal Halal Committee to ensure that all requirements are stringently adhered to and every aspect of the halal regulations complied with.

In Singapore, all Gardenia and Bonjour bakery products are also certified halal. In Australia, most of the Bakers Maison bakery products are certified halal by the Australian Federation of Islamic Councils Inc, Australia's National Islamic Organisation, with plans to certify more products in future.

Farmland Tuna is fished from methods that do not endanger dolphins.

ANIMAL WELFARE

Rivalea is committed to the respectful and humane treatment of the animals in its care and this is achieved by breeding and raising animals within systems that deliver high standards of animal welfare.

Rivalea's commitment to removing all pregnant sow stalls by 2017 was completed in 2012, 5 years ahead of schedule and significantly ahead of the industry. Group housing pens that meet or exceed the Model Code of Practice have already been installed and from 2013, all pregnant sows will be housed in these pens. This ensures that they are able to perform natural social behaviours and are able to move around freely.

Rivalea is the leader in its field in the research and development of many aspects of animal welfare. Research strategies include optimising pregnant sow housing and sow grouping methods to minimise aggression, investigating alternative farrowing systems, reducing or eliminating elective husbandry procedures and free range outdoor systems. Rivalea is working alongside industry bodies to conduct research, produce recommendations and establish best practices that will be made available to the industry and the wider community.

ACCOLADES & AWARDS

In 2012, Rivalea was honoured to be recognized as a supplier of choice when it received a nomination for the prestigious Woolworths Supplier of the Year award. Of the many meat suppliers in 2012 to the Woolworths Group throughout Australia, only 4 suppliers were recognized with nominations. The nomination is an endorsement of Rivalea's outstanding standards of innovation and consistent quality.

Department of Trade and Industry, Center for Industrial Competitiveness Search for Model Company – Pro-Active Programs Achievement Awards

In the Philippines, Gardenia's continuous commitment to world-class quality standards, high productivity and strong CSR efforts won it 3 prestigious awards in the Department of Trade and Industry Center for Industrial Competitiveness Search for Model Company in 2011.

Gardenia emerged as the only company to win all the 3 Pro-Active Programs Achievement Awards for Quality and Productivity, Labor Management and Family Welfare/Community Relations.

Sustainability Advantage Award

The Sustainability Advantage Program is a business support service from the Department of Environment, Climate Change and Water which helps organisations to boost their environmental performance. Rivalea was recently awarded a Bronze Partner status in recognition of its efforts in sustainability.

Gardenia Philippines won all 3 Pro-Active Programs Achievement Awards in the Department of Trade and Industry – Center for Industrial Competitiveness Search for Model Company, 2011.

OUR BRANDS

CORPORATE GOVERNANCE REPORT

In accordance with the listing rules as stated in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), this Report describes the corporate governance processes and activities of QAF Limited ("QAF" or the "Company") 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	4	4	4	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	4	NA	NA	NA	NA	NA	NA
Triono J. Dawis*	4	4	NA	NA	NA	NA	NA	NA

* Mr Triono J. Dawis ceased to be a Director as of 31 December 2012.

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

As at the date of this Report, the Board at present comprises eight 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)

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 deemed 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 and an executive Director of the Company.

Mr Didi Dawis (a substantial shareholder of the Company) is deemed as non-independent Director for being a director who has an immediate family member employed by the Company in the past three financial years (Mr Triono J. Dawis, son of Mr Didi Dawis, resigned and ceased to be an executive Director of the Company on 31 December 2012).

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, and as and when circumstances require, 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, including the list of directorships in listed company which are required to be disclosed annually to the Board.

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 2012:-

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	82%	17%	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.

** Mr Triono J. Dawis ceased to be a Director as of 31 December 2012.

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

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 as the operations director of the Group. Mr Lin Kejian is the immediate family member of Mr Andree Halim (the Vice-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)

- 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.

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

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 or other improprieties in the subsidiaries or the Company which might have an adverse effect on the subsidiary or the Company.

The review of the Group's system of internal controls is a continuing process. The system of internal controls in respect of the financial, operational and compliance controls and the risk management system as adopted by the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives. Based on the work performed by the internal audit and the external auditors and reviews performed by the management, the Audit Committee is satisfied that there are adequate material internal controls and risk management system in place 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.

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

Derek Cheong Kheng Beng, aged 58, 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.

Ng Cher Siang, aged 59, was appointed as the Managing Director of Gardenia Foods (S) Pte Ltd ("GFS") on 1 May 2012. Dr Ng has worked as a Senior Manager in the Gardenia operations for over 14 years. During this time, he covered various areas including leading the R&D Department, identifying and developing new production lines to expand the range of products, and overseeing all aspects of production activities.

Prior to joining the QAF Group, he spent over 13 years with the Primary Production Department, now called the AVA (Agri-Food & Veterinary Authority of Singapore). During this period, he was seconded to serve at an inter government agency that was tasked with developing seafood processing technologies, and transferring these know-how to commercial enterprises from the various participating countries.

Dr Ng holds a Bachelor of Science (Honours) degree in biological sciences and a doctorate degree from the Department of Microbiology, National University of Singapore.

Paul Pattison, aged 60, 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 39 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 57, 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 61, 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, he had worked with IAC (M) Sdn Bhd and Cold Storage Malaysia Bhd.

Simplicio P. Umali, Jr, aged 60, 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 63, 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 37 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 51, 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 27 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 46,000 breeder pigs and a total population of about 427,000 pigs. In addition, the Group operates 2 dairy farms at Cobram, Victoria, Australia with more than 1,700 heads of dairy cows.

All livestock face potential health epidemic outbreaks. Infectious diseases can be spread by either animal contact or farm contamination. Livestock farming is the mainstay of Rivalea. If a health epidemic should erupt in the farms, depending on the locality and proximity of the contaminated areas, various animals would have to be culled and the operations shut down. In recent years, there had been outbreaks which caused massive culling of pigs and closures of farms in many countries in Asia. The pig farming industries in these countries have been adversely affected.

Although Australia is geographically isolated and has strict quarantine laws, there is no guarantee that the Group's livestock will not be affected by disease epidemics. Rivalea has taken preventive measures of enforcing the highest standards of quarantine and by geographically spreading out its farms to prevent cross contamination. The 7 Rivalea-owned farms and the 22 Contract Grower farms are well spaced out across the two Australian states. Within each farm, large tracts of buffer land are also maintained which surrounds the production units and this minimises the probability of contamination from spreading between the different herds.

2. Regulatory Sanctions

(a) Meat Industry

Rivalea is in the fresh meat industry, with vertically integrated operations ranging from the breeding and rearing of livestock, to the slaughtering and boning process, to the marketing and delivery of fresh products, and even the preparation of the stockfeed. These processes are regulated by numerous health and food safety organisations and subject to regulatory sanctions. In Australia, the meat industry is governed by the Australian Quarantine and Inspection Services ("AQIS") which is responsible for the registration of abattoirs for both the domestic and export markets. In terms of the export of meat, Rivalea is subject to the regulations of foreign regulatory bodies in the territories in which it markets its meat products including the Agri-Food & Veterinary Authority in Singapore and the Livestock Industry Bureau of the Ministry of Agriculture, Forestry & Fisheries in Japan.

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

(b) Environment

Rivalea is also regulated by the Victorian and New South Wales Environmental Protection Authorities ("EPAs"). In the ordinary course of business, large amounts of solid and liquid effluent are produced which need to be treated. As part of the obligations imposed by the EPAs, Rivalea has undertaken irrigation development plans to apply treated abattoir and livestock effluent to agricultural land over the next few years. The EPAs could impose further mandatory requirements which could affect Rivalea's business in future and have a negative impact on the Group's financial performance and position.

3. Cyclical, Seasonal and Varying Consumer Demand

The meat industry is firstly subject to the cyclical seasonal demand for certain types of meat. Consumer demand for meat could fluctuate due to seasonality, for example, surges in demand for particular cuts of meat during the Christmas season or the Chinese Lunar New Year festivities.

Further, the industry is also subject to varying consumer demand. This could be attributable to food safety considerations, such as the drop in meat sales in the aftermath of particular epidemic outbreaks. These fluctuations in demand and sales would impact Rivalea in the relevant affected markets.

4. Competition

The markets that Rivalea operates in are subject to occasional periods of oversupply. The latter can arise from a number of sources such as overproduction from local producers in Australia or 'dumping' of frozen imported products in the export markets.

However, Rivalea's strategy is to maintain themselves as among the most efficient and competitive producers in the region through its production and technological expertise as well as its ability to achieve lower unit cost through economies of scale. Furthermore, Rivalea targets the fresh meat market segments in Australia, Singapore and Japan which are not subject to competition from cheap imported frozen products. Rivalea is also dominant in both the Australian domestic and export market and this should enable it to adjust its marketing strategies according to market competition.

4. Competition (continued)

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

5. Employee Turnover/Union Risks

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

Rivalea is also highly dependent on skilled staff to operate its feedmills, piggeries and meat processing plants. The nature of work at the piggeries and meat processing plant requires vocationally trained personnel and staff to work on shift systems to ensure maximum productivity and that the pigs are cared for to the highest standards.

Staff members in the bakery operations and Rivalea are largely trained on-the-job. Any loss of staff or disruption in work would adversely affect the productivity and business of both the bakery operations and Rivalea until suitable replacements are found and trained. Furthermore, occupational health and safety issues, equal opportunity issues, compensation and industrial relations issues could also result in industrial action and high employee turnover. Failure of the Group to retain its trained personnel and/or to find suitable replacements on a timely basis will be disruptive to its business operations.

6. Fluctuations in Raw Material Prices

Rivalea is involved in livestock farming and the meat industries.

