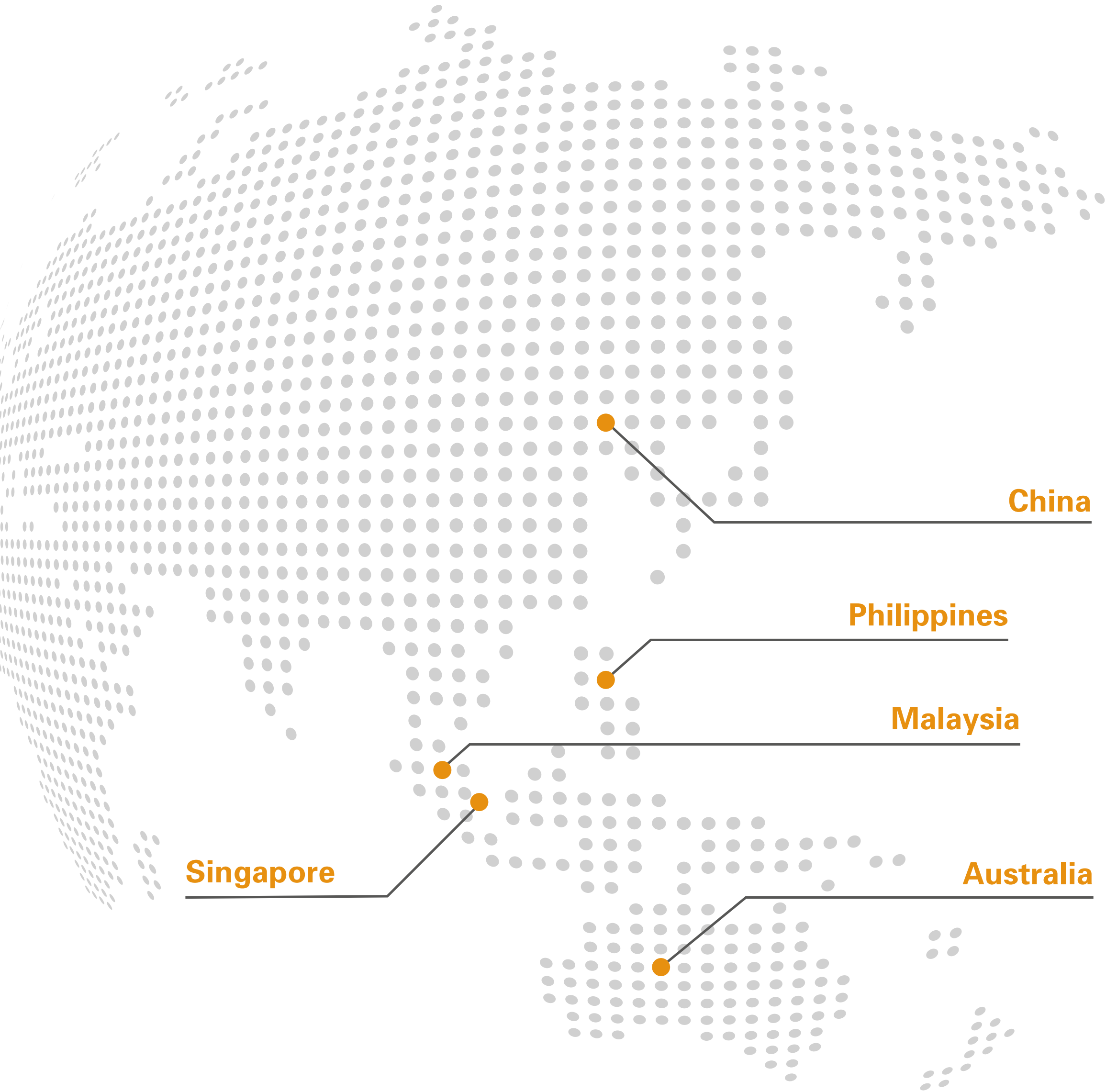
QAF Limited

GROWING MOMENTUM

Annual Report 2014


China
Philippines
Malaysia
Singapore
Australia

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CORPORATE INFORMATION As at 20 March 2015

Board of Directors
Mr Didi Dawis
(Chairman)
Mr Andree Halim
(Vice-Chairman)
Mr Tan Kong King
(Group Managing Director)
Mr Lin Kejian
(Deputy Group Managing Director)
Ms Tarn Teh Chuen
Mr Soh Gim Teik
Mr Siau Kai Bing
Mr Soh Chung Hian
Mr Tan Hang Huat
Mr Teng Tien Eng Moses
Mr Choo Kok Kiong
Mr Gianto Gunara
Mr Triono J. Dawis
Mr Goh Kian Hwee
Mr Lee Kwong Foo Edward

Audit Committee
Mr Soh Chung Hian
Mr Soh Gim Teik
Mr Siau Kai Bing

Nominating Committee
Mr Soh Gim Teik
Mr Siau Kai Bing
Mr Andree Halim

Remuneration Committee
Mr Siau Kai Bing
Mr Soh Chung Hian
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
The Hongkong and Shanghai
Banking Corporation Limited
Rabobank International
Standard Chartered Bank
United Overseas Bank Limited

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to report that against the backdrop of a sluggish and uneven global economic recovery marked by a strengthening US economy, slowdown in the eurozone and China and volatile currency movements, our strong portfolio of brands delivered healthy contributions to profits in all our business segments.

For the financial year ended 31 December 2014, the Board is pleased to recommend a final dividend of 4 cents per share. If approved by shareholders, the total dividend paid for the year will be 5 cents per share.

The Board saw several changes during the year.

On 26 February 2014, Mr Kelvin Chia Hoo Khun and Mr Tan Hin Huat stepped down as independent directors of the Company. I would like to once again express my sincere appreciation to Mr Chia and Mr Tan for their invaluable contributions over the years.

I wish to extend a warm welcome to the following new directors: Mr Tan Hang Huat, Mr Moses Teng Tien Eng, Mr Gianto Gunara, Mr Choo Kok Kiong and Mr Triono J. Dawis who joined our Board as non-executive non-independent directors on 17 July 2014; Mr Soh Chung Hian who was appointed an independent director on 15 February 2014; and Mr Edward Lee Kwong Foo and Mr Goh Kian Hwee who were appointed independent directors on 1 December 2014. I am confident that with their extensive knowledge and vast experience, our new directors will enhance the Board's strengths and bring much valuable insight and guidance to the Group.

I also wish to extend my congratulations to Mr Lin Kejian on his appointment as Deputy Group Managing Director on 15 September 2014.

Finally, I would like to express my sincere thanks and appreciation to our bankers, suppliers, customers, business associates and shareholders for their confidence and loyal support, and to our dedicated employees for their hard work and contribution to the strong performance of the Group during the year.

DIDI DAWIS
Chairman
20 March 2015

GROUP MANAGING DIRECTOR'S REPORT

The world economy struggled to gain momentum in 2014. Against the backdrop of an anaemic eurozone recovery and slowing growth in China, the US economy rebounded, creating a fragile and uneven global recovery. The global economic uncertainty weighed on business confidence. Amid weaker export demand, escalating business costs and a tight labour market, the Singapore economy grew at a moderate pace.

Despite the challenging business conditions, I am pleased to report that the strong fundamentals of our core businesses continued to drive revenue growth across all our major business segments - Bakery, Primary Production and Trading & Logistics, giving the Group another year of sterling results.

Group revenue for the financial year ended 31 December 2014 ('FY2014') was $1,023 million, a marginal decrease of $1.0 million from $1,024 million for the financial year ended 31 December 2013 ('FY2013'). The reason for the slight decline in Group revenue is attributable mainly to the foreign currency translation loss on the conversion of the Group's Australian dollar earnings into Singapore dollars. During the year, the Australian dollar depreciated against the Singapore dollar.

The Group's Bakery operations in Singapore, Malaysia, the Philippines and Australia posted strong contributions to sales revenues from the successful launch of new products, increased production capacities, increased market shares and higher overall selling prices in their respective markets. Sales rose by 3% to $510.7 million for FY2014 as compared to $497.9 million for FY2013.

Despite intense competition from other bread brands, Gardenia was resilient, maintaining its leading position as the best-selling brand of packaged bread in the Singapore, Malaysian and Philippine markets. Its unwavering focus on product quality and the constant innovation of new and exciting product offerings has earned Gardenia the loyalty of its customers and a strong brand presence that has enabled it to drive sales in all its markets and stay ahead of the competition.

In Singapore, Gardenia occupies a strong market position amid the proliferation of other packaged bread brands and supermarket in-house brands. Under Gardenia Foods (S) Pte Ltd, Gardenia was ranked the 'No. 1 Selling Bread Brand', in terms of both sales value and sales volume by A.C. Nielsen during the period from July 2013 to June 2014. The ranking is testament to Gardenia's product innovation, commitment to excellence and strong brand presence.

In Malaysia, Gardenia continued to dominate the packaged bread market with sales of its products achieving another record high under Gardenia Bakeries (KL) Sdn Bhd ('GBKL'). In April 2014, Gardenia once again clinched the Gold Award for the 'Most Preferred Brand' in the prestigious 2014 Putra Brand Awards (Foodstuff category). This is the fifth consecutive year that Malaysian consumers have voted Gardenia as their favourite bread brand. During the year, a new snack cake line with a production capacity of 10,000 pieces of snack cakes an hour was commissioned by GBKL to meet the increased demand for its products.

In the Philippines, Gardenia leads the Metro Manila packaged bread market with a market share in excess of 60%. Despite a market slowdown in 2014, Gardenia posted healthy increases in sales under Gardenia Bakeries (Philippines) Inc. This was achieved through aggressive brand-building and marketing activities and expansion into new geographic markets. During the year, Gardenia expanded its distribution network to the south-west part of Mindanao to the province of Zamboanga del Sur, and farther east, towards Surigao del Sur.

In Australia, our bakery operations under Bakers Maison Australia Pty Ltd ('Bakers Maison') posted another impressive year of double-digit sales growth despite a challenging business environment beset by rising costs and competition from supermarket in-store bakeries. Bakers Maison is a specialist manufacturer of wholesale authentic French-style breads, pastries and sweets in Sydney. During the year, Bakers Maison enlarged its network of national distributors and secured new manufacturing contracts.

The Group's Trading & Logistics business segment under Ben Foods (S) Pte Ltd ('Ben Foods') posted another strong year of gains with higher sales from its foodservice and export businesses and increased rental income from its cold storage operations. Ben Foods' proprietary brands of food and beverage products are Cowhead, Farmland, Haton, Spices of the Orient and Orchard Fresh. During the year, the company expanded its proprietary brands portfolio with the addition of several new products.

In Australia, the Group's Primary Production business segment under Rivalea (Australia) Pty Ltd ('Rivalea') also saw increased sales revenues in Australian dollar terms. However, the depreciation of the Australian dollar against the Singapore dollar resulted in a foreign currency translation loss and in Singapore dollar terms, revenue from the Rivalea operations declined by 5% to $401.7 million for FY2014 as compared to $423.7 million for FY2013. If not for the loss on currency translation, revenue from the Rivalea operations would have shown a slight increase in FY2014 against FY2013 in Australian dollar terms.

Contribution from the Group's dairy and investment activities in Australia under Oxdale Dairy Enterprise Pty Ltd ('Oxdale Dairy') also increased by 12% to $34.4 million in FY2014 as compared to $30.8 million in FY2013. During the year, Oxdale Dairy completed the disposal of its dairy farm operations. With the sale, the company will focus on its rental investment activities.

Costs of materials decreased by 2% to $546.5 million in FY2014 as compared to $558.5 million in FY2013, mainly due to the lower costs of feed for Rivalea.

Amortisation and depreciation expense declined by 4% to $36.9 million in FY2014 due to the lower overall depreciation charges in the Group's Bakery division.

Despite intense competition from other bread brands, Gardenia was resilient, maintaining its leading position as the best-selling brand of packaged bread in the Singapore, Malaysian and Philippine markets.

GROUP MANAGING DIRECTOR'S REPORT

Repairs and maintenance costs increased by 3% to $32.8 million in FY2014 due to higher repair costs of production facilities and distribution vehicles in the Group's Bakery operations as a result of increased production and distribution activities.

Utilities expense fell by 4% to $33.4 million in FY2014. This is attributable to reduced utility rates as well as reduced utilisation in certain operating subsidiaries in FY2014.

Other operating expenses decreased by $0.4 million to $84.7 million in FY2014 due mainly to the lower foreign exchange loss of $1.9 million in FY2014 as compared to a foreign exchange loss of $5.4 million in FY2013. The lower unrealised foreign exchange loss pertained mainly to the translation of the Group's Australian dollar denominated assets into Singapore dollars.

The Group incurred higher distribution and transportation expenses due to higher diesel and petrol prices incurred by certain bakery operations in FY2014.

Group finance costs (interest expense) decreased by 20% to $3.2 million in FY2014 as compared to $4.1 million in FY2013 due to lower borrowings.

Group profit before taxation saw a significant improvement of 37%, rising from $42.2 million in FY2013 to $57.9 million in FY2014. Although all the Group's business segments achieved higher profits, the main contributor to the increased profitability was Rivalea, which saw a noteworthy threefold growth in operating profits from $2.3 million in FY2013, to $10.2 million in FY2014. This was achieved through higher overall selling prices, better product mix, productivity gains and lower raw material costs.

The Group's Bakery operations in Singapore, Malaysia, the Philippines and Australia posted another year of increased profits in their respective markets. Operating results rose by 4% to $54.0 million for FY2014 as compared to $52.1 million for FY2013. The strong performance was the result of higher sales, increased efficiencies and economies of scale.

In October 2014, the Group's new bakery operation in Fujian, China under Gardenia Food (Fujian) Co Ltd commenced operations and incurred certain start-up and market development costs. The Fujian operations is a pilot project and a foothold for the future expansion of Gardenia into the Greater China market.

Operating profits for the Group's Trading & Logistics segment increased by 16% to $2.9 million in FY2014 as compared to $2.5 million in FY2013 due to increased sales as well as increased rental income from its cold storage operations.

The dairy and investment segment under Oxdale Dairy posted a 178% contribution to operating profit, from $0.9 million in FY2013 to $2.5 million in FY2014. However, this is mainly due to the sale of its dairy business during the year.

Group profit after taxation increased by 46% to $46.6 million for FY2014 as compared to $31.8 million for FY2013. The increase in Group profit after taxation is higher than the increase in Group profit before taxation as the profits in a certain subsidiary are presently not liable for tax due to its existing tax benefits structure.

Group taxation increased by 9% to $11.3 million in FY2014 as compared to $10.4 million in FY2013.

The increase in Group profit after taxation saw earnings per share rise by 46.4% from 5.6 cents to 8.2 cents. The Group's net asset value per share also increased from 72.6 cents to 74.7 cents.

In line with the increased profitability in the Group's operations, Group profit attributable to owners of the parent increased by a substantial 49% to $45.1 million in FY2014 as compared to $30.2 million in FY2013.

In our pursuit of corporate and business excellence, we have not forgotten our commitment to operate our businesses in a responsible and economically sustainable manner and to give back to society. The central focus of our corporate social responsibility initiatives are the support of healthy eating and lifestyles, society and the local community, environment and the development and welfare of our employees. These initiatives are detailed in a separate section of this annual report.

Global growth is generally expected to slow down in 2015. Risks to growth include the possibility of the eurozone falling into a deflationary spiral, volatile currency movements from central banks' monetary policies, a sharper than expected slowdown in the Chinese economy and the impact of oil price movements.

Against the backdrop of these challenging economic conditions, the regional economies are expected to grow at a lacklustre pace. Singapore is expected to see slower growth on the back of weak export demand, rising wages and escalating business costs.

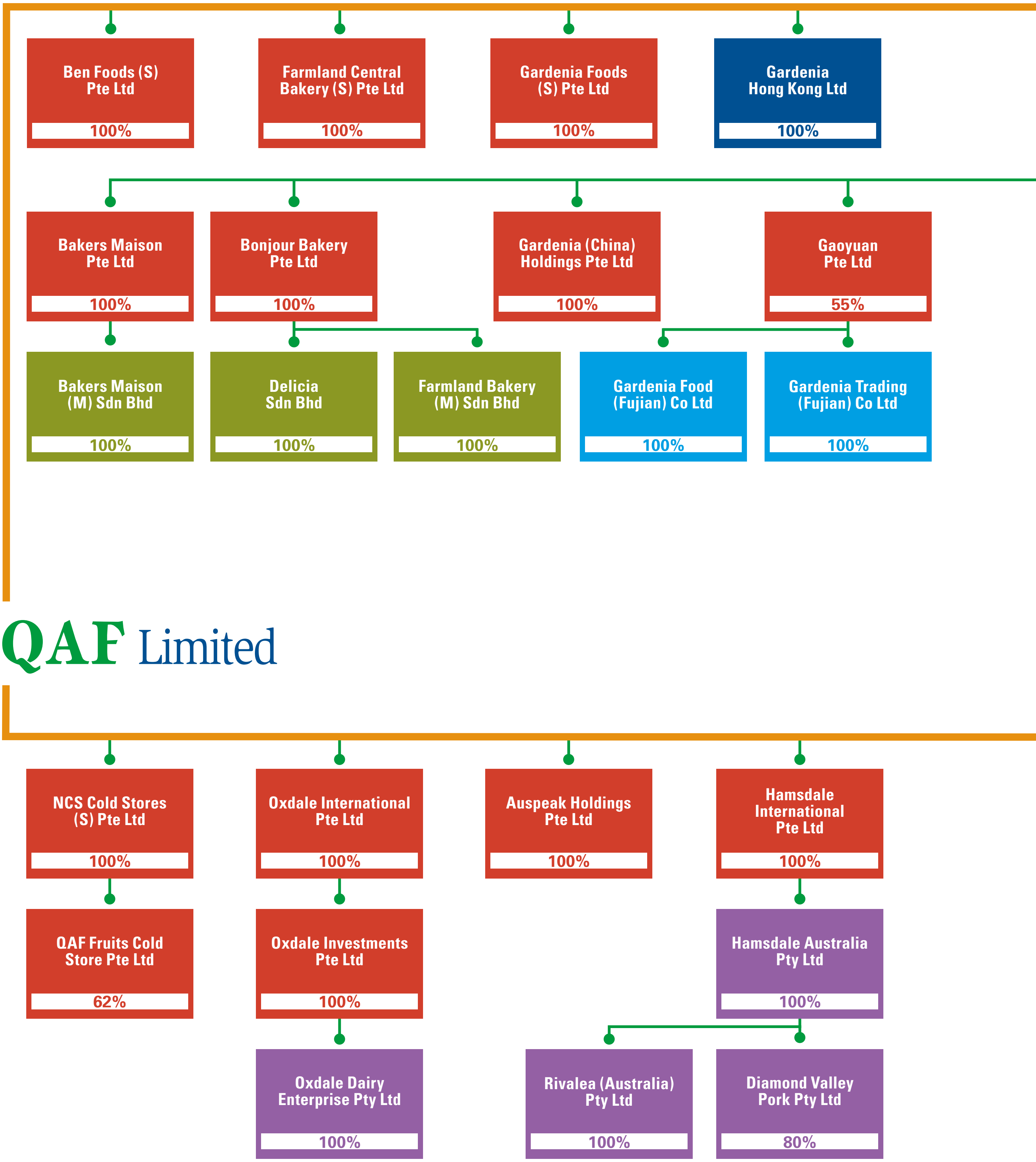
We believe that the strong fundamentals of our core businesses and the resilience of our brands will enable us to continue to drive growth. To mitigate the negative impact of rising operating costs and volatile currency movements, we will continue to manage our costs and optimise productivity through increased operational and manufacturing efficiencies and higher sales volumes.

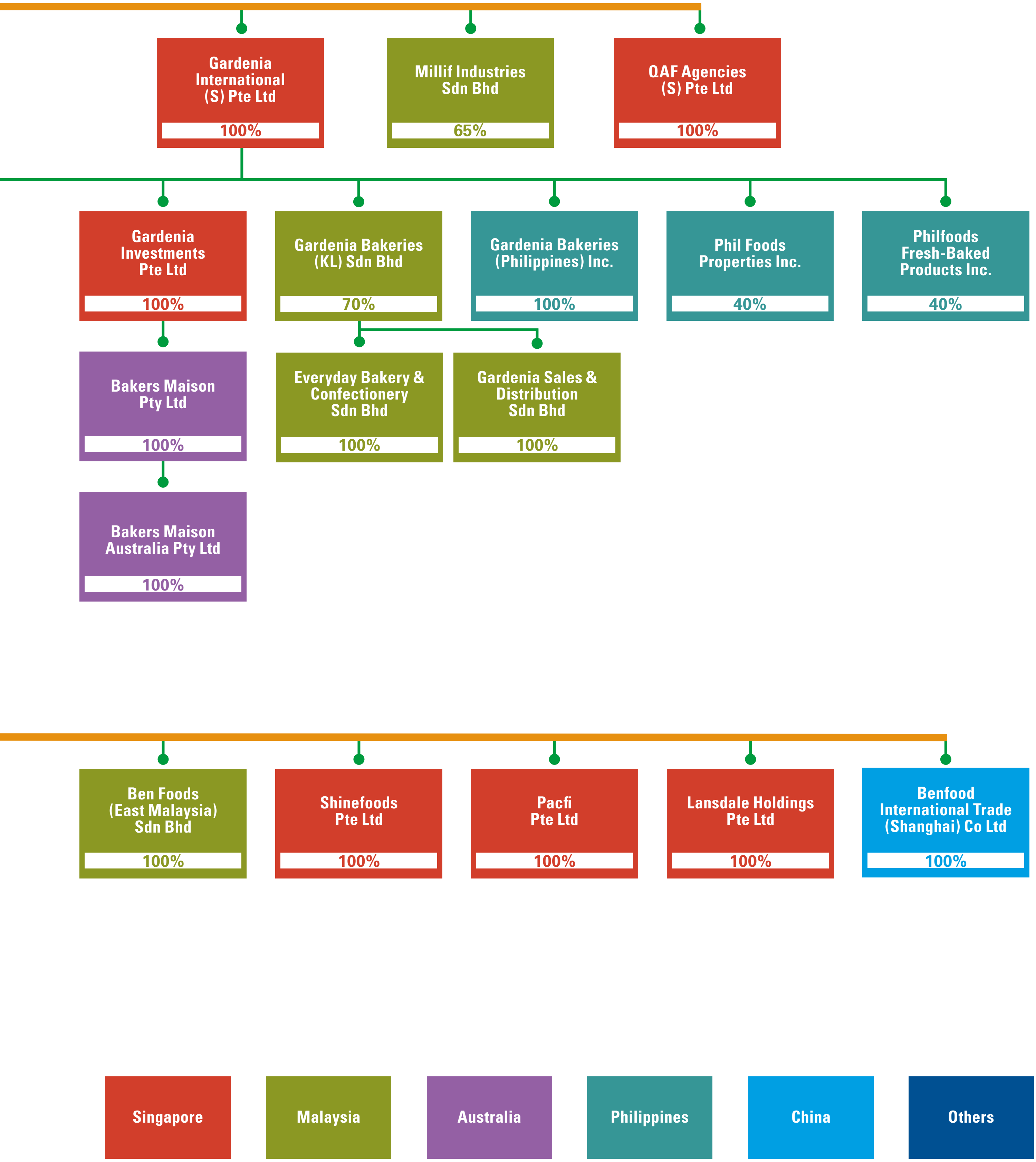
We are cautiously optimistic for the future and expect all the Group's core businesses to perform satisfactorily.

TAN KONG KING
Group Managing Director
20 March 2015

Group profit attributable to owners of the parent increased by a substantial 49% to $45.1 million in FY2014 as compared to $30.2 million in FY2013.

