GROWTH AND STRENGTH

BUILDING A RESILIENT FUTURE

QAF Limited

ANNUAL REPORT 2016

CONTENTS

Corporate Information

As at 10 March 2017

Board of Directors

Didi Dawis
(Chairman)
Andree Halim
(Vice-Chairman)
Lin Kejian
(Joint Group Managing Director)
Goh Kian Hwee
(Joint Group Managing Director)
Tan Teck Huat
Tan Hang Huat
Teng Tien Eng Moses
Gianto Gunara
Choo Kok Kiong
Triono J. Dawis
Lee Kwong Foo Edward
Dawn Pamela Lum
Ong Wui Leng Linda

Audit Committee

Ong Wui Leng Linda
(Chairman)
Dawn Pamela Lum
Lee Kwong Foo Edward

Nominating Committee

Dawn Pamela Lum
(Chairman)
Andree Halim
Ong Wui Leng Linda

Remuneration Committee

Dawn Pamela Lum
(Chairman)
Didi Dawis
Andree Halim
Lee Kwong Foo Edward

Executive Committee

Andree Halim
Lin Kejian
Goh Kian Hwee
Tan Teck Huat

Company Secretary

Serene Yeo Li-Wen

Registered and Corporate Office

150 South Bridge Road
#09-04 Fook Hai Building
Singapore 058727
Tel: 65 6538 2866
Fax: 65 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: 65 6236 3333
Fax: 65 6236 4399

Auditors

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner In-charge: 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,

Global economic growth in 2016 was lackluster amidst weak international trade, uncertainties arising from Brexit, China's slowing growth and currency volatility in financial markets.

The uncertain business and economic environment weighed on consumption and investor confidence. Despite the challenges of a difficult operating environment, our businesses remained resilient. The Group was able to record increases in sales from all its major business segments. To meet the challenges ahead, the Joint Managing Directors have elaborated on the Company's strategy for the current year in their Report.

For the financial year ended 31 December 2016, the Board is pleased to recommend a final dividend of 4 cents per share. If approved by shareholders, the total dividend for the year, including an interim dividend of 1 cent per share paid in September 2016, will be 5 cents.

I wish to extend a warm welcome to Ms Ong Wui Leng Linda who joined the Board as an independent director on 1 January 2017. With her qualifications and extensive work experience, I am confident that Ms Ong will bring much valuable insight and counsel to the Board.

On 1 January 2017, Mr Lin Kejian and Mr Goh Kian Hwee assumed the positions of Joint Group Managing Directors of the Company, and Mr Tan Teck Huat assumed the position of Finance Director. In January 2017, an Executive Committee of the Company, consisting of Mr Andree Halim, Mr Lin, Mr Goh and Mr Tan, was formed to oversee the operations and affairs of the Group.

On 31 December 2016, Mr Tan Kong King retired as Group Managing Director of the Company, and Ms Tarn Teh Chuen resigned as executive director and Head of Treasury. Mr Teng Tien Eng Moses will retire as a director of the Company and will not seek re-election at the forthcoming Annual General Meeting. On behalf of the Board, I wish to express my thanks to Mr Tan, Ms Tarn and Mr Teng for their contributions and service to the Company.

Lastly, on behalf of the Board, I wish to express my gratitude to our customers, business associates, bankers, suppliers and shareholders for their loyalty and support. I also wish to express my heartfelt thanks to the over 6,000 employees of the Group, in particular, the management of our operating units, for their contributions during the year.

Didi Dawis
Chairman
10 March 2017

Joint Group Managing Directors' Report

On behalf of the Board of Directors of QAF Limited, we present the Annual Report 2016.

FY2016 vs FY2015

	FY2016 $ '000	FY2015 $ '000	% change
Revenue	889,520	998,278	(11)
Profit Before Taxation ("PBT")	130,615	68,766	90
PBT excluding Exceptional items	71,240	68,766	4
Profit Attributable to Owners of the Company ("PATMI")	120,390	52,536	129
PATMI excluding Exceptional items	61,015	52,536	16

The Group sold part of its shareholdings representing 20% of Gardenia Bakeries (KL) Sdn Bhd ("GBKL") in April 2016 in compliance with regulatory requirements and GBKL results had to be deconsolidated from the Group. This resulted in a decrease in Group revenue by 11% to $889.5 million for financial year ended 31 December 2016 ("FY2016") from $998.3 million for financial year ended 31 December 2015 ("FY2015"). The Group also had to perform a fair value remeasurement of its remaining 50% interest in GBKL. This resulted in a net exceptional gain of $59.4 million arising from the sale of 20% stake in GBKL and the remeasurement of the remaining stake in GBKL.

Despite the deconsolidation of the financial results of GBKL and the resulting declassification and exclusion of GBKL's operating profits from the Group's consolidated operating profits from April 2016 onwards, the Group still achieved an increase in PBT of 90% to $130.6 million in FY2016 from $68.8 million in FY2015.

Excluding the one-off Exceptional Items of $59.4 million,

- Group PBT of $71.2 million increased by 4% and this increase is mainly attributable to the increased profitability in Rivalea (Australia) Pty Ltd ("Rivalea"), the Group's integrated producer of meat located in Australia. Rivalea achieved increases in profitability through higher average selling prices from a better product mix, increased sales volumes, productivity gains, increased meat processing activities and lower operating costs, in particular, lower feed costs.
- PATMI increased by 16% to $61.0 million in FY2016 as compared to $52.5 million in FY2015.

4Q2016 vs 4Q2015

	4Q2016 $ '000	4Q2015 $ '000	% change
Revenue	217,822	246,172	(12)
PBT	57,721	22,123	161
PBT excluding Exceptional items	8,036	22,123	(64)
PATMI	55,835	16,688	235
PATMI excluding Exceptional items	6,150	16,688	(63)

With the deconsolidation of GBKL results from the Group with effect from April 2016, Group revenue decreased by 12% to $217.8 million for the fourth quarter ended 31 December 2016 ("4Q2016") from $246.2 million for the fourth quarter ended 31 December 2015 ("4Q2015"). The fair value remeasurement exercise on the Group's remaining 50% interest in GBKL was completed in 4Q2016. This resulted in the recognition of an additional exceptional gain of $49.7 million in 4Q2016.

Despite the deconsolidation of the financial results of GBKL and the resulting declassification and exclusion of GBKL's operating profits from the Group's consolidated operating profits, the Group still achieved an increase in PBT of 161% to $57.7 million in 4Q2016 from $22.1 million in 4Q2015.

Excluding the one-off Exceptional Items of $49.7 million,

- Group PBT of $8.0 million decreased by $14.1 million or 64% from $22.1 million for 4Q2015 and this is mainly attributable to the one-off provisions and impairment losses, for example, an impairment loss of $6.5 million was made for certain Property, Plant and Equipment resulting mostly from the full write-down of the assets of the China bakery subsidiary. The Group also made further one-off impairment loss of $2.1 million to write down the net book values of certain Investment Properties due to weakened market conditions, as well as the write down of certain bond investments to market price amounting to $0.8 million. In addition, the Group incurred higher foreign exchange loss of $2.1 million for 4Q2016 as compared to $0.3 million for 4Q2015 due mainly to the depreciation of the Group's Australian dollar denominated assets against the Singapore dollar in 4Q2016.
- PATMI decreased by 63% to $6.2 million in 4Q2016 as compared to $16.7 million in 4Q2015.

The key financial highlights are set out after this report.

Outlook

Going forward, the Group may be exposed to:

- increasing competition
- volatility in regional currencies following higher U.S. Fed funds rate
- possible increase in raw material prices, particularly flour cost in certain markets and energy cost resulting from higher oil prices

To address these challenges, the Group will pursue, amongst others, a strategy of sustainable growth and value creation. The Group has a strong balance sheet and operating cash flow to implement such a strategy.

Joint Group Managing Directors' Report

Examples of implementation of such strategy include the following:

- The Group is establishing new bakery plants in its core countries to expand its capacity and further capitalise on its economies of scale. In the Philippines, the Group has announced a PHP1,070 million (approximately $31 million) expansion plan to build a new Mindanao plant and purchase land at Luzon province for another plant. In Malaysia, a new RM175 million (approximately $56 million) plant in Johor will come into production this year while another RM178 million (approximately $57 million) plant in Bukit Kemuning, Selangor, will be completed by 2018. These new plants when completed, will increase the Group’s total bakery plants to 16.

- The Group will further expand its distribution channels, new product launches, aggressive brand development and promotional activities to defend and increase existing market shares.

- The Group will explore strategic acquisitions of and collaboration with other food related companies.

The strategy outlined above will require significant capital expenditure and consequently increase the Group’s depreciation charge. The Group has a strong balance sheet and has sufficient capacity to embark on a sustainable long term growth.

More details of some of the Group's core operations are set out in the Operational Review.

Lin Kejian
Goh Kian Hwee
Joint Group Managing Directors
10 March 2017

Financial Highlights

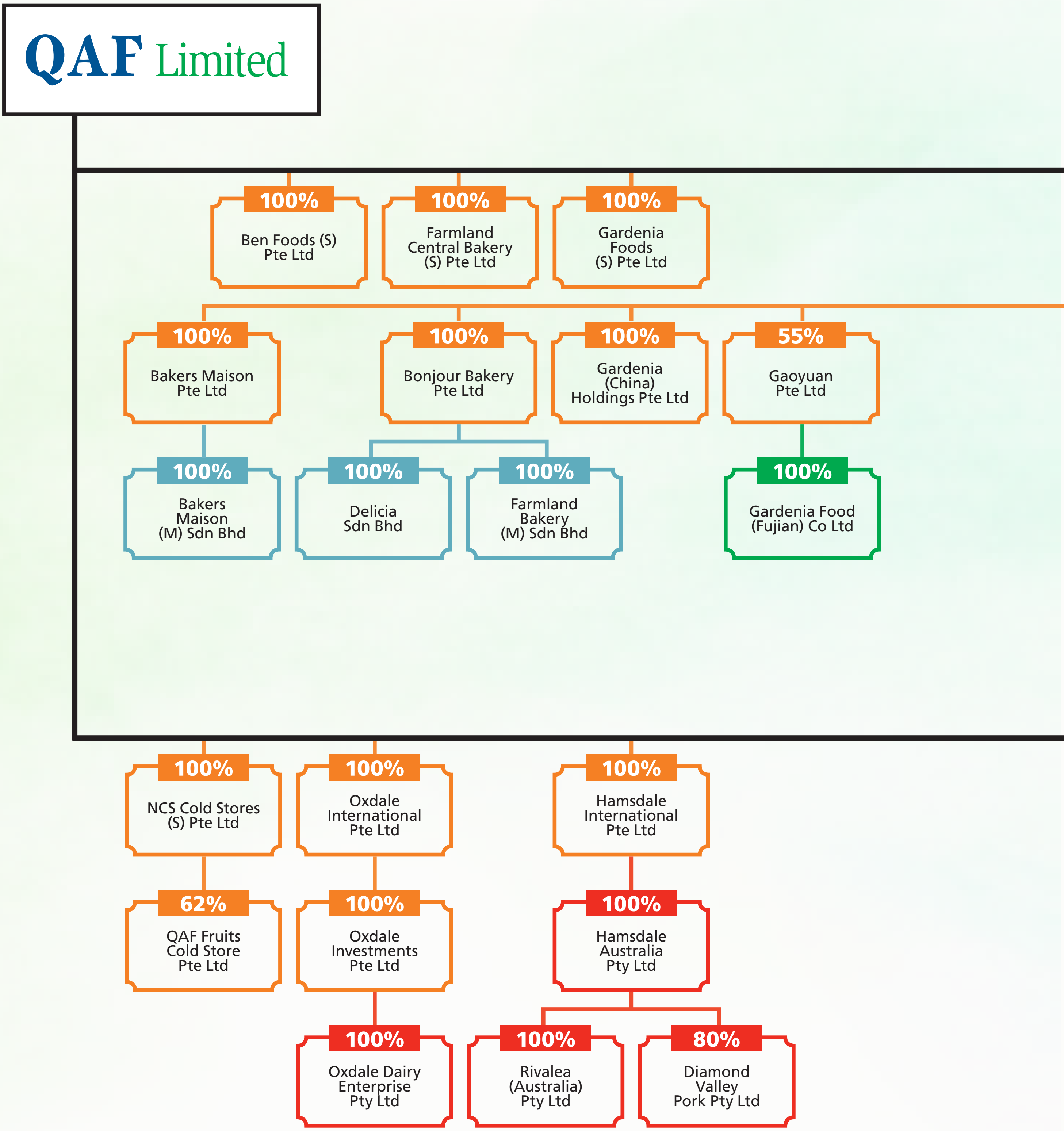
	FY2016	FY2015	FY2014	FY2013	FY2012
INCOME STATEMENT (S$'000)					
Revenue	**889,520**	998,278	1,023,149	1,024,160	984,012
Profit before taxation					
before exceptional items	**71,240**	68,766	57,917	42,215	48,031
after exceptional items	**130,615**	68,766	57,917	42,215	48,031
Profit attributable to owners of the Company					
before exceptional items	**61,015**	52,536	45,081	30,186	34,644
after exceptional items	**120,390**	52,536	45,081	30,186	34,644
STATEMENT OF FINANCIAL POSITION (S$'000)					
Total assets	**772,407**	718,903	691,114	688,221	712,233
Total liabilities	**244,255**	271,850	254,285	264,543	296,068
Total equity	**528,152**	447,053	436,829	423,678	416,165
Equity attributable to owners of the Company	**527,067**	426,875	412,368	396,780	392,374
PER SHARE DATA (CENTS)					
Earnings					
before exceptional items	**10.9**	9.4	8.2	5.6	6.6
after exceptional items	**21.4**	9.4	8.2	5.6	6.6
Net asset value[1]	**93.8**	76.1	74.7	72.6	74.8
Net tangible asset[2]	**93.8**	76.0	74.6	72.2	74.3
Total dividends	**5.0**	5.0	5.0	5.0	5.0
OTHER FINANCIAL RATIOS					
Return on average shareholders' equity					
before exceptional items	**13%**	13%	11%	8%	9%
after exceptional items	**25%**	13%	11%	8%	9%
Return on average assets					
before exceptional items	**8%**	7%	7%	4%	5%
after exceptional items	**16%**	7%	7%	4%	5%
Dividend payout (%)[3]					
before exceptional items	**46%**	53%	61%	89%	75%
after exceptional items	**23%**	53%	61%	89%	75%
Current ratio (no. of times)	**2.2**	1.6	1.5	1.4	1.3
Net gearing ratio (no. of times)[4]	**(0.04)**	(0.04)	(0.03)	0.03	0.13

Notes:

1. Net asset value per share is computed based on total assets less total liabilities and non-controlling interests
2. Net tangible asset per share is computed based on total assets less total liabilities, non-controlling interests and intangibles
3. Dividend payout is calculated by dividing total dividends against profit attributable to owners of the Company
4. Net gearing ratio is calculated by dividing net debt against equity attributable to owners of the Company

QAF Subsidiaries and Joint Venture

As at 10 March 2017



Note: This chart shows the operating subsidiaries and joint venture of the QAF Group.

Board of Directors

As at 10 March 2017

Didi Dawis, 71

Chairman
Non-executive/Independent Director

Date of last election:
29 April 2016
Board Committee:
Remuneration Committee (Member)

Mr Dawis was appointed as a Director of the Company on 15 March 1988 and has held the position of Chairman of the Company since July 1990.

Mr Dawis is an established entrepreneur and has various business interests in Indonesia including the trading and distribution of building materials, and real estate development for malls, mixed-use, resorts and golf course. Mr Didi Dawis is a member in the councils of several charitable and civic associations in Indonesia, the Chairman of the Governing Board of Indonesia Chinese Entrepreneur Association, the Permanent Honorary Chairman of the International Fuqing Clansmen and Chairman of Fujian Indonesia Association.

Mr Didi Dawis is a substantial shareholder of the Company, with a deemed interest of 8.52% in the total issued shares of the Company as at 10 March 2017.