The prices of raw material costs affect the livestock farming and meat industries. These industries are subject to swings in production costs determined largely by grain prices. Grain prices fluctuate depending on the farming season's weather, quality and yield of crop as well as world wide market prices and such prices will in turn affect the costs of production. Grain prices affect the cost of animal feed and ultimately production cost per animal. In particular, Rivalea purchases the bulk of its grain requirements at the harvest season. Any price fluctuations of raw agriculture produce at that point will affect the production costs which Rivalea may not be able to offset commensurately by higher selling prices of their products. The fluctuations of raw material prices will have an impact on Rivalea's overall business profitability.

To some extent, the above fluctuations in raw material grain prices particularly wheat prices will also affect flour prices. The latter will lead to increases in production costs of the bakery operations which may not be able to raise selling prices of their bakery products adequately to offset the full impact of the rise in production costs.

7. Fluctuations in Energy Costs

Energy costs are subject to global economic and political developments which are largely outside of the Group's control. Bakery products are delivered by a fleet of Company-owned delivery vehicles in the early morning, seven days a week within a tight time frame to customers so as to ensure freshness. Rivalea exports its fresh chilled meat products by refrigerated containers on board commercial jet airliners. Distribution costs will increase significantly in the event of the escalation of crude oil prices.

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

8. Financial Risks

(a) Credit Risk

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

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(b) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents which management deems adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

(c) Foreign currency risk

The Group operates within the Asia Pacific region and companies within the Group maintain their books and records in their respective measurement currencies. The Group's accounting policy is to translate the profits and losses of overseas companies using the weighted average exchange rates. Net assets denominated in foreign currencies and held at year end are translated into Singapore dollars, the Group's reporting currency, at year end. Fluctuations in the exchange rate between the measurement currency of the subsidiary companies and Singapore dollars will therefore have an impact on the Group. Further, there is no assurance that the Group will be able to maintain its financial performance and position in the event of long term unfavourable movement in exchange rates. As such, significant fluctuations in foreign exchange rates would have an impact on the financial performance and position of the Group.

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

(d) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term bank borrowings. The interest rates on such obligations are fixed at the prevailing market rates as and when they fall due for rollover. The period for rollover is between one to six months. An increase in the prevailing interest rates will result in an increase in the interest expense of the Group and this may have an impact on the financial performance or position of the Group.

Rule 907 : Interested Person Transactions for financial year 2012

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 Lin Kejian ("LKJ"), a director and substantial shareholder of the Company	A shareholders agreement was entered into on 11 July 2012 between Jadeluck Investments Limited ("JI Ltd") (a company wholly-owned by LKJ) and Gardenia International (S) Pte Ltd ("GI") (a wholly-owned subsidiary of the Company) pursuant to which the parties agree to a joint-venture in Gaoyuan Pte Ltd ("Gaoyuan") with a total initial investment amount of S$16 million by way of subscription of shares and by way of shareholder's loan. Each of the parties is to contribute towards the total investment in proportion to its shareholdings in Gaoyuan of 55% (for GI) and 45% (for JI Ltd) respectively.	Nil

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

A zero-coupon mandatorily exchangeable bond ("Bond") was issued by the Company and subscribed by Mr Andree Halim (a director who is a substantial shareholder of the Company) pursuant to the subscription agreement entered into in July 2009 for the principal sum of S$10 million. 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 term. The term was extended and is expiring on 31 July 2013.

Save as disclosed herein, there were no other 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 71.11% of the shares in the Company and approximately 28.89% 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 Company is in compliance with Rule 712 and 715 of the SGX Listing Manual in relation to the appointment of its audit firms for the Group.

The audit fees paid by the Group to the auditors for the audit of FY2012 and non-audit services in FY2012 amounted to approximately $997,000 and $14,000 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

Based on the internal controls and risk management system established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the management, the Audit Committee and the Board are of the opinion that the Group's system of internal controls, addressing the material financial, operational and compliance aspects of the Group, were adequate as at 31 December 2012.

Rule 1207(19) : 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 on short term consideration, and to refrain from any dealings 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.

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 2012.

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	

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 1.1.2012**	**At 31.12.2012**	**At 21.1.2013**	**At 1.1.2012**	**At 31.12.2012**	**At 21.1.2013**
Number of shares in QAF Limited						
Didi Dawis	–	–	–	45,820,712	45,820,712	45,820,712
Andree Halim	–	–	–	322,428,286	322,837,286	322,837,286
Tan Kong King	2,661,136	3,161,136	3,161,136	–	–	–
Tarn Teh Chuen	951,722	951,722	951,722	–	–	–
Lin Kejian	–	–	–	207,179,509	207,588,509	209,209,509
Number of QAF Limited Share Options to subscribe for shares in the Company						
Tan Kong King	2,000,000	1,500,000	1,500,000	–	–	–
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	1,100,000	1,500,000
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, 2,243,000 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 2012 comprise:

	Outstanding unexercised options for ordinary shares in the Company	Exercise price per share	Exercise period
Year 2004	1,540,000	$0.523	14 May 2005 to 13 May 2014
Year 2005	1,325,000	$0.513	18 August 2006 to 17 August 2015
Year 2006	2,475,000	$0.565	19 May 2007 to 18 May 2016
	5,340,000		

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

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

Audit committee

The audit committee performed the functions specified in the Act. The functions performed are detailed in the Report on Corporate Governance.

Auditor

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

On behalf of the board of directors:

Tan Kong King
Director

Tarn Teh Chuen
Director

Singapore
15 March 2013

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 2012 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
15 March 2013

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2012

Independent Auditor's Report 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 69 to 149, which comprise the statements of financial position of the Group and the Company as at 31 December 2012, 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 AUDITOR'S REPORT
For the year ended 31 December 2012

Independent Auditor's Report 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 2012 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants

Singapore
15 March 2013

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2012

(In Singapore dollars)

	Note	2012 $'000	2011 $'000
Revenue	3	984,172	976,981
Costs and expenses			
Costs of materials		537,397	541,796
Staff costs	4	222,170	206,809
Amortisation and depreciation	5	36,413	34,791
Repairs and maintenance		31,196	31,964
Utilities		19,379	17,460
Other operating expenses		84,445	55,824
Total costs and expenses		(931,000)	(888,644)
Profit from operating activities	6	53,172	88,337
Finance costs	7	(5,123)	(6,725)
Share of (losses)/profits of associates		(145)	42
Profit before taxation		47,904	81,654
Taxation	8	(9,440)	(15,746)
Profit after taxation		38,464	65,908
Attributable to:			
Owners of the parent		34,465	59,162
Non-controlling interests		3,999	6,746
		38,464	65,908
Earnings per ordinary share:	9		
– Basic		6.6 cents	11.6 cents
– Diluted		6.6 cents	11.6 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 2012

(In Singapore dollars)

	2012 $'000	2011 $'000
Profit after taxation	38,464	65,908
Other comprehensive income:		
Currency translation arising on consolidation	(8,519)	(342)
Actuarial gain/(loss) on defined benefit plans	539	(2,886)
Realisation of reserves upon disposal of an associate	–	(694)
Share of other comprehensive income of associates	2	4
Other comprehensive income for the year, net of tax	(7,978)	(3,918)
Total comprehensive income for the year	30,486	61,990
Total comprehensive income attributable to:		
Owners of the parent	26,882	55,637
Non-controlling interests	3,604	6,353
	30,486	61,990

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

(In Singapore dollars)

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
ASSETS					
Current assets					
Biological assets	10	68,414	62,507	–	–
Inventories	11	81,544	84,609	–	–
Trade receivables	12	88,838	84,467	–	–
Other receivables	13	15,004	13,896	40,566	40,668
Tax recoverable		369	384	–	–
Short-term investments	14	6,486	456	1,989	–
Cash and deposits	15	69,755	74,872	8,220	25,735
		330,410	321,191	50,775	66,403
Assets classified as held for sale	16	1,630	1,673	–	–
		332,040	322,864	50,775	66,403
Non-current assets					
Property, plant and equipment	17	323,079	311,544	2,381	2,522
Investment properties	18	21,133	18,923	–	–
Subsidiaries	19	–	–	98,718	98,718
Advances to subsidiaries	20	–	–	132,314	123,210
Associates	21	1,800	1,942	–	–
Advances to associates	22	3,519	3,019	–	–
Long-term investments	23	9,034	8,886	8,034	6,886
Intangibles	24	2,763	3,058	2,261	2,449
Deferred tax assets	25	18,127	17,769	–	–
		379,455	365,141	243,708	233,785
Total assets		711,495	688,005	294,483	300,188

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

(In Singapore dollars)

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
LIABILITIES					
Current liabilities					
Trade payables	26	92,642	87,040	33	55
Other payables	27	51,082	48,135	7,492	6,688
Exchangeable bond	28	10,000	–	10,000	–
Short-term borrowings	29	88,620	71,524	4,791	7,863
Long-term loans and finance leases - current portion	30	4,845	2,554	–	–
Provision for taxation		4,168	4,057	1,573	1,672
		251,357	213,310	23,889	16,278
Non-current liabilities					
Other payables	27	16,282	14,684	–	–
Exchangeable bond	28	–	10,000	–	10,000
Pension liabilities	31	70	2,815	–	–
Long-term loans and finance leases	30	16,333	23,080	–	–
Deferred tax liabilities	25	11,097	11,944	427	450
		43,782	62,523	427	10,450
Total liabilities		295,139	275,833	24,316	26,728
Net assets		416,356	412,172	270,167	273,460
CAPITAL AND RESERVES					
Share capital	32	230,731	227,156	230,731	227,156
Reserves	33	161,848	161,028	39,436	46,304
Equity attributable to owners of the parent		392,579	388,184	270,167	273,460
Non-controlling interests		23,777	23,988	–	–
Total equity		416,356	412,172	270,167	273,460