QAF SUBSIDIARIES & ASSOCIATED COMPANIES




Gardenia International (S) Pte Ltd
100%
Millif Industries Sdn Bhd
65%
QAF Agencies (S) Pte Ltd
100%
Gardenia Investments Pte Ltd
100%
Gardenia Bakeries (KL) Sdn Bhd
70%
Gardenia Bakeries (Philippines) Inc.
100%
Phil Foods Properties Inc.
40%
Philfoods Fresh-Baked Products Inc.
40%
Bakers Maison Pty Ltd
100%
Everyday Bakery & Confectionery Sdn Bhd
100%
Gardenia Sales & Distribution Sdn Bhd
100%
Bakers Maison Australia Pty Ltd
100%
Ben Foods (East Malaysia) Sdn Bhd
100%
Shinefoods Pte Ltd
100%
Pacfi Pte Ltd
100%
Lansdale Holdings Pte Ltd
100%
Benfood International Trade (Shanghai) Co Ltd
100%
Singapore
Malaysia
Australia
Philippines
China
Others

BOARD OF DIRECTORS

Didi Dawis, 69

Chairman
Non-executive Director

Date of last election
25 April 2013
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.

Mr Dawis is an established entrepreneur and has various business interests in Indonesia including 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, the Chairman of the International Association of Fuqing Clansmen and Chairman of Fujian Indonesia Association.

Mr Didi Dawis is a substantial shareholder of the Company, having a deemed interest of 8.66% in the total issued shares of the Company as at 18 March 2015.

Andree Halim, 67

Vice-Chairman
Non-executive Director

Date of last election
28 April 2014
Board Committee
Nominating Committee (Member)

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

Mr Halim holds 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 various private enterprises that he invested in.

Mr Andree Halim is the controlling shareholder of the Company, having a total deemed interest of 51.03% in the total issued shares of the Company as at 18 March 2015.

Tan Kong King, 64

Group Managing Director
Executive Director

Date of last election
Not subject to annual re-election
Board Committee
Nil

Mr Tan was first appointed as a non-executive Director of the Company on 15 June 1995 and assumed the position as the Group Managing Director of the QAF Group in January 1996.

Since 1996, Mr Tan has streamlined and refocused the QAF Group in the food industry, expanding the Group's existing bakery segment in markets where there are long term demand and prospects, disposing off the various insignificant non-food related operations and leading the QAF Group to focus on various food related sectors, which set the ground for the Group's further growth and expansion in the food industry.

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 worked as the managing director of KMP Private Ltd group of companies from 1981 to 2004 prior to his current post with the Company.

Mr Tan holds a B.Sc. Economics degree from the London School of Economics, University of London.

Lin Kejian, 36

Deputy Group Managing Director
Executive Director

Date of last election
28 April 2014
Board Committee
Nil

Mr Lin Kejian was first appointed as a non-executive Director of the Company on 1 December 2007. On 1 October 2010, he became an executive Director of the Company holding the post of Operations director. He assumed the position of Deputy Group Managing Director of the QAF Group in September 2014.

Prior to him joining the Company, Mr Lin was the business manager of Culindo Livestock (1994), a family-owned private enterprise, which principal activity is that of importer and supplier of live pigs to Singapore.

Mr Lin holds 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 40.32% in the total issued shares of the Company as at 18 March 2015.

BOARD OF DIRECTORS

Tarn Teh Chuen, 55
Executive Director

Date of last election
26 April 2012
Board Committee
Nil

Ms Tarn was first appointed as a non-executive Director of the Company on 15 June 1995.

Since 1998, Ms Tarn has been an executive Director and the Head of Treasury for the QAF Group, taking charge of the planning and management of group financing matters. Prior to this, Ms Tarn worked as an accountant in the KMP Private Ltd ("KMP") group of companies and assumed the post as KMP's group financial controller from 1990 to 2004.

Ms Tarn holds a Bachelor of Accountancy degree from the National University of Singapore.

Soh Gim Teik, 60
Non-executive/Independent Director

Date of last election
25 April 2013
Board Committee
Audit Committee (Member)
Nominating Committee (Chairman)

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

Mr Soh holds 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 currently a member of the Institute of Singapore Chartered Accountants (ISCA). He is 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 two other companies (as named below) listed on the Singapore Stock Exchange.

Current directorships in other listed companies
- BBR Holdings (S) Ltd
- UMS Holdings Limited

Past 3 years' directorships in other listed companies
- Advanced Holdings Ltd
- Craft Print International Limited

Siau Kai Bing, 61
Non-executive/Independent Director

Date of last election
28 April 2014
Board Committee
Audit Committee (Member)
Nominating Committee (Member)
Remuneration Committee (Chairman)

Mr Siau was appointed as an independent Director of the Company on 1 December 2013.

Mr Siau holds a degree in Bachelor of Accountancy from the National University of Singapore. He has over 30 years of experience in accounting and audit and has held various senior appointments in the finance industry including his previous position as the Chief Financial Officer of a SGX-Listed company from 1999 to 2006.

Mr Siau is a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants (ISCA) and is currently the Chief Financial Officer of a major architecture services company in Singapore. He also acts as the lead independent director cum audit committee chairman of another company listed on the Singapore Stock Exchange.

Current directorship in other listed company
- Union Steel Holdings Limited

Past 3 years' directorship in other listed company
- Advanced Holdings Limited

Soh Chung Hian, 61

Non-executive/Independent Director

Date of last election

28 April 2014

Board Committee

Audit Committee (Chairman)

Remuneration Committee (Member)

Mr Soh was appointed as an independent Director of the Company on 15 February 2014.

Mr Soh holds a degree in Bachelor of Accountancy from the University of Singapore and a Master of Business Administration degree from International Management Centre in the United Kingdom. He began his career in 1977 with Ernst & Young LLP, Singapore, and was a partner from 1990 till his retirement on 31 December 2012. His 35 years of experience saw him auditing many publicly listed companies and working on numerous IPOs of listed companies.

Mr Soh also sits on the board of two other public listed companies in Singapore as an independent director.

Current directorships in other listed companies

- Eu Yang Sang Holdings Limited
- Lum Chang Holdings Limited

Tan Hang Huat, 59

Non-executive Director

Date of last election

Not Applicable

Board Committee

Nil

Mr Tan was appointed as a non-executive/non-independent Director of the Company on 17 July 2014.

Mr Tan started his career with KMP Private Ltd ("KMP") as a project manager in 1990 and is currently the Group Managing Director of KMP. He was a non-executive director of Guthrie GTS Limited from 2007 to 2014.

He holds a Bachelor of Commerce degree and Master of Business Administration degree from the University of Newcastle (Australia).

Current directorship in other listed company

- PT Nippon Indosari Corpindo Tbk

Past 3 years' directorship in other listed company

- Guthrie GTS Limited (a company delisted from Singapore Stock Exchange in 2013)

BOARD OF DIRECTORS

Teng Tien Eng Moses, 54
Non-executive Director

Date of last election
Not Applicable
Board Committee
Nil

Mr Teng was appointed as a non-executive/non-independent Director of the Company on 17 July 2014.

Mr Teng is currently a director of KMP Private Ltd ("KMP") and was a Senior Project Manager in KMP from 1992 to 2004. Prior to joining KMP, he worked as an Accountant in Lum Chang Holdings Limited and Kontiki Enterprises Pte Ltd.

He holds a Bachelor of Accountancy degree from the National University of Singapore. He is also a Fellow Chartered Accountant of the Institute of Singapore Chartered Accountants.

Gianto Gunara, 52
Non-executive Director

Date of last election
Not Applicable
Board Committee
Nil

Mr Gunara was appointed as a non-executive/non-independent Director of the Company on 17 July 2014.

Mr Gunara is an executive director of Gallant Venture Ltd and PT Bintan Resort Cakrawala.

He holds a Bachelor in Business Administration degree from Simon Fraser University, Vancouver, Canada.

Mr Gunara is the cousin of Mr Andree Halim, a Director cum Vice-Chairman of the Company.

Current directorship in other listed company
- Gallant Venture Ltd

Choo Kok Kiong, 45
Non-executive Director

Date of last election
Not Applicable
Board Committee
Nil

Mr Choo was appointed as a non-executive/non-independent Director of the Company on 17 July 2014.

Mr Choo is the Chief Financial Officer of Gallant Venture Ltd overseeing corporate services. Prior to joining Gallant Venture Ltd, he held various management positions in the Sembcorp group. He has over 20 years of finance experience, having held the positions of Vice-President of Finance at SembCorp Parks Management and Sembcorp Parks Holdings Ltd (now known as Sembcorp Development Ltd), Assistant Vice-President of Finance at Sembcorp Industries Ltd and Accounts Manager with Singapore Precision Industries Pte Ltd.

He holds a Master in Business Administration from the University of Wales (UK)/Manchester Business School (UK). He had also qualifications from the Chartered Institute of Management Accountants (CIMA, UK) and Association of Chartered Certified Accountants (ACCA, UK).

Current directorship in other listed company
- Gallant Venture Ltd

Triono J. Dawis, 33
Non-executive Director

Date of last election
Not Applicable
Board Committee
Nil

Mr Triono Dawis was appointed as a non-executive/non-independent Director of the Company on 17 July 2014.

Mr Triono Dawis had previously been appointed as an executive Business Development Director of QAF Limited on 1 October 2010 and he resigned on 31 December 2012 to pursue his own business interests. Mr Dawis is involved in managing the various business enterprises in Indonesia owned by his family.

He holds a Bachelor of Science degree in Business Administration from the University of California, Berkeley, California.

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

Mr Goh Kian Hwee, 60
Non-executive/Independent Director

Date of last election
Not Applicable
Board Committee
Nil

Mr Goh was appointed as a non-executive independent Director of the Company on 1 December 2014.

Mr Goh is a senior partner of Rajah & Tann LLP, a legal firm, and has over 30 years' experience in corporate and capital markets law.

He holds a LLB (Honours) degree from the University of Singapore and has been a practicing lawyer since 1980.

Current directorships in other listed companies
- Hwa Hong Corporation Limited
- Hong Leong Asia Ltd
- CapitaCommercial Trust Management Limited (Reit Manager of CapitaCommercial Trust)

Mr Lee Kwong Foo Edward, 67
Non-executive/Independent Director

Date of last election
Not Applicable
Board Committee
Nil

Mr Lee was appointed as a non-executive independent Director of the Company on 1 December 2014.

Mr Edward Lee spent 36 years in the Singapore Administrative Service (Foreign Service Branch) during which he served as Singapore's High Commissioner in Brunei Darussalem (1984 to 1990), Ambassador to the Philippines (1990 to 1993) and Ambassador to Indonesia (1994 to 2006).

Mr Lee was awarded the Public Administration Medal (Silver) in 1996, the Long Service Medal in 1997, the Public Administration Medal (Gold) in 1998 and the Meritorious Service Medal in 2006 by the Singapore Government. In 1993, the Philippines Government bestowed on him the Order of Sikatuna, Rank of Datu (Grand Cross).

In 2007, the Indonesian Government awarded him the highest civilian honour, the Bintang Jasa Utama (First Class). He is a member of the National University of Singapore's President's Advancement Advisory Council.

Mr Lee holds a Bacherlor of Arts (Honours) degree from the University of Singapore and a Master of Arts degree from Cornell University.

Current directorships in other listed companies
- Keppel Land Limited
- Indofood Agri Resources Ltd

Past 3 years' directorship in other listed company
- Manhattan Resources Limited

OPERATIONAL REVIEW

Bakery

OPERATIONAL REVIEW - BAKERY

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

Gardenia maintained its leadership of the Singapore bread market in 2014, posting an admirable performance despite keen competition from existing bread brands and increasing numbers of new hot bread bakeries.

Leveraging on its strong branding, extensive distribution network and product innovation, Gardenia pulled ahead of the competition to be ranked the 'No. 1 Selling Bread Brand' in Singapore by A.C. Nielsen, both in terms of sales value and sales volume, for the period from July 2013 to June 2014.

To celebrate Gardenia's market leadership, the company launched a nationwide branding campaign, 'No.1 Selling Bread Brand in Singapore'. The campaign included a lucky draw promotion to thank customers for their support and brand loyalty. Lucky customers stood to win luxury cruise holidays and cash prizes worth more than $30,000 with the purchase of any Gardenia product.

In October 2014, the company expanded its Healthier Choice Whole Grains range with the launch of the new Gardenia Oats & Honey Loaf containing chia seeds, which are high in Omega 3 and dietary fibre, and sunflower seeds, which contain essential vitamins and minerals.

Gardenia currently leads the packaged whole grains bread market with the widest range of 12 variants of loaves and buns.

To meet the growing trend for artisanal bread, the company added the new Gardenia Chocolate, Fruit and Walnut Country Loaf to its Country Loaves line in November 2014. The company now offers a total of 8 variants of Gardenia Country Loaves.

The company is committed to improving the health of consumers and is a staunch advocate of the benefits of wholegrain bread. In the last five years, the company has seen a surge in interest and consumption of Gardenia's Healthier Choice Whole Grains bread. To encourage more people to switch to a diet containing whole grains, the company launched a branding campaign in conjunction with the annual National Consumers' Promotion campaign ('NCP').

The 'Crown of Healthy Goodness Rewards' Lucky Draw ran from April 2014 to June 2014. Consumers participated in the lucky draw by submitting the packaging of any one of two participating Gardenia Wholegrain loaves. Over $40,000 worth of cash prizes were given away during the NCP Lucky Draw.

In June 2014, the company participated in the Singapore Food Expo 2014 to promote its Gardenia Healthier Choice Wholegrain products. The Singapore Food Expo is one of the largest exhibitions in the local food industry, attracting more than 650,000 consumers.

OPERATIONAL REVIEW - BAKERY

Gardenia delivers freshly baked bread daily to over 3,500 retail outlets across Singapore. To provide 24-hours convenience to consumers, Gardenia bread is also sold from Gardenia bread vending machines which are placed at residential estates, schools and offices. The bright and colourful vending machines are not only an alternative sales channel, but a powerful marketing tool that enhances Gardenia's brand presence and visibility. These vending machines also incorporate the cashless EZ-Link payment system to provide consumers with greater convenience.

Since 1992, the company has partnered with the Singapore Health Promotion Board ('HPB') in initiatives and community outreach activities to promote healthy eating and lifestyles. In celebration of World Bread Day in October 2014, the company partnered with the HPB in the National Healthy Lifestyle Campaign exhibition. At the event, 250 Gardenia volunteers formed 'The Longest Healthier Choice Sandwich Line', breaking the Longest Sandwich Line record in the Singapore Book of Records at 177.5 metres long.

To help cultivate a kinder and more caring society, the company has actively supported the Singapore Kindness Movement ('SKM') for the past 10 consecutive years. In 2014, the company partnered with SKM in two community projects.

The company provided complimentary support to SKM during the year-end festive period, helping it to spread the Kindness message,'Spread Joy & Share Goodness with Your Neighbours'. The Kindness message was printed on the packaging of Gardenia Fruit & Nut loaves and sold at a discounted price.

In October 2014, Gardenia Singapore and SKM collaborated in an online campaign to encourage acts of kindness in daily life. The #NationOfKindness hashtag campaign was launched on social media platforms such as Facebook, Instagram and Twitter and encouraged the public to share acts of kindness that they had experienced by uploading them on social media. To encourage public participation, the company pledged to donate a total of 2,000 loaves of Gardenia bread to the needy. The campaign was a huge success with some 6,000 hashtags posted on social media.

The company also spreads the message of healthy eating and well-being to the larger community through its free educational daily bakery tours. During the year, the Gardenia bakery plant in Singapore welcomed over 30,000 visitors.

For the year ahead, the company is committed to growing its market share and maintaining its leadership position in an increasingly competitive business environment. It will continue to focus its resources to achieve greater operational and cost efficiencies, enhance branding activities and develop innovative products that meet consumers' needs.

Gardenia Singapore

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

Despite a challenging business environment, GBKL cemented its dominance of the Malaysian packaged bread market delivering a sterling performance in 2014. Turnover achieved a record high of RM764 million, an increase of 4% over the previous year driven by an 8.8% growth in sales of the company's buns, rolls, snack cakes and waffles.

During the year, the company's innovative products, competitive pricing and customer engagement efforts continued to win the hearts and minds of many consumers, to whom the name, 'Gardenia' had become synonymous with high quality, nutritious value and freshly baked taste.

In April 2014, loyal Malaysian consumers nationwide voted Gardenia their 'Most Preferred Brand', honouring Gardenia with the Gold Award for the fifth consecutive year in the prestigious 2014 Putra Brand Awards. The Award, in the Foodstuff category, is a resounding endorsement of Gardenia's leadership and dominance of the Malaysian packaged bread market.

In September 2014, the company commissioned a new snack cake line. With its production facilities running at full capacity, the company was hard-pressed to satisfy consumers' demands for more snack cakes. Although the new line has a production capacity of 10,000 pieces of snack cakes an hour, by November 2014, the combined utilisation of both new and existing snack cake production lines had almost reached full capacity.

Gardenia Malaysia

OPERATIONAL REVIEW - BAKERY

To meet consumers' demands for more varieties of fresh and convenient single serve snack cakes, the company expanded its popular Twiggies range with two new products in 2014. These are the Twiggies Raspberry, two golden vanilla sponge fingers filled with delicious raspberry jam, and the Twiggies Tiramisu, a classic indulgence of tiramisu cream-filled chocolate sponge fingers.

In December 2014, GBKL contributed to emergency relief efforts when the north-east monsoon brought one of the worst flooding in decades to the north-east coast of Malaysia. The floods displaced more than 200,000 people who fled to crowded relief centres, many of them accessible only to heavy vehicles and boats. For more than three weeks, GBKL delivered truckloads of free Gardenia bakery products to these relief centres to alleviate the hunger of flood victims stranded there.

As a caring corporate citizen, the company supports various philanthropic, community and charitable causes. For over 22 years, GBKL has been a donor of free bread and bakery items to the less fortunate. The company now makes regular product donations to more than 65 charity homes, including old folks' homes, children's homes and shelters. During the year, the company also made product donations to other charitable causes such as the 'Grocery Bags for Orang Asli Settlement' project, single parents and the homeless.

In collaboration with the National Population and Family Development Board, GBKL distributed free schoolbags, for the second year, to needy schoolchildren living in several villages in Johor, and in low cost housing in Kuala Lumpur. The schoolbag donations were a boon and enabled struggling families to defray their back-to-school expenses.

As a responsible food manufacturer, the company is also committed to the promotion of healthy eating initiatives. To spread the message that diet-related chronic diseases can be reduced by adopting an active lifestyle and healthy eating habits, the company partnered with healthcare NGOs such as the Nutrition Society of Malaysia and the Malaysian Dietitians' Association in various health promotion events in 2014.

Trading conditions in 2015 are expected to remain challenging given the uncertain global economic environment. However, the company remains focused on retaining its competitive edge as the market leader in the Malaysian packaged bread market. For the year ahead, the company is committed to enhancing long-term profitability and steady growth through strategic investments and greater operational efficiencies. It will continue to pursue product excellence and innovation and develop competitively priced, delicious and nutritious products that meet with consumers' needs and expectations.

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

Gardenia dominates the packaged bread market in the Philippines with a market share exceeding 60% in Metro Manila. Despite a market slowdown in 2014, Gardenia Philippines posted a 7% increase in sales on the back of aggressive brand-building and marketing activities and expansion into new markets.

Gardenia's strong sales growth came from several bread segments led by the company's Healthy-licious Wheat bread category, where Gardenia controls over 90% of the market. Sales of its Toast products grew by more than 25% as a result of increased production capability, and the Pandesal bun line posted a 16% increase driven by successful demand-generating promotions that encouraged consumption.

In 2014, the company expanded its distribution network by 10%, making inroads into new geographic markets. Gardenia capitalised on the expansion of retail chains and convenience stores that ventured into smaller store formats located close to, or within their target markets. With the entry of new chain stores, the trend of retail trade expansion across the Philippines is expected to continue in the coming years and the company is optimistic that this will potentially lead to an increase in bread sales.

With its expanded network of outlets, Gardenia products can now be found as far as the south-west part of Mindanao, to the province of Zamboanga del Sur, and farther east, towards Surigao del Sur.

Gardenia Philippines

OPERATIONAL REVIEW - BAKERY

To strengthen its position in the packaged fresh bread single-serve market, the company added a new Cheese Cream Roll variant to its range of popular cream rolls.

Gardenia Philippines implemented several marketing and promotional activities in 2014. To heighten awareness of the Gardenia brand in the provinces, the company launched several brand awareness campaigns that emphasised Gardenia's point of difference and brand identity as a world-class bread. Truck ads were used to widely communicate Gardenia's promise of fresh bread, delivered daily.

In September 2014, Gardenia marked the second year of 'The Next Big Sandwich Hit', a major brand awareness and marketing campaign that created widespread interest and was avidly followed in the media. The Next Big Sandwich Hit is an inter-varsity sandwich-making and business idea generation competition. Students from 10 premiere universities in the Philippines competed to create the most delicious sandwich, transforming a simple loaf of Gardenia bread into mouthwatering creations. After several grueling qualifying rounds, the second part of the competition tested contestants on their entrepreneurial, business management and marketing skills as they competed to sell their sandwich creations over a two-week period.

The competition was supported by widespread publicity, including school activations that featured an interactive sandwich-making game, press releases in print and broadcast media, online and digital promotions that generated 14.5 million hits, and online media engagements. The Grand Prize Winners were featured in a food magazine and in a highly-rated TV and radio show.

Another highly visible advertising campaign was the Happy Bread Day celebration in October 2014. For the third year running, Gardenia celebrated World Bread Day with a fair attended by thousands of bread lovers at the SM Mall of Asia. Gardenia created a Bread City concept for the occasion, and visitors were treated to a day of fun activities and plenty of Gardenia bread samples. The Happy Bread Day celebration was covered on social media and on-ground promotions, as well as through advertising on TV, radio, and billboards.

In 2014, Gardenia Philippines received recognition and compliance awards from two government agencies - the Department of Labor and Employment (DOLE) and the Department of Trade and Industry (DTI).

DOLE awarded the company with a Tripartite Certificate of Compliance with Labor Standards for its compliance with General Labor Standards,

Occupational Safety and Health Standards, and Child Labor Law (RA 9231). The DTI Award recognised the company's invaluable and unwavering support of DTI's programs and services.

Gardenia Philippines continued to actively pursue its corporate social responsibility efforts and programs in 2014. These included community feeding programs, fire and calamity food support activities, education, and the support of foundations and charitable causes.

The company's successful development of high quality, fresh and delicious bread products has enabled it to achieve steady sales growth and maintain its leadership of the Metro Manila bread market over the years. The company is focused on staying ahead in a highly competitive market and will continue to innovate new and exciting products and intensify its marketing and promotion efforts to maintain its market leadership.

CHINA
GARDENIA FOOD (FUJIAN) CO LTD ('GARDENIA FUJIAN')

Gardenia Food (Fujian) Co Ltd is a 55%-owned subsidiary of QAF Limited. It operates the Gardenia factory located in Fuqing, Fujian Province, China.

The factory officially commenced operations in October 2014. It has three automated production lines comprising one bread line and two bun and roll lines. It is capable of producing a combined total of more than 13 million loaves of bread, snack cakes, buns and rolls per annum.

Gardenia Fujian

OPERATIONAL REVIEW - BAKERY

During the year, the factory produced 18 varieties of bread, buns and rolls. The products are distributed to international and local chain supermarkets and convenience stores, and retail outlets in schools, factories and airports in Fuzhou, Fuqing and Quanzhou.