Andree Halim, 69

Vice-Chairman
Non-executive/Non-independent Director

Date of last election:
29 April 2016
Board Committee:
Nominating Committee (Member)
Remuneration Committee (Member)
Executive 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 a controlling shareholder of the Company, with a deemed interest of 60.42% in the total issued shares of the Company as at 10 March 2017.

Lin Kejian, 38

Joint Group Managing Director
Executive Director

Date of last election:
Not subject to annual re-election
Board Committee:
Executive Committee (Member)

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 and thereafter Joint Group Managing Director of the QAF Group with effect from 1 January 2017.

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

Mr Lin 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 and Vice-Chairman of the Company. He is also a controlling shareholder of the Company, with a deemed interest of 48.19% in the total issued shares of the Company as at 10 March 2017.

Goh Kian Hwee, 62

Joint Group Managing Director
Executive Director

Date of last election:
Not subject to annual re-election
Board Committee:
Executive Committee (Member)

Mr Goh was first appointed as a non-executive independent Director of the Company on 1 December 2014. He assumed the position of Joint Group Managing Director of the QAF Group with effect from 1 January 2017.

Mr Goh was a senior partner of Rajah & Tann Singapore 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 had been a practicing lawyer since 1980.

Current directorships in other listed companies

- **Hong Leong Asia Ltd***
- **CapitaLand Commercial Trust Management Limited (Reit Manager of CapitaLand Commercial Trust)**

**Mr Goh Kian Hwee will be retiring as a director of Hong Leong Asia Ltd at its annual general meeting in April 2017.*

Tan Teck Huat, 55

Executive Director

Date of last election:
29 April 2016
Board Committee:
Executive Committee (Member)

Mr Tan was appointed as a non-executive independent Director of the Company on 12 February 2016. He assumed the position of Finance Director of the Company with effect from 1 January 2017.

Mr Tan holds a Master of Arts and a Bachelor of Arts in Economics from the University of Cambridge. Mr Tan was the Chief Financial Officer of a major listed company for some 7 years. He has had over 29 years of working experience in major listed companies holding various positions in corporate development and communications, corporate finance, corporate treasury and accounting.

Tan Hang Huat, 60

Non-executive/Non-independent Director

Date of last election:
29 April 2015
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**

Board of Directors

As at 10 March 2017

Teng Tien Eng Moses, 56

Non-executive/Non-independent Director

Date of last election:
29 April 2015
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.

Mr Teng, who is retiring as a Director at the close of the Annual General Meeting of the Company, will not be seeking re-election at the Annual General Meeting.

Gianto Gunara, 54

Non-executive/Non-independent Director

Date of last election:
29 April 2015
Board Committee:
Nil

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

Mr Gunara is currently an executive director of Gallant Venture Ltd., President Director of PT Batamindo Executive Village, Vice President Director of PT Bintan Resort Cakrawala and PT Bintan Inti Industrial Estate and Director of Business Operations at Bintan Resorts International Pte. Ltd. He also holds directorships in various companies including Sembcorp Parks Management Pte Ltd, Straits-KMP Resort Development Pte Ltd, Nirwana Pte Ltd, Bintan Resort Ferries Pte Ltd, PT Ria Bintan, PT Straits CM Village, Verizon Resorts Limited, BU Holdings Pte Ltd, Lagoi Dreams Limited, PT Taman Indah, Batamindo Investment (S) Ltd and Bintan Power Pte Ltd. He has more than 28 years of industry experiences having worked with Haagtechno BV – Den Bosch in Holland, Hagemeyer NV, PT Indomarco Nusatrada, Indomarco International and Kangaroo Industries in Los Angeles as well as PT Indoleather Swakarsa.

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 and Vice-Chairman of the Company.

Current directorship in other listed company

- **Gallant Venture Ltd.**

Choo Kok Kiong, 47

Non-executive/Non-independent Director

Date of last election:
29 April 2015
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, 35

Non-executive/Independent Director

Date of last election:
29 April 2015
Board Committee:
Nil

Mr Triono Dawis was appointed as a non-executive non-independent Director of the Company on 17 July 2014. He was re-designated an independent Director of the Company on 25 May 2016.

Mr Triono Dawis had previously been appointed as an executive Business Development director of QAF Limited on 1 October 2010 and 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 and Chairman of the Company.

Board of Directors

As at 10 March 2017

Lee Kwong Foo Edward, 69

Non-executive/Independent Director

Date of last election:
29 April 2015
Board Committee:
Audit Committee (Member)
Remuneration Committee (Member)

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

Mr 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 Bachelor 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**

Dawn Pamela Lum, 63

Non-executive/Independent Director

Date of last election:
29 April 2016
Board Committee:
Audit Committee (Member)
Nominating Committee (Chairman)
Remuneration Committee (Chairman)

Ms Lum was appointed as a non-executive independent Director of the Company on 12 February 2016.

Ms Lum holds a LLB (Honours) degree from the University of Singapore. She was admitted to the Rolls of the Supreme Court of Singapore as an advocate and solicitor in 1977 and had been a practicing lawyer for several years. Ms Lum has had over 38 years of working experience and had assumed key roles in the corporate and management functions, including being the General Manager, Corporate Affairs and Group Company Secretary of a major listed company and its subsidiaries.

Ong Wui Leng Linda, 56

Non-executive/Independent Director

Date of last election:
Not Applicable
Board Committee:
Audit Committee (Chairman)
Nominating Committee (Member)

Ms Ong was appointed as a non-executive independent Director of the Company on 1 January 2017.

She is the Director of BlackInk Corporate Partners Pte Ltd having spent more than 10 years in corporate banking. She also has many years of experience in corporate finance and management.

Ms Ong currently sits on the boards of Hwa Hong Corporation Limited, a company listed on the SGX-ST and SiS International Holdings Limited, a company listed on the Stock Exchange of Hong Kong Limited.

Ms Ong graduated from the University of London, United Kingdom with a Bachelor of Science (Economics) in Management Studies in 1990 and has since completed her Master of Practising Accounting from the Monash University, Australia.

Current directorships in other listed companies

- **Hwa Hong Corporation Limited**
- **SiS International Holdings Limited**

Operational Review

BAKERY

Singapore

Gardenia Foods (S) Pte Ltd ('Gardenia Singapore')

Gardenia Singapore posted another year of growth in sales and profitability on the back of an extensive distribution network, new product launches, strategic brand enhancement activities, greater operational and cost efficiencies, and consumer brand loyalty.

Gardenia was ranked the 'No. 1 Selling Bread Brand' by A.C. Nielsen, leading the market in sales value and sales volume in the Bread Category during the period from July 2015 to June 2016*.

* Gardenia's calculation based in part on data reported by Nielsen ScanTrack for Bread category, 12-month period ending June 2016. Supermarket & Hypermarket and Convenience Stores & Petrol Marts (Copyright © 2016, The Nielsen Company).

Gardenia Singapore also achieved Grade A status in the Food Safety Excellence Scheme under the Agri-Food & Veterinary Authority for the 21st consecutive year. The award is a recognition of its consistently high standards in food hygiene, sanitation and processing.

To meet the growing demand for its bakery products over the coming years, the Group is constructing a new RM175 million (approximately $56 million) bread plant in Johor, Malaysia. The new plant will have the capacity to produce 8,000 loaves of bread and 18,000 pieces of tortilla wraps per hour. It is expected to commence operations by the first half of 2017.

In May 2016, Gardenia Singapore launched its soft, easy-to-chew Gardenia Super Fine & Soft 14-Grain Loaf containing essential minerals and vitamins. It also developed the Bonjour Sprouted Extra Fine Grain Bread with Prebiotic, which aids better digestibility.

The Gardenia Singapore Group consists of a total of three bakery plants – two in Singapore and one in Johor, Malaysia.

For the year ahead, Gardenia Singapore will focus on maintaining its leadership through greater operational and cost efficiencies, strategic branding activities and product innovations that fulfil the needs of consumers.

Operational Review

BAKERY

Malaysia

Gardenia Bakeries (KL) Sdn Bhd ('GBKL')

It was a year of consolidation for the domestic market as the slowdown in the Malaysian economy continued into 2016. Despite the uncertainties caused by the global economic environment, a depreciating Ringgit and cautious consumer sentiment, sales revenue climbed to a new high, surpassing its previous year's record.

The good performance was a result of Gardenia's strong brand presence, its reputation for high quality, value-for-money products, and the support of its loyal customers.

GBKL is a 50% joint venture of the QAF Group. On 6 April 2016, the Group completed the sale of a 20% shareholding in GBKL to its long-time partner, Padiberas Nasional Berhad ('BERNAS'), raising BERNAS's stake from 30% to 50%. The sale was made for regulatory reasons.

GBKL is the leading producer of packaged bread in Peninsular Malaysia. It operates an extensive distribution network that extends all the way to Langkawi Island. As testament to its dominance of the packaged bread market and the loyalty of its consumers, Gardenia was once again voted Malaysian consumers' 'Most Preferred Brand' in a nationwide survey, clinching the Gold Award - Foodstuff Category for the 7th consecutive year in the prestigious 2016 Putra Brand Awards.

During the year, GBKL undertook several measures to strengthen its market share. To broaden its customer base, the company expanded its distribution into the foodservice sector.

GBKL is focused on broadening its revenue base through the expansion of its production capability and capacity. In April 2016, in conjunction with the disposal of the Group's 20% shareholding in GBKL, the company acquired a 10-acre industrial land at Bukit Kemuning for the construction of a new production facility, right next to GBKL's existing facility at Bukit Kemuning.

Construction of the new RM178 million (approximately $57 million) plant has commenced and is targeted for completion by the second quarter of 2018. On completion, the new plant, which can house more than 3 production lines, will provide added capacity to enable the company to expand into new market segments. This expansion is expected to increase revenue and profitability in the next few years.

Looking ahead, trading conditions are likely to remain challenging. However, the company is focused on holding on to its market leadership and will continue to pursue its program of brand enhancement, expansion of distribution channels and diversification of products to ensure long-term growth and profitability.

GBKL currently operates four plants in Malaysia, while QAF Group has another plant in Shah Alam, Malaysia that produces bakery products for GBKL.

Operational Review

BAKERY
Philippines

Gardenia Philippines

Gardenia Philippines maintained its dominance of the Philippine packaged bread market in 2016, posting a 20% increase in sales over the previous year.

The higher sales were achieved on the back of aggressive distribution efforts, increased demand from consumers and higher production capacity from Gardenia Philippines' new 6,000 loaves-per-hour plant at Laguna.

During the year, Gardenia Philippines introduced the California Raisin Buns and two new flavours of Twiggies Cake. The new products were well received and contributed to the increased sales.

As part of its strategy to expand its market share into all economic segments of the community, Gardenia Philippines had ventured into the unpackaged bread market in 2015 through strategic investments in Big Smile Bread Station and Bakers Maison.

Big Smile Bread Station is a neighbourhood community bakery chain offering classic Filipino bakery products. By its first anniversary in July 2016, Gardenia Philippines had rolled out over 30 Big Smile Bread Stations in Metro Manila and nearby provinces.

Bakers Maison is an artisanal bakery offering French-style breads and pastries. In February 2016, Gardenia Philippines opened its first Bakers Maison store in SM North EDSA, one of the largest malls in the world. By the end of 2016, Gardenia Philippines had opened four more Bakers Maison stores in major shopping malls.

To meet the steadily growing demand for its products, Gardenia Philippines will expand its bread production and distribution operations by setting up a new production plant in Mindanao. The plant is estimated to cost PHP856 million (approximately $25 million), and is expected to meet the growing demand from consumers in Mindanao and the Visayas over the next few years. Gardenia Philippines will also acquire a large plot of land in Luzon for the purpose of setting up a new bread manufacturing plant in the future.

Gardenia Philippines is facing heightened competition with a new entrant to the market. For the year ahead, Gardenia Philippines will continue to introduce new products and flavors, and undertake strategic marketing and promotion activities. It will also continue to increase its chain of Big Smile Bread Stations and Bakers Maison stores.

Gardenia Philippines currently operates three plants – two in the Greater Manila area, and one in Cebu.

Operational Review

BAKERY
Australia

Bakers Maison Australia Pty Ltd ('Bakers Maison ')

In 2016, Bakers Maison achieved double digit sales growth of 11% over the previous year.

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

To keep up with increased demand for its products, the company raised the overall production capacity at its plant. It increased the production of artisan-style

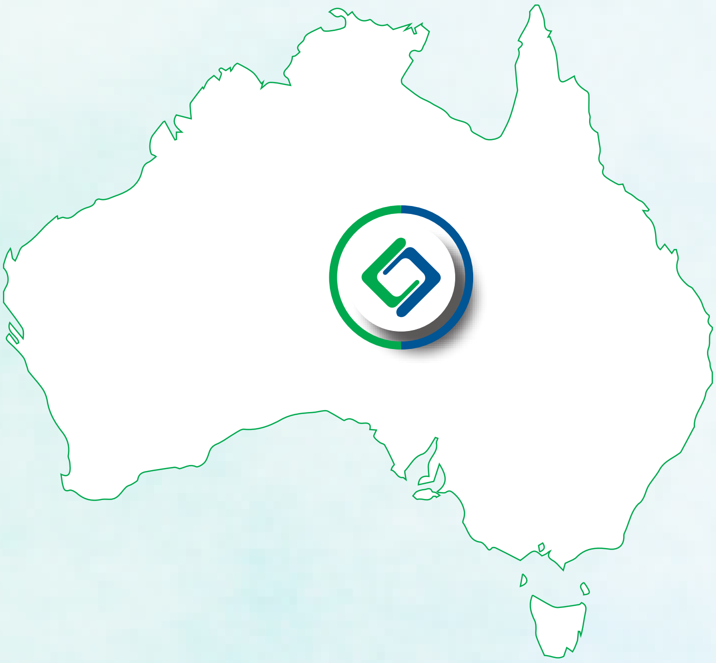
baguettes and batards at its new Baguette line and commissioned an additional bread roll line in October 2016. The company also implemented automated packaging for its products.

During the year, Bakers Maison continued to increase its market share in the foodservice sector with gains made in the eastern Australian states, particularly in Victoria. In 2016, ten more distributors joined Bakers Maison's national distribution network, increasing the company's market presence and distribution reach.

The company's new manufacturing plant is expected to be completed by the end of the third quarter of 2017. The plant will have an additional capacity to produce 10,000 croissants an hour. The extra 1,500 sq. m. of production space will allow the plant to triple freezer space capacity, enabling higher stock availability on site.

The company is exploring potential export markets in Asia for its frozen products.

Bakers Maison currently operates one plant in Sydney, Australia.



Operational Review

PRIMARY PRODUCTION

Australia

Rivalea (Australia) Pty Ltd ('Rivalea')

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

The salient features of the Rivalea Group can be summarised as follows:

- **Industry leader:** The Rivalea Group is a leading integrated pork production operation in Australia with an approximately 17% market share.
- **Track record:** It has a successful track record built up over 40 years. Its management team is stable and well credentialed.
- **Integrated operations:** It has an efficient and integrated operating platform. This, and its business model, helps it to manage risks and achieve good margins.
- **Barriers to entry:** The Rivalea Group enjoys a competitive advantage in an industry which has significant barriers to entry such as scales of production and operation as well as high capital costs of infrastructure. Australia also has strict biosecurity regulations which limit the import of fresh pork meat.

- **Established brands:** It has an established portfolio of brands which supply meat to supermarkets, butchers, food service customers, wholesalers, manufacturers, as well as stockfeed to dairy and livestock farmers.

- **Innovator:** The Rivalea Group is one of the leaders in meat technology as well as research in animal husbandry. It has developed and introduced value-added products in recent years, such as moisture infused meat cuts, which allows the company to develop new growth markets.

- **Industry dynamics:** There is a rising demand for meat from an emerging middle class in Asia.

- **Strong growth:** Higher volumes, improved pricing, changes in the product mix and efficiency gains have seen the Rivalea Group achieve growth in profits and operational cash flows.

- **Animal Welfare:** The Rivalea Group is one of the industry leaders in animal welfare. It is committed to the welfare of animals and its operational systems and research are geared towards maintaining high levels of animal welfare and care.