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 2012

(In Singapore dollars)

	Note	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 2012		227,156	2,312	17,941	132,269	8,506	388,184	23,988	412,172
Total comprehensive income for the year									
Net profit for the year		–	–	–	34,465	–	34,465	3,999	38,464
Other comprehensive income for the year:									
– *Currency translation arising on consolidation*		–	–	–	–	(8,124)	(8,124)	(395)	(8,519)
– *Transfer between reserves*		–	(49)	–	49	–	–	–	–
– *Actuarial gain on defined benefit plans*		–	–	–	539	–	539	–	539
– *Share of other comprehensive income of associates*		–	–	–	–	2	2	–	2
Other comprehensive income for the year, net of tax		–	(49)	–	588	(8,122)	(7,583)	(395)	(7,978)
Total comprehensive income for the year		–	(49)	–	35,053	(8,122)	26,882	3,604	30,486
Transactions with owners in their capacity as owners									
Contributions by and distributions to owners									
Issuance of ordinary shares from exercise of options	32	1,218	–	–	–	–	1,218	–	1,218
Issuance of ordinary shares in lieu of cash dividends	32	2,357	–	–	–	–	2,357	–	2,357
Dividends	34	–	–	–	(26,062)	–	(26,062)	(3,815)	(29,877)
Total transactions with owners in their capacity as owners		3,575	–	–	(26,062)	–	(22,487)	(3,815)	(26,302)
Balance at 31 December 2012		230,731	2,263	17,941	141,260	384	392,579	23,777	416,356

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 2012

(In Singapore dollars)

	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
		Attributable to owners of the parent							
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
<u>Other comprehensive income for the year:</u>									
– *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									
<u>Contributions by and distributions to owners</u>									
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 CASH FLOWS

For the year ended 31 December 2012

(In Singapore dollars)

	2012 $'000	2011 $'000
Cash flows from operating activities:		
Profit before taxation	47,904	81,654
Adjustments for:		
Amortisation and depreciation	36,413	34,791
Gain on disposal of property, plant and equipment and investment properties	(136)	(383)
Share of losses/(profits) of associates	145	(42)
Fair value adjustment on investment securities	(109)	92
Fair value changes on biological assets	656	(1,338)
Interest expense	5,123	6,725
Allowance for doubtful debts charged/(written back), net and bad debts charged/(written back)	788	(21,280)
Dividend and interest income	(1,490)	(2,338)
Gain on disposal of an associate	–	(766)
Negative goodwill on acquisition of business	–	(786)
Exchange differences	1,009	(546)
Operating profit before working capital changes	90,303	95,783
(Increase)/decrease in receivables	(7,685)	22,114
Increase in inventories and biological assets	(7,950)	(19,109)
Increase in payables	8,934	15,970
Cash from operations	83,602	114,758
Interest paid	(5,219)	(6,789)
Interest received	1,424	2,282
Income tax paid	(11,176)	(15,357)
Net cash from operating activities	68,631	94,894
Cash flows from investing activities:		
Purchase of property, plant and equipment and investment properties	(56,257)	(57,010)
Proceeds from disposal of property, plant and equipment and investment properties	473	1,891
Purchase of investments	(6,077)	(9,039)
Dividends received from investments	66	56
Increase in advances to associates	(500)	(10)
Net cash inflow on disposal of an associate	–	72
Net cash outflow on acquisition of business	–	(2,264)
Net cash used in investing activities	(62,295)	(66,304)

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 2012

(In Singapore dollars)

	Note	2012 $'000	2011 $'000
Cash flows from financing activities:			
Dividends paid during the year		(23,705)	(8,383)
Dividends paid to non-controlling interests		(3,800)	(5,155)
Proceeds from short-term borrowings		22,935	29,599
Repayment of long-term borrowings		(5,025)	(41,208)
Proceeds from long-term loan from a non-controlling interest		732	–
Proceeds from issuance of share capital		1,218	590
Net cash used in financing activities		(7,645)	(24,557)
Net (decrease)/increase in cash and cash equivalents		(1,309)	4,033
Cash and cash equivalents at beginning of year	35	72,014	68,046
Effect of exchange rate changes on cash and cash equivalents		(950)	(65)
Cash and cash equivalents at end of year	35	69,755	72,014

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 that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 Presentation of Items of Other Comprehensive Income	1 July 2012
Revised FRS 19 Employee Benefits	1 January 2013
FRS 113 Fair Value Measurement	1 January 2013
Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Improvements to FRSs 2012	1 January 2013
– Amendment to FRS 1 Presentation of Financial Statements	1 January 2013
– Amendment to FRS 16 Property, Plant and Equipment	1 January 2013
– Amendment to FRS 32 Financial Instruments: Presentation	1 January 2013
Revised FRS 27 Separate Financial Statements	1 January 2014
Revised FRS 28 Investments in Associates and Joint Ventures	1 January 2014
FRS 110 Consolidated Financial Statements	1 January 2014
FRS 111 Joint Arrangements	1 January 2014
FRS 112 Disclosure of Interests in Other Entities	1 January 2014
Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities	1 January 2014

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 FRS19 is to be applied retrospectively.

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

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

Upon adoption of revised FRS 19, the expected effects on the financial statements are as follows:

	As at 31 December 2012 $'000	As at 31 December 2011 $'000
(Decrease)/increase in:		
Consolidated statement of financial position		
Deferred tax assets	(18)	(264)
Other payable – current	(116)	(123)
Other payables – non-current	527	111
Deferred tax liabilities	(118)	(217)
Revenue reserve	(211)	160
Foreign currency translation reserve	6	–
Non-controlling interests	(106)	(195)
Total equity	(311)	(35)

	2012 $'000
Consolidated income statement	
Decrease in staff costs	351
Increase in taxation	(86)
Increase in profit for the year	265
Increase in profit for the year attributable to:	
Owners of the parent	179
Non-controlling interests	86
	265
Consolidated statement of comprehensive income	
Decrease in actuarial gain on defined benefit obligation	(550)
Decrease in other comprehensive income for the year, net of tax attributable to owners of the parent	(550)

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 Disclosure of Interests in Other Entities is effective for financial periods beginning on or after 1 January 2014.

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. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

2.4 *Basis of consolidation*

Business combinations from 1 January 2010

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

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

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

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

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

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

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

Business combinations from 1 January 2010 (continued)

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.

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. Summary of significant accounting policies *(continued)*

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 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.

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

2.8 Depreciation

Depreciation is not provided for freehold land due to its unlimited useful life and for construction-in-progress until it is completed and put into use.

Depreciation is calculated so as to write-off the cost of other property, plant and equipment and investment properties, including those held under finance leases, on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

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

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.

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.

(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.

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

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

(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.

(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.

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

*2.13 **Intangibles** (continued)*

(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.

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.

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. Summary of significant accounting policies *(continued)*

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.

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. Summary of significant accounting policies *(continued)*

2.18 Impairment of non-financial assets

Goodwill

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

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

Other assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets that have an indefinite useful life and are not subject to amortisation or depreciation are tested annually for impairment.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in 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. Summary of significant accounting policies *(continued)*

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.

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.

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. Summary of significant accounting policies *(continued)*

2.21 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.

2.22 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.

2.23 Income taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

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

Deferred tax

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

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

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

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

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

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

2.23 ***Income taxes*** *(continued)*

Deferred tax (continued)

– 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.

2.24 ***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. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

2.25 ***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.

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

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.

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

2.25 ***Employee benefits*** *(continued)*

(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.

2.26 ***Leases***

Finance leases

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

Operating leases

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

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

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

2.28 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.

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. Summary of significant accounting policies *(continued)*

2.29 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.

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

2.31 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) <u>Impairment of goodwill</u>

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 2012 was $1,733,000 (2011: $1,801,000). More details are given in Note 24.

(ii) <u>Impairment of non-financial assets</u>

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) <u>Income taxes</u>

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 2012 was $1,573,000 (2011: $1,672,000) and $4,168,000 (2011: $4,057,000) respectively. The carrying amount of the Group's tax recoverable as at 31 December 2012 was $369,000 (2011: $384,000). The carrying amount of the Company's deferred tax liabilities as at 31 December 2012 was $427,000 (2011: $450,000). The Group's deferred tax assets and deferred tax liabilities as at 31 December 2012 was $18,127,000 (2011: $17,769,000) and $11,097,000 (2011: $11,944,000) respectively.