In addition to a variety of buns and rolls, Gardenia Fujian produces four types of bread loaves - Gardenia Classic White Bread, Gardenia Wholemeal Bread, Gardenia Extra Rich Milk Bread and Gardenia Nutritious Red Bean Bread. The bread is sold in 400-gram loaves, and in packs of three slices. Both the Gardenia Nutritious Red Bean Bread and Gardenia Extra Rich Milk Bread have seen good demand as their sweetness and flavour suit local tastes. The 3-slice packs are popular with office workers for their freshness and convenience. The company also produces the Gardenia American Butter Toast and Gardenia American Garlic Toast in 2-slice packs.

In December 2014, the company set up its first Gardenia Exclusive Store ('GES') inside the YH Hypermarket in Fuqing, Fujian. The store sells Gardenia products and other breakfast food items and is effective in promoting brand awareness and product visibility. The company has plans to open more GES outlets in other supermarkets.

During the year, the company undertook various advertising and promotional activities to communicate Gardenia's brand identity, product quality, and delicious and nutritious bakery products to consumers. Gardenia's two mascots, Xiao Di and Xiao Ni, never failed to draw crowds at these events and were very popular, especially with children.

In 2014, the company launched its corporate website, '加迪尼', under the WeChat platform, a mobile text and voice messaging communication service in China. The website gives the company an online presence and is an effective marketing tool, enabling it to engage with consumers and keep them posted on the company's new products, latest events and promotions.

Gardenia Fujian strives to be a caring corporate citizen by using its resources for the benefit of the less fortunate. During the year, Gardenia staff volunteers distributed 2,000 pieces of 'Best Wishes' packages of tasty Gardenia bakery products to children living in the rural areas. The company also supported four welfare homes with long-term bread donations.

For 2015, the company will continue to focus on expanding its reach into other cities in Fujian province. It will intensify its marketing and promotional efforts, grow its sales and distribution network and innovate delicious and nutritious products that meet with local tastes.

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

Bakers Maison achieved another year of double-digit sales growth amidst a challenging business environment. Sales grew by more than 16% over the previous year on the back of an expanded network of national distributors, strong promotional activities, and the securing of new contracts. The company was also able to reap the benefits of an improved inventory management system and initiatives taken during the year to reduce production costs.

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

During the year, the Australian foodservice industry faced a difficult business environment with keen competition from a proliferation of supermarket in-store bakeries offering a wide variety of bakery items. The rising costs of raw ingredients, utilities and rentals also saw the closure of several medium-sized national food franchises.

Despite the challenging environment, Bakers Maison was able to secure orders for new manufacturing contracts.

The company supplied two bread products to a major Quick Service Restaurant national franchise with over 300 stores

OPERATIONAL REVIEW - BAKERY

nationwide. It also collaborated with a large national independent retailer on a trial project to supply nine new products through 25 stores. The company expects to be able to supply larger quantities in the next phase of the project, should it prove successful.

During the year, Bakers Maison released two new products, a Baby Baguette and a Brioche. To capitalise on the popularity of artisan style and sour dough products, the company successfully launched the Baby Baguette, a sandwich-size sour dough roll targeted at the premium lunch roll market. It also developed a Brioche, a sweet buttery roll that is available in two sizes. The Brioche reinforces Bakers Maison's commitment to producing authentic French-style bakery products and has expanded its wide variety of products. The initial response to the product has been positive and increased sales are expected in the coming months.

Bakers Maison engaged in several promotional activities during the year. It participated in Fine Food Australia, and collaborated with its national distributors in two major promotional events.

Fine Food Australia is the largest food industry trade event in Australia. Bakers Maison participated in the Fine Food Shows held in Brisbane in April 2014, and Melbourne in September 2014. The participation enabled the company to keep abreast of innovations in the foodservice industry, support its network of local distributors and engage with existing and potential customers.

In the second half of 2014, Bakers Maison undertook two major promotional activities with its foodservice distributors. The activities delivered significant advertising exposure to the company's products through catalogues and web-based marketing tools.

During the year, Bakers Maison expanded its foodservice distribution network with the addition of 11 new distributors, bringing the total number of distributors to more than 140 branches across the country.

The company took steps to further improve operational efficiencies and reduce production costs in 2014. It expanded its freezer holding capacity by more than 25% to improve production scheduling and enhance stock availability. The implementation of an improved inventory management system also resulted in faster deliveries and greater customer satisfaction.

Bakers Maison also continued with its initiatives to reduce carbon emissions. The completion of the initial phase of its Energy Saving Project in 2013 enabled it to reduce utility costs by 14% in 2014.

In March 2014, the company completed the second part of the Project - the installation of 1,000m^2 of solar panels capable of producing 100 kilowatts of electricity, on the roof of its factory. In December 2014, it completed the conversion of its blast freezer to an ammonia gas system. Energy savings from these initiatives are expected from 2015 onwards.

Market conditions in the year ahead are expected to remain competitive. The company will seek to overcome the challenges through further cost-cutting initiatives, market expansion and the development of new products.

OPERATIONAL REVIEW

Primary Production

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 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 Japan, New Zealand and other Asian countries. In 2014, Rivalea produced and sold about 750,000 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 6 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 37,600 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. The Group also owns and operates another feedmill in Corowa with a capacity of 70,000 MT per year. This feedmill provides Rivalea with increased flexibility and the necessary efficiency to produce and supply good quality stockfeed products for its rapidly expanding customer base.

OPERATIONAL REVIEW - PRIMARY PRODUCTION

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 one 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 658,000 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.

Diamond Valley is currently embarking on a major expansion project to increase its capacity and capability. New automated equipment, including robotics, along with the most modern and up to date facilities, processes and ancillary facilities will be installed to make Diamond Valley the leading abattoir and meat processing centre in Australia.

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. 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.

In line with consumers' increasing demand that farm animals be treated humanely, Rivalea practises 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.

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 expertise built up by Rivalea over the years, especially in the area of product development, production systems and technological know-how may enable the company to successfully undertake new ventures and expand this area of its business.

OPERATIONAL REVIEW

Trading & Logistics

OPERATIONAL REVIEW - TRADING & LOGISTICS

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

Ben Foods posted another strong year with revenue growing by 4%, driven by higher sales in the Export and Foodservice division, particularly in the company's branded categories.

Ben Foods is a wholesale distributor of a wide range of premium third-party and proprietary-brand food and beverage products to the foodservice industry. Customers include food manufacturers, food and beverage outlets, supermarkets and independent retail outlets, hotels, wholesalers, bakeries, flight kitchens and sea vessels.

The company's proprietary brands are trusted and familiar household staples. They are Cowhead (milk, dairy products, confectionery), Farmland (meat, frozen vegetables, canned fish, sauces, cooking oil, bakery products, potato snacks), Haton (seafood products), Orchard Fresh (beverages) and Spices of the Orient (sauces, seasonings).

Cowhead and Farmland have attained Superbrand status. Cowhead products are exported regionally to the Philippines, Vietnam, Cambodia, Myanmar, Macau, China, Malaysia, Bangladesh and Brunei.

During the year, the company developed several new products to strengthen its brands portfolio and increase its market share. The new products are Cowhead Cream Cheese and Cowhead Cream Cheese Spread; Farmland ThinCurv Chips in Original, Cheese and Wasabi flavours; Farmland Evercrispy Fries and Farmland Sweet Potato Platter Fries; Farmland Sardines in Tomato Sauce and Farmland Sardines in Tomato Sauce with Chilli; and Spices of the Orient Asam Seafood Sauce, Melaka Nyonya Sauce, Kapitan Curry Sauce and Chicken Curry Sauce.

The products were well received by consumers. The Farmland Evercrispy Fries stay crispy for 30 minutes after frying, and the sardines in Farmland Sardines are freshly caught, not frozen.

For the year ahead, the company will continue to focus on the development of new products that enhance competitiveness and drive sustained growth in domestic and overseas markets.

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

NCS had a good year in 2014 with revenue rising by 3% over the previous year on the back of higher rental 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 for 14,000 pallets. Strategically located in the Jurong seafood industrial area, the cold store is a five-minute drive from Jurong Port.

NCS provides customers with an efficient one-stop service with multi-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.

During the year, NCS continued to enjoy high occupancy rates. Rental rates for some of the company's major customers also saw an increase.

The company's energy-saving initiatives enabled NCS to enjoy savings of $120,000 in electricity usage in 2014. The company's employee development program saw nine supervisory and management staff successfully complete the Food Safety Internal Audit course to enhance their capabilities and upgrade their knowledge of food safety and hygiene.

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 all leased to third-party tenants. Revenue for 2014 improved by 6% mainly due to higher rental charges.

OPERATIONAL REVIEW

Other Investments

OPERATIONAL REVIEW - OTHER INVESTMENTS

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

Oxdale Dairy posted strong results of A$2.3 million for the year, buoyed by higher income from dairy trading activities and profits from the sales of its dairy properties.

The dairy properties were sold at prices that were higher than their book values and the profit from the sales and income from dairy trading activities amounted to A$1.9 million. Dairy trading conditions during the year were positive, and the company was able to take advantage of the strong market pricing.

Completion of the sale of the Oxdale 1 dairy production facility took place in March 2014. The livestock, which did not form part of the sale, were transferred to Oxdale 2. In the ensuing months, the livestock were progressively sold in an orderly fashion, to take advantage of the strong market prices. A small number of livestock, mainly calves, were sold to Rivalea, a related party, for disposal over the next 12 months.

During the year, a decision was also taken to divest the Oxdale 2 dairy production facility and livestock to enable the company to focus on rental investment activities. The sale of Oxdale 2 to a third party was completed in late November 2014.

With the divestment of its dairy production business, Oxdale Dairy will operate as an investment holding company from 2015.

Oxdale Dairy owns three investment properties, all of which are leased out for rental income. In 2014, the rental income from these investment properties was A$1.0 million.

The three properties are a large grain storage facility with a practical capacity of 37,600 MT and a small feedmill, both located in Corowa, New South Wales, and a commercial warehouse in Laverton, Victoria. The warehouse is located adjacent to an abattoir and boning facility owned by Diamond Valley Pork Pty Ltd ('Diamond Valley'). Diamond Valley is a related company and the warehouse has the potential of being utilised in the future expansion of Diamond Valley's business operations.

All the properties are leased to Rivalea on a long-term basis, with the commercial warehouse at Laverton sub-let to a third party.

CORPORATE SOCIAL RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

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

In an age of dwindling natural resources, sustainability is not an option if we are to ensure a stable food supply for future generations. As a responsible corporate citizen, we are committed to conserving the world's limited resources through economically sustainable business practices.

Sustainable business practices not only minimises our impact on the environment and eco-system, but enables us to remain financially viable as higher cost efficiencies result in lower input costs. By maintaining our price competitiveness, we are able to produce nutritious and wholesome foods that improve the quality of life of the millions of people whom we serve.

Since 1992, we have been a strong advocate of the importance of healthy diets and healthy lifestyles. As a major food producer and manufacturer, we are in a unique position to make efficient use of limited food resources to create healthy and nutritious foods that contribute to the betterment of society.

The central focus of our corporate social responsibility initiatives are the support of healthy eating and lifestyles, society and the local community, environment and the development and welfare of our employees.

PROMOTING HEALTHY EATING AND LIFESTYLES

Gardenia is committed to helping people to live and eat better. It promotes life-long healthy eating habits through the development of healthy products, education, and participation in community outreach programs.

Innovation of healthy breads

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

To encourage people to eat more whole grains, Gardenia has developed a range of whole grain, high fibre bakery products. These include a soft and fine wholemeal bread that combines the taste and softness of white bread with the goodness of whole grains, and a 100% wholegrain bread made from Canadian purple wheat, an ingredient high in anti-oxidants.

In Singapore, Gardenia's Whole Grains range carries the Health Promotion Board's 'Healthier Choice' logo to assist consumers make healthier food choices. During the year, Gardenia expanded the range to twelve varieties with the addition of the new Gardenia Oats & Honey Loaf containing sunflower seeds and Omega 3-rich chia seeds.

Promoting Healthy Eating for Healthy Weight Management at the Million kg Challenge event by the Health Promotion Board of Singapore.

CORPORATE SOCIAL RESPONSIBILITY

Health promotion initiatives

Gardenia actively sponsors and participates in initiatives to promote the benefits of a healthy diet and active lifestyle.

Since 1992, Gardenia has partnered with the Singapore Health Promotion Board ('HPB') in many initiatives and community outreach activities to promote healthy lifestyles and the importance of whole-grains in the daily diet.

In 2014, Gardenia co-partnered with the HPB in two health campaigns – the Million kg Challenge™ and the National Healthy Lifestyle Campaign. The Million kg Challenge™ is an incentive-based weight management campaign to motivate Singapore residents to achieve and maintain a healthy body weight. The three-year campaign challenges people to lose a total of 1 million kilograms and attracted over 80,000 participants.

The National Healthy Lifestyle Campaign is an annual event that aims to promote a nation of healthy and happy people. During the event, 250 volunteers from Gardenia's Facebook page and the Singapore Kindness Movement's Social Media Channel formed 'The Longest Healthier Choice Sandwich Line', breaking the Longest Sandwich Line record in the Singapore Book of Records at 177.5 metres long.

Diabetes is on the rise in Singapore and as part of an outreach initiative to this community, Gardenia partnered with the Diabetic Society of Singapore and Alexandra Hospital in two World Diabetes Day events in November 2014. More than 3,600 diabetic patients received complimentary Gardenia Low GI Nutri Multi-Grain loaves and Gardenia Healthier Choice Wholemeal Buns during the outreach.

In Malaysia, Gardenia regularly partners with healthcare NGOs to spread the message that diet-related chronic diseases can be reduced by adopting an active lifestyle and healthy eating habits that incorporate whole grains.

During the year, Gardenia sponsored a research into low GI foods by providing its low GI bread as a food source for the research. The findings of the research were discussed at a Glycaemic Index (GI) Symposium organised by the International Medical University, Malaysia ('IMU') for diabetic educators, nurses and medical doctors. Gardenia will be sponsoring future research work by IMU students with its low GI bread.

In 2013, Gardenia published a children's cook book called 'My Cookbook with Bread'. In 2014, Gardenia collaborated with the Steering Committee Members of Nutrition Month Malaysia to translate the cook book into Bahasa Melayu and Mandarin in order to reach a larger audience of children.

Gardenia produces a range of wholegrain fibremeal breads in Malaysia. To help consumers choose the right fibremeal bread for their needs, Gardenia printed and distributed more than 100,000 Fibremeal leaflets at hospitals, clinics and health events in 2014.

Two hundred and fifty volunteers participate in the formation of The Longest Healthier Choice Sandwich Line in Singapore.

In March 2014, Gardenia co-sponsored the 'Eat Right, Move More: Fight Obesity' educational campaign organised by the Nutrition Society of Malaysia in collaboration with the Malaysian Dietitians' Association. Gardenia promoted the benefits of a high fibre diet by distributing wholegrain breads and Fibremeal leaflets during the 2-day Family Carnival.

Gardenia has, for the past 10 years, supported healthcare professionals in various events to increase awareness of the health benefits of a low GI diet. During the year, more than 200,000 packs of single-serve 2-slice 100% Whole Grain with Canadian Purple Wheat bread were distributed to Malaysian consumers at various health events.

In the Philippines, Gardenia takes the message of good health and proper nutrition to supermarkets and offices through its Supermarket Wellness Camp and Corporate Wellness Movement.

Gardenia's registered nutritionists provide free nutrition counselling and advice on diet plans and general health matters to shoppers at supermarkets and office workers at their workplace. In 2014, Gardenia visited 170 offices and supermarkets and counselled some 3,000 people.

Through partnerships with organisations that conduct medical and dental missions, Gardenia also reaches out to the underprivileged, taking the message of good health and nutrition to communities living in depressed regions in the Philippines.

School Health Fairs

We believe that healthy eating habits should be instilled from a young age and for over 20 years, Gardenia has been closely involved in the School Health Fair program organised by the Singapore Health Promotion Board.

Gardenia translated its children's cookbook, 'My Cookbook with Bread' into Bahasa Melayu and Mandarin to teach more Malaysian children healthy eating habits.

Friends of Gardenia enjoy themselves during the formation of The Longest Healthier Choice Sandwich Line in Singapore.

CORPORATE SOCIAL RESPONSIBILITY

The interactive School Health Fair program comprises a health talk on the importance of taking breakfast and the benefits of eating wholegrain foods, an educational skit on healthy diets and a healthy sandwich-making competition. In 2014, more than 10,000 primary school students across Singapore participated in the program.

In the Philippines, Gardenia's School Nutri-Tour (Nutritional Tour) benefitted 100 public and private elementary and high schools in the Metro Manila area and nearby cities and provinces in 2014. More than 100,000 students participated in the School Nutri-Tour, an increase of 150% over the previous year. The School Nutri-Tour is a comprehensive health and wellness program that promotes the health benefits of taking breakfast and having an active lifestyle through an informative talk and exciting educational games.

Free educational tours of Gardenia's bread plants

Gardenia opens the doors of its factories to the larger community, offering free educational tours of its fully-automated production facilities. The daily educational tour programs incorporate talks on health, hygiene, diet and nutrition.

During the year, more than 30,000 students, youths and the elderly visited the Gardenia bread factory in Singapore and sampled its wide range of Healthier Choice Gardenia wholegrain products.

In Malaysia, visitors to the plant's three state-of-the-art production lines see how the different varieties of bread loaves, cream rolls and waffles are produced in a fully-automated bakery. Due to overwhelming response, the educational factory tour is usually booked months in advance.

In the Philippines, Gardenia's state-of-the-art bread plant at Laguna has played host to more than 2.5 million visitors from 15,000 schools, offices and organisations since 2002. The plant is one of the top educational field trip destinations in the country. Apart from learning about healthy eating, hygiene and the importance of an active life-style, students visiting the facility also receive a values enhancement education through the Rotary Four-Way Test.

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.

Responding to calamities and disaster relief efforts

In December 2014, the north-east monsoon brought one of the worst flooding in decades to the north-east coast of Malaysia. The unrelenting downpour inundated whole towns and villages and cut off many communities in six states. The rising flood waters displaced more than 200,000 people who sought shelter in crowded relief centres, many of them accessible only to heavy vehicles and boats.

Gardenia contributed to the emergency relief efforts, and for more than three weeks, delivered truckloads of free fresh bakery products to flood victims stranded in relief centres. The bakery

products were much appreciated as they are hygienically packed, convenient and ready-to-eat.

Gardenia subsequently donated 500 school bags with stationery sets to needy children from the flood-affected families.

In the Philippines, Gardenia is at the forefront of relief efforts to alleviate the suffering of victims of natural disasters like floods, typhoons and fires. It regularly partners with relief and civic organisations to provide food, aid and assistance.

In September 2014, Gardenia provided bread to the victims of Tropical Storm Mario and habagat in Rizal province. The donation was made in cooperation with the Department of Social Welfare and Development ('DSWD'). In July 2014, Typhoon Glenda (Rammasun) unleashed strong winds and heavy rains that stranded hundreds of families in Luzon. Gardenia provided food aid by distributing almost 7,000 bread loaves in the Bicol and Calabarzon regions through the DSWD, the Philippine Red Cross and the Rotary Club.

The incidence of fire is very high in the dense urban areas of the Philippines, especially during the summer season. Gardenia launched the 'Response Agad (Quick Response) for Fire Victims', where it partners with the Rotary Club of Alabang to speedily distribute Gardenia bread loaves to fire victims living in temporary shelters within 24 hours.

Supporting charitable causes and sponsoring community programs

We contribute our resources towards the welfare of the less fortunate through our support of social initiatives and community programs for charitable causes. During the year, we supported a range of charitable organisations and worthy causes.

In the Philippines, Gardenia is at the forefront of relief efforts to alleviate the suffering of victims of natural disasters like floods, typhoons and fires. It regularly partners with relief and civic organisations to provide food, aid and assistance.

From left to right

- **Distribution of Gardenia products to flood victims in the worst-affected remote region of Kuala Krai, Kelantan, Malaysia.**
- **Gardenia staff and students from Tanjong Katong Secondary School distribute Gardenia bread to the elderly and needy in Singapore.**
- **Gardenia donates bakery products to a mosque in Malaysia during Ramadhan month.**

CORPORATE SOCIAL RESPONSIBILITY

In 2014, QAF Limited ('QAF') supported the Singapore Children's Society's '1000 Enterprises for Children-in-Need' program with a significant donation. The program reaches out to children, youth and families in need in Singapore. During the year, QAF also provided monetary assistance to the employees of Gardenia Philippines who had lost their homes in Typhoon Haiyan in 2013.

Through various partnerships and collaborations, Gardenia supported 32 charitable homes, schools and non-profit organisations, and provided product sponsorships to more than 255 corporate organisations in Singapore. It also supported various charity events, outreach activities and corporate social responsibility events, distributing more than 320,000 loaves of heavily-subsidised bread and buns at these events.

In Malaysia, Gardenia has been donating bread to the less fortunate for over 22 years. Today, it is a regular donor of free bread and bakery products to more than 65 charity homes, including old folks' homes, children's homes and shelters.

During the year, Gardenia also supported charitable causes such as the 'Grocery Bags for Orang Asli Settlement' project, single parents and the homeless, with product donations.

For the second year, Gardenia distributed free schoolbags to needy schoolchildren living in several villages in Johor, and in low cost housing in Kuala Lumpur. The schoolbag donations were made in collaboration with the National Population and Family Development Board, and were able to help struggling families defray their back-to-school expenses.

In the Philippines, Gardenia added several charitable institutions to its list of regular beneficiaries. It now makes regular bread donations to 46 organisations comprising foundations and depressed community groups under its Daily Bread program. This program was established in 2002 and Gardenia donates thousands of bread loaves to the needy each week. Apart from its regular donations, Gardenia also extends assistance to other charitable organisations, with some 12,000 loaves of bread being donated each week.

In celebration of Happy Bread Day in the Philippines, Gardenia launched its 'I Shared Bread' charity campaign in 2014 for the fourth year running. Using Facebook and Twitter, Gardenia pledged to donate a loaf of bread for every photo taken of Gardenia's G-Lock plastic clip and posted online with the hashtag #ISharedBread #HappyBreadDay. Gardenia also pledged to donate two loaves of bread for every loaf purchased by customers at the Happy Bread Day Fair. More than 6,000 loaves were donated to two selected charities - Reception and Study Center for Children in Quezon City (Luzon) and SOS Children's Village in Tacloban (Visayas).

In China, Gardenia currently supports four welfare homes with long-term bread donations.

In Australia, Rivalea provided financial support and product donations to a range of charitable organisations, local schools and sporting groups.

In 2014, it made significant donations to two local hospitals - Wangaratta Hospital, for the purchase of equipment for the paediatric unit, and the Albury Base Hospital, for the purchase of an Oesophageal Dilator that would enable children and their families to receive treatment closer to home instead of travelling away to a major city. Rivalea also continued its support of the Amaranth Foundation with a significant sponsorship. The Amaranth Foundation provides support and care for families and individuals who are living with a chronic or life-limiting illness.

Supporting government consumer-oriented programs

During the year, Gardenia continued its active participation in the Department of Trade and Industry's Diskwento Caravan. This is a government-initiated program in cooperation with food manufacturing companies in the Philippines to help people in ravaged communities who have no access to shops, purchase basic goods and commodities at discounted prices.

Gardenia has also been a supporter of the Department of Trade and Industry's (DTI) Pinoy Tasty project since it was established in 2011. Pinoy Tasty and Pinoy Pandesal are joint projects of the DTI and a group of local bakers to provide affordable bakery products to the general public.