Rivalea is involved in all stages of the meat process with operations in stockfeed milling, breeding and farm operations, abattoir (slaughterhouse) operations, deboning, meat cutting, packaging of fresh meat products and meat distribution.

Rivalea is a leading producer of pork meat in the Australasian region. It exports pork products to

Singapore, Japan, New Zealand and other Asian countries. In 2016, Rivalea produced and sold over 800,000 heads or more than 68,000 MT of meat.

Rivalea holds strong positions in the various market segments. It is a major supplier of carcasses and meat products to wholesalers, and provides live animals to various major meat processors. It also supplies large volumes of vacuum-packed meat cuts and tray-packed products for the major national supermarket chains. The company's branded 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 premium meat products).

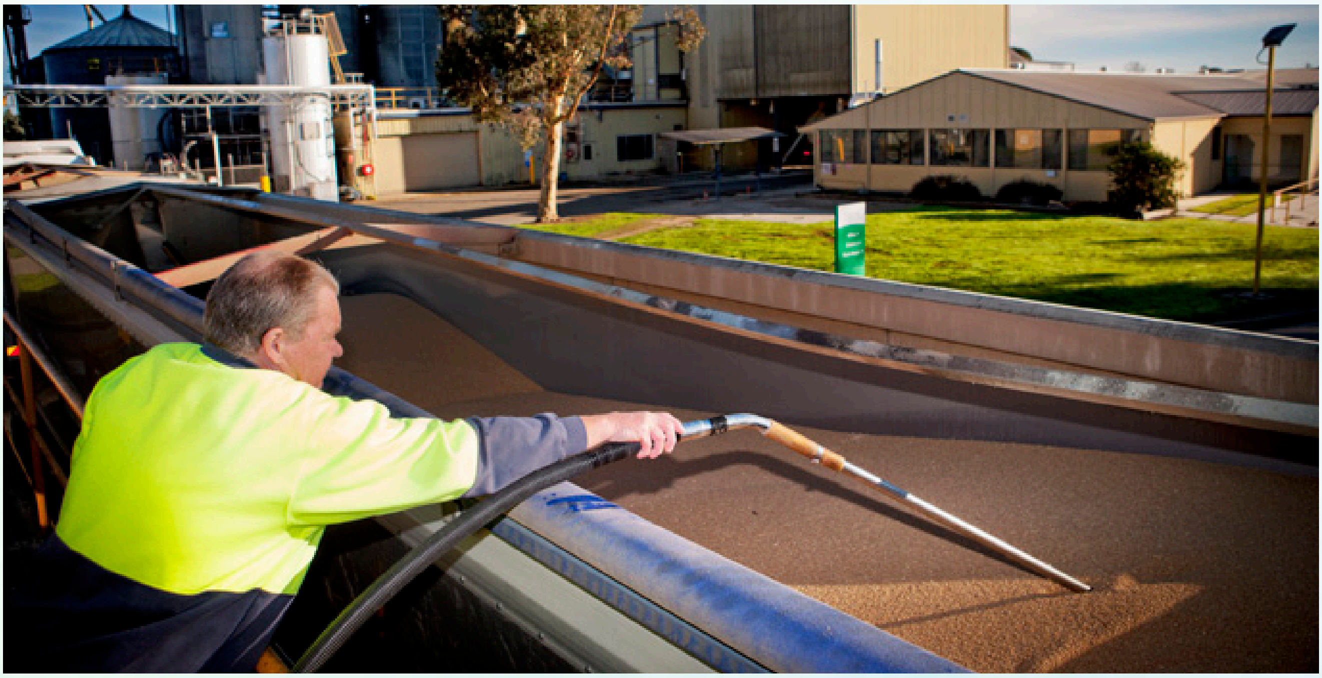
Operational Review

Rivalea's breeding and farm operations are carried out within the states of New South Wales and Victoria, on seven company-owned sites spread over a total area of about 76 sq. km. Production is also carried out by a number of third-party contract growers who provide labour and housing facilities to grow the livestock to marketable age with Rivalea providing the feed, animals and technical knowledge, and the meat processing and distribution. This arrangement provides the flexibility for Rivalea to increase livestock numbers while limiting the need for heavy capital expenditure.

Production systems at the farm operations are environmentally conscious and efficient and are based on the latest methods and technologies, including eco-shelter production systems. Production systems ensure that the sheds are completely cleaned out between batches of animals and batch weaning is 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, barley, canola meal, other grains and pulses, are predominantly purchased directly from local 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 competitive prices and quantities. The Group also owns a facility which is capable of storing grain raw materials amounting to 37,600 MT. The company's total grain storage capacity exceeds 80,000 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 good 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 400,000 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 50,000 MT per year. This feedmill provides Rivalea with increased flexibility and the necessary efficiency to produce and supply good quality stockfeed products for its expanding customer base.

The majority of meat used in the production of the company's meat products is processed through its company-owned abattoirs. This enables Rivalea to achieve better quality carcasses and meat cuts at high hygiene and sanitation standards. Rivalea's abattoir and deboning facility at Corowa is export-registered and has the capacity to slaughter half a million

heads per annum. The adjoining boning facility uses 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 into products which may be for either the domestic or export market. The boning facility currently processes about 166,000 carcasses a year. A moisture enhanced facility processes Rivalea's branded moisture infused meat products.

Diamond Valley operates another abattoir and boning business in Melbourne, Victoria. This facility slaughters approximately 830,000 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. Diamond Valley is currently embarking on a major expansion project to increase its capacity and capability. New automated equipment, including robotics, along with modern and up-to-date facilities, processes and ancillary facilities will be installed to make Diamond Valley competitive on an international level.

One of the core strengths of Rivalea lies in its established research and innovation capability. The company's Research and Innovation Division ('R&I') supports the business operations with a team of internationally regarded leaders across animal and meat science disciplines. Rivalea is one of the largest

Operational Review

private sector organisations engaging 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 and new product development. The R&I also undertakes contract research programs for external clients such as multinational animal health companies.

Rivalea also sells technical products to external parties through its Primegro Technologies brand ('Primegro'). Primegro products and services include genetics and a process to determine the future growth and efficiency potential of an animal at its birth.

Rivalea faces several risks that are associated with livestock farming in Australia. The risks are as follows:

1. Disease outbreak and farm contamination.

2. Regulatory sanctions from meat industry, animal welfare and environmental regulators.

3. Cyclical, seasonal and varying consumer demand in specific markets.

4. Competition from occasional periods of oversupply either from overproduction from local producers or 'dumping' of imported frozen products.

5. Employee turnover and Union (industrial action) risks.

6. Fluctuations in raw material and grain costs due to weather conditions.

Rivalea mitigates the above risks by breeding and growing its livestock population in seven company-owned farms and 19 contract growers, spread over the states of New South Wales and Victoria. This, and its production and veterinary health systems, reduces the risk of disease outbreaks and cross-contamination significantly. Rivalea has also developed more value-added products and services, including its own branded products to serve different market segments. Along with its greater efficiency and production scale, Rivalea is able to maintain its margins in a competitive environment. The company also maintains a dedicated human resource team which ensures compliance with the various laws and conditions imposed by Australian regulations. Rivalea is also an industry leader in the area of animal welfare. Its staff and operational systems are committed to the care and welfare of its animals.

Operational Review

TRADING & LOGISTICS
Singapore

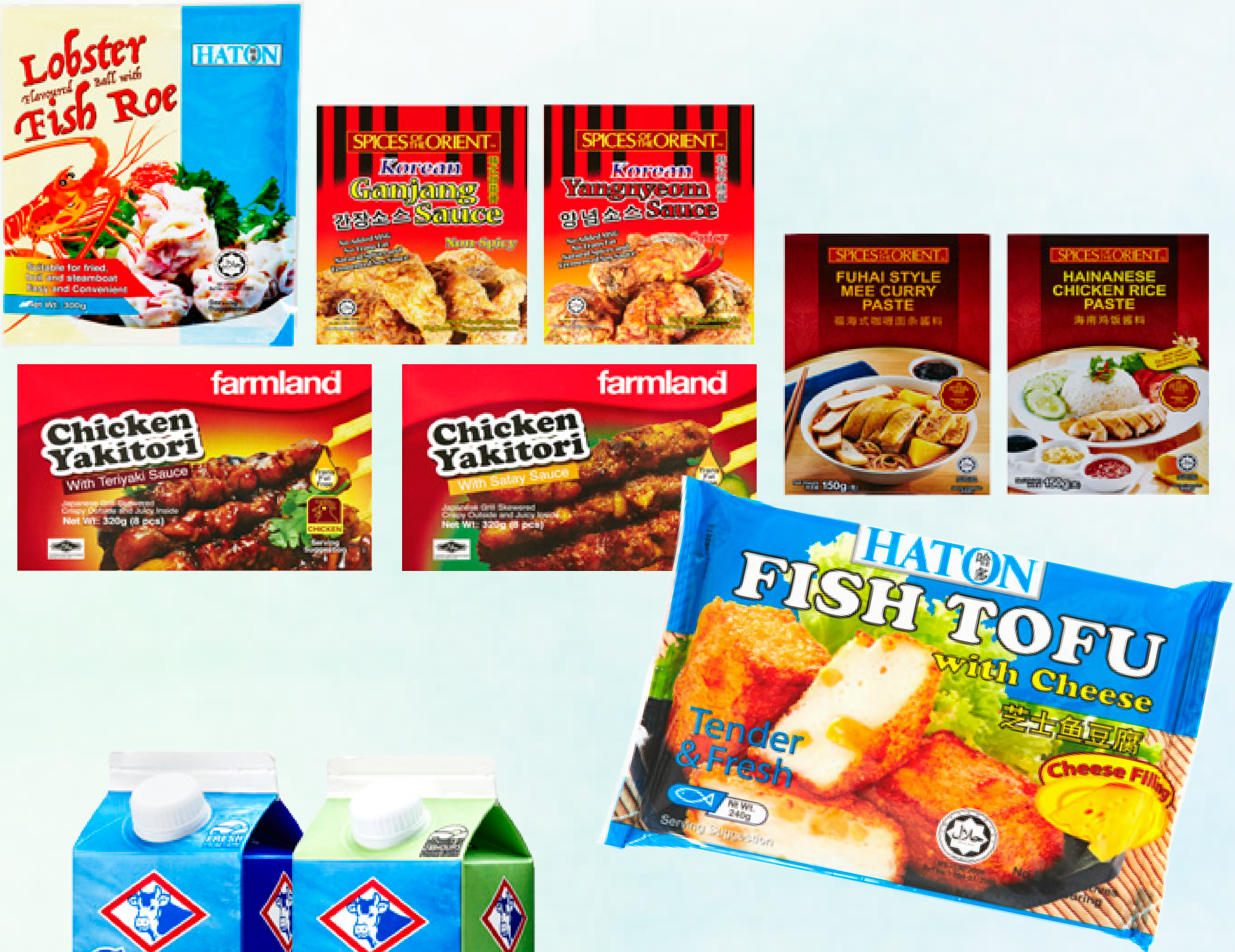
Ben Foods (S) Pte Ltd ('Ben Foods')
NCS Cold Stores (S) Pte Ltd

Ben Foods achieved growth in sales and profitability due mainly to lower raw material prices and increased export sales, particularly sales of Ben Foods' proprietary brands.

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 ships.

Ben Foods' 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 products are exported regionally to the Philippines, Vietnam, Cambodia, Myanmar, Macau, China, Malaysia, Bangladesh and Brunei.

During the year, Ben Foods expanded its proprietary brand portfolio with the introduction of several new products. Under its dairy range, Ben Foods launched Cowhead 100% Fresh Milk (Full Cream and Low Fat). To complement the Cowhead range of cheeses, Ben Foods added 4 new products: Grated Parmesan, Parmesan Wedge, Shredded Mozzarella and Mozzarella Pear.



NCS Cold Store is strategically located on some 27,000 sq. m. of land in Jurong, a five-minute drive from Jurong Port. It has a capacity for 14,000 pallets and provides customers with an efficient one-stop service with multi-temperature storage rooms, meat/fish processing rooms, office space, container plug-in services, cargo clearance and delivery services. NCS Cold Stores (S) Pte Ltd is HACCP Certified and a member of the International Association of Refrigerated Warehouses, USA, and the Seafood Industries Association, Singapore.

It 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's 16 cold rooms and 14 offices are leased to third-party tenants.

Corporate Social Responsibility

The QAF Group is a major food producer and manufacturer with businesses in bakery, primary production, and the trading and distribution of food products in Singapore, Malaysia, the Philippines, Australia and China.

We believe sustainable business practices will enhance the recognition and value of our brands.

Our corporate social responsibility initiatives include the promotion of healthy eating and lifestyles, support for society and the local community, conservation of the environment, and the development and welfare of our employees.

(A) PROMOTING HEALTHY EATING AND LIFESTYLES

We believe that our wide range of bakery products are value-for-money and cater to consumers' varying nutritional needs and tastes.

Our range of products includes bread with low Glycemic Index suitable for diabetics, bread fortified with L-carnitine to aid in weight management, bread containing Beta-Glucans to help lower cholesterol, bread with prebiotic properties, and bread made from Canadian purple wheat, an ingredient high in anti-oxidants.

In Singapore, Gardenia's Whole-grains range of high-fibre bakery products carries the Health Promotion Board's 'Healthier Choice Symbol' to help consumers make healthier food choices. Gardenia has been a partner of the Singapore Health Promotion Board since 1992.

Falls prevention awareness event organized by the Singapore Health Promotion Board.

Health promotion initiatives

Gardenia plays an active role in health promotion initiatives to spread the benefits of a healthy diet and lifestyle to the community. In 2016, Gardenia took part in the following initiatives:

- Falls prevention awareness events for the elderly in collaboration with the Singapore Health Promotion Board, Home Nursing Foundation and Tan Tock Seng Hospital.

- Health events in collaboration with the Singapore Heart Foundation to encourage the public to consume more fibre in their diet to reduce their risk of cardiovascular disease. Gardenia also supported World Heart Day 2016 by carrying the healthy heart diet message on the packaging of the Gardenia Fine Grain Wholemeal Bread.

Singapore Home Nursing Foundation Community Awareness Carnival.

World Heart Day 2016 event, Singapore.

Nutrition Month Malaysia 2016.

Participants of the Healthy Sandwich Workshop organised by the Ministry of Health, Malaysia.

- Two major health campaigns in Singapore, the ‘Eat, Drink, Shop Healthy’ campaign and ‘Healthy Lifestyle Festival SG’ campaign, to promote the importance of whole-grains in the daily diet.

- Nutrition Month Malaysia 2016 health carnival in partnership with the Nutrition Society of Malaysia, Malaysian Dietitians’ Association and the Malaysian Association for the Study of Obesity. Gardenia co-sponsored the carnival, which carried the theme, ‘Eat Right, Get Fit & Feel Great’.

- ‘Trim n Fit 2016’, a nation-wide 6-month program set up by the Ministry of Health, Malaysia and the Royal Malaysia Police to help police officers participating in the program to achieve their weight loss goals.

- Gardenia’s Corporate Wellness Movement program for households, market shoppers and office workers in the Philippines. Under the program, Gardenia’s Nutrition and Wellness team provided free nutrition counselling on health and wellness, diet prescriptions and bread samples to more than 80,000 office workers.

School health outreach

To take the message of healthy eating to the young, the following school outreach initiatives were undertaken in 2016:

- KidsWorld 2016, in partnership with Mummy's Market. Under the program, more than 20,000 primary school students in Singapore were taught the importance of eating a healthy breakfast through a ‘Healthy Habits Make Happy Kids’ school skit.

- Gardenia’s School Nutri-Tour program in the Philippines. The program featured a nutrition lecture, recipe demonstration, games and bread sampling, and benefitted more than 140,000 school students.

Recipe demonstration using Gardenia bread at the World Diabetes Day event, Singapore.

Prize–giving ceremony for the Gardenia Sandwich Making Competition at KidsWorld Fair, Singapore.

Corporate Social Responsibility

Gardenia's primary school outreach, Singapore.