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

*2.31 **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 2012 was $2,381,000 (2011: $2,522,000) and $323,079,000 (2011: $311,544,000). The carrying amount of the Group's investment properties as at 31 December 2012 was $21,133,000 (2011: $18,923,000). 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	
	2012 $'000	2011 $'000
Sale of goods	970,885	961,159
Rental income from storage and warehousing facilities	5,692	5,331
Interest income from:		
– Fixed deposits with financial institutions	627	1,090
– Advances to associates	213	207
– Others	584	985
Gross dividends from investments	66	56
Miscellaneous	6,105	8,153
	984,172	976,981

4. Staff costs

	Group	
	2012 $'000	2011 $'000
Staff costs (including Executive Directors):		
– salaries, wages and other related costs	206,791	192,542
– CPF and contributions to other plans	6,749	7,017
– superannuation contributions	8,630	7,250
	222,170	206,809

5. Amortisation and depreciation

	Note	Group	
		2012 $'000	2011 $'000
Amortisation of intangibles	24	183	142
Depreciation of property, plant and equipment	17	35,137	33,553
Depreciation of investment properties	18	1,093	1,096
		36,413	34,791

6. Profit from operating activities

	Note	Group 2012 $'000	Group 2011 $'000
Profit from operating activities is stated after charging/(crediting):			
Auditors' remuneration:			
– Auditor of the Company		457	469
– Member firms of the auditor of the Company		540	613
Professional fees paid to:			
– Member firms of the auditor of the Company		7	150
– Other auditors		7	–
Fees and remuneration for the directors of the Company:			
– fees and remuneration		3,475	3,626
– contribution to the Central Provident Fund		25	18
Research and development cost		2,014	10,237
Increase in the fair value less estimated point–of–sale costs of livestock, net	10	(8,438)	(1,478)
Foreign exchange loss, net		1,508	677
Operating lease rental expense		11,544	10,025
Gain on disposal of property, plant and equipment and investment properties		(136)	(383)
Gain on disposal of an associate		–	(766)
Negative goodwill on acquisition of business		–	(786)
Allowance for inventory obsolescence charged/(written back)		83	(67)
Allowance for doubtful trade debts charged	12	102	219
Allowance for doubtful other debts charged/(written back)	13	348	(12,201)
Bad debts charged/(written back)		338	(9,298)
Rental income from investment properties		(5,633)	(5,270)
Direct operating expenses arising from investment properties that generate rental income		5,414	5,132
Provision for long service leave and retirement benefits charged	27(a)	2,227	1,354
Fair value adjustment on investment securities		(109)	92

7. Finance costs

	Group 2012 $'000	Group 2011 $'000
Interest expense on bank loans and finance leases	5,123	6,725

8. Taxation

	Note	Group 2012 $'000	Group 2011 $'000
Income tax expense/(credit) on the profit for the year:			
– current tax		11,631	13,634
– deferred tax		(2,762)	2,736
		8,869	16,370
(Over)/under provision in respect of prior years:			
– current tax		(318)	(624)
– deferred tax		889	–
		571	(624)
Tax expense		9,440	15,746
Deferred tax expense/(credit) related to other comprehensive income:			
– actuarial gain/(loss) on defined benefit plans	25	231	(1,237)

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% (2011: 17%) to the profit before taxation due to the following factors:

	2012 $'000	2011 $'000
Profit before taxation	47,904	81,654
Tax expense at statutory tax rate of 17% (2011: 17%)	8,144	13,881
Adjustments:		
Income not subject to tax	(147)	(4,562)
Expenses not deductible for tax purposes	1,263	998
Tax reliefs, rebates and incentives	(629)	(1,402)
Utilisation of tax benefits not recognised in previous years	(2,300)	–
Tax benefits not recognised in current year	194	3,892
Difference in effective tax rates in other countries	2,245	3,225
Under/(over) provision in respect of prior years	571	(624)
Others	99	338
Tax expense	9,440	15,746

The Group has unutilised tax losses and capital allowances of approximately $50,971,000 (2011: $59,236,000) and $Nil (2011: $1,249,000) respectively, which subject to the provisions of relevant local tax legislation and agreement with the relevant tax authorities, can be carried forward and utilised to set off against future taxable profits. The potential tax benefit arising from such unutilised tax losses and capital allowances has not been recognised in the financial statements due to the uncertainty of recoverability.

9. Earnings per ordinary share ("EPS")

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

	Group	
	2012	**2011**
	$'000	**$'000**
Group's earnings used for the calculation of EPS:		
Earnings for the financial year attributable to owners of the parent	34,465	59,162

	2012	**2011**
	'000	**'000**
Number of shares used for the calculation of:		
(i) *Basic EPS*		
Weighted average number of ordinary shares in issue	521,972	508,246
(ii) *Diluted EPS*		
Weighted average number of ordinary shares in issue	523,240	509,185

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 2012 $'000	Group 2011 $'000
Livestock		
– at fair value	38,764	35,294
– at cost	29,650	27,213
	68,414	62,507

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 2012	Group 2011
Physical quantity of pigs:		
– Number of progeny	379,991	331,001
– Number of breeders	46,762	52,414
	426,753	383,415

	Group 2012 $'000	Group 2011 $'000
Reconciliation of changes in the carrying amount:		
Balance at 1 January	62,507	60,500
Currency realignment	(2,531)	529
Gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	7,562	2,304
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs attributable to price changes	876	(826)
Balance at 31 December	68,414	62,507

11. Inventories

	Group 2012 $'000	Group 2011 $'000
Raw materials	46,648	47,253
Finished goods	17,429	19,515
Spare parts and consumables	14,657	14,821
Work-in-progress	120	–
Goods-in-transit	2,690	3,020
Total inventories at lower of cost and net realisable value	81,544	84,609

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

First-in-first-out	24,463	23,862
Weighted average	57,081	60,747
	81,544	84,609
Inventories are stated after deducting allowance for obsolescence of	1,254	1,439

Raw materials of the Group as at 31 December 2012 amounting to $24,097,000 (2011: $24,401,000) 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 2012 $'000	Group 2011 $'000
Trade receivables	91,445	87,427
Less: Allowance for doubtful debts	(2,607)	(2,960)
	88,838	84,467

At the end of the reporting period, approximately 21.27% (2011: 20.16%) 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.

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

	2012 $'000	2011 $'000
Lesser than 3 months	15,019	13,231
3 months to 6 months	930	1,124
6 months to 12 months	43	135
More than 12 months	9	86
	16,001	14,576

Receivables that are impaired:

	2012 $'000	2011 $'000
Gross amount	2,607	2,960
Less: Allowance for doubtful debts	(2,607)	(2,960)
	–	–

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.

Movements in the allowance for doubtful debts:

	2012 $'000	2011 $'000
At 1 January	2,960	2,782
Charge for the year (Note 6)	102	219
Written-off against allowance	(429)	(35)
Currency realignment	(26)	(6)
At 31 December	2,607	2,960

13. Other receivables

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Non-financial assets				
Prepayments	8,160	5,307	47	57
Financial assets				
Sundry deposits	1,490	1,586	30	30
Staff advances and loans	138	109	–	–
	1,628	1,695	30	30
Sundry debtors	10,360	12,220	10	11
Less: Allowance for doubtful debts	(5,557)	(5,407)	–	–
	4,803	6,813	10	11
Amounts due from subsidiaries				
– interest bearing	–	–	505	8,570
– non-interest bearing	–	–	45,264	37,487
Less: Allowance for doubtful debts	–	–	(5,290)	(5,487)
	–	–	40,479	40,570
Amounts due from associate	413	81	–	–
	6,844	8,589	40,519	40,611
	15,004	13,896	40,566	40,668
Receivables that are impaired:				
Gross amount	5,557	5,407	5,290	5,487
Less: Allowance for doubtful debts	(5,557)	(5,407)	(5,290)	(5,487)
	–	–	–	–

13. Other receivables *(continued)*

Movements in the allowance for doubtful debts are as follows:

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
At 1 January		5,407	19,422	5,487	6,165
Charge/(write back) during the year	6	348	(12,201)	(1)	(140)
Written-off against allowance		(2)	(1,638)	–	(581)
Currency realignment		(196)	(176)	(196)	43
At 31 December		5,557	5,407	5,290	5,487

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 1.89% (2011: 1.88% to 5.75%) per annum and are repayable upon demand.

The amounts due from associate are unsecured, interest-free and repayable upon demand.

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

14. Short-term investments

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Fair value through profit or loss				
Unquoted equity securities				
At fair value	502	456	–	–
Held-to-maturity investments				
Quoted debt securities				
At amortised cost	5,984	–	1,989	–
	6,486	456	1,989	–

15. Cash and deposits

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Cash and bank balances	35	48,870	35,933	4,720	4,235
Fixed deposits with financial institutions	35	20,885	38,939	3,500	21,500
		69,755	74,872	8,220	25,735

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 2012 for the Group and the Company were 2.24% and 0.32% (2011: 1.57% and 0.38%) respectively.

16. Assets classified as held for sale

As at 31 December 2012, 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 2012 $'000	Group 2011 $'000
Property, plant and equipment	1,630	1,673

17. Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Leasehold properties $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group									
Cost:									
At 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 and 1.1.2012	31,005	163,388	41,102	27,351	389,317	33,467	48,877	6,945	741,452
Currency realignment	(1,112)	(6,101)	(278)	(486)	(10,330)	(875)	(960)	(292)	(20,434)
Additions	243	370	1	2,783	31,494	2,070	2,786	15,992	55,739
Disposals	(17)	–	(1)	(134)	(3,512)	(512)	(1,126)	–	(5,302)
Transfers between categories	3,432	5,507	37	102	4,704	461	–	(14,243)	–
At 31.12.2012	33,551	163,164	40,861	29,616	411,673	34,611	49,577	8,402	771,455
Accumulated depreciation:									
At 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)
Transfers from assets classified as held for sale	–	499	–	–	1,054	15	281	–	1,849
At 31.12.2011 and 1.1.2012	–	77,482	24,380	8,790	260,503	26,988	31,765	–	429,908
Currency realignment	–	(2,973)	(62)	(93)	(7,191)	(706)	(670)	–	(11,695)
Charge for the year (Note 5)	–	3,640	413	1,273	22,437	2,208	5,166	–	35,137
Disposals	–	–	(1)	(133)	(3,312)	(457)	(1,071)	–	(4,974)
At 31.12.2012	–	78,149	24,730	9,837	272,437	28,033	35,190	–	448,376
Net carrying amount:									
At 31.12.2012	33,551	85,015	16,131	19,779	139,236	6,578	14,387	8,402	323,079
At 31.12.2011	31,005	85,906	16,722	18,561	128,814	6,479	17,112	6,945	311,544

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

	Leasehold office and improve-ments $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost:				
At 1.1.2011	2,841	1,155	770	4,766
Additions	–	14	184	198
Disposals	–	(480)	(273)	(753)
At 31.12.2011 and 1.1.2012	2,841	689	681	4,211
Additions	–	149	–	149
Disposals	–	(121)	–	(121)
At 31.12.2012	2,841	717	681	4,239
Accumulated depreciation:				
At 1.1.2011	809	954	501	2,264
Charge for the year	53	24	99	176
Disposals	–	(478)	(273)	(751)
At 31.12.2011 and 1.1.2012	862	500	327	1,689
Charge for the year	53	89	103	245
Disposals	–	(76)	–	(76)
At 31.12.2012	915	513	430	1,858
Net carrying amount:				
At 31.12.2012	1,926	204	251	2,381
At 31.12.2011	1,979	189	354	2,522

(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) During the year, the Group acquired property, plant and equipment with an aggregate cost of $856,000 (2011: $1,743,000) by means of finance leases. The net carrying amount of property, plant and equipment held under finance leases as at 31 December 2012 was $3,551,000 (2011: $2,958,000).