Helping to alleviate hunger and malnutrition in school children

We believe that breakfast is the most important meal of the day, especially for school children whose academic performance declines if they go to school hungry.

In Malaysia, Gardenia has been donating bread to the less fortunate for over 22 years. Today, it is a regular donor of free bread and bakery products to more than 65 charity homes, including old folks' homes, children's homes and shelters.

From left to right

- **Gardenia sponsors a colouring contest organised by Fo Guang Shan Temple in Malaysia during the Wesak Day celebrations.**
- **Happy Orang Asli children open their boxes of Gardenia goodies at their settlement in Gopeng, Perak, Malaysia.**
- **Gardenia is a regular donor of bread to the Fuzhou Living Hope Children's Home in China.**

CORPORATE SOCIAL RESPONSIBILITY

During the year, Gardenia donated free bakery goods to several schools in Malaysia and the Philippines.

In the Philippines, Gardenia's Nutrition Assistance Program is a health advocacy initiative and a feeding program that aims to reduce malnutrition in less privileged schoolchildren. In 2014, Gardenia put eight schools in Luzon and Cebu under this Program for one school year. The 2,000 school children under the Program were taught the importance of eating a well-balanced breakfast and provided with free bread. At the end of the year, the school teachers who monitored the children's health found improvement in their nutritional status.

Transforming lives through sponsorships of underprivileged children

During the year, Gardenia continued its support of the Tuloy sa Don Bosco Foundation. The Foundation gives 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 the in-house bakery store at its Laguna plant. It also accepts a number of Tuloy's students for on-the-job training in engineering and production, and offers employment to qualified graduates.

One of the highlights of Gardenia's social responsibility initiatives in 2014 was the celebration of Beneficiaries' Day with children from two of Gardenia's sponsored charities, the SOS Children's Village - Lipa and Girls' Home - Marikina. The children were treated to a fun-filled day at the Gardenia plant. After an educational plant tour, the children spent many happy hours engaged in the exciting activities organised for them by Gardenia's CSR team. Each child left with gift packs, Gardenia bread, and genuine smiles of happiness of an unforgettable and wonderful time.

COMMUNITY INVOLVEMENT

We take an active part in community activities to foster close relationships and strong ties within the communities in which we operate.

Promoting kindness in the community

Beyond instilling healthy lifestyles, we are committed to cultivating a kinder and more caring society. For the past ten consecutive years, we have been able to achieve this through our partnership with the Singapore Kindness Movement ('SKM'). During the year, Gardenia partnered with SKM in two community projects.

In November and December 2014, Gardenia provided complimentary support to SKM, helping it to spread the Kindness message, 'Spread Joy & Share Goodness with Your Neighbours'. The Kindness message was printed on the packaging of the Gardenia Fruit & Nut Loaf and distributed to more than 3,500 retail outlets daily, reaching out to thousands of households across Singapore.

One of eight schools in the Philippines under Gardenia's Nutrition Assistance Program where less privileged students are given free Gardenia bread for one school year to improve their nutritional status and reduce malnutrition.

In October 2014, Gardenia collaborated with SKM in an online campaign to encourage acts of kindness in daily life. The #NationOfKindness hashtag campaign was launched on social media platforms such as Facebook, Instagram and Twitter. The campaign encouraged the public to share acts of kindness that they had experienced by uploading them on social media. To encourage greater public participation, Gardenia and SKM pledged to give away 2,000 loaves of bread to the needy.

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 Singapore, Gardenia works closely with educational institutions such as Nanyang Polytechnic, Temasek Polytechnic and the Institute of Technical Education to provide industrial attachment programs to selected students who are pursuing a diploma or certificate in food science.

In Malaysia, Gardenia accepts undergraduate students into its bakeries for industrial training. The programs expose students to real-life working experiences and enable them to gain valuable knowledge of the bakery industry.

In Australia, Rivalea provides opportunities for international and local high school and university students to undertake work experience in its production facilities and participate in key research projects. This initiative has often led to students becoming valued future employees.

Keeping the community safe from crime

In Singapore, NCS is a member of the Jurong Waters Safety & Security Network ('JSSN'). The JSSN is a community and safety initiative set up by the Police Coast Guard, Immigration &

In Singapore, Gardenia works closely with educational institutions such as Nanyang Polytechnic, Temasek Polytechnic and the Institute of Technical Education to provide industrial attachment programs to selected students who are pursuing a diploma or certificate in food science.

Children from the SOS Children's Village - Lipa spend a fun-filled day at Gardenia's bread plant in the Philippines.

CORPORATE SOCIAL RESPONSIBILITY

Checkpoints Authority, Central Narcotics Bureau, Singapore Customs, The Maritime & Port Authority of Singapore and the Singapore Civil Defence Force. JSSN members help to keep the community safe by looking out for smuggling and other forms of criminal activity along the coastline.

During the year, NCS participated in the launch of the Pandan Waters Safety & Security Network ('PSSN') and in training programs organised by the Home Team Maritime Sector Joint JSSN & PSSN Networking Session and the Community Emergency Preparedness Programme.

Promoting ethical business practices

In the Philippines, Gardenia is committed to fighting corruption and promoting ethical business practices and good corporate governance. It is a participant of Integrity Initiative, an effort launched by the Makati Business Club, Management Association of the Philippines and the European Chamber of Commerce to fight against corruption.

ENVIRONMENT

With climate change being one of the most serious issues facing the world, we are committed to minimising and mitigating our negative environmental impacts and maximising our positive environmental contributions.

During the year, we stepped up measures to further reduce our carbon footprint by optimising our operations to be more sustainable, and collaborating for an environmentally sustainable world.

Environmental and Energy Management Systems

In Australia, Rivalea has adopted the ISO 14001 Environmental Management System to assure its stakeholders of its commitment to improving all environmental aspects of its operations.

Pollution Incident Response Management Plans

In 2013, Rivalea formulated the Pollution Incident Response Management Plans to prepare, co-ordinate and mitigate any impact on neighbouring communities. These plans included a commitment to training staff and having the resources and readiness to co-operate with the authorities should the need arise.

Recovering nutrients and water from waste

We recover nutrients and water from our farming operations to meet our environmental and sustainability objectives. Rivalea's farm at Corowa uses treated waste water to grow wheat, maize and pasture crops, which in turn are milled into highly nutritious diets for its herd. Other co-products from Rivalea's operations are processed into products such as compost.

Community environmental meetings

In Malaysia, Gardenia takes a pro-active role in having open communications with the community heads of the five locations where it has production facilities. This has resulted in close relationships and better understanding within the communities.

Rivalea's biogas facility

Rivalea adopts a proactive approach to ensure that its neighbours are informed of any environmental impacts caused by its operations. It holds regular community meetings to discuss environmental issues and solutions to reduce or eliminate any potential environmental impacts. Its open channel of communications has enhanced the strong and effective relationships it has built over the years.

Energy saving projects

We are focused on our efforts to reduce emissions. To ensure that our practices and processes are not harmful to the environment, we have undertaken measures to use cleaner and more cost-efficient energy sources.

Rivalea contributes to global carbon emissions reduction. It built its first biogas facility in 2009, two years ahead of the Australian government's Voluntary Carbon Farming Initiative in 2011 to encourage farmers to reduce emissions. In 2013/14, Rivalea achieved a 5% reduction in carbon emissions from the reduction in the use of fossil fuels and electricity. The carbon abatement from burning biogas was a further 20,000 tonnes of carbon dioxide in the same period. There are long-term plans for biogas energy use that will provide opportunities to further reduce Rivalea's reliance on fossil fuels for electricity and heat.

In Singapore, NCS completed the replacement of plant and machinery in 2013 under a grant offered under the National Environment Agency's energy efficiency program. This has resulted in savings of some $120,000 a year in electricity usage.

In Malaysia, Gardenia uses natural gas for all its ovens and electrical-powered steam generators in order to reduce carbon emissions.

In 2013/14, Rivalea achieved a 5% reduction in carbon emissions from the reduction in the use of fossil fuels and electricity. The carbon abatement from burning biogas was a further 20,000 tonnes of carbon dioxide in the same period.

One thousand square metres of solar panels were installed on the rooftop of the Bakers Maison factory in Australia.

From left: Tom Grosskopf, Director Metro Branch, Office of Environment & Heritage, NSW; Pascal Chaneliere, General Manager, Bakers Maison and Adrien Gacon, Maintenance & Technical Project Manager, Bakers Maison.

CORPORATE SOCIAL RESPONSIBILITY

In the Philippines, Gardenia strictly implements recycling and waste segregation guidelines in its plant operations. It uses liquefied petroleum gas in its baking processes, and a Waste Water Facility treats used water before it is discharged into the sewers. All delivery trucks also undergo regular maintenance to reduce air pollution.

In Australia, Bakers Maison's switch-over to natural gas and LED high-efficiency lighting has seen its electricity consumption drop by more than 10% in 2014.

During the year, Bakers Maison completed the conversion of its blast freezer to an ammonia gas system. It also completed the installation of 1,000m2 of solar panels which are capable of producing 100 kilowatts of electricity for its factory. The company's energy efficiency efforts were supported by the Australian government and the energy savings are expected from 2015 onwards.

Initiatives to reduce the use of plastic shopping bags

Gardenia actively encourages consumers to reduce the use of plastic bags by bringing their own shopping bags. Following a successful initiative the previous year, Gardenia ran several campaigns in 2014 to give away 80,000 re-designed, foldable and reusable Gardenia shopping bags with the purchase of selected Gardenia products. These complimentary Gardenia bags were well received by shoppers and helped to reduce the usage of plastic bags at supermarkets and hypermarkets around Singapore.

Environment conservation practices

As part of its commitment to promote environmental protection and conservation, Gardenia employees planted 230 tree seedlings in Laguna Province in 2014 in collaboration with the provincial sector of the Department of Environment and Natural Resources, Philippines.

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 and local businesses.

During the year, Rivalea was the major sponsor of a children's festival in Corowa. The festival was attended by many employees' children and attracted close to 6,000 people from the local community and surrounding districts.

As a large local employer, Rivalea has a strong preference for using local suppliers and contractors for agriculture, farming operations and maintenance.

Rivalea also supports local commercial chef apprentices with product donations. In turn, the apprentice chefs use and promote Rivalea's products in their restaurants.

In 2013, Rivalea, together with other local Australian businesses and local councils, completed the development of a fishing platform on the Murray River at Corowa. In recognition of Rivalea's support of the local community, the platform was named 'Rivalea Fishing Platform' by the local council.

OUR PEOPLE

Our people are the key driving force behind our successes and achievements. We invest in our employees through various upgrading and career development programs. The opportunities enable our employees to enhance their skills and capabilities and realise their full potential.

Investing in training and education

The Gardenia operations in Singapore, Malaysia and the Philippines provide local and overseas training and exposure for its employees. In 2014, Gardenia employees across all levels in Singapore were enrolled in various upgrading and career development programs, both internal and external. These training initiatives have improved employees' skills and equipped them with the necessary knowledge to meet the changing needs of the business.

In Malaysia, Gardenia's drivers underwent the Intelligent Defensive Driving Course and the Basic Truck Operation Course during the year. These training programs were developed in partnership with Shell Malaysia Trading Sdn Bhd and TC Trucks After Sales Sdn Bhd to improve the drivers' skills and maximise fuel savings.

Gardenia actively encourages consumers to reduce the use of plastic bags by bringing their own shopping bags.

New design of Gardenia's foldable eco bag

From left to right

- **More than 50 Gardenia staff volunteers do their part to promote environmental protection and conservation by planting 230 tree seedlings in Laguna Province, Philippines.**
- **Rivalea was the major sponsor of a children's festival in Corowa, Australia, which was attended by close to 6,000 people.**
- **In recognition of Rivalea's support of the local community, the local council named a new fishing platform on the Murray River at Corowa, the 'Rivalea Fishing Platform' in 2013.**

CORPORATE SOCIAL RESPONSIBILITY

In the Philippines, Gardenia sponsors the costs of education for employees who wish to pursue further studies.

At Rivalea, employees have access to various training, development and career opportunities, including tertiary education. During 2014, Rivalea supported over 100 employees to gain a nationally-accredited qualification.

Rivalea also has its own in-house learning and development team with dedicated training facilities and tailored resources. In 2014, an online booking system was established to enable employees to conveniently register for any of the 185 educational programs, workshops and training courses that were held throughout the year.

Investing in occupational health and safety

The safety, health and well-being of our employees are of paramount importance to us, and we have implemented a number of health and safety related initiatives.

In Australia, Rivalea continues to progress towards gaining accreditation to ASNZ 4801 standard in respect of its occupational health and safety management systems. Rivalea employees are given annual flu vaccinations and are provided with information on a wide range of health and wellness topics. To promote the health and fitness of its staff, employees are strongly encouraged to take advantage of the company's running and walking tracks.

Rivalea's in-house Rehabilitation Centre aids in the speedy recovery of any injured employee by providing safe alternative duties, rehabilitation, and exercise programs. An online integrated incident reporting system also allows for real time incident reporting to enable speedy investigations.

In Singapore, Ben Foods' Safety Guide Book identifies common risks at work and is part of the company's Workplace Safety Program initiative for its employees.

In the Philippines, the Department of Labor and Employment has awarded Gardenia with a Tripartite Certificate of Compliance with Labor Standards in respect of its compliance with General Labor Standard, Occupational Safety and Health Standards and Child Labor Law (RA 9231). Gardenia has also been awarded a Certificate of Recognition as a Child Labor-Free Establishment for not engaging in child labour and not using products or materials produced through the use of child labour.

Investing in family work-life balance

We value the importance of family bonds and are focused on achieving a good balance between work and family life.

In Singapore, Gardenia employees are provided with complimentary daily transportation, meals, and a loaf of fresh bread each day, initiatives that have helped to defray part of the costs of living for employees. The company also provides employees

Gardenia drivers at the Basic Truck Operation Course in Malaysia learn how to maximise fuel savings.

and their families with benefits such as free corporate admission passes to the Singapore Zoo. Specially-packed mini-hampers are given to employees each year to celebrate Singapore's National Day, and to employees to celebrate the birth of a new baby.

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

In the Philippines, Gardenia invests in the well-being of its employees through family-oriented bonding programs and activities that foster a greater sense of belonging. Gardenia hosts an annual plant visit every summer for employees' families. The visits have proved to be a morale booster for the staff.

To foster a greater sense of belonging, Gardenia also celebrates the successes of employees whose immediate family members graduate from elementary, high school or college. The graduates are presented with gifts and congratulatory cards. Qualified tertiary students are welcomed to undertake on-the-job training in the company. In co-operation with the Technical Education and Skills Development Authority, Gardenia also conducts free livelihood trainings and seminars for dependents of employees.

In Australia, Rivalea holds children's Christmas parties for its employees at its various farm sites. The company's Employee Assistance Program also provides assistance and counselling on a wide range of personal health matters, as well as financial and legal assistance.

At Rivalea, employees have access to various training, development and career opportunities, including tertiary education. During 2014, Rivalea supported over 100 employees to gain a nationally-accredited qualification.

Gardenia staff volunteer their time to distribute bread to needy families in Singapore.

CORPORATE SOCIAL RESPONSIBILITY

Diversity

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

In Malaysia, Gardenia takes a pro-active approach towards racial harmony and integration by actively supporting the many celebrations and festivals in the country. To give joy to the less fortunate, Gardenia products are distributed to the needy at Christmas parties, Hari Raya gatherings, Thaipusam, Wesak Day celebrations and other important festivals.

In March 2014, employees of Bakers Maison in Australia celebrated Harmony Day and their cultural diversity with a lunch where every employee brought and shared dishes from his country of origin. Bakers Maison employs 75 staff from 18 different countries.

In Australia, Rivalea's Equality Committee represents the interests of all its employees. New international employees and their families are provided with educational opportunities, including studies in the English Language.

Promoting staff volunteerism for a good cause

We believe that helping others contributes towards living a fulfilling and enriching life. In 2014, more than 50 Gardenia employees volunteered their time to participate in community service events in Singapore.

Gardenia employees participated in two major bread distribution events that touched more than 5,000 needy families living in one-room rental HDB flats in Singapore. The event was co-organised by Gardenia, SKM and the People's Association.

Gardenia employees also took part in the 'ComChest Heartstrings Walk 2014', a mass walk around Marina Bay to raise funds for the more than 500,000 beneficiaries under the care of the Community Chest of Singapore. The event attracted close to 8,000 participants and raised $1.35 million.

In the Philippines, many Gardenia employees voluntarily donated blood and gave cash donations to victims of flash floods through the Philippine Red Cross.

During the year, Gardenia employees reached out to the indigenous Aeta community in Sitio Haduan in Pampanga (Luzon) and Basey Elementary School in Samar (Visayas). The outreach activity in Sitio Haduan benefitted a hundred needy families, and almost 100 students of Haduan Negrito Elementary School received bread and school supplies.

Gardenia employees also visited Basey Elementary School, one of the typhoon-hit schools in Tacloban, an area that was devastated by Typhoon Haiyan in 2013. The employees brought school supplies and bread for more than 800 students and teachers. The outreach was made possible with the assistance of the 87th Infantry Battalion of the Armed Forces of

the Philippines, who arranged for transportation of the school supplies and bread.

In China, Gardenia staff distributed 2,000 pieces of 'Best Wishes' packages of tasty Gardenia bakery products to children living in the rural areas.

In August 2014, Bakers Maison and its employees celebrated Jeans for Genes Day in Australia with a generous cash donation to the cause. The Jeans for Genes organisation raises funds for research into birth defects and diseases such as cancer, epilepsy, and a range of genetic disorders. The money raised will help scientists at the Children's Medical Research Institute to discover treatments and cures that will give every child the opportunity to live a long and healthy life.

During the year, Bakers Maison also supported the initiatives of Protecting Australian Kids ('PAK') through cash donations and bread supplies for their fundraising BBQ where more than 700 sandwiches were sold. PAK is a community-based organisation of car, motorbike, and boat enthusiasts that help sexually, physically, and mentally abused kids.

PRODUCT RESPONSIBILITY

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

All our operations in Singapore, Malaysia, the Philippines and Australia hold HACCP international certifications. The Gardenia operations in Singapore, Malaysia and the Philippines and the Rivalea operations have also attained ISO 9001:2008 food

In March 2014, employees of Bakers Maison in Australia celebrated Harmony Day and their cultural diversity with a lunch where every employee brought and shared dishes from his country of origin. Bakers Maison employs 75 staff from 18 different countries.

From left to right

- **Bakers Maison's staff, who hail from 18 different countries, share dishes from their countries of origin in celebration of Harmony Day in Australia.**
- **Gardenia staff and volunteers from the Singapore Kindness Movement distribute bread to low income families in Singapore.**
- **Gardenia staff volunteers, with the assistance of the 87th Infantry Battalion of the Armed Forces of the Philippines, donate bread and school supplies to the students of Basey Elementary School in Tacloban, an area devastated by Typhoon Haiyan in 2013.**

CORPORATE SOCIAL RESPONSIBILITY

safety and quality control accreditations. Rivalea possesses Export Registered Establishment, SQF 2000, ISO 9001:2008, Australian Animal Welfare Certification, Australian Industry Quality Assurance Program and FeedSafe accreditations. It also holds accreditations with many of Australia's leading supermarket chains.

Many of our products are independently tested and verified by recognised independent sources. In Malaysia, the nutritional information on all Gardenia products is verified by the American Institute of Baking and the GI values of its sandwich loaves are tested by the University of Sydney.

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

In Malaysia, all Gardenia production plants and products have received Halal certification by The Department of Islamic Development Malaysia ('JAKIM'). In 1994, Gardenia took a pro-active role and set up a special Internal Halal Committee to ensure that all requirements are stringently adhered to and every aspect of the Halal regulations is complied with. This has served to reinforce Malaysian consumers' trust in the Gardenia brand.

In Singapore, compliance with food industry regulations at Ben Foods and NCS is overseen by an in-house Quality Assurance team. The team ensures that the sourcing of Ben Foods' products do not harm other animals. Ben Foods' Farmland brand of tuna is sourced from suppliers who practise fishing methods that do not endanger dolphins.

In support of responsible and sustainable farming and production practices, Ben Foods has been taking steps to work with factories that practise sustainable and ethical methods of production. Its Cowhead Le Chocolatier bars from France are made from cocoa beans that are UTZ certified. The UTZ program covers good agricultural practices, farm management, social and living conditions, and the environment.

In Australia, Rivalea's team of meat safety and quality assurance officers at its on-site microbiology laboratory undertakes daily testing of both products and equipment to ensure compliance with food safety and customer standards. The laboratory is accredited with the National Association of Testing Authorities.

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, five years

Staff of Gardenia distribute 2,000 'Best Wishes' packages of Gardenia bakery products to students of Yongtai Fuquan Primary School and children living in the rural areas of China.

ahead of schedule and significantly ahead of the industry. All pregnant sows are now housed in group housing pens that meet or exceed the Model Code of Practice. This ensures that they are able to move about 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 AND AWARDS

During the year, Gardenia Philippines was awarded with a Plaque of Appreciation by the Department of Trade and Industry – National Capital Region for its invaluable and unwavering support in the implementation and support of DTI programs and services.

In support of responsible and sustainable farming and production practices, Ben Foods has been taking steps to work with factories that practise sustainable and ethical methods of production.

NATIONAL CAPITAL REGION

The Department of Trade and Industry – National Capital Region (DTI-NCR)

presents this

Plaque of Appreciation

to

PHILBAKING & GARDENIA BAKERIES

for their invaluable and unwavering support in the implementation of DTI Programs and Services

Given this Twenty Second of December in the year of our Lord, Two Thousand and Fourteen at Hard Rock Café Level 3 & 4, Glorietta III, Ayala Center, Makati City, 1214

Director Ferdinand L. Manfoste

Officer-in-Charge, DTI-NCR

Gardenia Philippines is awarded with a Plaque of Appreciation by The Department of Trade and Industry – National Capital Region for its invaluable and unwavering support in the implementation of DTI Programs and Services.

OUR BRANDS

Cowhead

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

Auntie Rosie's

Bonjour Simply Delicious

Toast'em

Black Diamond

Murray Valley

Bakers Maison

Orchard Fresh

Eggstra

High Country

Chewbies natural pet treats!

Gardenia 东南亚面包大王

Toasties

Primegro Technologies

farmland

Squiggles

veanavite

Nutrimax

Optimilk

Family Chef

Sling Shot

NeuBake

Twiggies

Quick Bites

Slim 'n Fit Wheaten Bread

Riverview Farms

Haton 哈多

Spices of the Orient

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 2012 ("Code 2012"). The Company is generally in compliance with the key revised guidelines of the Code 2012. In areas where the Company deviated from the Code 2012, 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 holds ad-hoc meetings as warranted by circumstances. For the financial year ended 2014, the attendance of the directors of the Company ("Directors") at meetings of the Board and Board committees are summarised as follows:-

	Board		Audit Committee		Nominating Comittee		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	3	NA	NA	NA	NA	NA	NA
Tan Kong King	4	4	NA	NA	1	1	NA	NA
Lin Kejian	4	3	NA	NA	NA	NA	NA	NA
Tarn Teh Chuen	4	4	NA	NA	NA	NA	NA	NA
Soh Gim Teik	4	4	4	4	NA	NA	NA	NA
Siau Kai Bing	4	4	4	4	1	1	NA	NA
Soh Chung Hian[1]	4	4	4	4	NA	NA	NA	NA
Tan Hang Huat[2]	4	2	NA	NA	NA	NA	NA	NA
Teng Tien Eng Moses[2]	4	2	NA	NA	NA	NA	NA	NA
Gianto Gunara[2]	4	2	NA	NA	NA	NA	NA	NA
Choo Kok Kiong[2]	4	2	NA	NA	NA	NA	NA	NA
Triono J. Dawis[2]	4	2	NA	NA	NA	NA	NA	NA
Goh Kian Hwee[3]	4	NA	NA	NA	NA	NA	NA	NA
Lee Kwong Foo Edward[3]	4	NA	NA	NA	NA	NA	NA	NA

[1] Mr Soh Chung Hian was appointed as a Director of the Company on 15 February 2014.
[2] Mr Tan Hang Huat, Mr Teng Tien Eng Moses, Mr Gianto Gunara, Mr Choo Kok Kiong and Mr Triono J. Dawis were appointed as Directors of the Company on 17 July 2014.
[3] Mr Goh Kian Hwee and Mr Lee Kwong Foo Edward were appointed as Directors of the Company on 1 December 2014.