Educational bread plant tours

As part of its outreach to the larger community, Gardenia provides free tours of its bread production facilities. Visitors learn the bread production process, listen to nutrition talks and sample Gardenia's products. During the year:

- More than 30,000 visitors, including students, youths and the elderly, visited the Gardenia plant in Singapore.
- In Malaysia, the Gardenia plant welcomed more than 40,000 visitors from all walks of life.
- In the Philippines, the Gardenia plant at Laguna played host to some 300,000 visitors.

(B) PRODUCT RESPONSIBILITY

We take steps to ensure that our products and production processes are safe, hygienic and nutritious, and comply with accepted specifications and government regulations.

- The Group maintains laboratories that focus on the development of new products, selection of the nutritional values of specific products, product shelf life testing and provision of technical inputs and equipment specification for new production equipment. The laboratories are responsible for the selection and testing of raw materials and ingredients, trial bakes, sensory evaluation, refining of nutritional values of products, establishment of production process parameters and product costing.

  They are also responsible for ensuring that new products and ingredients comply with local food legislation provisions, including labelling requirements, and initiating the Halal certification process. The laboratories are equipped to undertake bread quality assessment, packaging, and other Quality Control parameters, and for conducting basic microbiological testing. The Group's research and development division employs a total of 28 people, consisting of 15 professional staff, 8 laboratory technicians and 5 baking technologists.

- All our operations in Singapore, Malaysia, the Philippines and Australia meet the stringent requirements of the HACCP international certifications. HACCP certification instantly demonstrates to consumers our commitment to manufacture and control stringent food safety procedures in our products.
- The Gardenia operations in Singapore, Malaysia and the Philippines have attained ISO 9001:2008 food safety and quality control accreditations. In addition, all our Gardenia operations also comply with GMP hazard management procedures to ensure our products are consistently produced and controlled according to quality standards.
- In Singapore, Gardenia achieved Grade A status in the Food Safety Excellence Scheme under the Agri-Food & Veterinary Authority for the 21st consecutive year, in 2016. The award is a recognition of Gardenia's consistently high standards in food hygiene, sanitation and processing.
- In Australia, Rivalea possesses Export Registered Establishment, SQF 2000, Australian Animal Welfare Certification, Australian Industry Quality Assurance Program and FeedSafe accreditations, as well as accreditations with many of Australia's leading supermarket chains.
- Many of our products are 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 had taken a pro-active role to set up a special Internal Halal Committee to ensure that all requirements were stringently adhered to and every aspect of the Halal regulations was complied with. This initiative was taken before the introduction of the 'Halal' certification and logo in Malaysia, and reiterates Gardenia's commitment in serving its customers to the best of its ability.

- In Australia, Rivalea's team of food 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.

(C) COMMUNITIES IN NEED

We contribute our resources towards the welfare of the less fortunate through our support of various philanthropic, community and charitable causes. During the year, we supported the following causes:

- In Singapore, the Group supported Wild Rice, a local theatre company and registered charity that nurtures and develops local talent to build a distinctively Singaporean theatre culture.

  In collaboration with some of its customers, Ben Foods made donations to the Association for Persons with Special Needs. The Association helps to equip persons with mild intellectual disabilities with pre-vocational skills and work opportunities that will enable them to lead normal and independent lives.

  Gardenia collaborated with the Rotary Club of Singapore North to distribute heavily subsidized bread loaves to less fortunate families staying in the Teck Ghee area, on a weekly basis. In addition, Gardenia also distributed more than 100,000 complimentary loaves and buns to the needy in Singapore.

- In Malaysia, Gardenia donated more than 300,000 units of bakery products to various charitable causes. For the 4th year running, Gardenia donated fresh bakery products to schoolchildren from 320 underprivileged families. It also supported more than 65 charity homes with regular bread donations, an initiative it undertook since 1991.

  Gardenia's 'Bag-to-School' school bag distribution program also benefitted more than 500 families, with special attention given to abandoned and abused children, and children from single-parent families.

Teachers and students of Tadika Al-Amin show off their gaily decorated Gardenia Quick Bites muffins during the World Teachers' Day 2016 celebrations in Malaysia.

Children at SJK (C) Sam Yoke, Sungai Besi, Kuala Lumpur, receive free school bags under Gardenia's 'Bag-to-School' distribution program.

Corporate Social Responsibility

Almost 400 schoolchildren from Victoria Elementary School, Laguna, Philippines, take part in Gardenia's health advocacy and feeding program.

- In the Philippines, Gardenia supported 50 charities with regular bread donations, giving more than 10,000 loaves a week. In addition, Gardenia donated some 5,000 loaves a month to other worthy causes and organisations.

  During its annual 'I Shared Bread' charity campaign, Gardenia donated more than 10,000 loaves of bread to Habitat for Humanity Philippines, an international non-profit organization that seeks to serve families in need of decent housing.

  Gardenia partnered with the Philippine Red Cross and the Department of Education - Division of Laguna in a program to fight malnutrition in more than 10,000 public elementary schoolchildren. Gardenia hopes to be able to take the message of proper hygiene, nutrition and healthy lifestyle to more schools.

  Gardenia also continued its Nutrition Assistance Program, a one school-year bread feeding program that benefitted more than 1,700 undernourished public elementary students in Laguna, Bulacan, Tarlac and Cebu. Under the program, the nutritional status of the children and their performance in school were regularly monitored for signs of improvement.

- In Australia, Rivalea sponsored the Corowa Council's New Year's Eve 2016 Children's Fireworks Display. It also made monetary donations to the Amaranth Foundation, for the 5th year running. The Amaranth Foundation provides therapeutic and psychosocial support for people coping with advanced chronic and terminal illness.

  Rivalea also made donations to Corowa Pre School, towards the school fees of children from disadvantaged backgrounds, and to the Wahgunyah Country Fire Authority, a volunteer and community-based fire and emergency service.

  Bakers Maison collaborated with Mission Providence to develop a short training course for the unemployed, with successful candidates being offered employment at Bakers Maison. Mission Providence is a government-owned agency that helps unemployed people up-skill and re-enter the work force.

  Bakers Maison also partnered with 'Youth Off The Streets' in an educational sponsorship program that provides the necessary financial support to see a student through his studies, to his chosen career path. 'Youth Off The Streets' is a community organisation that helps disadvantaged young people get back on their feet.

  Bakers Maison also continued to support Foodbank with product donations. Foodbank is a central distributor of food items to charities in New South Wales.

Responding to calamities and disaster relief efforts

During the year, Gardenia distributed bread to over 2,000 families in the Philippines who were victims of fires under its Response Agad (Quick Response) for Fire Victims program. The program is a partnership established between the Rotary Club Alabang and Gardenia.

Supporting government-initiated consumer programs

In 2016, Gardenia continued its support of the Diskwento Caravan programs in Rizal, Parañaque, Pasay, Makati, Mandaluyong, Albay and Pampanga, Philippines. The program is an initiative between the Department of Trade and Industry and local food manufacturing companies to sell goods and basic commodities at discounted prices.

Transforming lives through sponsorships of underprivileged children

We bring hope and cheer into the lives of underprivileged children.

In the Philippines, Gardenia celebrates Beneficiaries' Day each year with children from selected charities and foundations. In 2016, Gardenia invited more than 100 children from three charitable institutions to celebrate Beneficiaries' Day at its Laguna bread plant. The children were from the SOS Children's Village in Alabang, Fishgate Foundation in Cavite, and Bantay Bata 163 in Calauan, Laguna. The children were taken on a tour of the plant before they enjoyed the fun-filled games and activities specially planned for them.

Gardenia helps to fight malnutrition in schoolchildren through a partnership program with the Philippine Red Cross and Department of Education - Division of Laguna.

(D) COMMUNITY INVOLVEMENT

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

- In Singapore, Gardenia partnered with the Singapore Kindness Movement ('SKM') for the 12th year to promote SKM's Kindness message, 'Kindness. It is up to us'.

  Gardenia promoted the Kindness message on the bread packaging of the Gardenia Fruit & Nut Loaf and Gardenia California Raisin Loaf. The bread loaves were sold at more than 3,000 retail outlets, reaching out to thousands of households across Singapore. Gardenia also supported SKM's digital campaign on YouTube through product sponsorships.

- In Australia, Bakers Maison supports local farmers with donations of edible waste from production, and discontinued products with a short shelf life. The products are mixed with grains and recycled into animal feed.

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 tertiary institutions like Temasek Polytechnic, Nanyang Polytechnic and the Institute of Technical Education to provide industrial attachment opportunities to selected students pursuing food science and other related studies. These attachments enable students to acquire real-life working experience in the bakery industry.

- In Malaysia, undergraduate students are given an opportunity to undertake work experience at Gardenia.

- In Australia, local high school and university students can gain work experience in Rivalea's production facilities and participate in key research projects. This initiative has often led to students becoming valued future employees.

  Rivalea also offers a Graduate program with an 18-month rotation scheme to enable new graduates to experience different areas of the business. The program helps to develop a cross-skilled, knowledgeable workforce.

Corporate Social Responsibility

(E) ENVIRONMENT

We take measures to optimise our operations to be more sustainable.

- In Singapore, NCS Cold Stores (S) Pte Ltd uses a National Environment Agency ('NEA') licensed pest control company to maintain the pest-free status of its cold store, and a NEA-accredited trade affluent service company to dispose of trade affluent on a regular basis.
- In Australia, Bakers Maison purchases from environmentally friendly and sustainable sources. Bakers Maison also helps to reduce waste in landfills by enabling farmers to utilise the edible waste from its bakery to be recycled into animal feed.

Environmental Management System

- In Australia, Rivalea is committed to the continuous improvement of all environmental aspects of its operations, and continues to work towards a comprehensive Environmental Management System.
- Rivalea constantly reviews its incident response management plans. Staff training, hazard identification and risk assessments form key parts of this plan. This approach ensures that Rivalea is well prepared to mitigate and respond to any potential incidents should they arise.

Recovering nutrients and water from waste

To meet its environmental and sustainability objectives, Rivalea recovers nutrients and water from its farming operations. Its farm at Corowa uses treated waste water to grow crops, which are either used in its operations, or sold to other primary production users. It also processes co-products into other products, such as compost.

Community environmental meetings

We keep our neighbours informed of our operations through community environmental meetings.

- In Malaysia, Gardenia takes a pro-active approach to maintaining open lines of communication with the community heads of the locations where it has production facilities. This has led to close relationships and better understanding within the communities and has contributed positively to Gardenia's image.
- In Australia, Rivalea holds regular community meetings to discuss environmental matters and updates the community on operational impacts at its sites.

Biogas to energy

Rivalea is focused on reducing emissions and has taken steps to contribute to global carbon emissions reduction.

- Rivalea has two biogas facilities that capture and burn methane, reducing its impact on global warming. In 2016, the biogas facilities enabled Rivalea to deliver its first tranche of 22,000 tonnes of Australian Carbon Credit Units under a seven-year contract with the Australian Government.
- Rivalea is currently constructing a 500kW biogas generator at its Corowa farm. When commissioned in 2017, the generator will have the capacity to supply around 25% of site power requirements, further offsetting emissions associated with grid electricity.

Rivalea's biogas facility at Corowa.

Energy saving projects

We have undertaken measures to use cleaner and more cost-efficient energy sources.

- In Singapore, Gardenia uses natural gas for most of its ovens.

- In Malaysia, Gardenia uses electrical-powered steam generators in its plants. During the year, the halogen lights on the production floors were replaced with LED high-efficiency lights to lower energy consumption costs.

- In the Philippines, Gardenia strictly implements recycling and waste segregation guidelines in its plant operations. It uses LPG 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 uses natural gas, instead of electricity, in its ovens. Its new factory building has been designed to maximize the use of renewable energy sources. Over 1,000 sq. m. of solar panels will be fitted to the roof to deliver an extra 166kW of electricity. The building will also be installed with energy-efficient LED and sensor-activated lighting.

Initiatives to reduce the use of plastic shopping bags

Gardenia actively encourages consumers to reduce the use of plastic bags. During the year, it gave away more than 200,000 reusable shopping bags and sandwich boxes at various retail outlets in Singapore. The reusable shopping bags are also sold in Gardenia's vending machines.

Animal Welfare

Rivalea is committed to caring for every animal, every day. This means a commitment to the respectful and humane treatment of all animals is maintained throughout their entire life cycle.

- Rivalea breeds and raises animals within systems that deliver high standards of animal welfare, and is implementing systems and living environments that offer enhanced welfare.

Rivalea employees receive a Recognition Award for designing and implementing a successful environment improvement idea.

- In 2016, Rivalea updated their Animal Welfare Policy to reflect implementation of systems that enrich the lives of the animals. Rivalea also developed and launched an Animal Welfare Program devoted to recognising the contributions of people who strive to deliver high standards of welfare and are committed to continuous improvement in this area. The program has recognised 11 award winners, including one overall Annual Animal Welfare Champion.

- Rivalea is a proactive leader in welfare and is leading the Australian industry in the research and development of many aspects of animal welfare. With growing consumer awareness in the way animals are raised, Rivalea had embarked on a number of major programs. It removed all pregnant sow stalls and established two free range farming sites. Rivalea is developing loose farrowing pen systems and best practice systems for humane slaughter systems.

- Rivalea is amongst the largest private sector organisations in Australia in research directed towards enhanced welfare systems. The results and practical experiences we are gaining through this research is valuable to the industry. Rivalea works alongside industry bodies, universities and animal welfare groups to conduct research, produce recommendations and establish best practices.

Corporate Social Responsibility

(F) OUR PEOPLE

Our people are the key driving force behind our successes and achievements. The Group employs more than 6,000 people in Singapore, Malaysia, the Philippines, Australia and China.

Investing in training and education

We offer various career development programs that enable our employees to enhance their skills and capabilities and meet the changing needs of the business.

- The Gardenia operations in Singapore, Malaysia and the Philippines provide local and overseas training and exposure for employees.

- At Rivalea, employees have access to various training, development and career opportunities, including tertiary education. Rivalea has an in-house learning and development team, and is equipped with its own dedicated training facilities and tailored resources.

  In 2016, Rivalea supported 7 employees with bachelor and post-graduate studies, and over 100 employees with nationally-accredited qualifications. It also conducted many workshops, training sessions and courses. Rivalea supports employees who are studying, not only with financial assistance, but also by providing resources and access to its internal learning and development specialists, who are able to offer mentoring and advice.

  During the year, Rivalea delivered the 'Manager to Leader (M2L)' program, specifically designed to develop leadership skills in coaching, mentoring, emotional intelligence and communication.

Investing in occupational health and safety

We have implemented a number of initiatives to ensure the safety, health and well-being of our employees:

- In Australia, after a comprehensive review of all its safety related operations, Rivalea adopted a strategic approach to Workplace Health and Safety in 2016. All areas of the business contributed to the process, which is centred round the four key areas of systems and processes; ownership and engagement; key risks and compliance; and health and well-being.

  Rivalea expanded its 'Healthy Start' program, which is designed to encourage improved employee health and well-being. Its Health Champions support the program by being advocates for health and wellness, creating awareness programs, and providing hands-on assistance in running events throughout the year.

  Rivalea also introduced the use of an on-site physiotherapist to enable proactive management of injuries, as well as facilitate treatment and stay-at-work and early return-to-work programs. This program not only had a positive impact on Rivalea's employees, but has also reduced Workers Compensation costs.

  During the year, Rivalea supported 'R U OK?' Day, a campaign to remind people to 'check in' with their family, friends and work mates and ask the question "R U OK?" RUOK is a suicide prevention charity that reminds people that having meaningful conversations with mates and loved ones can save lives.

- In 2016, Bakers Maison kick-started its staff wellness program by engaging a medical practitioner to come on-site to provide free influenza vaccinations for all interested employees.

Rivalea supports R U OK, a suicide prevention charity in Australia.

An employee of Bakers Maison getting a free influenza vaccination.

As part of Safe Work Month in October 2016, Bakers Maison held a social event at which a range of different potential hazards in the workplace were highlighted to the staff to raise an increased awareness amongst employees and promote safe working practices.

Investing in family work-life balance

We value the importance of family bonds and strive to provide a caring and family-oriented work environment that promotes family time and work-life balance.