(c) At the end of the financial year, property, plant and equipment with net carrying amounts of $30,339,000 (2011: $30,800,000) were mortgaged/pledged to third parties to secure credit facilities.

18. Investment properties

	Note	Group $'000
Cost:		
At 1 January 2011		44,724
Additions		1,193
Disposals		(1,886)
At 31 December 2011 and 1 January 2012		44,031
Additions		3,312
Disposals		(143)
At 31 December 2012		47,200
Accumulated depreciation:		
At 1 January 2011		25,176
Charge for the year	5	1,096
Disposals		(1,164)
At 31 December 2011 and 1 January 2012		25,108
Charge for the year	5	1,093
Disposals		(134)
At 31 December 2012		26,067
Net carrying amount:		
At 31 December 2012		21,133
At 31 December 2011		18,923

The fair value of investment properties amounted to $23,445,000 (2011: $20,872,000) as at 31 December 2012. The fair value was determined based on management's assessment making references to discounted cash flow generated from the properties using discount rates ranging from 7.09% to 7.42% (2011: 7.36%) per annum.

19. Subsidiaries

	Company 2012 $'000	Company 2011 $'000
Cost of investment:		
Unquoted equity shares, at cost	102,720	102,720
Less: Impairment loss	(4,002)	(4,002)
	98,718	98,718
Movements in impairment loss are as follows:		
Balance at beginning of year	4,002	5,632
Write-off during the year	–	(1,630)
Balance at end of year	4,002	4,002

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

20. Advances to subsidiaries

The advances to subsidiaries, which are to be settled in cash, are unsecured and interest-free except for an amount of $96,047,000 (2011: $90,772,000) with effective interest rates ranging from 1.48% to 5.25% (2011: 1.48% to 5.75%) per annum. These advances have no fixed terms of repayment and no repayments are expected within the next 12 months.

21. Associates

	Group 2012 $'000	Group 2011 $'000
Unquoted equity shares, at cost	2,128	2,128
Group's share of post-acquisition accumulated profits and losses	4	149
Currency realignment	(332)	(335)
	1,800	1,942

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

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

The summarised financial information of the associates are as follows:

	Group 2012 $'000	Group 2011 $'000
Statement of financial position:		
Property, plant and equipment	5,720	4,718
Other assets	944	1,387
Liabilities	(4,745)	(3,829)
	1,919	2,276
Income statement:		
Revenue	4,403	12,804
Expenses	(4,771)	(16,085)
Loss before taxation	(368)	(3,281)
Taxation	7	(45)
Loss after taxation	(361)	(3,326)

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 6.13% (2011: 7.00%) per annum is receivable on the advances.

23. Long-term investments

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Fair value through profit or loss				
Unquoted debt securities				
At fair value	1,017	908	1,017	908
Held-to-maturity investments				
Quoted debt securities				
At amortised cost	8,017	7,978	7,017	5,978
Available-for-sale				
Unquoted investment				
At cost	691	691	–	–
Less: Impairment loss	(691)	(691)	–	–
	–	–	–	–
	9,034	8,886	8,034	6,886

The unquoted debt securities does not carry interest (2011: nil) and mature in August 2017.

The quoted debt securities carry interest rates of 2.36% to 4.70% (2011: 2.40% to 4.40%) and mature between January 2014 to October 2022.

There were no movement in the accumulated impairment loss amount in 2011 and 2012.

24. Intangibles

	Group				Company
	Trademark $'000	Customers lists $'000	Goodwill $'000	Total $'000	Trademark $'000
Cost:					
At 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 and 1.1.2012	2,750	1,470	1,801	6,021	7,150
Currency realignment	–	(56)	(68)	(124)	–
At 31.12.2012	2,750	1,414	1,733	5,897	7,150
Accumulated amortisation and impairment loss:					
At 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 and 1.1.2012	2,750	213	–	2,963	4,701
Currency realignment	–	(12)	–	(12)	–
Amortisation for the year (Note 5)	–	183	–	183	188
At 31.12.2012	2,750	384	–	3,134	4,889
Net carrying amount:					
At 31.12.2012	–	1,030	1,733	2,763	2,261
At 31.12.2011	–	1,257	1,801	3,058	2,449

Trademark and customers lists with finite life are amortised on a straight-line basis over their useful lives. Trademark has a useful life of 20 years.

A review of the useful lives of customer lists was made during the year and consequently, the customers lists were re-assessed as having useful lives of 5 to 9 years (2011: 8 to 9 years).

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% (2011: 12.5%).

25. Deferred taxation

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Balance at beginning of year	(5,825)	(7,075)	450	485
Currency realignment	437	(249)	–	–
(Addition)/utilised during the financial year	(2,762)	2,736	(23)	(35)
Under provision in prior years	889	–	–	–
Charged to other comprehensive income	231	(1,237)	–	–
Balance at end of year	(7,030)	(5,825)	427	450
Represented by:				
– Deferred tax assets	(18,127)	(17,769)	–	–
– Deferred tax liabilities	11,097	11,944	427	450
	(7,030)	(5,825)	427	450

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 2011	4,688	5,933	7,438	(310)	17,749
Addition/(utilised) 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 and 1 January 2012	5,289	6,202	5,832	446	17,769
Addition/(utilised) during the year	350	734	1,090	(657)	1,517
Under/(over) recognition in prior years	10	–	(270)	(12)	(272)
Tax effect of actuarial gain on defined benefit plans charged to other comprehensive income	–	–	–	(231)	(231)
Currency realignment	(207)	(225)	(237)	13	(656)
At 31 December 2012	5,442	6,711	6,415	(441)	18,127

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 2011	9,913	734	27	10,674
Charged to profit or loss	1,225	97	72	1,394
Currency realignment	(142)	8	10	(124)
At 31 December 2011 and 1 January 2012	10,996	839	109	11,944
Charged to profit or loss	(384)	(822)	(39)	(1,245)
Under recognition in prior year	617	–	–	617
Currency realignment	(210)	(17)	8	(219)
At 31 December 2012	11,019	–	78	11,097

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

	Property, plant and equipment $'000
At 1 January 2011	485
Write-back to profit or loss	(35)
At 31 December 2011 and 1 January 2012	450
Write-back to profit or loss	(23)
At 31 December 2012	427

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2011: nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries, the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $6,741,000 (2011: $5,949,000). The deferred tax liability is estimated to be $1,011,000 (2011: $892,000).

26. Trade payables

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Trade payables:				
– third parties	92,642	86,331	33	55
– associate	–	709	–	–
	92,642	87,040	33	55

27. Other payables

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
(a) ***Other payables***					
Payable within one year:					
Staff related expenses		20,682	19,160	1,211	1,533
Accrued operating expenses		11,736	12,294	222	236
Sundry creditors		18,485	16,588	2	2
Amounts due to subsidiaries		–	–	6,057	4,917
Amount due to an associate		179	90	–	–
Derivative financial liabilities	27(b)	–	3	–	–
		51,082	48,135	7,492	6,688
Payable after one year:					
Provision for long service leave and retirement benefits		14,524	13,600	–	–
Loans from non-controlling interests		1,758	1,084	–	–
		16,282	14,684	–	–

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

The loans from non-controlling interests of certain subsidiaries are unsecured and interest-free except for an amount of $1,043,000 (2011: $1,084,000) that bears interest at 7.00% (2011: 7.00%) per annum. The loans have 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 2012 $'000	Group 2011 $'000
Balance at beginning of year		13,600	12,580
Currency realignment		(441)	84
Provision charged during the year	6	2,227	1,354
Utilised during the year		(862)	(418)
Balance at end of year		14,524	13,600

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

	2012 Contract notional amount $'000	2012 Fair value $'000	2011 Contract notional amount $'000	2011 Fair value $'000
Group				
Foreign currency contracts				
– Not designated as hedges	911	–	5,726	3

At 31 December 2012, the settlement dates on open foreign currency contracts ranged between 1 to 3 months for the following notional amounts:

	Group 2012 $'000	Group 2011 $'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	911	5,246
	911	5,726

28. Exchangeable bond

	Group and Company	
	2012	2011
	$'000	$'000
Face value of exchangeable bond issued in July 2009	10,000	10,000
Derivative component of the bond at initial recognition	(500)	(500)
Liability component of the bond at initial recognition	9,500	9,500
Add: Accumulated amortisation of discount	500	–
Liability component of the bond at 31 December	10,000	9,500
Add: Derivative component of the bond at 31 December	–	500
Carrying value of the bond at 31 December	10,000	10,000
Payable within one year	10,000	–
Payable after one year	–	10,000
	10,000	10,000

In July 2009, the Company issued a zero-coupon Mandatorily Exchangeable bond due 2011 in a principal amount of $10 million (the "Bond") at an issue price equal to 100% of the principal amount of the Bond, to its controlling shareholder. The Bond shall be mandatorily exchangeable into fully paid and unencumbered ordinary shares (the "Hamsdale Shares") of the Company's wholly-owned subsidiary, Hamsdale International Pte Ltd ("Hamsdale"), on the date Hamsdale is listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The price at which a Hamsdale Share shall be exchanged shall be 95% of the offer price of a Hamsdale Share in the initial public offer. Unless mandatorily exchanged and cancelled, the Company was to redeem the Bond at its principal amount on the maturity date, 31 July 2011. The maturity date of the Bond was extended and is expiring on 31 July 2013.