CORPORATE GOVERNANCE REPORT

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 may also make decisions by way of circulating resolutions.

The Board is responsible for overall corporate governance, strategic direction and formulation of policies to oversee the business performance and affairs of the Group. The Board also provides leadership and reviews 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
- Approval of Interested Person Transaction exceeding certain threshold
- Approval of material acquisition and disposal of assets (including quoted shares) exceeding certain threshold
- Approval of major funding proposal or bank borrowings
- Approval of investments in fixed-yield bonds or loan stocks or notes exceeding certain threshold
- 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
- Approval of Group's major strategic or business plan which may have a significant impact on the Group's financial performance
- Approval of any matter which is required by the Listing Rules of the Singapore Exchange to be publicly disclosed

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

An investment and divestment committee was formed in 2014 comprising 3 Directors which shall identify, formulate and make investment and divestment recommendations and proposals to the Board.

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 Company encourages and funds the Directors for attendance at any training programme or seminar on the knowledge and information areas relevant to the duties of public-listed company directors as may be organised by the Singapore Institute of Directors and/or the SGX-ST.

Each Director when newly appointed is furnished with a letter of appointment and an induction handbook briefing him, *inter-alia*, on the salient duties and disclosure obligation as a public-listed company director, an overview on subsidiaries of the Group, terms of reference of board committees and the internal control and risk management system of the Group. To familiarise new Directors, the Company also organises orientation programmes including an extensive induction briefing to newly appointed Directors on the Group's business, financials and operations, and provides the Directors the opportunity to visit key operations of the Group at appropriate time.

The Group Managing Director presents and updates 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.

Aside from the foregoing, Directors are at liberty to request for further explanations, briefings or information as and when required.

Principle 2 : Board Composition and Balance

As at the date of this Report, the Board comprises fifteen Directors as follows:-

Didi Dawis	(non-executive/non-independent Director)
Andree Halim	(non-executive/non-independent Director)
Tan Kong King	(executive Director)
Lin Kejian	(executive Director)
Tarn Teh Chuen	(executive Director)
Soh Gim Teik	(non-executive/independent Director)
Siau Kai Bing	(non-executive/independent Director)
Soh Chung Hian	(non-executive/independent Director)
Tan Hang Huat	(non-executive/non-independent Director)
Teng Tien Eng Moses	(non-executive/non-independent Director)
Gianto Gunara	(non-executive/non-independent Director)
Choo Kok Kiong	(non-executive/non-independent Director)
Triono J. Dawis	(non-executive/non-independent Director)
Goh Kian Hwee	(non-executive/independent Director)
Lee Kwong Foo Edward	(non-executive/independent Director)

Based on the confirmation declared by the relevant Directors in line with the criterion of independence set out in Guideline 2.1 of the Code 2012, one third of the Board is constituted by independent non-executive Directors, namely Mr Soh Gim Teik, Mr Siau Kai Bing, Mr Soh Chung Hian, Mr Goh Kian Hwee and Mr Lee Kwong Foo Edward.

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 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, ceased to be an employee of the Company on 31 December 2012. He was re-appointed to be a non-executive non-independent Director of the Company on 17 July 2014.

Mr Tan Hang Huat, Mr Teng Tien Eng Moses, Mr Gianto Gunara, Mr Choo Kok Kiong and Mr Triono J. Dawis are regarded as non-independent directors being nominee directors appointed to represent the controlling and substantial shareholders of the Company.

The Board is of the view that the current board size of the Company is appropriate and effective taking into account the nature and scope of the Group's operations and the corporate goals and objectives the Group strives to achieve. The Board is made up of members with a diverse background and experience, ranging from audit, 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.

CORPORATE GOVERNANCE REPORT

Principle 3 : 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 Deputy Group Managing Director and other key executives.

The Chairman performs his duties as a non-executive Director of the Company and is responsible, *inter-alia*, to facilitate constructive workings of the Board as a whole; lead the Board to ensure its effectiveness on all aspects of its role; promote a culture of openness and debate at the Board; ensure that the directors receive complete, adequate and timely information; and facilitate the effective contribution of the non-executive directors.

The Board takes the view that there is no necessity to appoint a lead independent director. The independent Directors of the Company may meet periodically without the presence of the other Directors as and when they see the need for issues to be discussed separately from the entire board.

Principle 4 : Board Membership

The Nominating Committee was reconstituted on 15 September 2014 and comprises two independent Directors, namely Mr Soh Gim Teik and Mr Siau Kai Bing and one non-executive non-independent Director, Mr Andree Halim. Mr Soh Gim Teik is the chairman of the Nominating Committee.

Under its Terms of Reference, the Nominating Committee is empowered, *inter-alia*, to select, review and assess candidates for directorship as part of the process for progressive renewal of the Board.

As part of the selection process for the appointment of new directors, the Nominating Committee reviews the composition of the Board and identifies the skillsets, taking into consideration the recommendation of the Code 2012 for independent directors and the experience and expertise that will enhance the Board's effectiveness. Other than the newly appointed nominee Directors who were identified and proposed by the controlling/substantial shareholders to the Board directly, the Nominating Committee normally identifies and search for candidates through various contacts and recommendations and reviews the suitability of candidates with reference to the appropriate characteristics, skills and relevant experience possessed by the candidates. Any recommendation of the Nominating Committee is subject to the Board's final approval, whose decision shall be final and binding.

The Nominating Committee is also empowered by its written Terms of Reference (as approved 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, *inter-alia*, attendance at board/committee meetings, participation and involvement in decision-makings, individual expertise, management skills, or the business knowledge and experience of the Directors, and such other relevant attributes which are valuable to the effective decision makings of the Board as a whole.

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. The Board currently takes the view that there is no necessity to set a maximum number of listed company directorship each Director could hold, as such other board representations have not compromised any Director's ability to carry out and discharge his/her duties adequately.

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 2012.

Additional key information regarding the Directors are set out in the other section of this Annual Report, including the directorships in other listed companies which are required to be disclosed annually to the Board.

Principle 5 : Board Performance

The Nominating Committee evaluates the effectiveness of the Board as a whole and provides feedback of its assessment to the Board adopting a set of performance criteria consistent with the past financial years.

The Nominating Committee believes that in evaluating the Board's effectiveness, both quantitative and qualitative criteria of a long-term perspective ought to be taken into account. In reviewing its performance, the Nominating Committee gives due consideration to the financial performance of the Group (such as its long-term revenue or profitability, cash-flow and debt management, dividend return to shareholders, general comparison with industry peers and/or such other appropriate indicators depending on the scope of the Group's business and the prevailing business environment 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 form part and parcel of the bases in assessing the effectiveness of the Board as a whole.

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.

CORPORATE GOVERNANCE REPORT

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

The Remuneration Committee was reconstituted on 3 March 2014 comprising three non-executive Directors, namely Mr Didi Dawis, Mr Soh Chung Hian and Mr Siau Kai Bing. A majority of the Remuneration Committee is constituted by independent non-executive Directors. Mr Siau Kai Bing is the chairman of the Remuneration Committee.

The Remuneration Committee is delegated the tasks of reviewing the remuneration packages of the 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 as well as 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 at the locality of the subsidiary, 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 fixed term service contract entered into with the Company in March 2012, with a fixed base salary and variable bonus linked to the Group's performance.

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 Board holds the view that the interest 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 with similar market capitalisation.

The revised Code 2012 together with its new Guideline 8.4 came into effect in May 2012. The employment contract and letters of employment of the executive Directors and key executives were made prior to the said Guideline's implementation. An arbitrary change of the employment term without the employees' consent is undesirable and likely to lead to legal complexities. In addition, executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the executive Directors in the event of such breach of fiduciary duties.

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 2014:-

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

	Salary	Bonus	Other Benefits*	Total
$2,500,000 to below $2,650,000 Tan Kong King	81%	17%	2%	100%
$600,000 to below $750,000 Tarn Teh Chuen	78%	20%	2%	100%
Below $50,000 Lin Kejian	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.

The Board is of the view that the disclosure showing the breakdown of the executive Directors' remuneration in the narrower bands as stated above is able to provide a sufficient overview of their remuneration for the year 2014.

(2) Table shows the fixed fee payable to the non-executive Directors of the Company who have served for the full year in 2014. For the Directors who were appointed in 2014, the applicable fees are to be pro-rated for the period he served as a Director in 2014:

$50,000 Didi Dawis	as Chairman of the Company
$26,000 Andree Halim	as Vice-Chairman of the Company
$41,000 and below *Soh Chung Hian	as Member of the Board and Chairman of the Audit Committee
$39,000 and below Soh Gim Teik Siau Kai Bing	as Member of the Board and member of Audit Committee as Member of the Board and member of Audit Committee
$26,000 and below *Tan Hang Huat *Teng Tien Eng Moses *Choo Kok Kiong *Gianto Gunara *Triono J. Dawis *Goh Kian Hwee *Lee Kwong Foo Edward	as Member of the Board as Member of the Board as Member of the Board as Member of the Board as Member of the Board as Member of the Board as Member of the Board

* Directors appointed in 2014.

CORPORATE GOVERNANCE REPORT

(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:-	
$250,000 to below $500,000	5

The Board is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure on the top key executives of the Group 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 Company employs Mr Lin Kejian as the Deputy Group Managing Director. Mr Lin Kejian is the immediate family member of Mr Andree Halim (the Vice-Chairman). Mr Lin Kejian elects to receive no remuneration with effect from 1 October 2014.

Save as provided in paragraph above, the Group does not employ any other immediate family members of a Director or the Group Managing Director. None of the said immediate family member's remuneration exceeds $50,000 for the year 2014.

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.

The Board with delegated in-house legal personnel and external advisors ensures that the Company and the Group are in compliance with the relevant material legislative and regulatory requirements, including requirements under the listing rules of the SGX-ST.

Principles 11, 12 and 13 : Risk Management & Internal Controls/Audit Committee /Internal Audit

The Audit Committee was reconstituted on 3 March 2014 comprising three independent Directors, namely Mr Soh Chung Hian (the chairman of the Audit Committee), Mr Soh Gim Teik and Mr Siau Kai Bing. All its members are well qualified to discharge their responsibilities. Mr Soh Gim Teik and Mr Siau Kai Bing are qualified accountants and have many years of working experience with listed entities as finance director/chief financial officer. Mr Soh Chung Hian is a former partner in Ernst & Young Singapore with vast audit background and accounting expertise.

The Audit Committee performs the functions set out in the Companies Act and the Code 2012. 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 and report to the Board at least annually the adequacy and effectiveness of the internal controls and risk management system of the Group
- To review the periodic findings of the internal audit managers and effectiveness of the internal audit function
- To set up and review (as may be necessary) a whistle-blower procedure for the Group.

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

The Group has in place two internal audit managers who are members of the Institute of Singapore Chartered Accountants and the Institute of Internal Auditors, assisted by an internal audit executive. The internal audit managers report primarily to the chairman of the Audit Committee. The Audit Committee reviews and approves the annual internal audit plan proposed by the internal audit team. The internal audit managers, like the external auditors, report independently their findings and recommendations to the Audit Committee in each Audit Committee meeting.

In addition, the Management has formed an operation and risk committee in 2013 to address and review weaknesses in the operations and control environment of the subsidiaries as may be identified by the internal auditors.

Currently, the Audit Committee, with the assistance of internal and external auditors and Management, assumes the responsibility of the risk management function. Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Management reviews significant policies and procedures and highlights significant matters to the Audit Committee. The Board is of the view that a separate risk committee is not required for time being.

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 auditors four times a year. It also meets with the external auditors and internal 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, compliance and information technology 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 internal controls established and maintained by the Group, work performed

CORPORATE GOVERNANCE REPORT

by the internal and external auditors, reviews performed by Management and assurance received from the Group Managing Director and Group Financial Controller,

(a) the Board is of the opinion that the financial records of the Group have been properly maintained and the financial statements give true and fair view of the Company's operations and financials; and

(b) the Board, with the concurrence of the Audit Committee, are of the opinion that the risk management and internal control systems in place is effective and adequate in addressing the material risks in the Group in its current business environment.

Principles 14, 15 and 16 : Shareholder Rights/Communication with Shareholders/Conduct of Shareholders Meetings

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.

All registered shareholders are invited to participate and given the right to vote on resolutions at general meetings. Every matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Proxy form is sent with notice of general meeting to all shareholders. A shareholder may appoint up to two proxies to attend and vote on his behalf at the meeting through proxy forms deposited 48 hours before the meeting. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

All Directors, Management, Company Secretary, external auditors and legal advisors (if necessary), attend the general meetings. The procedure of general meetings provide shareholders the opportunity to ask questions relating to each resolution tabled for approval and open communication are encouraged by the shareholders with the Director on their views on matters relating to the Company.

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meetings, and responses from the Board and Management.

The Board noted that with effect from 1 August 2015, the Company is required by the Listing Rule to conduct the voting of all resolutions put to general meetings by poll. Until such time, voting at general meetings will be by show of hands unless a poll is demanded. Voting on show of hands enables the Company and shareholders to deal with the businesses of general meetings expeditiously as the result of the vote is instantly available.

INFORMATION DISCLOSED

pursuant to the Listing Manual

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

Derek Cheong Kheng Beng 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. 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 was appointed as the Managing Director of Gardenia Foods (S) Pte Ltd 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.

Mick Hewat was appointed as the Chief Executive Officer of Rivalea (Australia) Pty Ltd ("Rivalea") on 1 April 2014. He is responsible for overseeing the entire integrated meat production business carried out by the Rivalea group of companies as well as the investment activities under Oxdale Dairy Enterprise Pty Ltd. Mr Hewat has been with the Rivalea Group for 17 years, predominantly in various finance roles, and assumed the position of General Manager – Finance in 2009. Prior to joining Rivalea, Mr Hewat had working experience in accounting roles within the Australian meat industry and for a large manufacturing company. He graduated with a Bachelor of Business (Accountancy) from Charles Sturt University Australia in 1990 and is a Certified Practising Accounting member of CPA Australia.

Rod Williams has held the position of General Manager (Finance & Administration) of Rivalea since January 2000. In 2009, he was re-designated 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 38 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 is the chief executive officer of the Gardenia Bakery group of companies in Malaysia ("Gardenia Malaysia"). Gardenia Malaysia is the major bread producer in Malaysia. Mr Yap has been with Gardenia Malaysia since 1987, contributing significantly in building the "Gardenia" brand and the bakery business in Malaysia. Gardenia has been recognised as one of the Superbrands in Malaysia since 2002 and was presented the Gold Medal in The Putra Brand Awards for 4 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.

Koh Chin Huat is the group general manager of Gardenia Malaysia. He joined the Gardenia group as sales and marketing manager in 1991 and was made the general manager of Gardenia Foods (S) Pte Ltd in 1992. He was relocated back to Malaysia and appointed the general manager of Gardenia Malaysia in 1994. Prior to joining Gardenia Malaysia, he has worked with Federal Flour Mills Bhd and Cold Storage (M) Bhd. Mr Koh holds a Diploma in Marketing from the Institute of Marketing, United Kingdom and a Master of Business Administration from Brunel University, United Kingdom.

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Simplicio P. Umali, Jr 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 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 38 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.

Pascal Chaneliere was appointed the general manager of Bakers Maison Australia Pty Ltd ("Bakers Maison Australia") in 2005. Bakers Maison Australia manufactures and distributes frozen and par baked French-style breads and pastries to the foodservice sector throughout Australia. Mr Pascal has over 10 years of experience in sales management, having taken charge of several sales management roles and function in his previous employments. Prior to him joining Bakers Maison Australia, he has worked for two large multinational food manufacturing companies in Australia. Mr Pascal holds a Business School Diploma from France.

Derrick Lum Weng Piu 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 28 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 Fellow Chartered Accountant 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 6 company-owned farms and 19 Contract Grower sites spread out across the Australian states of Victoria and New South Wales. Rivalea has about 46,000 breeder pigs and a total population of about 409,000 pigs.

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 6 Rivalea-owned farms and the 19 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 itself 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 and Japan which are not subject to competition from cheap imported frozen products. Rivalea is also dominant in the Australian domestic market and this should enable it to adjust its marketing strategies according to market competition.

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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.

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Rule 907 : Interested Person Transactions for financial year 2014

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)
KMP Food Industries Pte Ltd ("KMP"), an associate (as defined in the SGX Listing Manual) of the controlling shareholder, Mr Andree Halim.	Sale of unsold and returned bread by Gardenia Foods (S) Pte Ltd ("GFS"), a wholly-owned subsidiary of the Company, to KMP. The aggregate value of transaction for the year 2014 totaled approximately $874,000 excluding GST.	Nil

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

There were no material contracts (or loans) entered into by the Company and/or its subsidiaries with the directors or chief executive officer or controlling shareholder 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 71.03% of the shares in the Company and approximately 28.97% 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 FY2014 and non-audit services in FY2014 amounted to approximately $943,000 and $22,000 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 established and maintained by the Group, work performed by the internal and external auditors, reviews performed by management, and assurances received from the Group Managing Director and Group Financial Controller, the Board (with the concurrence of the Audit Committee) is of the opinion that the Group's internal controls and risk management systems addressing the financial, operational and compliance risks which the Group considers relevant and material to its operations, were adequate as at 31 December 2014.

The Board wishes to state that the system of internal controls and risk management is designed to provide reasonable, but not absolute, assurances as to financial, operational and compliance risks. No such system can provide absolute assurance against the occurrence of material errors and other situations not currently within the contemplation or beyond the control of the Board.

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 2014.

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)
Lin Kejian	(Deputy Group Managing Director)
Tarn Teh Chuen	
Soh Gim Teik	
Siau Kai Bing	
Soh Chung Hian	(Appointed on 15 February 2014)
Tan Hang Huat	(Appointed on 17 July 2014)
Teng Tien Eng Moses	(Appointed on 17 July 2014)
Choo Kok Kiong	(Appointed on 17 July 2014)
Gianto Gunara	(Appointed on 17 July 2014)
Triono J. Dawis	(Appointed on 17 July 2014)
Goh Kian Hwee	(Appointed on 1 December 2014)
Lee Kwong Foo Edward	(Appointed on 1 December 2014)

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 1.1.2014/ at date of appointment**	**At 31.12.2014**	**At 21.1.2015**	**At 1.1.2014/ at date of appointment**	**At 31.12.2014**	**At 21.1.2015**
Number of shares in QAF Limited						
Didi Dawis	–	–	–	47,877,758	47,877,758	47,877,758
Andree Halim	–	–	–	337,330,542	282,101,133	282,101,133
Tan Kong King	3,803,050	3,803,000	4,303,000	–	–	–
Tarn Teh Chuen	994,448	1,245,062	1,245,062	–	–	–
Lin Kejian	–	–	–	222,884,969	222,884,969	222,884,969
Tan Hang Huat	5,252	5,252	5,252	–	–	–
Teng Tien Eng Moses	1,162	1,162	1,162	–	–	–
Number of QAF Limited Share Options to subscribe for shares in the Company						
Tan Kong King	1,000,000	1,000,000	500,000	–	–	–
Tarn Teh Chuen	750,000	500,000	500,000	–	–	–

DIRECTORS' REPORT

Directors of the Company (cont'd)

Save as disclosed above and save that Mr Lin Kejian is the beneficiary owner of 3,600,000 issued shares which constitute 45% of the total share capital issued by Gaoyuan Pte Ltd (a subsidiary which the Company has an interest in 55% of the issued share capital), 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 Company or in any 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).

DIRECTORS' REPORT

Share Options to subscribe for ordinary shares (cont'd)

(a) Share options under the QAF Limited Share Option Scheme 2000 (the "2000 Scheme") (cont'd)

(ii) Disclosures pursuant to Rule 852 of the Listing Manual:

The 2000 Scheme is administered by the 2000 Share Option Committee with members appointed by the Board, comprising one non-executive director (namely Mr Didi Dawis) and one executive director (namely Mr Tan Kong King). Non-executive directors, controlling 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	1,600,000	1,000,000
Tarn Teh Chuen	Nil	1,460,000	960,000	500,000

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, 750,000 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 2014 comprise:

Outstanding unexercised options for ordinary shares in the Company		Exercise price per share	Exercise period
Year 2005	1,190,000	$0.513	18 August 2006 to 17 August 2015
Year 2006	1,715,000	$0.565	19 May 2007 to 18 May 2016
	2,905,000		

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

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

DIRECTORS' REPORT

Audit committee

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

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
20 March 2015

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 2014 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
20 March 2015

INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2014

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 81 to 157, which comprise the statements of financial position of the Group and the Company as at 31 December 2014, 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.