- In Singapore, Gardenia provides complimentary transportation, meals, and a loaf of fresh bread daily to all employees to help to defray the costs of living. The free daily transportation also helps cut down on travelling time for employees, allowing them to spend more time with their families.

  Gardenia's complimentary meals include healthy salads, fruits and vegetables. The communal dining in its in-house cafeteria enables employees to bond with fellow colleagues from different departments during meal times.

  To encourage employees to consume more whole-grains, complimentary wholemeal loaves are also distributed every Friday. On special occasions, speciality loaves like the premium Gardenia Fruit & Nut Loaf are given to all employees.

  Employees and their families also enjoy benefits such as free corporate admission passes to the Singapore Zoo and River Safari. Specially-packed mini-hampers are given to employees every year to celebrate Singapore's National Day, and also to employees who welcome the birth of a new born into their family.

- In Malaysia, in addition to free daily transportation and complimentary meals, Gardenia organises four plant tours a year for employees and their families. The tours encourage family bonding and give family members a better understanding of the working environment of their loved ones.

  Gardenia also maintains a staff welfare fund to provide financial assistance to families of deceased employees, and employees who are victims of natural disasters.

Employees of Gardenia distribute bread to needy families in Singapore during World Bread Day 2016.

Corporate Social Responsibility

- In the Philippines, Gardenia provides programs and activities that focus on the welfare and development of its employees. Its popular annual Wellness Week, a week-long health and wellness campaign for employees, is now held quarterly instead of twice a year. Gardenia's annual family plant tour takes place every summer. The visits have proven to be a morale booster for the staff.

- In Australia, Rivalea funds an Employee Assistance Program that provides confidential and free support and counselling on a wide range of personal matters for employees and their family members.

  Christmas is a time for family and Rivalea supports its staff with assistance in holding social events across the festive season, including Children's Christmas parties at its various farm sites.

Diversity

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

- In Malaysia, Gardenia takes pride in understanding the diversity of each ethnic group and ensures that each group is given due respect and appreciation.

- In Australia, Rivalea's Equality Committee represents the interests of all its employees.

Employees of Gardenia, together with volunteers from Project Awareness, distribute loaves to the elderly during World Bread Day 2016 in Singapore.

  At Bakers Maison, employees from 30 countries came together in 2016 to celebrate Harmony Day, a celebration of Australia's cultural diversity. Employees brought a dish from their home countries to share with their colleagues and were encouraged to wear something that represented their country.

Promoting staff volunteerism for a good cause

We believe that helping others contributes towards living a fulfilling and enriching life. During the year, our employees took part in the following activities:

- In Singapore, Gardenia employees volunteered to distribute 1,000 loaves of Gardenia wholemeal bread to needy families living in the Beach Road

Bakers Maison's employees from 30 countries, celebrate Harmony Day in Australia.

Gardenia volunteers plant 2,000 seedlings in Cavinti, Laguna, Philippines, as part of their environmental protection and conservation activities.

and North Bridge Road areas. The loaves had been pledged by the online community in celebration of World Bread Day 2016.

- In the Philippines, many Gardenia employees voluntarily donate blood and make donations to victims of flash floods through the Philippine Red Cross, on a regular basis. In celebration of National Blood Donors' Month 2016, Gardenia Bakeries (Philippines) Inc was awarded the '8 Years of Service Award' by the Philippine Red Cross in recognition of its support and contribution in the promotion of voluntary, non-remunerated blood donation and untiring mobilization of blood donors in the conduct of Mobile Blood Donation for the last eight consecutive years.

  Sixty Gardenia employees initiated a tree-planting event and planted 2,000 tree seedlings in Cavinti, Laguna. The exercise encouraged teamwork, one of Gardenia's core values, and provided employees with a shared, memorable experience.

  Gardenia staff volunteers also took part in a community outreach activity with the children of Bahay Tuluyan ng mga Bata in Dasmarinas, Cavite, a residential facility for sexually-abused children, the indigent families in Brgy. Manaol, Nagcarlan, Laguna and the less fortunate students of Pulong Mindanao Elementary School, Sta. Maria, Laguna.

- In Australia, Bakers Maison employees participated in a team-building activity to support Variety – the Children's Charity of Australia. Variety provides vital equipment and services for children who are sick, disadvantaged, or have special needs, helping them to live life to the fullest. In celebration of We Care Day 2016, Bakers Maison employees also chipped in to make a monetary donation towards the work of 'Youth Off The Streets'.

Bakers Maison employees in a team-building activity to collect items for Variety – the Children's Charity of Australia.

Our Brands

Corporate Governance Report

(as at 10 March 2017)

QAF Limited (**"QAF"** or the **"Company"**) recognizes the importance of good corporate governance practices. This report sets out the Company's corporate governance practices in relation to the financial year ended 31 December 2016 with reference to the principles of the Code of Corporate Governance 2012 (**"Code 2012"**). Where the Company's practices deviate from the recommendations under the Code 2012, the Company's position is explained in this report.

Principle 1 : The Board's Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

(1) The Board of Directors of QAF (**"Board"**) is responsible for overall corporate governance, strategic direction and formulation of broad 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 oversight in the proper conduct of the Group's business.

The functions of the Board are either carried out by the Board or delegated to various Board Committees, namely, the Audit, Nominating and Remuneration Committees. Each Committee has the authority to examine issues relevant to its terms of reference and to make recommendations to the Board for consideration. In addition, in January 2017, for greater efficiency, the Board formed an Executive Committee (**"Exco"**) comprising four Directors, namely, Mr Andree Halim, Mr Lin Kejian, Mr Goh Kian Hwee and Mr Tan Teck Huat. The Exco is responsible for the overall management of the operations and affairs of the Company and has overall oversight of the operations and affairs of its subsidiaries and associated companies and joint ventures in which the Group has an interest, save for interested person transactions, transactions which constitute major transactions under Chapter 10 of the Listing Manual of the Singapore Exchange Securities and Trading Limited (**"SGX-ST"**) and any matter which the Exco considers to be material for deliberation by the Board. The Exco will report to the Board on significant decisions relating to the Group on a quarterly basis.

(2) The Board conducts regularly scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. For the financial year ended 31 December 2016 (**"FY2016"**), the attendance of the Directors of the Company at meetings of the Board and Board Committees is summarized as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Didi Dawis	4	4	NA	NA	NA	NA	1	1
Andree Halim	4	4	NA	NA	1	1	1	1
Lin Kejian	4	4	NA	NA	NA	NA	NA	NA
Goh Kian Hwee	4	4	NA	NA	NA	NA	NA	NA
Tan Teck Huat	4	4	4	4	1	1	1	1
Tan Hang Huat	4	3	NA	NA	NA	NA	NA	NA
Teng Tien Eng Moses	4	4	NA	NA	NA	NA	NA	NA
Gianto Gunara	4	3	NA	NA	NA	NA	NA	NA
Choo Kok Kiong	4	4	NA	NA	NA	NA	NA	NA
Triono J. Dawis	4	4	NA	NA	NA	NA	NA	NA
Lee Kwong Foo Edward	4	4	4	4	NA	NA	1	1

Corporate Governance Report

(as at 10 March 2017)

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Dawn Pamela Lum	4	4	4	4	1	1	1	1
Tan Kong King[1]	4	4	NA	NA	NA	NA	NA	NA
Tarn Teh Chuen[1]	4	4	NA	NA	NA	NA	NA	NA
Soh Gim Teik[2]	4	2	4	2	NA	NA	NA	NA
Soh Chung Hian[2]	4	2	NA	NA	NA	NA	NA	NA
Siau Kai Bing[2]	4	2	NA	NA	NA	NA	NA	NA

[1] *Mr Tan Kong King and Ms Tarn Teh Chuen ceased to be Directors of the Company with effect from 31 December 2016.*

[2] *Mr Soh Gim Teik, Mr Soh Chung Hian and Mr Siau Kai Bing ceased to be Directors of the Company with effect from 29 April 2016.*

The Constitution of the Company permits the Board to conduct meetings by telephone, conference television or any other form of audio or audio-visual communication. The Board may also make decisions by way of circulating resolutions in writing. When circumstances require, Board members may exchange views outside the formal environment of Board meetings.

(3) Newly appointed Directors in FY2016 were given briefings and orientation to familiarize them with the business and operations of the Group, including the opportunity to visit key operations of the Group. Newly-appointed Directors are each furnished with a formal letter including a handbook to brief them on their general duties and obligations. During FY2016, two new directors, Ms Dawn Pamela Lum and Mr Tan Teck Huat were appointed.

The Company encourages and funds the Directors to attend training programmes or seminars on areas relevant to the duties of directors of a public-listed company such as those organised by the Singapore Institute of Directors and/or the SGX-ST. The Management (with the assistance of external professionals when necessary) furnishes the Directors with information concerning changes in laws, regulations or accounting standards where relevant. In addition, Directors are at liberty to request for further explanations, briefings or information as and when required.

Principle 2 : Board Composition and Balance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

(1) As at 31 December 2016, the Board comprised fourteen Directors, including Group Managing Director, Mr Tan Kong King, and executive Director, Ms Tarn Teh Chuen, who retired and/or resigned with effect from 31 December 2016. Of the fourteen Directors, five were independent Directors who constituted one-third of the Board, namely Mr Didi Dawis, Mr Triono J. Dawis, Mr Lee Kwong Foo Edward, Ms Dawn Pamela Lum and Mr Tan Teck Huat.

On 1 January 2017, Mr Lin Kejian and Mr Goh Kian Hwee each assumed the position of Joint Group Managing Director. Also on 1 January 2017, (a) Mr Tan Teck Huat, who was an independent non-executive Director of the Company, became an executive non-independent Director when he assumed the role of Finance Director; and (b) Ms Ong Wui Leng Linda was appointed independent non-executive Director. The Board therefore currently consists of thirteen Directors of whom five are independent Directors, representing not less than one-third of the Board. Out of the thirteen Directors, three are executive Directors and the rest are non-executive Directors.

Corporate Governance Report

(as at 10 March 2017)

(2) The independence of each Director is reviewed annually by the Nominating Committee. In its deliberation on the independence of Directors in FY2016, the Nominating Committee took into account the Code 2012's definition of relationships and each independent Director's confirmation of his or her independence based on the guidelines in the Code 2012.

The Nominating Committee determined that notwithstanding that Mr Didi Dawis has served on the Board for more than nine years, Mr Didi Dawis may continue to be regarded as independent given that he has demonstrated strong independence in character and judgement in the discharge of his responsibilities as a Director of the Company. Mr Didi Dawis has no affiliations or business relationships with the Company or its subsidiaries. He has confirmed to the Company, *inter-alia*, that he has a shareholding interest of 8.52% (being less than 10%) in the Company, that he is not associated with a 10% (or more) shareholder of the Company and does not have any relationships or circumstances which are likely to, or could appear to, interfere with the exercise of his independent business judgement in carrying out his functions as an independent Director and as a member of any Board Committee.

In FY2016, the Nominating Committee also reviewed the non-independent status of Mr Triono J. Dawis, a non-executive Director. The Nominating Committee considered that Mr Triono J. Dawis may be regarded as an independent Director of the Company for the purposes of Principle 2 of the Code 2012. The Nominating Committee took into account the fact that whilst he had previously been employed by the Company, his employment ceased in December 2012 and therefore he had not held employment with the Group for more than three financial years.

(3) One Director will not be seeking re-election at the Annual General Meeting of the Company ("**AGM**") to be held on 24 April 2017. Following the AGM therefore, the Board will be reduced to twelve Directors (of which five are independent Directors). The Board is of the view that such a board size would be 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 (including two female directors) and experience, ranging from accounting, finance, regulatory and legal expertise to entrepreneurial business skills and regional investment experience, which are essential and/or valuable to the decision-making and direction setting of the Group.

Principle 3 : Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles of Chairman and the chief executive officer in the Company are separate. Mr Didi Dawis is the Chairman of the Board and is an independent non-executive Director. Mr Lin Kejian and Mr Goh Kian Hwee are the Joint Group Managing Directors and they are not related to Mr Didi Dawis.

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 adequate and timely information; and facilitate the effective contribution of the non-executive Directors. The Joint Group Managing Directors are responsible for the leadership and overall management of the affairs of the Company and overall oversight of the Group and are tasked to set strategic objectives and implement strategies to achieve the long-term growth of the Group.

The non-executive Directors communicate as and when necessary without the presence of Management. They review and provide feedback to the Management of their views on the performance of the Management and the Group, from time to time. The independent Directors of the Company may communicate 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.

Corporate Governance Report

(as at 10 March 2017)

Principle 4 : Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

(1) During FY2016, the Nominating Committee was reconstituted in February 2016 to comprise Ms Dawn Pamela Lum (as chairman), Mr Andree Halim and Mr Tan Teck Huat, the majority of whom (including the chairman) were independent Directors.

Following further reconstitution of the Nominating Committee on 1 January 2017, the Nominating Committee currently consists of Ms Dawn Pamela Lum (as chairman), Mr Andree Halim and Ms Ong Wui Leng Linda. A majority of the members of the current Nominating Committee is therefore made up of independent Directors, including the chairman.

(2) Under its terms of reference, the Nominating Committee is empowered, *inter-alia*, to set up and implement procedures to facilitate a formal and transparent process for the appointment of new directors.

As part of the selection process for the appointment of new directors, the Nominating Committee reviews the composition of the Board, taking into account the need to refresh Board membership progressively, the requirement under the Code 2012 for independent directors and the need for diversity in gender, skills, experience and expertise so as to enhance the Board's effectiveness. The Nominating Committee normally identifies and searches for candidates through various contacts and recommendations (including proposals and recommendations of substantial shareholders and Board members) and reviews the suitability of candidates with reference to the appropriate characteristics, skills and experience of the candidates. The Nominating Committee's recommendation is subject to the Board's approval.

(3) In addition, the Nominating Committee is empowered by its terms of reference to decide on the re-appointment of Directors who are subject to retirement by rotation. The Company's Constitution requires one-third of the Board (other than specified exceptions) to retire by rotation at every AGM or where the number is not three or a multiple of three, the number nearest to one-third, provided that there shall be retirement from office at least once every three years. New Directors who are appointed by the Board of Directors shall only hold office till, and shall be eligible for re-election at, the next AGM of the Company held after their initial appointment.

In deciding the Directors who were to stand for re-election at the AGM in FY2016, the Nominating Committee assessed and evaluated the contribution of each Director to the effectiveness of the Board. The review parameters for evaluating each Director included attendance at board/committee meetings, preparedness and participation at board/committee meetings, professional skills and experience in a given field relevant to management or operation of the business, knowledge of the business environment in which the Group operates, entrepreneurial business skills or regional investment experience.

(4) In reviewing whether Directors with other board representations were able to spend sufficient time and attention on the Company's affairs, the Nominating Committee took into consideration the parameters as described in paragraph (3) above. The Board took the view that there is no necessity to set a maximum number of listed company directorships each Director may hold, as such other board representations had not compromised any of the relevant Directors' ability to carry out and discharge his duties adequately.

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(as at 10 March 2017)

(5) The Nominating Committee reviews annually, and as and when circumstances require, as to whether there is a change to the independent status previously accorded to the relevant Directors taking into account the guidelines as set out in the Code 2012. Please refer to paragraph (2) in the section entitled "Principle 2: Board Composition and Balance" in this Corporate Governance Report for the review undertaken by the Nominating Committee for FY2016.

The Nominating Committee is also responsible for identifying the training needs of the Board members, with the objective of ensuring that Directors are kept abreast of regulatory and legislative developments and changes across the key markets on a continuing basis.

No alternate Director was appointed to the Board in FY2016.

Principle 5 : Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

(1) The Nominating Committee has in place an annual evaluation for the Board as a whole and for FY2016 adopted a set of performance criteria consistent with the past financial years.

(2) 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 its review in FY2016, the Nominating Committee gave consideration to the financial performance of the Group including revenue growth, returns to shareholders and general comparison with industry peers; the business opportunity and growth potential 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 formed part of the bases upon which the effectiveness of the Board as a whole was assessed.