29. Short-term borrowings

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Short-term bank loans:				
– unsecured	66,933	49,563	4,791	7,863
– secured	21,687	21,961	–	–
	88,620	71,524	4,791	7,863

The Company's and the Group's short-term bank loans bear effective interest rates ranging from 1.45% to 1.62% (2011: 1.50% to 5.96%) and 1.45% to 4.69% (2011: 1.50% to 5.96%) per annum, respectively. The secured portion of the borrowings as at 31 December 2012 was charged against inventories of the Group.

30. Long-term loans and finance leases

	Effective interest rate per annum %	Maturities	Group 2012 $'000	Group 2011 $'000
Loans from banks:				
– Loan A	3.02	2017	13,398	16,742
– Other loans	4.99 - 9.07	2019	5,256	6,352
Finance leases			2,524	2,540
			21,178	25,634
Less: Current portion			(4,845)	(2,554)
Non-current portion of loans			16,333	23,080

Loan A, denominated in Philippines Peso, with floating interest rate of 3.02% (2011: 4.14%) 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 4.99% to 9.07% (2011: 5.58% to 9.07%) per annum, are secured on floating charge on certain property, plant and equipment 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 2012 $'000	Present value of payments 2012 $'000	Minimum lease payments 2011 $'000	Present value of payments 2011 $'000
Group				
Within one year	757	544	673	486
Between one and five years	2,149	1,980	2,360	2,054
Total minimum lease payments	2,906	2,524	3,033	2,540
Less: Amount representing finance charges	(382)	–	(493)	–
Present value of minimum lease payments	2,524	2,524	2,540	2,540

Effective interest rates on finance leases range from 4.60% to 11.57% (2011: 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 includes 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	
	2012	2011
	$'000	$'000
Benefit liability		
Fair value of plan assets	22,064	20,659
Present value of benefit obligation	(22,134)	(23,474)
Net benefit liability	(70)	(2,815)
Changes in the fair value of plan assets are as follows:		
At 1 January	20,659	19,004
Expected return on plan assets	1,214	1,231
Actuarial gains/(losses)	1,179	(1,913)
Employer contributions	1,886	2,344
Contributions by plan participants	279	307
Benefits paid	(1,932)	–
Taxes, premiums and expenses paid	(419)	(524)
Currency realignment	(802)	210
At 31 December	22,064	20,659
Changes in the present value of the defined benefit obligation are as follows:		
At 1 January	23,474	19,744
Interest cost	633	968
Current service cost	563	582
Contributions by plan participants	279	307
Benefits paid	(1,932)	–
Actuarial losses on obligation	409	2,210
Taxes, premiums and expenses paid	(419)	(524)
Currency realignment	(873)	187
At 31 December	22,134	23,474

31. Pension liabilities *(continued)*

The Group expects to contribute $589,000 to its defined benefit pension plan in 2013.

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

	Group	
	2012	**2011**
	%	**%**
Australian equities	30	30
Overseas equities	28	29
Fixed interest securities	22	19
Property	12	13
Other	8	9
	100	100

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

	Group	
	2012	**2011**
	%	**%**
Discount rate	2.8	3.3
Salary increase rate	4.0	4.0
Expected rate of return on assets	6.8	6.8

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

	Group	
	2012	**2011**
	$'000	**$'000**
Net benefit expense (recognised within staff costs):		
Service cost	563	582
Interest cost	633	968
Expected return on assets	(1,214)	(1,231)
	(18)	319
Actual return on plan assets	2,372	(663)

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

			Group		
	2012	**2011**	**2010**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Plan assets	22,064	20,659	19,004	22,079	16,656
Defined benefit obligation	(22,134)	(23,474)	(19,744)	(22,997)	(20,862)
	(70)	(2,815)	(740)	(918)	(4,206)

32. Share capital

	Group and Company			
	2012		2011	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid :				
At 1 January	518,440,634	227,156	497,106,083	214,823
Issued during the year	5,786,777	3,575	21,334,551	12,333
At 31 December	524,227,411	230,731	518,440,634	227,156

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 3,543,777 ordinary shares at $0.665 per share pursuant to the QAF Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2011; and

(ii) the Company issued 2,243,000 ordinary shares for cash at the average exercise price of $0.543 per share upon the exercise of 2,243,000 share options by employees pursuant to the QAF Limited Share Option Scheme 2000 (Note 36).

33. Reserves

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Revaluation reserve	2,263	2,312	–	–
Capital reserve	17,941	17,941	1,705	1,705
Revenue reserve	141,260	132,269	37,731	44,599
Foreign currency translation reserve	384	8,506	–	–
	161,848	161,028	39,436	46,304

33. Reserves *(continued)*

	Company 2012 $'000	Company 2011 $'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	44,599	25,328
Net profit for the year	19,194	39,397
Dividends	(26,062)	(20,126)
At end of year	37,731	44,599
Total	39,436	46,304

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; and

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.

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'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	–	–
	17,941	17,941	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	
	2012	2011
	$'000	$'000
Interim tax-exempt (one-tier) dividend of 1 cent per share in respect of the financial year ended 31 December 2012	5,242	–
Final tax-exempt (one-tier) dividend of 4 cents per share in respect of the financial year ended 31 December 2011	20,820	–
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
	26,062	20,126

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 2010 and 31 December 2011.

The directors have proposed a final tax-exempt (one-tier) dividend of 4 cents per share ("Proposed Final Dividend for FY 2012"), amounting to approximately $20,969,000 be paid in respect of the financial year ended 31 December 2012. 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.

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 2012.

There are no income tax consequence (2011: 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	2012	2011
		$'000	$'000
Cash and bank balances	15	48,870	35,933
Fixed deposits with financial institutions	15	20,885	38,939
		69,755	74,872
Less: Fixed deposits pledged as security for credit facilities granted to a subsidiary		–	(2,858)
		69,755	72,014

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.

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 2012 '000	Weighted average exercise price in financial year 2012 $	No. of options in financial year 2011 '000	Weighted average exercise price in financial year 2011 $
Outstanding at beginning of year	7,709	0.541	9,167	0.538
Exercised	(2,243)	(0.543)	(1,122)	(0.526)
Lapsed/forfeited	(126)	(0.555)	(336)	(0.498)
Outstanding at end of year	5,340	0.540	7,709	0.541
Exercisable at end of year	5,340	0.540	7,709	0.541

36. Employee benefits (continued)

The following table summarises information about options outstanding and exercisable as at 31 December 2012 to subscribe for ordinary shares in the Company:

Outstanding			Exercisable		
Offer date	Number of options	Exercise price per share	Exercise period From	Exercise period To	Number of options
13.05.2004	1,540,000	$0.523	14.05.2005	13.05.2014	1,540,000
18.08.2005	1,325,000	$0.513	18.08.2006	17.08.2015	1,325,000
19.05.2006	2,475,000	$0.565	19.05.2007	18.05.2016	2,475,000
	5,340,000				5,340,000

During the financial year, 2,243,000 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 2012, the cumulative expenses recognised in respect of share options amounted to $1,705,000 (2011: $1,705,000).

37. Commitments

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
(i) Capital commitments not provided for in the financial statements:				
Expenditure contracted in respect of property, plant and equipment and investment properties	16,386	6,343	–	–
(ii) Commitments to purchase bulk supplies of raw materials	41,920	34,194	–	–
(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	5,776	5,865	92	91
Between one and five years	10,644	10,464	71	135
After five years	25,859	23,142	–	–
	42,279	39,471	163	226

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 indicated its intention to certain of its subsidiaries to continue to provide necessary financial support to these subsidiaries.

38. Contingent liabilities (unsecured)

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
(a) Guarantees issued for bank facilities granted to subsidiaries	–	–	126,371	130,565
Amounts utilised by subsidiaries as at end of the reporting period	–	–	78,585	63,486
(b) Claims by subsidiaries' employees	68	–	–	–

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		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Purchases from an associate	4,199	4,047	–	–
Land rental charges paid to an associate	294	236	–	–
Interest income from associates	213	207	–	–
Office rental paid to a director	–	10	–	10
Management fee income from an associate	112	114	–	–
Management fee income from subsidiaries	–	–	1,112	1,232
Royalty income from subsidiaries	–	–	23,134	22,767
Interest income from advances to subsidiaries	–	–	4,404	4,765
Dividend income from subsidiaries	–	–	8,287	399

(b) Compensation of key management personnel

	Group	
	2012 $'000	2011 $'000
Fees and remuneration	3,475	3,626
Contribution to the Central Provident Fund	25	18

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 $126,371,000 (2011: $130,565,000) 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 $78,585,000 (2011: $63,486,000).