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 2014 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
Chartered Accountants

Singapore
20 March 2015

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2014

	Note	2014 $'000	2013 $'000 (Restated)
Revenue	3	1,023,149	1,024,160
Costs and expenses			
Costs of materials		546,541	558,539
Staff costs	4	227,687	229,484
Amortisation and depreciation	5	36,888	38,315
Repairs and maintenance		32,791	31,748
Utilities		33,364	34,636
Other operating expenses		84,720	85,165
Total costs and expenses		(961,991)	(977,887)
Profit from operating activities	6	61,158	46,273
Finance costs	7	(3,241)	(4,058)
Profit before taxation		57,917	42,215
Taxation	8	(11,287)	(10,383)
Profit after taxation		46,630	31,832
Attributable to:			
Owners of the parent		45,081	30,186
Non-controlling interests		1,549	1,646
		46,630	31,832
Earnings per ordinary share:	9		
– Basic		8.2 cents	5.6 cents
– Diluted		8.2 cents	5.6 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 2014

	2014 $'000	2013 $'000 (Restated)
Profit after taxation	46,630	31,832
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (loss)/gain on defined benefit plans	(209)	2,640
Items that may be reclassified subsequently to profit or loss:		
Currency translation arising on consolidation	(6,586)	(22,095)
Other comprehensive income for the year, net of tax	(6,795)	(19,455)
Total comprehensive income for the year	39,835	12,377
Total comprehensive income attributable to:		
Owners of the parent	38,571	11,486
Non-controlling interests	1,264	891
	39,835	12,377

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

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)	Company 2014 $'000	Company 2013 $'000
ASSETS					
Current assets					
Biological assets	10	55,878	59,676	–	–
Inventories	11	78,114	83,010	–	–
Trade receivables	12	95,303	89,757	–	–
Other receivables	13	13,915	15,956	57,895	51,895
Tax recoverable		1,312	817	–	–
Short-term investments	14	1,309	2,386	–	2,000
Cash and short-term deposits	15	92,389	79,498	22,443	19,037
		338,220	331,100	80,338	72,932
Assets classified as held for sale	16	–	2,487	–	–
		338,220	333,587	80,338	72,932
Non-current assets					
Property, plant and equipment	17	291,569	297,327	2,241	2,398
Investment properties	18	26,278	27,131	–	–
Subsidiaries	19	–	–	98,973	98,718
Advances to subsidiaries	20	–	–	102,157	111,268
Pension assets	21	2,598	3,196	–	–
Long-term investments	22	17,143	10,593	16,114	9,057
Intangibles	23	246	2,129	1,884	2,072
Deferred tax assets	24	15,060	14,258	–	–
		352,894	354,634	221,369	223,513
Total assets		691,114	688,221	301,707	296,445

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

STATEMENTS OF FINANCIAL POSITION
As at 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000 (Restated)	Company 2014 $'000	Company 2013 $'000
LIABILITIES					
Current liabilities					
Trade payables	25	88,256	94,870	50	33
Other payables	26	60,426	54,651	7,876	6,469
Short-term borrowings	27	62,415	74,201	–	4,960
Long-term loans and finance leases - current portion	28	5,460	4,745	–	–
Provision for taxation		5,029	3,909	1,206	1,317
		221,586	232,376	9,132	12,779
Non-current liabilities					
Other payables	26	9,960	8,737	–	–
Long-term loans and finance leases	28	10,600	12,587	–	–
Deferred tax liabilities	24	12,139	10,843	353	384
		32,699	32,167	353	384
Total liabilities		254,285	264,543	9,485	13,163
Net assets		436,829	423,678	292,222	283,282
CAPITAL AND RESERVES					
Share capital	29	254,520	250,096	254,520	250,096
Reserves	30	157,848	146,684	37,702	33,186
Equity attributable to owners of the parent		412,368	396,780	292,222	283,282
Non-controlling interests		24,461	26,898	–	–
Total equity		436,829	423,678	292,222	283,282

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 2014

	Note	Attributable to owners of the parent							
		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 2014									
- As previously reported		250,096	2,215	17,941	147,474	(20,946)	396,780	26,567	423,347
- Effects of adopting FRS 110 and Revised FRS 27		–	–	–	–	–	–	331	331
- As restated		250,096	2,215	17,941	147,474	(20,946)	396,780	26,898	423,678
Total comprehensive income for the year									
Net profit for the year		–	–	–	45,081	–	45,081	1,549	46,630
<u>Other comprehensive income for the year:</u>									
- Currency translation arising on consolidation		–	–	–	–	(6,285)	(6,285)	(301)	(6,586)
- Transfer between reserves		–	(48)	–	48	–	–	–	–
- Actuarial (loss)/gain on defined benefit plans		–	–	–	(225)	–	(225)	16	(209)
Other comprehensive income for the year, net of tax		–	(48)	–	(177)	(6,285)	(6,510)	(285)	(6,795)
Total comprehensive income for the year		–	(48)	–	44,904	(6,285)	38,571	1,264	39,835
Transactions with owners in their capacity as owners									
<u>Contributions by and distributions to owners</u>									
Issuance of ordinary shares from exercise of options	29	402	–	–	–	–	402	–	402
Issuance of ordinary shares in lieu of cash dividends	29	4,022	–	–	–	–	4,022	–	4,022
Dividends	31	–	–	–	(27,407)	–	(27,407)	(3,701)	(31,108)
Total transactions with owners in their capacity as owners		4,424	–	–	(27,407)	–	(22,983)	(3,701)	(26,684)
Balance at 31 December 2014		254,520	2,167	17,941	164,971	(27,231)	412,368	24,461	436,829

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 2014

		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 2013									
- As previously reported		230,731	2,263	17,941	141,049	390	392,374	23,671	416,045
- Effects of adopting FRS 110 and Revised FRS 27		–	–	–	–	–	–	120	120
- As restated		230,731	2,263	17,941	141,049	390	392,374	23,791	416,165
Total comprehensive income for the year									
Net profit for the year		–	–	–	30,186	–	30,186	1,646	31,832
Other comprehensive income for the year:									
- Currency translation arising on consolidation		–	–	–	–	(21,336)	(21,336)	(759)	(22,095)
- Transfer between reserves		–	(48)	–	48	–	–	–	–
- Actuarial gain on defined benefit plans		–	–	–	2,636	–	2,636	4	2,640
Other comprehensive income for the year, net of tax		–	(48)	–	2,684	(21,336)	(18,700)	(755)	(19,455)
Total comprehensive income for the year		–	(48)	–	32,870	(21,336)	11,486	891	12,377
Transactions with owners in their capacity as owners									
Contributions by and distributions to owners									
Issuance of ordinary shares from exercise of options	29	718	–	–	–	–	718	–	718
Issuance of ordinary shares in lieu of cash dividends	29	18,647	–	–	–	–	18,647	–	18,647
Capital contribution by non-controlling interest		–	–	–	–	–	–	3,596	3,596
Dividends	31	–	–	–	(26,445)	–	(26,445)	(1,380)	(27,825)
Total transactions with owners in their capacity as owners		19,365	–	–	(26,445)	–	(7,080)	2,216	(4,864)
Balance at 31 December 2013		250,096	2,215	17,941	147,474	(20,946)	396,780	26,898	423,678

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 2014

	2014 $'000	2013 $'000 (Restated)
Cash flows from operating activities:		
Profit before taxation	57,917	42,215
Adjustments for:		
Amortisation and depreciation	36,888	38,315
Gain on disposal of property, plant and equipment and assets classified as held for sale	(2,369)	(273)
Fair value adjustment on investment securities	24	8
Gain on disposal of investment securities	(28)	–
Fair value changes on biological assets	(24)	121
Intangibles written off	1,559	–
Interest expense	3,241	4,058
Allowance for doubtful debts charged and bad debts written off, net	539	87
Dividend and interest income	(1,618)	(1,202)
Exchange differences	1,178	4,254
Operating profit before working capital changes	97,307	87,583
Increase in receivables	(7,547)	(4,462)
Decrease/(increase) in inventories and biological assets	4,500	(6,108)
(Decrease)/increase in payables	(353)	14,940
Cash from operations	93,907	91,953
Interest paid	(3,227)	(4,112)
Interest received	1,584	1,154
Income tax paid	(9,581)	(9,587)
Net cash from operating activities	82,683	79,408
Cash flows from investing activities:		
Purchase of property, plant and equipment and investment properties	(37,705)	(41,384)
Progress payment for purchase of property, plant and equipment	–	(2,624)
Proceeds from disposal of property, plant and equipment and assets classified as held for sale	9,591	2,105
Purchase of investment securities	(9,302)	(3,498)
Proceeds from redemption/sale of investment securities	3,714	6,058
Dividends received from investment securities	34	48
Net cash used in investing activities	(33,668)	(39,295)

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 2014

	2014 $'000	2013 $'000 (Restated)
Cash flows from financing activities:		
Dividends paid during the year	(23,385)	(7,798)
Dividends paid to non-controlling interests	(1,359)	(3,776)
Repayment of short-term borrowings	(9,865)	(6,286)
Repayment of long-term borrowings	(3,632)	(3,486)
Proceeds from long-term loan from a non-controlling interest	2,250	–
Proceeds from issuance of share capital	402	718
Repayment of exchangeable bond upon maturity	–	(10,000)
Capital contribution by non-controlling interest	–	2,864
Net cash used in financing activities	(35,589)	(27,764)
Net increase in cash and cash equivalents	13,426	12,349
Cash and cash equivalents at beginning of year	79,498	69,978
Effect of exchange rate changes on cash and cash equivalents	(968)	(2,829)
Cash and cash equivalents at end of year (Note 15)	91,956	79,498

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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 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 which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company except as discussed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.2 *Changes in accounting policies (cont'd)*

FRS 110 Consolidated Financial Statements and Separate Financial Statements

FRS 110 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 110 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

	Group As at 31 December 2013 $'000
(Decrease)/increase in:	
Consolidated statement of financial position	
Other receivables	(112)
Tax recoverable	344
Cash and short-term deposits	290
Property, plant and equipment	5,296
Associates	(1,862)
Advances to associates	(3,389)
Long-term investments	27
Deferred tax assets	155
Other payables – current	144
Other payables – non-current	274
Non-controlling interests	331

	2013 $'000
Consolidated income statement	
Decrease in revenue	(54)
Increase in staff costs	(1,146)
Increase in amortisation and depreciation	(283)
Increase in repairs and maintenance	(192)
Increase in utilities	(507)
Decrease in other operating expenses	2,491
Decrease in share of profits of associates	(139)
Increase in profit before taxation	170
Decrease in taxation	39
Increase in profit for the year	209
Increase in profit for the year attributable to non-controlling interests	209

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.2 *Changes in accounting policies (cont'd)*

FRS 110 Consolidated Financial Statements and Separate Financial Statements (cont'd)

	Group 2013 $'000
Consolidated statement of comprehensive income	
Increase in actuarial gain on defined benefit plans, net of tax	7
Decrease in currency translation arising on consolidation	(82)
Increase in share of other comprehensive income of associates	77
Increase in other comprehensive income for the year, net of tax attributable to non-controlling interests	2

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
(e) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(c) Amendments to FRS 40 *Investment Property*	1 July 2014
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 16 and FRS 41 *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 111 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.3 *Standards issued but not yet effective (cont'd)*

Description	Effective for annual periods beginning on or after
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
(d) Amendments to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

Except for FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments*, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of FRS 115 and FRS 109 are described below:

FRS 115 Revenue from Contracts with Customers

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers.

Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.3 *Standards issued but not yet effective (cont'd)*

FRS 109 Financial Instruments

In December 2014, the ASC issued the final version of FRS 109 *Financial Instruments* which reflects all phases of the financial instruments project and replaces FRS 39 *Financial Instruments: Recognition and Measurement*. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption.

The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2.4 *Basis of consolidation and business combinations*

(A) *Basis of consolidation*

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.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.4 *Basis of consolidation and business combinations (cont'd)*

(B) *Business combinations*

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

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

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

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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 2.12. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.8 *Depreciation*

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

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

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

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

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

2.9 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.10 *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's 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.11 *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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.12 *Intangibles*

(i) *Goodwill*

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

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

(ii) *Negative goodwill*

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

(iii) *Trademarks*

Trademarks are stated at cost less accumulated amortisation and impairment loss. The useful lives of trademarks are assessed to be either finite or indefinite. Trademarks with finite lives are amortised on a straight-line basis over the estimated economic useful lives of 20 years and assessed for impairment whenever there is an indication that the trademark may be impaired. The amortisation period and the amortisation method for trademarks with finite useful lives are reviewed at least at each financial year-end. The amortisation expense on trademarks with finite lives is recognised in profit or loss through the "amortisation and depreciation" line item.

(iv) *Other intangible assets*

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.13 *Inventories*

Raw materials, consumables, finished goods, work-in-progress and spare parts are stated at the lower of cost and net realisable value. Cost is primarily determined on a weighted average basis or first-in-first-out basis for certain 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.

2.14 *Biological assets*

Livestock

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

Net increase or decrease in the fair value of livestock are included in the 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.

2.15 *Trade and other receivables*

Trade and other receivables, which generally have 30-60 day terms, are recognised and carried at original invoiced amount less allowance for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off to the 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.

2.16 *Assets and liabilities held for sale*

The Group classifies assets and liabilities as held for sale when its carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets or liabilities.

Upon classification as held for sale, non-current assets are not depreciated and are measured at the lower of carrying amount and fair value less costs to sell. Any difference is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.17 *Impairment of non-financial assets*

Goodwill

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

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

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

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated are tested for impairment annually and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses recognised for goodwill are not reversed in subsequent periods.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.18 *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:

<u>Financial liabilities at fair value through profit or loss</u>

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.

<u>Other financial liabilities</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.19 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made on the amount of the obligation.

Provisions are reviewed at each 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.

2.20 *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.

2.21 *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.

2.22 *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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.22 *Income taxes (cont'd)*

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, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.23 *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.

2.24 *Employee benefits*

(i) *Executives' Share Option Scheme*

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.24 ***Employee benefits (cont'd)***

(ii) *Defined contribution 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.

(iii) *Defined benefit plan*

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on government bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.24 *Employee benefits (cont'd)*

(iii) *Defined benefit plan (cont'd)*

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognised as a separate asset at fair value when and only when reimbursement is virtually certain.

(iv) *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.

2.25 *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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.26 *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 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 *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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.28 *Significant accounting estimates and judgements*

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

Key sources of estimation uncertainty

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

(i) Impairment of goodwill

The Company and Group determine whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill at 31 December 2014 was $Nil (2013: $1,540,000). More details are given in Note 23.

(ii) Impairment of non-financial assets

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

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

(iii) Income taxes

The Group operates in various countries and is subject to different tax jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Company's and the Group's provision for taxation as at 31 December 2014 was $1,206,000 (2013: $1,317,000) and $5,029,000 (2013: $3,909,000) respectively. The carrying amount of the Group's tax recoverable as at 31 December 2014 was $1,312,000 (2013: $817,000). The carrying amount of the Company's deferred tax liabilities as at 31 December 2014 was $353,000 (2013: $384,000). The Group's deferred tax assets and deferred tax liabilities as at 31 December 2014 was $15,060,000 (2013: $14,258,000) and $12,139,000 (2013: $10,843,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

2.28 *Significant accounting estimates and judgements (cont'd)*

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

The cost of property, plant and equipment and investment properties is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these assets to be within 2.5 to 50 years. The carrying amount of the Company's and Group's property, plant and equipment as at 31 December 2014 was $2,241,000 (2013: $2,398,000) and $291,569,000 (2013: $297,327,000). The carrying amount of the Group's investment properties as at 31 December 2014 was $26,278,000 (2013: $27,131,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(v) Pension assets

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 21.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

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	
	2014 $'000	**2013 $'000**
Sale of goods	1,007,027	1,010,255
Rental income from storage and warehousing facilities	7,333	7,423
Interest income from:		
- Fixed deposits with financial institutions	729	546
- Others	855	608
Gross dividends from investment securities	34	48
Miscellaneous	7,171	5,280
	1,023,149	1,024,160

4. Staff costs

	Group	
	2014 $'000	**2013 $'000**
Staff costs (including Executive Directors):		
- salaries, wages and other related costs	210,754	212,694
- CPF and contributions to other plans	8,118	8,880
- superannuation contributions	8,815	7,910
	227,687	229,484

5. Amortisation and depreciation

		Group	
	Note	**2014 $'000**	**2013 $'000**
Amortisation of intangibles	23	337	351
Depreciation of property, plant and equipment	17	35,242	36,666
Depreciation of investment properties	18	1,309	1,298
		36,888	38,315

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

6. Profit from operating activities

	Note	Group 2014 $'000	Group 2013 $'000
Profit from operating activities is stated after charging/(crediting):			
Auditors' remuneration:			
- Auditor of the Company		464	466
- Member firms of the auditor of the Company		479	527
Professional fees paid to:			
- Member firms of the auditor of the Company		8	21
- Other auditors		14	10
Fees and remuneration for the directors of the Company:			
- fees and remuneration		3,463	3,334
- contribution to the Central Provident Fund		21	22
Research and development cost		2,427	2,521
(Increase)/decease in the fair value less estimated point-of-sale costs of livestock, net	10	(1,255)	1,216
Foreign exchange loss, net		1,863	5,408
Operating lease rental expense		10,443	10,980
Gain on disposal of property, plant and equipment and assets classified as held for sale		(2,369)	(273)
Allowance for inventory obsolescence charged		261	284
Allowance for doubtful trade debts written off/(back)	12	411	(22)
Allowance for doubtful other debts written back	13	–	(431)
Bad debts written off		128	540
Rental income from investment properties		(7,269)	(7,351)
Direct operating expenses arising from investment properties that generate rental income		5,696	5,978
Provision for long service leave and retirement benefits charged	26(a)	1,847	3,427
Fair value adjustment on investment securities		24	8
Intangibles written off	23	1,559	–
Gain on disposal of investment securities		(28)	–

7. Finance costs

	Group 2014 $'000	Group 2013 $'000
Interest expense on bank loans and finance leases	3,241	4,058

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

8. Taxation

	Note	Group 2014 $'000	Group 2013 $'000
Income tax expense on the profit for the year:			
- current tax		11,277	9,657
- deferred tax		278	1,014
		11,555	10,671
(Over)/under provision in respect of prior years:			
- current tax		(197)	(392)
- deferred tax		(71)	104
		(268)	(288)
Tax expense		11,287	10,383
Deferred tax (credit)/expense related to other comprehensive income:			
- actuarial (loss)/gain on defined benefit plans	24	(90)	1,133

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% (2013: 17%) to the profit before taxation due to the following factors:

	2014 $'000	2013 $'000
Profit before taxation	57,917	42,215
Tax expense at statutory tax rate of 17% (2013: 17%)	9,846	7,177
Adjustments:		
Income not subject to tax	(23)	(307)
Expenses not deductible for tax purposes	2,144	1,864
Tax reliefs, rebates and incentives	(338)	(631)
Utilisation of tax benefits not recognised in previous years	(3,904)	(570)
Tax benefits not recognised in current year	809	2,062
Difference in effective tax rates in other countries	3,098	1,500
Over provision in respect of prior years	(268)	(288)
Others	(77)	(424)
Tax expense	11,287	10,383

The Group has unutilised tax losses of approximately $34,502,000 (2013: $49,168,000) which subject to the provisions of relevant local tax legislation and agreement with the relevant tax authorities, can be carried forward and utilised to set off against future taxable profits. The potential tax benefit arising from such unutilised tax losses has not been recognised in the financial statements due to the uncertainty of recoverability.

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For the financial year ended 31 December 2014

9. Earnings per ordinary share ("EPS")

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

	Group	
	2014 **$'000**	**2013** **$'000**
Group's earnings used for the calculation of EPS:		
Earnings for the financial year attributable to owners of the parent	45,081	30,186

	2014 **'000**	**2013** **'000**
Number of shares used for the calculation of:		
(i) ***Basic EPS***		
Weighted average number of ordinary shares in issue	549,774	535,886
(ii) ***Diluted EPS***		
Weighted average number of ordinary shares in issue	550,901	537,481

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	
	2014 **$'000**	**2013** **$'000**
Livestock		
- at fair value	29,343	31,496
- at cost	26,535	28,180
	55,878	59,676

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.

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10. Biological assets (cont'd)

	Group 2014	Group 2013
Physical quantity of pigs:		
- Number of progeny	362,769	338,421
- Number of breeders	46,059	45,972
	408,828	384,393

Reconciliation of changes in the carrying amount:

	Group 2014 $'000	Group 2013 $'000
Balance at 1 January	59,676	68,414
Currency realignment	(2,304)	(7,522)
Gain/(loss) arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	3,729	(2,277)
(Loss)/gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	(2,474)	1,061
Disposal during the year	(2,749)	–
Balance at 31 December	55,878	59,676

11. Inventories

	Group 2014 $'000	Group 2013 $'000
Raw materials	43,718	47,027
Finished goods	15,805	17,570
Spare parts and consumables	15,138	15,636
Work-in-progress	23	55
Goods-in-transit	3,430	2,722
Total inventories at lower of cost and net realisable value	78,114	83,010

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

	2014	2013
First-in-first-out	27,107	27,173
Weighted average	51,007	55,837
	78,114	83,010
Inventories are stated after deducting allowance for obsolescence of	1,086	1,057

Raw materials of the Group as at 31 December 2014 amounting to $20,784,000 (2013: $23,463,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

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12. Trade receivables

	Group 2014 $'000	Group 2013 $'000
Trade receivables	97,654	92,249
Less: Allowance for doubtful debts	(2,351)	(2,492)
	95,303	89,757

At the end of the reporting period, approximately 22.93% (2013: 20.87%) 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:

	2014	2013
Lesser than 3 months	18,174	17,099
3 months to 6 months	1,006	1,201
6 months to 12 months	478	662
More than 12 months	–	150
	19,658	19,112

Receivables that are impaired:

	2014	2013
Gross amount	2,351	2,492
Less: Allowance for doubtful debts	(2,351)	(2,492)
	–	–

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:

	2014	2013
At 1 January	2,492	2,607
Charge/(write back) for the year (Note 6)	411	(22)
Written-off against allowance	(518)	(18)
Currency realignment	(34)	(75)
At 31 December	2,351	2,492

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For the financial year ended 31 December 2014

13. Other receivables

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-financial assets				
Prepayments	7,589	11,299	61	49
Financial assets				
Sundry deposits	1,317	1,090	30	30
Staff advances and loans	89	99	–	–
	1,406	1,189	30	30
Sundry debtors	5,418	3,931	11	6
Less: Allowance for doubtful debts	(498)	(463)	–	–
	4,920	3,468	11	6
Amounts due from subsidiaries				
- interest bearing	–	–	6,444	7,223
- non-interest bearing	–	–	52,389	45,508
Less: Allowance for doubtful debts	–	–	(1,040)	(921)
	–	–	57,793	51,810
	6,326	4,657	57,834	51,846
	13,915	15,956	57,895	51,895

Receivables that are impaired:

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Gross amount	498	463	1,040	921
Less: Allowance for doubtful debts	(498)	(463)	(1,040)	(921)
	–	–	–	–

Movements in the allowance for doubtful debts are as follows:

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
At 1 January		463	5,557	921	5,290
(Write back)/charged during the year	6	–	(431)	119	(75)
Written-off against allowance		–	(4,648)	–	(3,858)
Currency realignment		35	(15)	–	(436)
At 31 December		498	463	1,040	921

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 1.91% to 3.50% (2013: 1.87% to 4.00%) per annum and are repayable upon demand.

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

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For the financial year ended 31 December 2014

14. Short-term investments

	Group		Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Fair value through profit or loss				
Quoted equity securities				
At fair value	693	386	–	–
Held-to-maturity investments				
Quoted debt securities				
At amortised cost	–	2,000	–	2,000
Available-for-sale				
Unquoted equity securities				
At cost	616	–	–	–
	1,309	2,386	–	2,000

15. Cash and short-term deposits

	Group		Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Cash and bank balances	49,395	47,918	1,010	1,606
Fixed deposits with financial institutions	42,994	31,580	21,433	17,431
	92,389	79,498	22,443	19,037

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 2014 for the Group and the Company were 2.32% and 1.96% (2013: 2.05% and 1.72%) respectively.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the financial year:

	Group	
	2014 $'000	**2013 $'000**
Cash and bank balances	49,395	47,918
Fixed deposits with financial institutions	42,994	31,580
	92,389	79,498
Less: Fixed deposits pledged as securities for credit facilities granted to a subsidiary	(433)	–
	91,956	79,498

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16. Assets classified as held for sale

As at 31 December 2013, certain freehold land and buildings of a subsidiary involved in the Investments and Others segment located in Australia, were classified as "Assets classified as held for sale".

The sale was completed during the financial year.