(3) The Nominating Committee also undertakes an annual evaluation of individual Directors and, where applicable, their performance as a committee member and, in FY2016, adopted the specific performance criteria set out under Principle 4 paragraph (3).

The current Management of the Company is looking at areas of improvement including in relation to the evaluation process.

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(as at 10 March 2017)

Principle 6 : Access to Information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

(1) The Management provides Board members with monthly management accounts relating to the Group and quarterly updates. 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 supply the Board with papers containing 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 have a better understanding of the issues to be considered at Board meetings and to facilitate discussion at such meetings.

(2) The Directors have separate and independent access to the Company Secretary. The Company Secretary attends all Board and Committee meetings and her responsibilities include checking that board procedures are followed, that applicable rules and regulations are complied with and that minutes of meetings are fairly recorded.

The Company Secretary is also tasked with co-ordinating 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. The Constitution of the Company provides that the Company Secretary shall be appointed and may be removed by the Directors.

(3) If Directors, whether as a group or individually, in furtherance of their duties need independent professional advice, assistance is available to assist them in obtaining such advice at the Company's expense.

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

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

(1) During FY2016, the Remuneration Committee was reconstituted on 12 February 2016 to consist of Ms Dawn Pamela Lum (as chairman), Mr Didi Dawis, Mr Andree Halim, Mr Lee Kwong Foo Edward and Mr Tan Teck Huat, all of whom were non-executive Directors, and the majority of whom, including the chairman, were independent Directors.

Following further reconstitution on 1 January 2017, the Remuneration Committee currently consists of Ms Dawn Pamela Lum (as chairman), Mr Didi Dawis, Mr Andree Halim and Mr Lee Kwong Foo Edward, the majority of whom, including the chairman, are independent Directors.

The Remuneration Committee is encouraged to seek external professional advice whenever it deems necessary.

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(as at 10 March 2017)

(2) The Remuneration Committee is delegated the task of reviewing the remuneration packages of the executive Directors with objective of ensuring 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. In respect of any applicable executive Directors, the Remuneration Committee reviews such person's remuneration annually and determines appropriate adjustments. For FY2016, the Remuneration Committee determined that the factors to be taken into account for this purpose include the individual performance and contribution of the executive Director to the performance of the Group, the revenue growth and profit performance of the Group, the prevailing market pay for the equivalent position and industry norm. Executive Directors receive remuneration as employees and do not receive directors' fees. Any Director who has an interest in the matter in question is required to abstain from participating in the decision-making.

The Remuneration Committee's terms of reference include the review of service contracts to be entered into between an executive Director and the Company including the provisions relating to the duration of appointment and early termination, to ascertain that such service contracts do not provide for excessively long periods of employment or onerous removal clauses. In FY2016, the Company had three executive Directors, namely, Mr Tan Kong King, Mr Lin Kejian and Ms Tarn Teh Chuen. Mr Lin Kejian, the then Deputy Group Managing Director, had elected not to receive any remuneration. The Board reviewed the remuneration, including bonus, of Ms Tarn Teh Chuen, whose remuneration package was based on a fixed base salary and discretionary bonus. Ms Tarn resigned as an executive in October 2016 and resigned as a Director with effect from 31 December 2016. In recognition of her long service with the Company and in line with the objective of facilitating smooth succession, rewarding and motivating deserving executives in recognition of their contributions to the Group and promoting a strong sense of commitment to the Group amongst executives with a view to their retention, the Board determined that Ms Tarn be paid for her past services an amount of approximately S$455,000. The Board determined that Mr Tan Kong King, who resigned and retired as Group Managing Director with effect from 31 December 2016, be paid for his past services an amount of approximately S$686,000, taking into account three months' remuneration for 2017.

(3) The remuneration programme for the key executives of the Group (other than the executive Directors) is primarily set by the respective chief executives of each operating subsidiary. The Group's policy as adopted by the respective chief executives is to set a level of remuneration that is appropriate to attract, retain and motivate 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. The remuneration for key executives is reviewed annually at the end of each financial year and annual appraisals and adjustments are made taking into account the performance of the Group and/or of the relevant subsidiary, the prevailing market pay, the seniority and level of responsibilities of the individual as well as his/her performance. The respective chief executives' annual appraisal and proposed adjustments are followed by appraisal and review of the Group Managing Director(s) and the Remuneration Committee.

In relation to long-term incentive schemes for executives, the Company does not presently have any employees' share incentive plan. It previously had an employee share option scheme, which is no longer in force.

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(as at 10 March 2017)

(4) 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, Nominating and Remuneration Committees. Such fees are subject to approval by the shareholders of the Company as a lump sum payment at each AGM of the Company. In the interest of maintaining the objectivity and independence of the non-executive Directors, the Company applied 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 capitalization.

The Company did not have contractual provisions to reclaim incentive components of remuneration from FY2016 executive Directors and key executives in exceptional cases of mis-statement of financial results or of misconduct resulting in financial loss to the Company. The executive Directors owe a fiduciary duty to the Company and the Company considered that it should be able to avail itself to remedies against the executive Directors in the event of breach of their fiduciary duties.

Principle 9 : Disclosure on Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide the disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

(1) The following tables provide information on the breakdown of executive Directors' remuneration and non-executive Directors' fees for FY2016:

(a) Table setting out breakdown of the executive Directors' remuneration (in percentage terms) for FY2016:

Total Remuneration[1]	Salary	Bonus	Other Benefits[2]	Total
S$3,097,000 Tan Kong King	65.6%	32.7%	1.7%	100%
S$786,000 Tarn Teh Chuen	74.8%	21.9%	3.3%	100%
Nil Lin Kejian[3]	–	–	–	–

[1] *Rounded to the nearest thousand*

[2] *Excluding share options (as disclosed in the Directors' Statement) or any gains where such options are exercised but includes employer's CPF contribution, car allowances and, where applicable, insurance.*

[3] *Mr Lin Kejian was the Deputy Group Managing Director in FY2016. He elected not to receive remuneration.*

Corporate Governance Report

(as at 10 March 2017)

(b) Table setting out the fees payable to the non-executive Directors of the Company who had served in FY2016, subject to the approval of Shareholders at the AGM:

Name of Director		Director's Fees
Didi Dawis	Chairman of the Board Member of Remuneration Committee	$75,000
Andree Halim	Vice-Chairman of the Board Member of Nominating Committee Member of Remuneration Committee (12.2.2016 – 31.12.2016)	$58,125
Soh Chung Hian	Member of the Board (1.1.2016 – 29.4.2016) Chairman of Audit Committee (1.1.2016 – 11.2.2016) Member of Remuneration Committee (1.1.2016 – 11.2.2016)	$15,625
Soh Gim Teik	Member of the Board (1.1.2016 – 29.4.2016) Member of Audit Committee (1.1.2016 – 29.4.2016) Member of Nominating Committee (1.1.2016 – 11.2.2016)	$18,542
Siau Kai Bing	Member of the Board (1.1.2016 – 29.4.2016) Member of Audit Committee (1.1.2016 – 11.2.2016)	$12,500
Goh Kian Hwee	Member of the Board Member of Audit Committee (1.1.2016 – 11.2.2016) Chairman of Nominating Committee (1.1.2016 – 11.2.2016)	$35,000
Tan Teck Huat	Member of the Board (12.2.2016 – 31.12.2016) Chairman of Audit Committee (12.2.2016 – 31.12.2016) Member of Nominating Committee (12.2.2016 – 31.12.2016) Member of Remuneration Committee (12.2.2016 – 31.12.2016) Additional fees (additional duties undertaken in FY2016 as Audit Committee Chairman)	$100,000
Dawn Pamela Lum	Member of the Board (12.2.2016 – 31.12.2016) Member of Audit Committee (12.2.2016 – 31.12.2016) Chairman of Nominating Committee (12.2.2016 – 31.12.2016) Chairman of Remuneration Committee (12.2.2016 – 31.12.2016) Additional fees (additional duties undertaken in FY2016 as Chairman of Nominating and Remuneration Committees)	$100,000
Lee Kwong Foo Edward	Member of the Board Member of Audit Committee Chairman of Remuneration Committee (1.1.2016 – 11.2.2016) Member of Remuneration Committee (12.2.2016 – 31.12.2016)	$65,625
Tan Hang Huat	Member of the Board	$30,000
Teng Tien Eng Moses	Member of the Board	$30,000
Gianto Gunara	Member of the Board	$30,000
Choo Kok Kiong	Member of the Board	$30,000
Triono J. Dawis	Member of the Board	$30,000

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(2) The table below sets out the remuneration of the key executives of the Group (other than the Directors) for FY2016 in the following remuneration bands:

Number of the top 5 key executives in remuneration bands:-	
S$500,000 to S$750,000	1
S$250,000 to below S$500,000	4

The Board is of the view that given the sensitive and confidential nature of employees' remuneration and the competitive industry conditions, detailed disclosure on the top key executives of the Group (including their aggregate remuneration) is not in the 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 has however disclosed their remuneration in bands as set out above.

(3) In FY2016 the Group did not employ any immediate family member of a Director or the then Group Managing Director, and whose remuneration exceeded S$50,000. For information, the Company employed Mr Lin Kejian as the Deputy Group Managing Director in FY2016. Mr Lin Kejian is an immediate family member of Mr Andree Halim (the Vice-Chairman). Mr Lin Kejian had elected to receive no remuneration.

Principle 10 : Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

(1) The Board reviews and approves, *inter-alia*, the full year and quarterly financial results of the Group prior to their release on SGXNET. In presenting the annual financial statements and quarterly financial results announcements to shareholders and other price sensitive public reports and reports to regulators (if required), the Board recognizes that a balanced and understandable assessment of the Company's and the Group's performance, position and prospects should be presented.

(2) Shareholders are informed of the financial performance of the Group through quarterly results announcements and the various announcements made to SGX-ST via SGXNET. In line with the listing rules of the SGX-ST (Rule 705(5)), the Board provides a negative assurance statement to shareholders in its quarterly financial results announcements. The Board's statement is provided after receipt of letters of representation from various of the Group's senior executives. Management provides the Board with monthly management accounts relating to the Group.

Principles 11 to 13 : Risk Management & Internal Controls/Audit Committee /Internal Audit

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

*The Board should establish an Audit Committee ("**AC**") with written terms of reference which clearly set out its authority and duties.*

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

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(1) During FY2016, the Audit Committee was reconstituted on 12 February 2016 to consist of four non-executive independent Directors, namely Mr Tan Teck Huat (as chairman), Ms Dawn Pamela Lum, Mr Lee Kwong Foo Edward and Mr Soh Gim Teik. Mr Soh Gim Teik ceased to be a Director and member of the Audit Committee with effect from 29 April 2016.

The Audit Committee was further reconstituted on 1 January 2017 to consist of three non-executive independent Directors, namely Ms Ong Wui Leng Linda, Ms Dawn Pamela Lum and Mr Lee Kwong Foo Edward. The Board is of the view that they are appropriately qualified to discharge their responsibilities.

Mr Tan Teck Huat (who was the Audit Committee chairman from 12 February 2016 till 31 December 2016) was the chief financial officer of a major listed company for some 7 years. He has many years of working experience in major listed companies holding various positions in corporate development and communications, corporate finance, corporate treasury and accounting. The Company's current Audit Committee chairman, Ms Ong Wui Leng Linda, sits on the board of listed entities in Singapore and Hong Kong. She has spent more than 10 years in corporate banking and has many years of experience in corporate finance and management. Ms Dawn Pamela Lum has many years of working experience and had assumed key roles in the corporate and management functions, including being the group company secretary of a major listed company. Mr Lee Kwong Foo Edward has been a board member of other listed entities for several years and is conversant with the roles and responsibilities as director of a listed company.

(2) 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. 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 of the SGX-ST
- 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 on the adequacy and effectiveness of the internal controls and risk management system of the Group
- To review the periodic findings of the internal auditors and effectiveness of the internal audit function
- To set up and review (as may be necessary) a whistle-blowing policy for the Group.

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On an on-going basis, the Audit Committee is given updates by the Group Financial Controller and information and briefings are conducted by the external auditors on the changes to accounting standards and issues which have a direct impact on financial statements.

The Audit Committee is empowered by its terms of reference to investigate any matter relating to, amongst others, matters relating to the Group's financial statements, accounting, auditing and internal controls brought to its attention. It is also to be given full access to and the co-operation of the Management, including the internal auditors, and has full discretion to invite any Director and executive officer to attend its meetings.

(3) The Group has in place two suitably qualified internal auditors. The Head of Internal Audit is a member of the Institute of Singapore Chartered Accountants and the Institute of Internal Auditors. The internal auditors have unfettered access to all the Group's documents and may obtain all such relevant documents upon request to the relevant department. The Head of Internal Audit reports primarily to the chairman of the Audit Committee. The Audit Committee reviews and approves the annual internal audit plan proposed by the Head of Internal Audit. The internal auditors, like the external auditors, perform their work in accordance with the standards set by Institute of Internal Auditors and report independently their findings and recommendations to the Audit Committee in each Audit Committee meeting. On an annual basis, the Audit Committee will review the adequacy and effectiveness of the internal auditor team based on the annual internal audit plan in conjunction with the work performed by the internal auditors.

(4) The Board is overall responsible for the governance of risk. To assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies, 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. In addition, the Management had set up an operational and risk management committee to monitor control procedures and to supervise compliance of the Group's risk management framework and policies. The need for a separate Board risk committee to oversee the Company's risk management framework and policies will be reviewed in the current financial year.

The Audit Committee meets with the internal auditors at least four times a year. It also meets with the external auditors and internal auditors, without the presence of Management, at least once a year.

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Under the new Management, the Group has engaged an external consultant to assist the Group to formulate and/or formalize an enterprise risk management framework including a risk register, and to guide the Group in the implementation of such framework. The key categories of risks faced by the Group as at 31 December 2016 (which risks were considered by the Audit Committee after being identified by Management and reviewed by the external consultant) are summarized as follows:

Risk	
Competition	The inability to remain efficient and competitive is a key risk. The Bakery segment faces direct competition from local bakery chains as well as supermarket chain stores with their own "in-house" brands. The Primary Production division faces competition from cheap imports.
Fluctuating commodity prices	Fluctuation in flour prices affects the Bakery and the Trading and Logistics segments. The Primary Production segment is affected by the cost of grain and feed ingredients.
Changing regulations in environmental laws	The operations of the Primary Production segment are subject to onerous regulatory licensing which requires substantial maintenance and monitoring, and breach of such requirements and the attendant consequences is a risk faced by this segment.
Prolonged, adverse weather conditions	Extreme weather events can impact on production sites and raw material supply and cost of the Primary Production segment. Drought impacts the cost of grain and other feed ingredients.
Increasing cost of operations and distribution	Increase in costs of operations including labour, energy, transportation and distribution costs in relation to the Bakery and the Trading and Logistics segments, and increase processing and utilities costs in relation to the Primary Production segment.
Fluctuating foreign exchange rates	The Group operates within the Asia Pacific region and companies within the Group maintain their books and records in their respective measurement currencies. Fluctuations in the exchange rate between the measurement currency of the subsidiaries and Singapore dollars will therefore have an impact on the Group. In addition, the Group's subsidiaries' ingredient costs are correlated to movements in foreign currencies and are therefore impacted by fluctuations of these currencies.
Changing regulations in the meat industry	The Primary Production segment is regulated by numerous health and food safety organisations and subject to regulatory sanctions. In Australia, changes in these regulations will have an impact on the segment's cost and operations.
Food safety	These risks include products not satisfying product or food safety requirements and the contamination of ingredients due to non-compliance of product handling procedures.
Heath, safety and security	Lack of health, safety and security on the Group's facilities can lead to injuries to employees and the public, and may lead to lower productivity and higher cost.
Reputational damage from adverse publicity	With increasing use of social media, negative publicity published on social media and the inability to address the issues promptly and effectively can adversely affect the Group's business.