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			
	2012		2011	
	$'000	% of total	$'000	% of total
By industry:				
Bakery	48,362	55	46,041	55
Primary production	22,313	25	20,975	25
Trading and logistics	17,912	20	17,131	20
Investments and others	251	–	320	–
	88,838	100	84,467	100
By country:				
Singapore	30,708	35	30,342	36
Australia	24,171	27	22,644	27
Philippines	16,756	19	14,639	17
Malaysia	15,981	18	16,331	19
Other countries	1,222	1	511	1
	88,838	100	84,467	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)*

	2012				2011			
	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	Over 5 years $'000	Total $'000
Group								
Financial assets:								
Trade and other receivables	95,682	–	–	95,682	93,056	–	–	93,056
Investment securities	6,900	6,028	4,613	17,541	719	6,471	3,396	10,586
Cash and deposits	69,755	–	–	69,755	74,872	–	–	74,872
Advances to associates	–	3,519	–	3,519	–	3,019	–	3,019
Total undiscounted financial assets	172,337	9,547	4,613	186,497	168,647	9,490	3,396	181,533
Financial liabilities:								
Trade and other payables	143,724	1,758	–	145,482	135,175	1,084	–	136,259
Borrowings	95,059	13,503	3,627	112,189	76,427	23,431	2,277	102,135
Exchangeable bond	10,000	–	–	10,000	–	10,000	–	10,000
Total undiscounted financial liabilities	248,783	15,261	3,627	267,671	211,602	34,515	2,277	248,394
Total net undiscounted financial (liabilities)/ assets	(76,446)	(5,714)	986	(81,174)	(42,955)	(25,025)	1,119	(66,861)

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

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

	2012				2011			
	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**	**Over 5 years $'000**	**Total $'000**
Company								
Financial assets:								
Investment securities	2,329	4,855	4,613	11,797	215	4,466	3,396	8,077
Other receivables	40,519	–	–	40,519	40,611	–	–	40,611
Cash and deposits	8,220	–	–	8,220	25,735	–	–	25,735
Advances to subsidiaries	–	132,314	–	132,314	–	123,210	–	123,210
Total undiscounted financial assets	51,068	137,169	4,613	192,850	66,561	127,676	3,396	197,633
Financial liabilities:								
Trade and other payables	7,525	–	–	7,525	6,743	–	–	6,743
Borrowings	4,791	–	–	4,791	7,872	–	–	7,872
Exchangeable bond	10,000	–	–	10,000	–	10,000	–	10,000
Total undiscounted financial liabilities	22,316	–	–	22,316	14,615	10,000	–	24,615
Total net undiscounted financial assets	28,752	137,169	4,613	170,534	51,946	117,676	3,396	173,018

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	78,585	–	–	78,585	63,486	–	–	63,486

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 2012 $'000	2011 $'000
Australian Dollar	+ 50	(347)	(235)
Australian Dollar	– 50	347	235

(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 $121,737,000 (2011: $116,495,000).

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.

	2012		2011	
	Profit after taxation $'000	Equity $'000	Profit after taxation $'000	Equity $'000
AUD – strengthened 1% (2011: 1%)	323	892	213	927
– weakened 1% (2011: 1%)	(323)	(892)	(213)	(927)

41 Classification of financial instruments

	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Loans and receivables				
Trade receivables	88,838	84,467	–	–
Other receivables	6,844	8,589	40,519	40,611
Cash and deposits	69,755	74,872	8,220	25,735
Advances to associates	3,519	3,019	–	–
Advances to subsidiaries	–	–	132,314	123,210
	168,956	170,947	181,053	189,556
Available-for-sale financial assets				
Short-term investments	502	456	–	–
Held-to-maturity financial assets				
Short-term investments	5,984	–	1,989	–
Long-term investments	8,017	7,978	7,017	5,978
	14,001	7,978	9,006	5,978
Financial liabilities measured at amortised cost				
Trade payables	92,642	87,040	33	55
Other payables	52,840	49,216	7,492	6,688
Liability component of exchangeable bond	10,000	9,500	10,000	9,500
Short-term borrowings	88,620	71,524	4,791	7,863
Long-term loans and finance leases	21,178	25,634	–	–
	265,280	242,914	22,316	24,106
Fair value through profit or loss				
Long-term investments	1,017	908	1,017	908
Forward currency contracts	–	(3)	–	–
Derivative component of exchangeable bond	–	(500)	–	(500)
	1,017	405	1,017	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	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Group			
2012			
Financial assets			
Long-term investments	23	1,017	–
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)

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

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

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.

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 2012	500
Total loss in profit or loss	(500)
	–

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

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

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

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

Unquoted 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:

	2012 $'000		2011 $'000	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Group				
Financial liabilities:				
Liability component of exchangeable bond	10,000	9,885	9,500	9,618

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 loans 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.

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
2012						
Revenue and expenses						
Revenue from external customers	473,613	403,059	92,448	4,554	–	973,674
Other revenue from external customers	3,365	3,357	2,217	135	–	9,074
Inter-segment revenue	–	417	94	24,246	(24,757)	–
	476,978	406,833	94,759	28,935	(24,757)	982,748
Unallocated revenue						1,424
Total revenue						984,172
Segment results	51,015	6,823	4,013	(58)	–	61,793
Unallocated revenue						1,424
Unallocated expenses						(10,045)
Profit from operating activities						53,172
Finance costs						(5,123)
Share of losses of associates	(145)	–	–	–	–	(145)
Profit before taxation						47,904
Taxation						(9,440)
Profit after taxation						38,464

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	Consolidated $'000
2012					
Assets and liabilities					
Segment assets	292,733	287,129	62,562	45,256	687,680
Associates	5,319	–	–	–	5,319
Total assets	298,052	287,129	62,562	45,256	692,999
Deferred tax assets					18,127
Tax recoverable					369
Total assets per consolidated statement of financial position					711,495
Segment liabilities	83,618	65,135	11,088	2,759	162,600
Provision for taxation					4,168
Deferred tax liabilities					11,097
Exchangeable bond					10,000
Bank borrowings					107,274
Total liabilities per consolidated statement of financial position					295,139
Other segment information					
Expenditure for non-current assets	34,783	12,078	4,017	8,173	59,051
Amortisation and depreciation	23,897	10,143	1,588	785	36,413
Allowance for inventory obsolescence charged	9	3	71	–	83
Allowance for doubtful debts charged/(written back) and bad debts (written back)/written off	884	50	(146)	–	788

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)*

Geographical information

	Revenue		Non-current assets	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Singapore	164,802	166,639	33,505	31,375
Malaysia	286,214	294,082	128,164	119,252
Australia	414,626	407,778	162,261	157,819
Philippines	108,035	101,999	23,045	25,079
Other countries	10,495	6,483	–	–
	984,172	976,981	346,975	333,525

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 2012 are:-

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2012 %	2011 %
	Bakery			
(1)	Gardenia Foods (S) Pte Ltd (Singapore)	Bread manufacturer (Singapore)	100	100
(2)	Gardenia Bakeries (KL) Sdn Bhd (Malaysia)	Bread manufacturer (Malaysia)	70	70
(2)	Gardenia Sales & Distribution Sdn Bhd (Malaysia)	Marketing and distribution of bakery products (Malaysia)	70	70
(1)	Farmland Central Bakery (S) Pte Ltd (Singapore)	Purchasing agent of bread, confectionery and bakery products (Singapore)	100	100
(2)	Millif Industries Sdn Bhd (Malaysia)	Manufacture of kaya and related products (Malaysia)	65	65
(4)	Gardenia Bakeries (Philippines) Inc (Philippines)	Manufacture and distribution of bread, confectionery and bakery products (Philippines)	100	100

45. Subsidiaries and associates *(continued)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2012 %	2011 %
	Bakery *(continued)*			
(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			
(3)	Rivalea (Australia) Pty Ltd (Australia)	Intensive pig production and wholesaling (Australia)	100	100
(3)	Diamond Valley Pork Pty Ltd (Australia)	Pig meat processing and wholesale (Australia)	80	80
	Trading and logistics			
(1)	Ben Foods (S) Pte Ltd (Singapore)	Trading and distribution of food and beverage products (Singapore)	100	100
(2)	Ben Foods (East Malaysia) Sdn Bhd (Malaysia)	Operation of supermarkets (Malaysia)	100	100
(1)	Shinefoods Pte Ltd (Singapore)	Agency and distribution of food and beverage products (Singapore)	100	100
(1)	NCS Cold Stores (S) Pte Ltd (Singapore)	Operation of warehousing logistics (Singapore)	100	100
(1)	QAF Fruits Cold Store Pte Ltd (Singapore)	Operation of cold storage warehouse (Singapore)	62	62

45. Subsidiaries and associates *(continued)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2012 %	2011 %
	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
(1)	Hamsdale International Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(3)	Hamsdale Australia Pty Ltd (Australia)	Investment holding (Australia)	100	100
^	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
^	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

45. Subsidiaries and associates *(continued)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2012 %	2011 %
	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
(1)	Lansdale Holdings Pte Ltd (Singapore)	Dormant	100	100
(1)	Gaoyuan Pte Ltd (Singapore)	Dormant	55	100
^	Hengxing Fruit Juice (Singapore) Pte Ltd (Singapore)	Dormant	100	100
@	Singfood Investment Pte Ltd (Singapore)	Dormant	–	100
#	Gardenia Food (Fujian) Co Ltd (People's Republic of China)	To commence manufacture and sale of bakery products	55	–

45. Subsidiaries and associates *(continued)*

(b) The associates as at 31 December 2012 are:

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2012 %	2011 %
(4)	Philfoods Fresh-Baked Products Inc (Philippines)	Bread manufacturer (Philippines)	40	40
(4)	Phil Foods Properties Inc (Philippines)	Investment holding (Philippines)	40	40

Note

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

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

^ In process of being struck off

\# Not material to the Group and not required to be disclosed under SGX Listing Rule 717

Audited by:

(1) Ernst & Young LLP, Singapore

(2) Ernst & Young, Malaysia

(3) Ernst & Young, Australia

(4) Sycip Gorres Velayo & Co, Philippines, a member firm of Ernst & Young Global

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 2011, is also to maintain gearing ratios on net debt-to-equity ratio of not exceeding 1.5 times.