	Group 2014 $'000	Group 2013 $'000
Property, plant and equipment	–	2,487

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 1.1.2013	37,926	163,164	41,452	29,788	412,847	34,779	49,647	8,413	778,016
Currency realignment	(2,857)	(16,997)	(726)	(1,082)	(28,095)	(2,457)	(2,391)	(675)	(55,280)
Additions	12	–	–	1,098	8,146	1,578	4,224	22,454	37,512
Disposals	(118)	(3)	(28)	(3)	(1,923)	(506)	(1,016)	–	(3,597)
Transfers between categories	–	3,198	–	76	7,548	(25)	267	(11,064)	–
Transfer to assets reclassified as held for sale	(1,889)	(842)	–	–	(676)	(15)	(7)	–	(3,429)
Transfer to investment properties	(3,605)	(3,423)	–	–	(381)	(10)	–	–	(7,419)
At 31.12.2013 and 1.1.2014	29,469	145,097	40,698	29,877	397,466	33,344	50,724	19,128	745,803
Currency realignment	(697)	(5,613)	(63)	(423)	(8,810)	(803)	(644)	(248)	(17,301)
Additions	39	49	2,993	1,630	13,233	2,115	4,386	15,954	40,399
Disposals	–	(103)	(1,289)	(4)	(8,100)	(308)	(1,744)	(7)	(11,555)
Transfers between categories	–	1,186	2,385	853	22,838	769	220	(28,251)	–
Transfer to assets reclassified as held for sale	(2,279)	(833)	–	–	(1,319)	(81)	(235)	–	(4,747)
At 31.12.2014	26,532	139,783	44,724	31,933	415,308	35,036	52,707	6,576	752,599

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

	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
Accumulated depreciation:									
At 1.1.2013	–	78,149	24,780	9,870	273,031	28,163	35,223	–	449,216
Currency realignment	–	(8,731)	(175)	(277)	(19,934)	(2,227)	(1,780)	–	(33,124)
Charge for the year (Note 5)	–	3,444	444	1,448	24,119	2,097	5,114	–	36,666
Disposals	–	(1)	(27)	(3)	(1,798)	(499)	(993)	–	(3,321)
Transfer to assets reclassified as held for sale	–	(333)	–	–	(595)	(7)	(7)	–	(942)
Transfer to investment properties	–	(13)	–	–	(6)	–	–	–	(19)
At 31.12.2013 and 1.1.2014	–	72,515	25,022	11,038	274,817	27,527	37,557	–	448,476
Currency realignment	–	(3,007)	(12)	(57)	(6,681)	(671)	(546)	–	(10,974)
Charge for the year (Note 5)	–	3,246	539	1,515	22,849	2,058	5,035	–	35,242
Disposals	–	(26)	(1,288)	(4)	(7,255)	(288)	(1,693)	–	(10,554)
Transfer to assets reclassified as held for sale	–	(316)	–	–	(658)	(11)	(175)	–	(1,160)
At 31.12.2014	–	72,412	24,261	12,492	283,072	28,615	40,178	–	461,030
Net carrying amount:									
At 31.12.2014	26,532	67,371	20,463	19,441	132,236	6,421	12,529	6,576	291,569
At 31.12.2013	29,469	72,582	15,676	18,839	122,649	5,817	13,167	19,128	297,327

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

	Leasehold office and improvements $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost:				
At 1.1.2013	2,841	717	681	4,239
Additions	–	26	226	252
Disposals	–	(22)	(165)	(187)
At 31.12.2013 and 1.1.2014	2,841	721	742	4,304
Additions	23	72	–	95
Disposals	–	(17)	–	(17)
At 31.12.2014	2,864	776	742	4,382
Accumulated depreciation:				
At 1.1.2013	915	513	430	1,858
Charge for the year	52	43	140	235
Disposals	–	(22)	(165)	(187)
At 31.12.2013 and 1.1.2014	967	534	405	1,906
Charge for the year	55	50	147	252
Disposals	–	(17)	–	(17)
At 31.12.2014	1,022	567	552	2,141
Net carrying amount:				
At 31.12.2014	1,842	209	190	2,241
At 31.12.2013	1,874	187	337	2,398

(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 $226,000 (2013: $nil) by means of finance leases. The net carrying amount of property, plant and equipment held under finance leases as at 31 December 2014 was $1,892,000 (2013: $2,042,000) (Note 28).

(c) At the end of the financial year, property, plant and equipment with net carrying amounts of $15,866,000 (2013: $18,712,000) were mortgaged/pledged to third parties to secure credit facilities (Note 28).

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For the financial year ended 31 December 2014

18. Investment properties

	Note	Group $'000
Cost:		
At 1 January 2013		47,200
Currency realignment		(824)
Additions		717
Disposals		(47)
Transfer from property, plant and equipment		7,419
At 31 December 2013 and 1 January 2014		54,465
Currency realignment		(263)
Additions		708
Disposals		(94)
At 31 December 2014		54,816
Accumulated depreciation:		
At 1 January 2013		26,067
Currency realignment		(9)
Charge for the year	5	1,298
Disposals		(41)
Transfer from property, plant and equipment		19
At 31 December 2013 and 1 January 2014		27,334
Currency realignment		(11)
Charge for the year	5	1,309
Disposals		(94)
At 31 December 2014		28,538
Net carrying amount:		
At 31 December 2014		26,278
At 31 December 2013		27,131

The fair value of investment properties amounted to $29,258,000 (2013: $28,806,000) as at 31 December 2014. The fair value was determined based on management's assessment making references to discounted cash flow generated from the properties. The fair value was determined using significant unobservable inputs (Level 3 of the fair value hierarchy), such as discount rates ranging from 7.78% to 7.91% (2013: 8.05% to 11.50%) per annum, and long-term revenue growth rate of 1% (2013: 1%).

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For the financial year ended 31 December 2014

19. Subsidiaries

	Company 2014 $'000	Company 2013 $'000
Cost of investment:		
Unquoted equity shares, at cost	102,975	102,720
Less: Impairment loss	(4,002)	(4,002)
	98,973	98,718
Movements in impairment loss are as follows:		
Balance at beginning and end of year	4,002	4,002

Details of subsidiaries are set out in Note 41(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 $64,736,000 (2013: $78,696,000) with effective interest rates of 3.50% (2013: 1.47% to 4.00%) per annum. These advances have no fixed terms of repayment and no repayments are expected within the next 12 months.

21. Pension assets

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

21. Pension assets (cont'd)

	Group 2014 $'000	Group 2013 $'000
Benefit asset		
Fair value of plan assets	18,749	21,738
Present value of benefit obligation	(16,151)	(18,542)
Net benefit asset	2,598	3,196

Changes in the fair value of plan assets are as follows:

	Group 2014 $'000	Group 2013 $'000
At 1 January	21,738	22,064
Interest income	616	509
Actual return on plan assets less interest income	1,086	2,646
Employer contributions	528	634
Contributions by plan participants	195	214
Benefits paid	(4,493)	(1,697)
Taxes, premiums and expenses paid	(228)	(217)
Currency realignment	(693)	(2,415)
At 31 December	18,749	21,738

Changes in the present value of the defined benefit obligation are as follows:

	Group 2014 $'000	Group 2013 $'000
At 1 January	18,542	22,134
Interest cost	516	502
Current service cost	562	681
Contributions by plan participants	195	214
Benefits paid	(4,493)	(1,697)
Actuarial losses arising from changes in demographic assumptions	211	–
Actuarial losses/(gains) arising from changes in financial assumptions	653	(288)
Actuarial losses/(gains) arising from liability experience	754	(361)
Taxes, premiums and expenses paid	(228)	(217)
Currency realignment	(561)	(2,426)
At 31 December	16,151	18,542

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

	Group 2014 %	Group 2013 %
Australian equities	29	30
Overseas equities	32	30
Fixed interest securities	19	22
Property	9	10
Other	11	8
	100	100

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21. Pension assets (cont'd)

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

	Group	
	2014 %	2013 %
Discount rate	2.2	3.3
Salary increase rate	4.0	4.0

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

	Group	
	2014 $'000	2013 $'000
Net benefit expense (recognised within staff costs):		
Current service cost	562	681
Net interest cost	(100)	(7)
	462	674

The Group expects to contribute $428,000 (2013: $497,000) to its defined benefit pension plan in 2015.

The average duration of the defined benefit obligation at the end of the reporting period is 3.5 years (2013: 4.4 years).

The asset ceiling has no impact on the net defined benefit asset.

Plan assets comprised solely of investment funds. The plan assets do not have quoted market prices in active market.

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21. Pension assets (cont'd)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	Increase/ (decrease) in basis points	Effect on present value of benefit obligation $'000
2014		
Discount rate	+25	(154)
	-25	157
Salary increase rate	+25	131
	-25	(130)
2013		
Discount rate	+25	(139)
	-25	143
Salary increase rate	+25	105
	-25	(103)

The Group's defined benefit plan is funded by its subsidiaries. The employees of the subsidiaries contribute 5% of the pensionable salary and the remaining residual contributions are paid by the subsidiaries of the Group.

22. Long-term investments

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Fair value through profit or loss				
Unquoted debt securities				
At fair value	999	984	999	984
Unquoted equity securities				
At fair value	–	509	–	–
Held-to-maturity investments				
Quoted debt securities				
At amortised cost	16,115	9,073	15,115	8,073
Available-for-sale				
Unquoted equity securities				
At cost	29	27	–	–
	17,143	10,593	16,114	9,057

The unquoted debt securities do not carry interest (2013: nil) and mature in August 2017.

The quoted debt securities carry interest rates of 3.39% to 7.25% (2013: 3.39% to 7.25%) and mature between February 2016 to January 2026.

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23. Intangibles

	Group				Company
	Trademark $'000	Customers lists $'000	Goodwill $'000	Total $'000	Trademark $'000
Cost:					
At 1.1.2013	2,750	1,414	1,733	5,897	7,150
Currency realignment	–	(157)	(193)	(350)	–
At 31.12.2013 and 1.1.2014	2,750	1,257	1,540	5,547	7,150
Write-off during the year (Note 6)	–	–	(1,559)	(1,559)	–
Currency realignment	–	(50)	19	(31)	–
At 31.12.2014	2,750	1,207	–	3,957	7,150
Accumulated amortisation and impairment loss:					
At 1.1.2013	2,750	384	–	3,134	4,889
Currency realignment	–	(67)	–	(67)	–
Amortisation for the year (Note 5)	–	351	–	351	189
At 31.12.2013 and 1.1.2014	2,750	668	–	3,418	5,078
Currency realignment	–	(44)	–	(44)	–
Amortisation for the year (Note 5)	–	337	–	337	188
At 31.12.2014	2,750	961	–	3,711	5,266
Net carrying amount:					
At 31.12.2014	–	246	–	246	1,884
At 31.12.2013	–	589	1,540	2,129	2,072

Trademark and customers lists with finite life are amortised on a straight-line basis over their useful lives of 20 and 4.5 to 9.0 years (2013: 20 and 4.5 to 9.0 years), respectively.

During the year, the Group wrote-off the cost of goodwill amounting to $1,559,000 in view of the reduced operations of the relevant cash generating unit.

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24. Deferred taxation

	Group		Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Balance at beginning of year	(3,415)	(7,281)	384	427
Currency realignment	377	1,615	–	–
Utilised/(addition) during the financial year	278	1,014	(31)	(43)
(Over)/under provision in prior years	(71)	104	–	–
Charged to other comprehensive income	(90)	1,133	–	–
Balance at end of year	(2,921)	(3,415)	353	384
Represented by:				
- Deferred tax assets	(15,060)	(14,258)	–	–
- Deferred tax liabilities	12,139	10,843	353	384
	(2,921)	(3,415)	353	384

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 2013	5,442	6,862	6,415	(459)	18,260
Addition/(utilised) during the year	163	(1,319)	268	(70)	(958)
Under recognition in prior years	22	–	–	–	22
Tax effect of actuarial gain on defined benefit plans charged to other comprehensive income	–	(1,133)	–	–	(1,133)
Currency realignment	(617)	(674)	(730)	88	(1,933)
At 31 December 2013 and 1 January 2014	5,010	3,736	5,953	(441)	14,258
Addition/(utilised) during the year	273	1,140	(91)	(77)	1,245
Under recognition in prior years	–	–	–	13	13
Tax effect of actuarial loss on defined benefit plans charged to other comprehensive income	–	90	–	–	90
Currency realignment	(214)	(145)	(233)	46	(546)
At 31 December 2014	5,069	4,821	5,629	(459)	15,060

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24. Deferred taxation (cont'd)

	Property, plant and equipment $'000	Employee benefits $'000	Others $'000	Total $'000
Deferred tax liabilities				
At 1 January 2013	11,019	(118)	78	10,979
Charged/(write-back) to profit or loss	663	–	(607)	56
Under recognition in prior years	126	–	–	126
Currency realignment	(346)	4	24	(318)
At 31 December 2013 and 1 January 2014	11,462	(114)	(505)	10,843
Charged/(write-back) to profit or loss	1,754	–	(231)	1,523
Over recognition in prior years	(58)	–	–	(58)
Currency realignment	(193)	2	22	(169)
At 31 December 2014	12,965	(112)	(714)	12,139

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

	Property, plant and equipment $'000
At 1 January 2013	427
Write-back to profit or loss	(43)
At 31 December 2013 and 1 January 2014	384
Write-back to profit or loss	(31)
At 31 December 2014	353

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2013: nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as 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 $10,447,000 (2013: $8,197,000). The deferred tax liability is estimated to be $1,567,000 (2013: $1,230,000).

25. Trade payables

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade payables:				
- third parties	88,256	94,870	50	33

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For the financial year ended 31 December 2014

26. Other payables

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
(a) ***Other payables***					
Payable within one year:					
Staff related expenses		22,823	21,573	1,600	1,151
Accrued operating expenses		14,990	12,780	227	248
Provision for long service leave		5,645	7,439	–	–
Sundry creditors		16,925	12,852	182	157
Amounts due to subsidiaries		–	–	5,867	4,913
Derivative financial liabilities	26(b)	43	7	–	–
		60,426	54,651	7,876	6,469
Payable after one year:					
Provision for long service leave and retirement benefits		9,718	8,737	–	–
Deferred income		242	–	–	–
		9,960	8,737	–	–

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

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

	Note	Group 2014 $'000	Group 2013 $'000
Balance at beginning of year		16,176	15,493
Currency realignment		184	(1,496)
Provision charged during the year	6	1,847	3,427
Actuarial gains		(233)	(478)
Utilised during the year		(2,611)	(770)
Balance at end of year		15,363	16,176
Represented by:			
- payable within one year		5,645	7,439
- payable after one year		9,718	8,737
Balance at end of year		15,363	16,176

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

26. Other payables (cont'd)

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

	2014		2013	
	Contract notional amount $'000	Fair value $'000	Contract notional amount $'000	Fair value $'000
Group				
Foreign currency contracts				
- Not designated as hedges	483	(43)	1,543	(7)

At 31 December 2014, the settlement dates on open foreign currency contracts ranged between 1 to 2 months for the following notional amounts:

	Group	
	2014 $'000	2013 $'000
Contracts to deliver Singapore Dollars and receive:		
United States Dollars	–	130
Australian Dollars	–	901
Contracts to deliver Japanese Yen and receive:		
Australian Dollars	483	512
	483	1,543

27. Short-term borrowings

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Short-term bank loans				
- unsecured	43,709	53,084	–	4,960
- secured	18,706	21,117	–	–
	62,415	74,201	–	4,960

The Group's short-term bank loans bear effective interest rates ranging from 1.51% to 5.75% (2013: 1.50% to 4.58%) per annum. The secured portion of the borrowings is charged against inventories of the Group. In 2013, the Company's short-term bank loan bears effective interest rate of 1.50% per annum. The loan was fully repaid during the financial year.

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For the financial year ended 31 December 2014

28. Long-term loans and finance leases

	Effective interest rate per annum %	Maturities	Group 2014 $'000	Group 2013 $'000
Loans from banks:				
- Loan A	3.53	2017	5,940	8,956
- Other loans	4.94 - 7.80	2019	5,678	5,943
Loans from non-controlling interests				
- Loan B	7.00	2019	890	927
- Loan C	nil	nil	2,250	–
Finance leases			1,302	1,506
			16,060	17,332
Less: Current portion			(5,460)	(4,745)
Non-current portion of loans			10,600	12,587

Loan A, denominated in Philippine Peso, with floating interest rate of 3.53% (2013: 2.42%) per annum, is secured on certain property, plant and equipment of the Group and is repayable in 20 equal quarterly instalments commencing from October 2012.

Other loans, denominated in Australian Dollar, with interest rates ranging from 4.94% to 7.80% (2013: 4.94% 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.

Loan B, denominated in Australian Dollars, is unsecured and bears interest at 7.00% (2013: 7.00%) per annum. The loan is expected to be repaid in May 2019.

Loan C, denominated in Singapore Dollars, is unsecured and interest-free. The loan has no fixed terms of repayment and no repayment is expected within the next 12 months.

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

	Minimum lease payments 2014 $'000	Present value of payments 2014 $'000	Minimum lease payments 2013 $'000	Present value of payments 2013 $'000
Group				
Within one year	457	388	470	364
Between one and five years	954	914	1,222	1,142
Total minimum lease payments	1,411	1,302	1,692	1,506
Less: Amount representing finance charges	(109)	–	(186)	–
Present value of minimum lease payments	1,302	1,302	1,506	1,506

Effective interest rates on finance leases range from 5.72% to 11.57% (2013: 4.60% 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.

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For the financial year ended 31 December 2014

29. Share capital

	Group and Company			
	2014		2013	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid :				
At 1 January	546,494,994	250,096	524,227,411	230,731
Issued during the year	5,809,092	4,424	22,267,583	19,365
At 31 December	552,304,086	254,520	546,494,994	250,096

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 5,059,092 (2013: 20,927,583) ordinary shares at $0.795 (2013: $0.891) per share pursuant to the QAF Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2014; and

(ii) the Company issued 750,000 (2013: 1,340,000) ordinary shares for cash at the average exercise price of $0.536 (2013: $0.536) per share upon the exercise of 750,000 (2013: 1,340,000) share options by employees pursuant to the QAF Limited Share Option Scheme 2000 (Note 32).

30. Reserves

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revaluation reserve	2,167	2,215	–	–
Capital reserve	17,941	17,941	1,705	1,705
Revenue reserve	164,971	147,474	35,997	31,481
Foreign currency translation reserve	(27,231)	(20,946)	–	–
	157,848	146,684	37,702	33,186

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Reserves (cont'd)

	Company	
	2014	**2013**
	$'000	**$'000**
Analysis of movement in the reserves of the Company:		
Capital reserve		
At beginning and end of year	1,705	1,705
Revenue reserve		
At beginning of year	31,481	37,731
Net profit for the year	31,923	20,195
Dividends	(27,407)	(26,445)
At end of year	35,997	31,481
Total	37,702	33,186

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		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Cumulative value of services received from employees	1,705	1,705	1,705	1,705
Bonus shares issued by a subsidiary	16,236	16,236	–	–
	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 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

31. Dividends

	Group and Company	
	2014 **$'000**	**2013** **$'000**
Interim tax-exempt (one-tier) dividend of 1 cent per share in respect of the financial year ended 31 December 2014	5,523	–
Final tax-exempt (one-tier) dividend of 4 cents per share in respect of the financial year ended 31 December 2013	21,884	–
Interim tax-exempt (one-tier) dividend of 1 cent per share in respect of the financial year ended 31 December 2013	–	5,458
Final tax-exempt (one-tier) dividend of 4 cents per share in respect of the financial year ended 31 December 2012	–	20,987
	27,407	26,445

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 2012 and 31 December 2013.

The directors have proposed a final tax-exempt (one-tier) dividend of 4 cents per share ("Proposed Final Dividend for FY 2014"), amounting to approximately $22,092,000 be paid in respect of the financial year ended 31 December 2014. 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 2014.

There are no income tax consequence (2013: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

32. 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 2014 '000	Weighted average exercise price in financial year 2014 $	No. of options in financial year 2013 '000	Weighted average exercise price in financial year 2013 $
Outstanding at beginning of year	3,975	0.541	5,340	0.540
Exercised	(750)	0.536	(1,340)	(0.536)
Lapsed/forfeited	(320)	0.534	(25)	(0.523)
Outstanding at end of year	2,905	0.544	3,975	0.541
Exercisable at end of year	2,905	0.544	3,975	0.541

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

32. Employee benefits (cont'd)

Share options (cont'd)

The following table summarises information about options outstanding and exercisable as at 31 December 2014 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
18.08.2005	1,190,000	$0.513	18.08.2006	17.08.2015	1,190,000
19.05.2006	1,715,000	$0.565	19.05.2007	18.05.2016	1,715,000
	2,905,000				2,905,000

During the financial year, 750,000 (2013: 1,340,000) ordinary shares of the Company were issued pursuant to the exercise of options by employees and directors of the Group.

The weighted average share price at the date of exercise of the options exercised during the financial year was $0.888 (2013: $0.904).

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 2014, the cumulative expenses recognised in respect of share options amounted to $1,705,000 (2013: $1,705,000).

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For the financial year ended 31 December 2014

33. Commitments

		Group		Company	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
(i)	Capital commitments not provided for in the financial statements:				
	Expenditure contracted in respect of property, plant and equipment and investment properties	27,060	7,900	–	–
(ii)	Commitments to purchase bulk supplies of raw materials	28,479	45,334	–	–
(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	4,347	4,731	102	26
	Between one and five years	8,726	8,750	150	37
	After five years	25,853	21,129	–	–
		38,926	34,610	252	63

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 30 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

34. Contingent liabilities (unsecured)

	Company 2014 $'000	Company 2013 $'000
Guarantees issued for bank facilities granted to subsidiaries	113,588	117,672
Amounts utilised by subsidiaries as at end of the reporting period	57,007	64,208

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

35. 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	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Management fee income from subsidiaries	–	–	1,112	1,112
Royalty income from subsidiaries	–	–	24,984	24,108
Interest income from advances to subsidiaries	–	–	2,950	3,459
Dividend income from subsidiaries	–	–	20,364	17,803
Sales to a company owned by a shareholder of the Company	455	–	–	–
	455	–	49,410	46,482

(b) Compensation of key management personnel

	Group 2014 $'000	Group 2013 $'000
Fees and remuneration	3,463	3,334
Contribution to the Central Provident Fund	21	22

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. 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 $113,588,000 (2013: $117,672,000) 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 $57,007,000 (2013: $64,208,000).

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. Financial risk management objectives and policies (cont'd)

(a) ***Credit risk (cont'd)***

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the industry and country sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2014		2013	
	$'000	% of total	$'000	% of total
By industry:				
Bakery	52,604	55	50,071	56
Primary production	24,845	26	21,364	24
Trading and logistics	17,854	19	17,859	19
Investments and others	–	–	463	1
	95,303	100	89,757	100
By country:				
Singapore	31,174	33	31,344	35
Australia	26,872	28	23,999	27
Philippines	17,200	18	16,549	18
Malaysia	19,211	20	17,461	19
Other countries	846	1	404	1
	95,303	100	89,757	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.

NOTES TO THE FINANCIAL STATEMENTS

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36. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	2014				2013			
	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	101,629	–	–	101,629	94,414	–	–	94,414
Investment securities	2,101	9,766	10,851	22,718	2,840	7,841	4,433	15,114
Cash and short-term deposits	92,428	–	–	92,428	79,526	–	–	79,526
Total undiscounted financial assets	196,158	9,766	10,851	216,775	176,780	7,841	4,433	189,054
Financial liabilities:								
Trade and other payables	143,037	–	–	143,037	142,082	–	–	142,082
Borrowings	68,846	11,357	–	80,203	80,304	9,684	3,872	93,860
Total undiscounted financial liabilities	211,883	11,357	–	223,240	222,386	9,684	3,872	235,942
Total net undiscounted financial (liabilities)/assets	(15,725)	(1,591)	10,851	(6,465)	(45,606)	(1,843)	561	(46,888)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. Financial risk management objectives and policies (cont'd)

(b) *Liquidity risk (cont'd)*

	2014			2013		
	1 year or less $'000	Over 1 year $'000	Total $'000	1 year or less $'000	Over 1 year $'000	Total $'000
Company						
Financial assets:						
Investment securities	747	19,503	20,250	2,409	10,607	13,016
Other receivables	57,834	–	57,834	51,846	–	51,846
Cash and short-term deposits	22,457	–	22,457	19,065	–	19,065
Advances to subsidiaries	–	102,157	102,157	–	111,268	111,268
Total undiscounted financial assets	81,038	121,660	202,698	73,320	121,875	195,195
Financial liabilities:						
Trade and other payables	7,926	–	7,926	6,502	–	6,502
Borrowings	–	–	–	4,963	–	4,963
Total undiscounted financial liabilities	7,926	–	7,926	11,465	–	11,465
Total net undiscounted financial assets	73,112	121,660	194,772	61,855	121,875	183,730

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.