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Further, 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, to assess sufficiency of coverage in terms of the scope of audit. Audit findings and recommendations in respect of FY2016 were presented to the Audit Committee for discussion. The following key audit matters in respect of FY2016 were presented by the external auditor, Ernst & Young LLP ("**E&Y**"), to the Audit Committee for consideration and action:

Key audit matter	How Audit Committee reviewed these matters and what decisions were made
Reduction of shareholding in Gardenia Bakeries (K.L.) Sdn Bhd ("GBKL")	• An external valuer was appointed by QAF to perform the purchase price allocation for the remaining 50% stake in GBKL as at 31 March 2016. • AC considered and is satisfied with the approach and methodology applied to the valuation model in determining the fair value of the remaining 50% stake. • Based on the work performed, E&Y agreed that the gain on disposal of GBKL and the re-measurement gain on the retained interest were reasonably stated. • The re-measurement gain on the retained interest of GBKL was also a key area of focus for E&Y. This item was included as a key audit matter in its audit report for FY2016. Please refer to page 77 of this Annual Report.
Biological assets	• AC considered and is satisfied with the approach and methodology applied to the valuation model in assessing the fair value of biological assets of the Group comprising mainly progeny and breeder pigs ("livestock"). • The fair value assessment of the livestock was also an area of focus for E&Y. This item was included as a key audit matter in its audit report for FY2016. Please refer to pages 77 and 78 of this Annual Report.
Impairment assessment of long-lived assets	• AC considered and is satisfied with the approach and methodology applied to the valuation model in assessing whether the Group's assets may be impaired. • The impairment review of the assets was also an area of focus for E&Y. This item was included as a key audit matter in its audit report for FY2016. Please refer to page 78 of this Annual Report.

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(5) Prior to the annual re-appointment of the external auditor, the Audit Committee conducts a review of the independence of the external auditor. In doing so, the Audit Committee considers and reviews the amount of non-audit services provided to the Group by the external auditors and its affiliates and satisfies itself that the nature and extent of such services will not prejudice their independence and objectivity. The Audit Committee also takes into account the standard of work performed by the external auditor in the prior year before recommending the re-appointment of the external auditor.

No former partner or a director of the Group's existing auditing firm was appointed as a member of Audit Committee within 12 months commencing on the date of the relevant member ceasing to be a partner of the auditing firm, and in any case, for as long as he has any financial interest in the auditing firm.

The fees paid by the Group to the auditors for the audit and non-audit services in FY2016 amounted to approximately $781,000 and $239,000, respectively.

(6) The Company has in place a whistle-blowing policy 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 relevant subsidiary or the Company.

(7) The review of the Group's system of internal controls and risk management 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. Part of the Group's business is located in regional countries which are challenging control environments to operate in and where the laws and practices differ from those in Singapore. The system of internal controls and risk management is designed to provide reasonable, but not absolute, assurance as to financial, operational, information technology 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 including matters arising from human error, poor judgement in decision making, fraud or other irregularities. Current Management is looking at areas of improvement in particular, in information technology and compliance risks.

Based on the system of internal controls and risk management established and maintained by the Group, work performed by the internal and external auditors, consultants, reviews performed by Management and assurances received from Joint Group Managing Director, Finance Director, Group Financial Controller and the Head of Internal Audit of the Company, and having regard to the above, the Board (with the concurrence of the Audit Committee) is of the opinion that in respect of the FY2016:

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

(b) the Group's system of internal controls and risk management were adequate and effective as at 31 December 2016 to address the financial, operational, information technology and compliance risks which the Group considers relevant and material to its current business operations.

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Principles 14 to 16: Shareholder Rights/Communication with Shareholders/Conduct of Shareholders Meetings

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

(1) The Company is committed to treating its shareholders fairly and equitably. It believes in timely corporate disclosure as prescribed in Appendix 7.1 (Corporate Disclosure Policy) of the Listing Manual. Material developments with respect to the Group are released to shareholders via SGXNET and not to a selected group only, pursuant to the listing rules. Communication is made through:

- annual reports sent to all shareholders before the AGM. The annual report which contains the notice of annual general meeting, includes key relevant information about the Company and the Group, including 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 where applicable ("**EGM**");

- 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.

Shareholders of the Company receive the full annual report with the notice of AGM. Annual reports of the Company are available on the Company's website as mentioned above. The notice of AGM is also advertised in a local newspaper and made available on the SGXNET and the Company's website. Shareholder meetings are the principal forum for dialogue and interaction with shareholders. During these meetings, shareholders are given the opportunity to air their views and ask Directors and/or Management relevant questions regarding the Company and the Group. The Company has designated one of its personnel to attend to communications with shareholders and the new Management of the Company is considering the adoption of a new policy in relation to engagement with institutional and retail investors.

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(2) Shareholders are entitled to vote at general meetings in person or by proxy in accordance with its Constitution. Resolutions are put forth with a view to each substantially separate matter requiring shareholders' approval being 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.

Under the Constitution, a shareholder may appoint up to two proxies to attend and vote on his/her behalf at the meeting through proxy forms deposited with the Company at least 48 hours before the meeting. With the amended Singapore Companies Act, Chapter 50 which came into effect on 3 January 2016, a member who is a "relevant intermediary" may appoint more than two proxies each at the AGM. "Relevant intermediary" includes certain corporations holding licenses for the provision of custodial services for securities and the Central Provident Fund ("**CPF**") Board in respect of purchases of shares on behalf of CPF investors.

Voting in absentia by mail, email or fax, however will not be implemented by the Company for the time being as the authentication of shareholder identity information and other related security issues remain a concern.

(3) The Company has since April 2016 implemented electronic poll voting for all resolutions tabled at an AGM and/or EGM. This entails shareholders being invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by show of hands), thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. Votes cast for, or against, each resolution will be made known to shareholders at the meeting. The total number and percentage of votes cast for or against the resolutions will also be announced after the meetings via SGXNET.

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

(4) The Company does not have a formal policy on the payment of dividends so as to maintain flexibility to support the growth of the Group.

Guidelines for Disclosure – Code of Corporate Governance 2012

Guideline	Questions	How has the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	The Company has complied in all material respects with the principles and guidelines. Where there were deviations, explanation is provided in the relevant paragraph of the Corporate Governance Report ("**Report**"). Please also refer to Principles 11 to 13 paragraph (7) of the Report.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Please refer to Principle 1 paragraph (1) of the Report.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	Please refer to Principle 4 paragraph (2) and Principle 2 paragraph (3) of the Report.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	Please refer to Principle 2 paragraph (3) of the Report.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	Please refer to Principle 2 paragraph (3) of the Report.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	Please refer to Principle 4 paragraphs (2) and (3) and Principles 11 to 13 paragraph (1) of the Report.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	Please refer to Principle 1 paragraph (3) of the Report.
	(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	Please refer to Principle 1 paragraph (3) and Principle 4 paragraph (5) of the Report.

Guidelines for Disclosure – Code of Corporate Governance 2012

Guideline	Questions	How has the Company complied?
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	Please refer to Principle 4 paragraph (4) of the Report.
	(b) If a maximum number has not been determined, what are the reasons?	Please refer to Principle 4 paragraph (4) of the Report.
	(c) What are the specific considerations in deciding on the capacity of directors?	Please refer to Principle 4 paragraph (4) of the Report.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	Please refer to Principle 5 paragraphs (1) to (3) of the Report.
	(b) Has the Board met its performance objectives?	Yes.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Please refer to Principle 2 paragraph (1) of the Report.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.	No.
	(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	N.A.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	Please refer to Principle 2 paragraph (2) of the Report.

Guidelines for Disclosure – Code of Corporate Governance 2012

Guideline	Questions	How has the Company complied?
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Please refer to Principle 9 paragraph (1) of the Report.
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Please refer to Principle 9 paragraph (2) of the Report.
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	Please refer to Principle 9 paragraph (2) of the Report.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	Please refer to Principle 9 paragraph (3) of the Report.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.	Please refer to Principles 7 and 8 paragraphs (2) and (3) of the Report.
	(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	Please refer to Principles 7 and 8 paragraphs (2) and (3) of the Report.
	(c) Were all of these performance conditions met? If not, what were the reasons?	Yes. Please refer to Principles 7 and 8 paragraph (3) of the Report in relation to long-term incentive schemes.

Guidelines for Disclosure – Code of Corporate Governance 2012

Guideline	Questions	How has the Company complied?
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to Principle 1 paragraph (3), Principle 6 paragraphs (1) to (3) and Principle 10 paragraph (2) of the Report.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Please refer to Principles 11 to 13 paragraph (3) of the Report.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	Please refer to Principles 11 to 13 paragraph (7) of the Report.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Please refer to Principles 11 to 13 paragraph (7) of the Report.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	Please refer to Principles 11 to 13 paragraph (5) of the Report.
	(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	N.A.

Guidelines for Disclosure – Code of Corporate Governance 2012

Guideline	Questions	How has the Company complied?
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	Please refer to Principles 14 to 16 paragraph (1) of the Report.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	Please refer to Principles 14 to 16 paragraph (1) of the Report.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Please refer to Principles 14 to 16 paragraph (1) of the Report.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	N.A.

Information Disclosed

pursuant to the SGX-ST Listing Manual

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

Certain information on the key management staff of the QAF Group comprising the Company and its subsidiaries for FY2016 are as follows:

Derek Cheong Kheng Beng was appointed Head of Corporate Development for the QAF Group in 2002, taking charge of matters in relation to mergers, acquisitions and business development of the Group. Prior to 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 Managing Director of Gardenia Foods (S) Pte Ltd in 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 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 such 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.

Michael Hewat was appointed Chief Executive Officer of Rivalea (Australia) Pty Ltd ("Rivalea") in 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 19 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.

Rodney Williams has held the position of General Manager (Finance & Administration) of Rivalea since 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 40 years of 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.

Simplicio P. Umali, Jr assumed the position of general manager of the Gardenia Bakery operations of the QAF Group in the Philippines in 1999. Prior to taking charge of such operations, 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 has also been a part-time Marketing faculty of the De La Salle College of St. Benilde for over 20 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 Philippine Marketing Association and the Outstanding Alumnus Award of the University of the Philippines College of Business Administration.

Information Disclosed

pursuant to the SGX-ST Listing Manual

Philip Lee Tuck Wah was appointed the chief executive officer for the trading and distribution arm of the QAF Group, Ben Foods, in 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 40 years of experience in the marketing of food and beverages. 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 in Australia. Mr Pascal has over 10 years of experience in sales management, having taken charge of several sales management roles and functions in his previous employments. Prior to joining Bakers Maison Australia, he had 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 30 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 risk management policies and processes

Please refer to pages 54 to 59 of this Annual Report (Corporate Governance Report, section entitled "Principles 11 to 13: Risk Management & Internal Controls/ Audit Committee/ Internal Audit").

Information Disclosed

pursuant to the SGX-ST Listing Manual

Rule 907 : Interested Person Transactions for FY2016

Name of Interested Person	Aggregate value of all interested person transactions entered into during the financial year under review (excluding transactions less than $100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the Listing Manual) (S$'000)	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than $100,000) (S$'000)
Salim Group[(1)] – Sale of unsold and returned bread	1,000	N.A.
Mr Lin Kejian – Provision of proportionate shareholders' loan to a subsidiary in which Mr Lin has a 45% shareholding interest	440	N.A.
Salim Group[(1)] – Purchase of flour and wheat-related raw materials	6,600	N.A.
Mr Tan Kong King – Payment in respect of past services	686	N.A.
Ms Tarn Teh Chuen – Payment in respect of past services	455	N.A.
TOTAL	**9,181**	**N.A.**

Note:

(1) *Salim Group refers to Mr Anthoni Salim and the group of companies controlled by him or, if the context requires, Mr Anthoni Salim. Mr Anthoni Salim is an immediate family member of Mr Andree Halim.*

Information Disclosed

pursuant to the SGX-ST Listing Manual

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

There were no material contracts entered into by the Company and/or its subsidiaries involving the interests of any Directors or controlling shareholders of the Company which were still subsisting at the end of FY2016, or if not then subsisting, entered into since the end of FY2015. For information, please see disclosure above made in respect of Rule 907: Interested Person Transactions for FY2016.

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

Based on information available to the Company as at 10 March 2017, approximately 30.7% of the total number of issued shares in the capital of the Company is held by the public and therefore Rule 723 of the SGX-ST Listing Manual has been complied with.

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-ST 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 FY2016 and non-audit services in FY2016 amounted to approximately $781,000 and $239,000, 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

Please refer to Principles 11 to 13 paragraph (7) of the Corporate Governance Report on page 59 of the Annual Report.

Rule 1207(19) : Dealings in Securities

The Company has internal guidelines on dealings in the shares of the Company by key executives of the Group. The guidelines are issued to all Directors of the Company and the relevant executives of the Group before the start of each prohibition period to remind them to refrain from dealing in the shares of the Company on short term considerations, and to refrain from any dealings during the period commencing two weeks prior to release of the quarterly, and one month prior to the release of the full year, financial results of the Group.

FINANCIAL CONTENTS

Directors' Statement

The directors have pleasure in presenting their statement 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 2016.

Opinion of the directors

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 financial position of the Group and of the Company as at 31 December 2016 and of the financial performance 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.

Directors of the Company

The directors of the Company in office at the date of this statement are:-

Didi Dawis	(Chairman)
Andree Halim	(Vice-Chairman)
Lin Kejian	(Joint Group Managing Director)
Goh Kian Hwee	(Joint Group Managing Director)
Tan Teck Huat	(Appointed on 12 February 2016)
Tan Hang Huat	
Teng Tien Eng Moses	
Gianto Gunara	
Choo Kok Kiong	
Triono J. Dawis	
Lee Kwong Foo Edward	
Dawn Pamela Lum	(Appointed on 12 February 2016)
Ong Wui Leng Linda	(Appointed on 1 January 2017)

Directors' Statement

Directors of the Company (cont'd)

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 1.1.2016**	**At 31.12.2016**	**At 21.1.2017**	**At 1.1.2016**	**At 31.12.2016**	**At 21.1.2017**
Number of shares in QAF Limited						
Didi Dawis	–	–	–	47,877,758	47,877,758	47,877,758
Andree Halim	–	–	–	282,101,133	339,463,981	339,463,981
Tan Kong King (resigned on 31 December 2016)	4,803,034	4,803,034	NA	–	–	NA
Tarn Teh Chuen (resigned on 31 December 2016)	1,500,007	1,500,007	NA	–	–	NA
Lin Kejian	–	–	–	222,884,969	270,762,727	270,762,727
Tan Hang Huat	5,252	5,252	5,252	–	–	–
Teng Tien Eng Moses	1,207	1,207	1,207	–	–	–

Save as disclosed above and save that Mr Lin Kejian is the beneficial owner of 3,600,000 issued shares which constitute 45% of the total share capital of Gaoyuan Pte Ltd (a 55% held subsidiary of the Company), no directors 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, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

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.

Directors' Statement

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 2000 Scheme provided that 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 2000 Scheme provided that 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 under the 2000 Scheme 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 did 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).

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

The 2000 Scheme was administered by the 2000 Share Option Committee with members appointed by the Board. Non-executive directors, controlling owners of the parent and their associates (as defined in the Listing Manual) were 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	2,600,000	–
Tarn Teh Chuen	Nil	1,460,000	1,460,000	–

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

Directors' Statement

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

(b) During the financial year, 555,000 ordinary shares of the Company were issued pursuant to the exercise of options by employees and directors of the Group. There were no unissued ordinary shares under options as at 31 December 2016.

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

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

Audit committee

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

Auditor

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

On behalf of the board of directors:

Goh Kian Hwee
Director

Tan Teck Huat
Director

Singapore
16 March 2017

Independent Auditor's Report

For the Year Ended 31 December 2016

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"), which comprise the statements of financial position of the Group and the Company as at 31 December 2016, 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 notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Independent Auditor's Report

For the Year Ended 31 December 2016

Independent auditor's report to the members of QAF Limited (cont'd)

Key audit matters (cont'd)

Reduction of shareholding in Gardenia Bakeries KL

The Company previously owned 70% of the interest in Gardenia Bakeries (KL) Sdn Bhd ("GBKL") via its wholly owned subsidiary, Gardenia International (S) Pte. Ltd. ("GIPL") and the remaining 30% was held by Padiberas Nasional Berhad ("BERNAS"). During the financial year ended 2016, the Company disposed 20% of the issued share capital of GBKL to BERNAS for a total sale consideration of RM90 million and leaving remaining interest in GBKL of 50% post completion of the sale in April 2016 classified as a joint venture. We have determined this to be a key audit matter based on the quantitative materiality of the sale and the significant estimation required to determine the fair value of the retained investment in the joint venture.