	Group	
	2012 $'000	2011 $'000
Net debt	50,043	31,786
Shareholders' funds	392,579	388,184
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 2012.

47. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 15 March 2013.

LIST OF MAJOR PROPERTIES

The Group's major properties as at 31 December 2012 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	Approval in principle granted by JTC for a 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	17-year lease from March 2013
(b) Properties in Malaysia		
Lot 3 Jalan Gergaji 15/14 40000 Shah Alam Selangor Darul Ehsan Malaysia	Bakery and office premises	99-year lease from September 1984
Lot 3 Jalan Pelabur 23/1 40300 Shah Alam Selangor Darul Ehsan Malaysia	Bakery and office premises	99-year lease from May 1999
Lot 72100 Jalan Klinik Batu 6 ½ off Jalan Bukit Kemuning Seksyen 32 40460 Shah Alam Selangor Darul Ehsan Malaysia	Bakery and office premises	Freehold
Lot 2 & 4 Jalan TPP6/12 Taman Perindustrian Puchong Seksyen 6 47100 Petaling Jaya Malaysia	Bakery and office premises	99-year lease from October 1997
No. 35 Persiaran Sabak Bernam Seksyen 26 40400 Shah Alam Selangor Darul Ehsan Malaysia	Bakery and office premises	Freehold

LIST OF MAJOR PROPERTIES

The Group's major properties as at 31 December 2012 are:

Name of building/location	Description	Tenure of land
(c) Properties in Australia		
Seville Piggery Beenak Road Seville, Victoria 3139	Farming related use	Freehold
Huntly Farm No. 1 and 2 Bendigo-Tennyson Road Huntly, Victoria 3351	Piggery Farming	Freehold
St. Arnaud Unit 1 Sunraysia Highway St. Arnaud, Victoria 3478	Piggery Farming	Freehold
St Arnaud Units 2 & 3 Nelson Road St Arnaud, Victoria 3478	Piggery Farming	Freehold
Corowa Piggery Hudsons Road, Corowa New South Wales 2646	Piggery Farming	Freehold
Bungowannah Piggery Howlong Road Bungowannah New South Wales	Piggery Farming	Freehold
Corowa Mill Albury Road, Corowa New South Wales 2646	Feedmilling	Freehold
Balpool 1 & 2 Piggery Balpool Station Balpool Lane, Moulamein New South Wales 2733	Piggery Farming	Freehold
Bagshot Piggery 429 Clays Road Bagshot, Victoria 3551	Piggery Farming	Freehold
Whitehead Street Corowa New South Wales 2646	Farming related use	Freehold
Diamond Valley Pork 13-15 Thomas Street Laverton, North Victoria	Abattoir	Freehold
Oxdale Dairy No. 1 RMB 2048 Parnell Road Cobram, Victoria 3644	Dairy Farming	Freehold
Oxdale Dairy No. 2 Murray Valley Highway Cobram, Victoria 3644	Dairy Farming	Freehold

LIST OF MAJOR PROPERTIES

The Group's major properties as at 31 December 2012 are:

Name of building/location	Description	Tenure of land
(c) Properties in Australia *(continued)*		
Oxdale Dairy Lots 11, 13 and 32 Johnson Street, Corowa New South Wales 2646	Grain Storage	Freehold
Oxdale Mill 72 Whitehead Street Corowa, New South Wales	Feedmill	Freehold
Oxdale Dairy 60-66 Pipe Road Laverton North, Victoria	Investment Property	Freehold
96 to 98 Milperra Road Milperra, New South Wales	Bakery and office premises	Freehold

STATISTICS OF SHAREHOLDINGS

As at 15 March 2013

Issued and Fully paid-up Capital : $230,779,470
Class of Shares : Ordinary Shares

Analysis of Shareholders by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	465	10.18	118,096	0.02
1,000 - 10,000	3,067	67.13	12,168,688	2.32
10,001 - 1,000,000	1,007	22.04	48,537,875	9.26
1,000,001 and above	30	0.65	463,492,752	88.40
	4,569	100.00	524,317,411	100.00

List of Twenty Largest Shareholders

S/No.	Name of Shareholder	No. of Shares	%
1.	Tian Wan Enterprises Company Limited	112,177,124	21.39
2.	Tian Wan Equities Company Limited	95,411,385	18.20
3.	Tian Wan Holdings Group Limited	95,411,384	18.20
4.	HSBC (Singapore) Nominees Pte Ltd	50,481,012	9.63
5.	DBS Nominees Pte Ltd	20,078,866	3.83
6.	J&H International Limited	19,837,393	3.78
7.	Citibank Nominees Singapore Pte Ltd	15,270,267	2.91
8.	DB Nominees (S) Pte Ltd	7,243,196	1.38
9.	United Overseas Bank Nominees (Private) Limited	4,891,530	0.93
10.	Tong Tiong Wah	4,655,000	0.89
11.	CIMB Securities (Singapore) Pte Ltd	4,261,088	0.81
12.	Lai Choy Kuen	4,212,304	0.80
13.	Tan Kong King	3,161,136	0.60
14.	UOB Kay Hian Pte Ltd	2,600,466	0.50
15.	Lee Fook Khuen	2,353,030	0.45
16.	OCBC Nominees Singapore Private Limited	2,241,175	0.43
17.	Raffles Nominees (Pte) Ltd	2,147,430	0.41
18.	DBSN Services Pte Ltd	2,010,431	0.38
19.	Teh Kiu Cheong	1,650,367	0.31
20.	ISI Investments Company Limited	1,621,000	0.31
		451,715,584	86.14

STATISTICS OF SHAREHOLDINGS

As at 15 March 2013

Substantial Shareholders

Name of Substantial Shareholder	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Andree Halim	–	–	322,837,286 [1]	61.57	322,837,286	61.57
Lin Kejian	–	–	209,209,509 [2]	39.90	209,209,509	39.90
Tian Wan Enterprises Company Limited	112,177,124	21.39	–	–	112,177,124	21.39
Tian Wan Equities Company Limited	95,411,385	18.20	–	–	95,411,385	18.20
Tian Wan Holdings Group Limited	95,411,384	18.20	–	–	95,411,384	18.20
Denonshire Group Limited	45,820,712	8.74	–	–	45,820,712	8.74
Didi Dawis	–	–	45,820,712 [3]	8.74	45,820,712	8.74
Saiman Ernawan	–	–	45,820,712 [3]	8.74	45,820,712	8.74

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, Tian Wan Equities Company Limited and ISI Investments 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 25 April 2013 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 2012. **(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 2012. **(Resolution 2)**

3. To re-elect the following Directors:

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

   (b) Mr Soh Gim Teik (retiring under Article 104 of the Articles of Association) **(Resolution 3b)**

4. To approve Directors' fees of $145,200 for the year ended 31 December 2012 (2011: $145,200). **(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 QAF Limited Scrip Dividend Scheme (the "**QAF Scrip Dividend Scheme**"). **(Resolution 9)**

By Order of the Board

LEE WOAN LING (Ms)
Company Secretary

Singapore, 10 April 2013

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

i) For Ordinary Resolutions:

3(a) – Mr Didi Dawis is a non-executive Director of the Company and the Chairman of the Board of Directors. He is a substantial shareholder holding approximately 8.74% of the ordinary shares in the Company. Mr Dawis is also a member of the Remuneration Committee of the Company.

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

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

ii) Ordinary Resolution 7, if passed, will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting of the Company, to issue shares and convertible securities in the Company up to an aggregate number not exceeding 50% of the total number of issued shares in the capital of the Company, of which the aggregate number issued other than on a pro-rata basis to all shareholders of the Company shall not exceed 20% of the total number of issued shares in the capital of the Company.

iii) Ordinary Resolution 8 authorizes the Directors to issue shares pursuant to the exercise of options under the QAF Limited Share Option Scheme 2000 which was approved by the members of the Company on 12 May 2000. Authority under Resolution 8 is in addition to the general authority to issue shares and/or convertible securities sought under Resolution 7.

iv) Ordinary Resolution 9, if passed, will authorize the Directors to issue shares in the Company pursuant to the QAF Scrip Dividend Scheme (as approved in the extraordinary general meeting held on 28 April 2006 and as modified by the Directors in accordance with the authority granted thereunder) 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 8 May 2013 up to and including 9 May 2013 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 2012 ("Dividend 2012").

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 8 May 2013 will be entitled to the Dividend 2012 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 8 May 2013 will be registered to determine shareholders' entitlements to the Dividend 2012.

The QAF Limited Scrip Dividend Scheme will apply to the Dividend 2012 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 2012 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, 10 April 2013

PROXY FORM

Annual General Meeting of QAF Limited

I/We ______________________________ (Name) NRIC/Passport No. ____________________

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 25 April 2013 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 Didi Dawis		
	(b) Mr Soh Gim Teik		
4.	To approve Directors' fees.		
5.	To re-appoint Ernst & Young as Auditors of the Company.		
6.	To transact any other ordinary business of the Company.		
7.	General Authority to issue shares and/or convertible securities.		
8.	Authority to issue shares pursuant to the Share Option Scheme 2000.		
9.	Authority to issue shares pursuant to the Scrip Dividend Scheme.		

Signed this ____________ day of _____________ 2013 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
Company Registration No. 195800035D

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