	2014			2013		
	1 year or less $'000	Over 1 year $'000	Total $'000	1 year or less $'000	Over 1 year $'000	Total $'000
Company						
Financial guarantees	57,007	–	57,007	64,208	–	64,208

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

36. Financial risk management objectives and policies (cont'd)

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

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

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

Sensitivity analysis for interest rate risk

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

Loans denominated in	**Increase/ decrease in basis points**	**Effect on profit after taxation**	
		2014 $'000	**2013 $'000**
Australian Dollar	+ 50	(306)	(353)
Australian Dollar	– 50	306	353

(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 Chinese Renminbi (RMB). 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 short-term deposits) amounted to $103,737,000 (2013: $115,945,000).

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, the Philippines, Australia and People's Republic of China ("PRC"). The Group's net investments in Malaysia, the Philippines, Australia and PRC are not hedged as currency positions in Ringgit, Peso, AUD and RMB 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.

		2014		**2013**	
		Profit after taxation $'000	**Equity $'000**	**Profit after taxation $'000**	**Equity $'000**
AUD	– strengthened 1% (2013: 1%)	308	734	364	793
	– weakened 1% (2013: 1%)	(308)	(734)	(364)	(793)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

37. Classification of financial instruments

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Loans and receivables				
Trade receivables	95,303	89,757	–	–
Other receivables	6,326	4,657	57,834	51,846
Cash and short-term deposits	92,389	79,498	22,443	19,037
Advances to subsidiaries	–	–	102,157	111,268
	194,018	173,912	182,434	182,151
Available-for-sale				
Short-term investments	616	–	–	–
Long-term investments	29	27	–	–
	645	27	–	–
Held-to-maturity financial assets				
Short-term investments	–	2,000	–	2,000
Long-term investments	16,115	9,073	15,115	8,073
	16,115	11,073	15,115	10,073
Financial liabilities measured at amortised cost				
Trade payables	88,256	94,870	50	33
Other payables	54,738	47,205	7,876	6,469
Short-term borrowings	62,415	74,201	–	4,960
Long-term loans and finance leases	16,060	17,332	–	–
	221,469	233,608	7,926	11,462
Fair value through profit or loss				
Short-term investments	693	386	–	–
Long-term investments	999	1,493	999	984
Forward currency contracts	(43)	(7)	–	–
	1,649	1,872	999	984

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

38. Fair value of assets and liabilities

A. *Assets and liabilities carried at fair value*

The following table shows an analysis of assets and liabilities carried at fair value by level of fair value hierarchy:

Recurring fair value measurements	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Group				
2014				
Financial assets				
Short-term investments (Note 14)	693	–	–	693
Long-term investments (Note 22)	–	999	–	999
	693	999	–	1,692
Non-financial assets				
Biological assets (Note 10)	–	–	29,343	29,343
Financial liabilities				
Forward currency contracts [Note 26(b)]	–	43	–	43
2013				
Financial assets				
Short-term investments (Note 14)	386	–	–	386
Long-term investments (Note 22)	–	1,493	–	1,493
	386	1,493	–	1,879
Non-financial assets				
Biological assets (Note 10)	–	–	31,496	31,496
Financial liabilities				
Forward currency contracts [Note 26(b)]	–	7	–	7

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

38. Fair value of assets and liabilities (cont'd)

A. ***Assets and liabilities carried at fair value (cont'd)***

Fair value hierarchy

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

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

Determination of fair value

The fair value of long-term investments are determined by reference to statements as at the financial year-end provided by the issuer.

Fair value of biological assets is determined as described in Note 10. The key assumptions in determining fair value are the inputs of selling prices from prior transactions, age, breed and genetic merit of animals. A reasonable change in the price assumption of +5% or -5% would affect the livestock valuation by an estimated change of an increase in $1.5 million and a decrease of $1.5 million respectively.

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

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, non-current finance leases and loans from non-controlling interest based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

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***

Fair value information has not been disclosed for the Group's short-term and long-term investments in unquoted equity securities that are carried at cost because fair value cannot be measured reliably. These equity securities represent ordinary shares in companies that are not quoted in any market and do not have any comparable industry peer that is listed.

Investments classified as held-to-maturity

Investments classified as held-to-maturity amounting to $16.1 million (2013: $11.1 million) for the Group and $15.1 million (2013: $10.1 million) for the Company are stated at amortised cost. The fair value of these investments as at 31 December 2014 approximate $16.4 million (2013: $11.1 million) for the Group and $15.4 million (2013: $10.1 million) for the Company. Fair value is determined by reference to their published market ask price at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

39. 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 33(ii).

40. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

40. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Eliminations $'000	Consolidated $'000
2014						
Revenue and expenses						
Revenue from external customers	506,479	396,961	101,629	5,263	–	1,010,332
Other revenue from external customers	4,189	3,693	300	3,051	–	11,233
Inter-segment revenue	–	1,080	51	26,097	(27,228)	–
	510,668	401,734	101,980	34,411	(27,228)	1,021,565
Unallocated revenue						1,584
Total revenue						1,023,149
Segment results	54,024	10,247	2,928	2,498	–	69,697
Unallocated revenue						1,584
Unallocated expenses						(10,123)
Profit from operating activities						61,158
Finance costs						(3,241)
Profit before taxation						57,917
Taxation						(11,287)
Profit after taxation						46,630
2013						
Revenue and expenses						
Revenue from external customers	493,788	418,620	96,730	4,740	–	1,013,878
Other revenue from external customers	4,125	3,887	274	842	–	9,128
Inter-segment revenue	–	1,195	96	25,221	(26,512)	–
	497,913	423,702	97,100	30,803	(26,512)	1,023,006
Unallocated revenue						1,154
Total revenue						1,024,160
Segment results	52,137	2,283	2,525	918	–	57,863
Unallocated revenue						1,154
Unallocated expenses						(12,744)
Profit from operating activities						46,273
Finance costs						(4,058)
Profit before taxation						42,215
Taxation						(10,383)
Profit after taxation						31,832

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

40. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Consolidated $'000
2014					
Assets and liabilities					
Segment assets	307,718	244,704	64,822	57,498	674,742
Deferred tax assets					15,060
Tax recoverable					1,312
Total assets per consolidated statement of financial position					691,114
Segment liabilities	91,093	58,051	11,699	2,241	163,084
Provision for taxation					5,029
Deferred tax liabilities					12,139
Bank borrowings					74,033
Total liabilities per consolidated statement of financial position					254,285
Other segment information					
Expenditure for non-current assets	28,073	8,883	1,405	2,746	41,107
Amortisation and depreciation	24,994	9,373	1,797	724	36,888
Allowance for inventory obsolescence charged	36	9	216	–	261
Allowance for doubtful debts charged/(written back) and bad debts written off, net	257	289	(7)	–	539

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

40. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Consolidated $'000
2013					
Assets and liabilities					
Segment assets	286,414	260,688	65,113	60,931	673,146
Deferred tax assets					14,258
Tax recoverable					817
Total assets per consolidated statement of financial position					688,221
Segment liabilities	84,940	60,476	13,094	2,181	160,691
Provision for taxation					3,909
Deferred tax liabilities					10,843
Bank borrowings					89,100
Total liabilities per consolidated statement of financial position					264,543
Other segment information					
Expenditure for non-current assets	27,745	8,130	1,767	587	38,229
Amortisation and depreciation	26,037	9,675	1,750	853	38,315
Allowance for inventory obsolescence charged	162	14	108	–	284
Allowance for doubtful debts charged/(written back) and bad debts written off, net	42	532	(29)	(458)	87

Geographical information

	Revenue		Non-current assets	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Singapore	168,263	165,170	47,040	46,816
Malaysia	302,382	296,461	110,939	114,201
Australia	422,370	438,621	129,585	139,686
Philippines	120,669	114,566	25,740	25,629
Other countries	9,465	9,342	4,789	255
	1,023,149	1,024,160	318,093	326,587

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

41. Subsidiaries

(a) *Composition of the Group*

The subsidiaries as at 31 December 2014 are:-

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2014 %	Percentage of equity held by the Group 2013 %
	Bakery			
(1)	Gardenia Foods (S) Pte Ltd (Singapore)	Bread manufacturer (Singapore)	100	100
(2)	Gardenia Bakeries (KL) Sdn Bhd (Malaysia)	Bread manufacturer (Malaysia)	70	70
(2)	Gardenia Sales & Distribution Sdn Bhd (Malaysia)	Marketing and distribution of bakery products (Malaysia)	70	70
(1)	Farmland Central Bakery (S) Pte Ltd (Singapore)	Purchasing agent of bread, confectionery and bakery products (Singapore)	100	100
(2)	Millif Industries Sdn Bhd (Malaysia)	Manufacture of kaya and related products (Malaysia)	65	65
(4)	Gardenia Bakeries (Philippines) Inc (Philippines)	Manufacture and distribution of bread, confectionery and bakery products (Philippines)	100	100
(2)	Delicia Sdn Bhd (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	100	100
(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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

41. Subsidiaries (cont'd)

(a) ***Composition of the Group (cont'd)***

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2014 %	2013 %
	Bakery (cont'd)			
#	Gardenia Food (Fujian) Co Ltd (People's Republic of China)	Manufacture and sale of bakery products (People's Republic of China)	55	55
#	Gardenia Trading (Fujian) Co Ltd (People's Republic of China)	Distribution and retailing of food products (People's Republic of China)	55	55
(4)	Philfoods Fresh-Baked Products Inc (Philippines)	Bread manufacturer (Philippines)	40^	40^
(4)	Phil Foods Properties Inc (Philippines)	Investment holding (Philippines)	40^	40^
	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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

41. Subsidiaries (cont'd)

(a) *Composition of the Group (cont'd)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2014 %	Percentage of equity held by the Group 2013 %
	Investments and others			
(3)	Oxdale Dairy Enterprise Pty Ltd (Australia)	Leasing investment (Australia)	100	100
(1)	QAF Agencies (S) Pte Ltd (Singapore)	Share trading and 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
(1)	Gardenia Investments Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Oxdale Investments Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
@	W.A. Oxdale Holdings Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(3)	Bakers Maison Pty Ltd (Australia)	Investment holding (Australia)	100	100
(1)	Pacfi Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Bakers Maison Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Bonjour Bakery Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Gaoyuan Pte Ltd (Singapore)	Investment holding (Singapore)	55	55

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

41. Subsidiaries (cont'd)

(a) *Composition of the Group (cont'd)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2014 %	2013 %
	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
*	Lansdale Holdings Pte Ltd (Singapore)	Dormant	100	100
(1)	Gardenia (China) Holdings Pte. Ltd. (Singapore)	Dormant	100	100
#	Benfood International Trade (Shanghai) Co Ltd (People's Republic of China)	To commence import, export and wholesale of prepacked food and dairy products	100	–
#	Farmland Bakery (M) Sdn Bhd (Malaysia)	To commence manufacture and distribution of bread, confectionery and bakery products	100	–

Note

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

@ *In process of being struck off*

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

^ *Deemed to be a subsidiary by virtue of control*

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*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

41. Subsidiaries (cont'd)

(b) *Interest in subsidiaries with material non-controlling interest (NCI)*

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	Principal place of business $'000	Proportion of ownership interest held by non-controlling interest %	Profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
31 December 2014:					
Gardenia Bakeries (KL) Sdn Bhd	Malaysia	30	2,408	14,668	1,190
QAF Fruits Cold Store Pte Ltd	Singapore	38	200	4,779	–
31 December 2013:					
Gardenia Bakeries (KL) Sdn Bhd	Malaysia	30	1,136	16,072	3,505
QAF Fruits Cold Store Pte Ltd	Singapore	38	263	4,579	24

(c) *Summarised financial information about subsidiaries with material NCI*

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Gardenia Bakeries (KL) Sdn Bhd		QAF Fruits Cold Store Pte Ltd	
	As at 31 December 2014 $'000	As at 31 December 2013 $'000	As at 31 December 2014 $'000	As at 31 December 2013 $'000
Current				
Assets	50,351	44,446	5,796	5,289
Liabilities	(51,332)	(40,053)	(372)	(686)
Net current (liabilities)/assets	(981)	4,393	5,424	4,603
Non-current				
Assets	59,211	58,666	7,473	7,695
Liabilities	(9,335)	(9,484)	(320)	(246)
Net non-current assets	49,876	49,182	7,153	7,449
Net assets	48,895	53,575	12,577	12,052

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

41. Subsidiaries (cont'd)

(c) ***Summarised financial information about subsidiaries with material NCI (cont'd)***

Summarised statement of comprehensive income

	Gardenia Bakeries (KL) Sdn Bhd		QAF Fruits Cold Store Pte Ltd	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue	297,990	291,690	2,588	2,410
Profit before income tax	10,745	5,725	618	586
Income tax (expense)/credit	(2,719)	(1,939)	(93)	105
Profit after tax – continuing operations	8,026	3,786	525	691
Other comprehensive income	(1,023)	(1,937)	–	–
Total comprehensive income	7,003	1,849	525	691

Other summarised information

	Gardenia Bakeries (KL) Sdn Bhd		QAF Fruits Cold Store Pte Ltd	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Net cash flows from operating activities	26,982	7,413	640	999
Acquisition of significant property, plant and equipment and investment properties	11,923	6,416	164	86

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2014

42. 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 loans from non-controlling interests less cash and short-term deposits. Shareholders' fund relates to equity attributable to owners of the parent. The Group's strategy, which was unchanged from 2013, is also to maintain gearing ratios on net debt-to-equity ratio of not exceeding 1.5 times.

	Group	
	2014 $'000	2013 $'000
Net debt	(13,914)	12,035
Shareholders' funds	412,368	396,780
Net debt-to-equity ratio	(0.03 times)	0.03 times

The Group and the Company are also required by certain banks to maintain certain financial ratios, including gross debt-to-equity ratios, operating cash flow to earnings ratios, and shareholders' funds.

43. Comparative figures

Certain comparatives in the financial statements have been changed from the previous year due to the changes in accounting policies as described in Note 2. The effects of the restatement are not significant and consequently a restated opening balance sheet as at 1 January 2013 has not been presented.

44. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 20 March 2015.

LIST OF MAJOR PROPERTIES

The Group's major properties as at 31 December 2014 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 6½ off Jalan Bukit Kemuning Seksyen 32 40460 Shah Alam Selangor Darul Ehsan Malaysia	Bakery and office premises	Freehold

LIST OF MAJOR PROPERTIES

The Group's major properties as at 31 December 2014 are:

Name of building/location	Description	Tenure of land
(b) Properties in Malaysia (Cont'd)		
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
PLO No. 67 Johor Technology Park Mukim Senai Kulai Daerah Johor Bahru Malaysia	Bakery and office premises	60-year lease
(c) Properties in Australia		
Huntly Farm No. 1 and 2 Bendigo-Tennyson Road Huntly, Victoria 3351	Piggery Farming	Freehold
St. Arnaud Unit 1 Sunraysia Highway St. Arnaud, Victoria 3478	Piggery Farming	Freehold
St Arnaud Units 2 & 3 Nelson Road St Arnaud, Victoria 3478	Piggery Farming	Freehold
Corowa Piggery Hudsons Road, Corowa New South Wales 2646	Piggery Farming	Freehold
Bungowannah Piggery Howlong Road Bungowannah New South Wales	Piggery Farming	Freehold

LIST OF MAJOR PROPERTIES

The Group's major properties as at 31 December 2014 are:

Name of building/location	Description	Tenure of land
(c) Properties in Australia (Cont'd)		
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 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 18 March 2015

Issued and Fully paid-up Capital : $254,848,195
Class of Shares : Ordinary Shares

Analysis of Shareholders by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	223	4.96	4,866	0.00
100 - 1,000	791	17.59	628,314	0.11
1,001 - 10,000	2,384	53.01	10,921,214	1.97
10,001 - 1,000,000	1,069	23.77	53,112,110	9.61
1,000,001 and above	30	0.67	488,277,582	88.31
	4,497	100.00	552,944,086	100.00

List of Twenty Largest Shareholders

S/No.	Name of Shareholder	No. of Shares	%
1.	Tian Wan Enterprises Company Limited	125,779,812	22.75
2.	Tian Wan Equities Company Limited	95,411,385	17.26
3.	KMP Investments Pte Ltd	55,229,409	9.99
4.	HSBC (Singapore) Nominees Pte Ltd	52,682,278	9.53
5.	Tian Wan Holdings Group Limited	40,181,975	7.27
6.	DBS Nominees Pte Ltd	27,064,362	4.89
7.	J&H International Limited	20,727,961	3.75
8.	Citibank Nominees Singapore Pte Ltd	18,721,747	3.39
9.	Toh Tiong Wah	5,459,613	0.99
10.	DB Nominees (Singapore) Pte Ltd	5,364,681	0.97
11.	CIMB Securities (Singapore) Pte Ltd	4,941,530	0.89
12.	Tan Kong King	4,303,000	0.78
13.	United Overseas Bank Nominees (Private) Limited	3,641,775	0.66
14.	Lee Fook Khuen	2,582,371	0.47
15.	Raffles Nominees (Pte) Ltd	2,191,283	0.40
16.	OCBC Nominees Singapore Private Limited	2,077,603	0.38
17.	DBSN Services Pte Ltd	2,042,077	0.37
18.	UOB Kay Hian Pte Ltd	2,041,467	0.37
19.	OCBC Securities Private Ltd	1,961,563	0.35
20.	Teh Kiu Cheong @Teong Cheng @Cheng Chiu Chang	1,811,223	0.33
		474,217,115	85.79

STATISTICS OF SHAREHOLDINGS
As at 18 March 2015

Substantial Shareholders

Name of Substantial Shareholder	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Andree Halim	-	-	282,101,133 (1)	51.03	282,101,133	51.03
Lin Kejian	-	-	222,884,969 (2)	40.32	222,884,969	40.32
Tian Wan Enterprises Company Limited	125,779,812	22.75	-	-	125,779,812	22.75
Tian Wan Equities Company Limited	95,411,385	17.26	-	-	95,411,385	17.26
KMP Investments Pte Ltd	55,229,409	9.99	-	-	55,229,409	9.99
KMP Private Ltd	-	-	55,229,409 (3)	9.99	55,229,409	9.99
Mariton International Limited	-	-	55,229,409 (4)	9.99	55,229,409	9.99
Anthoni Salim			55,229,409 (5)	9.99	55,229,409	9.99
Denonshire Group Limited	47,877,758	8.66	-	-	47,877,758	8.66
Didi Dawis	-	-	47,877,758 (6)	8.66	47,877,758	8.66
Tian Wan Holdings Group Limited	40,181,975	7.27	-	-	40,181,975	7.27

Notes:

(1) *Mr Andree Halim is deemed interested in the QAF shares beneficially owned by Tian Wan Enterprises Company Limited, Tian Wan Equities Company Limited, Tian Wan Holdings Group Limited and J&H International Limited.*

(2) *Mr Lin Kejian is deemed interested in the QAF shares beneficially owned by Tian Wan Enterprises Company Limited, Tian Wan Equities Company Limited and ISI Investments Company Limited.*

(3) *KMP Private Ltd has a controlling interest in KMP Investments Pte Ltd and is deemed to be interested in the QAF shares held by KMP Private Ltd.*

(4) *Mariton International Limited has an interest in more than 20% of the issued share capital of KMP Private Ltd and is deemed to be interested in the QAF Shares held by KMP Investments Pte Ltd.*

(5) *Mr Anthoni Salim has a controlling interest in KMP Private Ltd and Mariton International Limited and is deemed interested in the QAF Shares held by KMP Investments Pte Ltd.*

(6) *Mr Didi Dawis is deemed interested in the QAF shares beneficially owned by Denonshire Group Limited.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at No. 224 Pandan Loop, Singapore 128411 on 29 April 2015 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 2014. **(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 2014. **(Resolution 2)**

3. To re-elect the following Directors:

   - Retiring under Article 104 of the Company's Articles of Association
     (a) Ms Tarn Teh Chuen **(Resolution 3a)**
     (b) Mr Soh Gim Teik **(Resolution 3b)**

   - Retiring under Article 114 of the Company's Articles of Association
     (c) Mr Tan Hang Huat **(Resolution 3c)**
     (d) Mr Teng Tien Eng Moses **(Resolution 3d)**
     (e) Mr Gianto Gunara **(Resolution 3e)**
     (f) Mr Choo Kok Kiong **(Resolution 3f)**
     (g) Mr Triono J. Dawis **(Resolution 3g)**
     (h) Mr Goh Kian Hwee **(Resolution 3h)**
     (i) Mr Lee Kwong Foo Edward **(Resolution 3i)**

4. To approve Directors' fees of $267,127 for the year ended 31 December 2014 (2013: $198,250). **(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),

NOTICE OF ANNUAL GENERAL MEETING

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, 13 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

i) For Ordinary Resolutions:

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

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

3(c) - Mr Tan Hang Huat was first appointed as a non-executive/non-independent Director of the Company on 17 July 2014.

3(d) - Mr Teng Tien Eng Moses was first appointed as a non-executive/non-independent Director of the Company on 17 July 2014.

3(e) - Mr Gianto Gunara was first appointed as a non-executive/non-independent Director of the Company on 17 July 2014.

3(f) - Mr Choo Kok Kiong was first appointed as a non-executive/non-independent Director of the Company on 17 July 2014.

3(g) - Mr Triono J. Dawis was first appointed as a non-executive/non-independent Director of the Company on 17 July 2014.

3(h) - Mr Goh Kian Hwee was first appointed as a non-executive independent Director of the Company on 1 December 2014.

3(i) - Mr Lee Kwong Foo Edward was first appointed as a non-executive independent Director of the Company on 1 December 2014.

Further information on the above Directors can be found on pages 10 to 15 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.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("**AGM**") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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 at 5.00 p.m. on 7 May 2015 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 2014 ("Dividend 2014").

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 7 May 2015 will be entitled to the Dividend 2014 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 Road, #02-00, Singapore 068898 up to 5.00 p.m. on 7 May 2015 will be registered to determine shareholders' entitlements to the Dividend 2014.

The QAF Limited Scrip Dividend Scheme will apply to the Dividend 2014 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 2014 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, 13 April 2015

IMPORTANT

CPF Investors

1. This Annual Report is forwarded to you at the request of your CPF Approved Nominee and is send SOLELY FOR INFORMATION ONLY.
2. This Proxy Form is therefore not valid for use by CPF investors and shall not be effective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent banks may register with the Company Secretary of QAF Limited.

Personal Data Privacy

By submitting an instrument appointing proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2015.

PROXY FORM

Annual General Meeting of QAF Limited

(Co. Registration No. 195800035D)

I/We, ______________________ NRIC/PassportNo./Co.RegistrationNo.______________________

of ____

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

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

*and/or (delete as appropriate)

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

or failing him/her the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on 29 April 2015 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) Ms Tarn Teh Chuen		
	(b) Mr Soh Gim Teik		
	(c) Mr Tan Hang Huat		
	(d) Mr Teng Tien Eng Moses		
	(e) Mr Choo Kok Kiong		
	(f) Mr Gianto Gunara		
	(g) Mr Triono J. Dawis		
	(h) Mr Goh Kian Hwee		
	(i) Mr Lee Kwong Foo Edward		
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 ____________ 2015 by:

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

____

Signature of Member(s) or Common Seal

Notes

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

Please affix postage stamp

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

QAF LIMITED
Company Registration No. 195800035D

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Website: www.qaf.com.sg