The significant estimation mainly relates to the fair valuation of the remaining 50% shares held in GBKL. Management engaged an external valuer in determining the fair value of the retained shareholding. We have performed the following audit procedures, amongst others:

- We assessed the competence, objectivity, and the relevant experience of the external valuer.
- We discussed with the external valuer to obtain an understanding and assessed the appropriateness of the valuation techniques.
- We involved our internal valuation specialist to support us in reviewing the valuation methodologies and assumptions used in determining the fair value.
- We considered the adequacy of the disclosures relating to the loss in the control in this former subsidiary and investment in this joint venture in the statement of cash flows and Note 21 respectively.

Biological assets

The Group has biological assets comprising mainly of progeny and breeder pigs ("livestock"). The progeny pigs are raised for slaughter and sale whereas the breeder pigs are held to produce further progeny pigs. Out of the carrying value of $60.8 million of the biological assets, $32.3 million of the livestock is valued at fair value as at 31 December 2016 and the remaining is carried at cost. The fair value of these livestock has been classified as Level 3 within the FRS 113 fair value hierarchy. Fair value measurement of biological assets is a subjective area, and the valuation technique involves the use of various assumptions. Any changes in these assumptions would have an impact to the fair value. As such, we determined this to be a key audit matter.

As part of our audit procedures, we addressed the appropriateness of fair value measurement in accordance with FRS 41 *Agriculture*. We reviewed and assessed the valuation methodology and the appropriateness of the valuation models used by management to derive the calculation of fair value for these biological assets. The key inputs to the fair value determination are the number of livestock, weight of the livestock and the net market value ("NMV"). As part of our audit procedures,

Independent Auditor's Report

For the Year Ended 31 December 2016

Independent auditor's report to the members of QAF Limited (cont'd)

Key audit matters (cont'd)

Biological assets (cont'd)

- We verified the number of livestock used in the valuation report to the livestock on hand by age report. We have also attended the counts to ensure that the quantities are accurately recorded.

- The average weight of the progeny pigs on hand by age is benchmarked against the average weight of the progeny pigs sold by age. We verified the weight per pig sold to the sales worksheet and sales reports, which were supported by sales invoices.

- We assessed the reasonableness of NMV per kilo determined by management by comparing against recent sales data.

- We also assessed the reasonableness of the NMV per kilo by performing trend analysis and analysed the NMV against current period's market value and identified any unusual influences which were distorting the NMV.

- We checked the mathematical accuracy on the valuation worksheet.

- In addition, we checked the adequacy of disclosures in Note 11 to the financial statements in accordance to the requirements of FRS 41.

Impairment of long-lived assets

As at 31 December 2016, the carrying value of the property, plant and equipment and investment properties amounted to S$289.6 million and S$18.2 million respectively. During the year, an impairment loss of $8.6 million was recorded on the property, plant and equipment and investment properties.

FRS 36 requires the recoverable amount of asset to be measured whenever there is an indication that the asset may be impaired and the assessment process requires significant management judgment. As such, we determined that this to be a key audit matter. The impairment assessment process requires the management to make various assumptions in determining cash flow forecasts when value in use (VIU) is used. In situation where fair value less cost of disposal (FVLCD) is used, management engaged external valuer to support the determination of the fair value. In responding to this area of focus, our procedures included the following:

- We considered the objectivity, independence and expertise of the external valuer

- We involved our internal valuation specialist in reviewing the assumptions and methodology used by the external valuer and considered their valuation approach used

- We have reviewed the assumptions used in determining the recoverable value

- We assessed the appropriateness of disclosures in Note 17 and Note 18 to the financial statements relating to the assumptions, given the estimation uncertainty and sensitivity of the valuations

Independent Auditor's Report

For the Year Ended 31 December 2016

Independent auditor's report to the members of QAF Limited (cont'd)

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report

For the Year Ended 31 December 2016

Independent auditor's report to the members of QAF Limited (cont'd)

Auditor's responsibilities for the audit of the financial statements (cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

For the Year Ended 31 December 2016

Independent auditor's report to the members of QAF Limited (cont'd)

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Philip Ng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
16 March 2017

Consolidated Income Statement

For the Year Ended 31 December 2016

	Note	2016 $'000	2015 $'000
Revenue	3	889,520	998,278
Costs and expenses			
Costs of materials		453,121	521,069
Staff costs	4	200,975	226,958
Amortisation and depreciation	5	32,760	36,310
Repairs and maintenance		24,104	30,038
Utilities		23,617	28,562
Other operating expenses		87,148	83,978
Total costs and expenses		(821,725)	(926,915)
Profit from operating activities	6	67,795	71,363
Finance costs	7	(2,940)	(2,597)
Exceptional items	8	59,375	–
Share of profits of joint venture		6,385	–
Profit before taxation		130,615	68,766
Taxation	9	(14,244)	(14,037)
Profit after taxation		116,371	54,729
Attributable to:			
Owners of the parent		120,390	52,536
Non-controlling interests		(4,019)	2,193
		116,371	54,729
Earnings per ordinary share:	10		
– Basic and diluted (excluding Exceptional items)		10.9 cents	9.4 cents
– Basic and diluted (including Exceptional items)		21.4 cents	9.4 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 2016

	2016 $'000	2015 $'000
Profit after taxation	116,371	54,729
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on defined benefit plans	(804)	(318)
Items that may be reclassified subsequently to profit or loss:		
Currency translation arising on consolidation	14,368	(20,196)
Share of other comprehensive income of joint venture	(5,226)	–
Other comprehensive income for the year, net of tax	8,338	(20,514)
Total comprehensive income for the year	124,709	34,215
Total comprehensive income attributable to:		
Owners of the parent	128,470	34,037
Non-controlling interests	(3,761)	178
	124,709	34,215

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

Statements of Financial Position

As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Current assets					
Biological assets	11	60,803	57,518	–	–
Inventories	12	60,159	78,654	–	–
Trade receivables	13	96,910	96,528	–	–
Other receivables	14	33,121	17,289	75,457	42,998
Tax recoverable		1,245	1,297	–	–
Short-term investments	15	3,968	2,500	2,968	2,500
Cash and cash equivalents	16	104,903	109,052	27,070	27,893
		361,109	362,838	105,495	73,391
Non-current assets					
Property, plant and equipment	17	289,585	298,174	2,290	2,471
Investment properties	18	18,248	26,929	–	–
Subsidiaries	19	–	–	98,973	98,973
Advances to subsidiaries	20	–	–	123,805	130,083
Joint venture	21	76,318	–	–	–
Pension assets	22	2,654	2,663	–	–
Long-term investments	23	7,226	13,488	7,198	12,459
Intangibles	24	–	196	1,507	1,696
Deferred tax assets	25	17,267	14,615	–	–
		411,298	356,065	233,773	245,682
Total assets		772,407	718,903	339,268	319,073

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

Statements of Financial Position

As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
LIABILITIES					
Current liabilities					
Trade payables	26	65,188	82,153	225	135
Other payables	27	59,007	69,679	9,725	8,182
Short-term borrowings	28	32,642	59,141	–	–
Long-term loans and finance leases - current portion	29	2,456	4,101	–	–
Provision for taxation		6,099	5,282	1,167	1,148
		165,392	220,356	11,117	9,465
Non-current liabilities					
Other payables	27	15,241	10,740	7,584	–
Long-term loans and finance leases	29	51,128	28,401	–	–
Deferred tax liabilities	25	12,494	12,353	1,734	318
		78,863	51,494	9,318	318
Total liabilities		244,255	271,850	20,435	9,783
Net assets		528,152	447,053	318,833	309,290
CAPITAL AND RESERVES					
Share capital	30	263,087	262,774	263,087	262,774
Reserves	31	263,980	164,101	55,746	46,516
Equity attributable to owners of the parent		527,067	426,875	318,833	309,290
Non-controlling interests		1,085	20,178	–	–
Total equity		528,152	447,053	318,833	309,290

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 2016

		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 2016		262,774	2,118	16,888	190,538	(45,443)	426,875	20,178	447,053
Total comprehensive income for the year									
Net profit/(loss) for the year		–	–	–	120,390	–	120,390	(4,019)	116,371
Other comprehensive income for the year:									
– Currency translation arising on consolidation		–	–	–	–	13,984	13,984	384	14,368
– Share of other comprehensive income of joint venture		–	–	–	–	(5,226)	(5,226)	–	(5,226)
– Actuarial loss on defined benefit plans		–	–	–	(678)	–	(678)	(126)	(804)
Other comprehensive income for the year, net of tax		–	–	–	(678)	8,758	8,080	258	8,338
Total comprehensive income for the year		–	–	–	119,712	8,758	128,470	(3,761)	124,709
Transactions with owners in their capacity as owners									
Contributions by and distributions to owners									
Issuance of ordinary shares from exercise of options	30	313	–	–	–	–	313	–	313
Expiry of employee share options		–	–	(652)	652	–	–	–	–
Dividends	32	–	–	–	(28,591)	–	(28,591)	(1,547)	(30,138)
Total contributions by and distributions to owners		313	–	(652)	(27,939)	–	(28,278)	(1,547)	(29,825)
Change in ownership interest in subsidiary									
Sale of interest in a subsidiary company		–	(1,874)	(16,236)	18,110	–	–	(13,785)	(13,785)
Total change in ownership interest in subsidiary		–	(1,874)	(16,236)	18,110	–	–	(13,785)	(13,785)
Total transactions with owners in their capacity as owners		313	(1,874)	(16,888)	(9,829)	–	(28,278)	(15,332)	(43,610)
Balance at 31 December 2016		263,087	244	–	300,421	(36,685)	527,067	1,085	528,152

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 2016

	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 2015		254,520	2,167	17,941	164,971	(27,231)	412,368	24,461	436,829
Total comprehensive income for the year									
Net profit for the year		–	–	–	52,536	–	52,536	2,193	54,729
Other comprehensive income for the year:									
– Currency translation arising on consolidation		–	–	–	–	(18,212)	(18,212)	(1,984)	(20,196)
– Transfer between reserves		–	(49)	–	49	–	–	–	–
– Actuarial loss on defined benefit plans		–	–	–	(287)	–	(287)	(31)	(318)
Other comprehensive income for the year, net of tax		–	(49)	–	(238)	(18,212)	(18,499)	(2,015)	(20,514)
Total comprehensive income for the year		–	(49)	–	52,298	(18,212)	34,037	178	34,215
Transactions with owners in their capacity as owners									
Contributions by and distributions to owners									
Issuance of ordinary shares from exercise of options	30	1,144	–	–	–	–	1,144	–	1,144
Issuance of ordinary shares in lieu of cash dividends	30	7,110	–	–	–	–	7,110	–	7,110
Expiry of employee share options		–	–	(1,053)	1,053	–	–	–	–
Dividends	32	–	–	–	(27,784)	–	(27,784)	(4,461)	(32,245)
Total transactions with owners in their capacity as owners		8,254	–	(1,053)	(26,731)	–	(19,530)	(4,461)	(23,991)
Balance at 31 December 2015		262,774	2,118	16,888	190,538	(45,443)	426,875	20,178	447,053

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 2016

	2016 $'000	2015 $'000
Cash flows from operating activities:		
Profit before taxation	130,615	68,766
Adjustments for:		
Amortisation and depreciation	32,760	36,310
Loss/(gain) on disposal of property, plant and equipment and investment properties	145	(50)
Fair value adjustment on investment securities	(29)	35
Gain on disposal of investment securities	(16)	(193)
Fair value changes on biological assets	(879)	(1,236)
Intangibles written off	196	–
Interest expense	2,940	2,597
Share of profits of joint venture	(6,385)	–
Impairment loss on investment securities	819	–
Impairment loss on property, plant and equipment and investment properties	8,602	–
Gain on sale of interest in a subsidiary company	(59,375)	–
Allowance for doubtful debts charged and bad debts written off, net	451	967
Interest income	(1,696)	(1,995)
Exchange differences	2,480	2,163
Operating profit before working capital changes	110,628	107,364
Increase in receivables	(7,737)	(7,638)
Decrease/(increase) in inventories and biological assets	3,954	(7,678)
Increase in payables	7,014	7,781
Cash from operations	113,859	99,829
Interest paid	(2,956)	(2,616)
Interest received	1,696	1,995
Income tax paid	(10,783)	(12,459)
Net cash from operating activities	101,816	86,749
Cash flows from investing activities:		
Purchase of property, plant and equipment and investment properties	(74,242)	(60,406)
Progress payment for purchase of property, plant and equipment	–	(2,209)
Proceeds from disposal of property, plant and equipment and investment properties	502	507
Purchase of investment securities	–	(251)
Proceeds from redemption/sale of investment securities	4,025	2,704
Dividends received from joint venture	2,526	–
Net cash inflow from sale of interest in a subsidiary company (Note A)	986	–
Net cash used in investing activities	(66,203)	(59,655)

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 2016

	2016 $'000	2015 $'000
Cash flows from financing activities:		
Dividends paid during the year	(28,087)	(20,674)
Dividends paid to non-controlling interests	(4,880)	(3,374)
Repayment of short-term borrowings	(25,035)	(75)
Proceeds from long-term borrowings	16,174	13,259
Proceeds from long-term loans from non-controlling interests	1,671	3,375
Proceeds from issuance of share capital	313	1,144
Net cash used in financing activities	(39,844)	(6,345)
Net (decrease)/increase in cash and cash equivalents	(4,231)	20,749
Cash and cash equivalents at beginning of year	109,052	91,956
Effect of exchange rate changes on cash and cash equivalents	82	(3,653)
Cash and cash equivalents at end of year (Note 16)	104,903	109,052

Note A – Analysis of sale of interest in a subsidiary company

The value of assets and liabilities of the subsidiary company recorded in the consolidated financial statements as at 31 March 2016, and the cash flow effect of the disposal were:

	2016 $'000
Property, plant and equipment	51,710
Inventories	13,572
Trade and other receivables	22,610
Trade and other payables	(59,212)
Provision for taxation and Deferred tax liabilities	(4,861)
Cash and cash equivalents	22,184
Non-controlling interests	(13,785)
Net assets deconsolidated	32,218
Gain on sale of interest in a subsidiary company	59,375
Release of reserves upon sale of interest	11,700
Recognition of deferred income	9,193
Reclassification to joint venture	(81,906)
Consideration	30,580
Deferred cash settlement	(6,440)
Exchange difference	(970)
Cash and cash equivalents disposed	(22,184)
Net cash inflow	986

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 2016

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.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

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 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvement to FRSs (December 2016)	
– Amendments to FRS 112 *Classification and Measurement of Share-based Payment Transactions*	1 January 2017
– Amendments to FRS 28 *Measuring an Associate or Joint Venture at fair value*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for FRS 109, FRS 115 and FRS 116, 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 policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) *Classification and measurement*

The Group does not expect any significant impact to arise from the adoption of FRS 109.

(b) *Impairment*

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group does not expect a significant impact to arise from the application of the expected credit loss model, but it will need to perform a more detailed analysis which considers all reasonable and supportable information to determine the extent of impact.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

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

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a 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 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 when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Full retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Based on the Group's preliminary assessment, the adoption of this standard will not have a significant impact on the Group's results.

FRS *116 Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

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 and dividends 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 2016

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

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

(A) *Basis of consolidation (cont'd)*

If the Group loses control over a subsidiary, it:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

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

(B) *Business combinations (cont'd)*

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

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.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Assets held under finance leases are depreciated over their estimated useful lives or terms of the leases, whichever is shorter.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

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.

The carrying values of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

2.8 ***Depreciation***

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

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

		%
Investment properties	–	2 – 33 ⅓
Freehold buildings	–	2 – 2 ½
Leasehold properties	–	1 ⅔ – 6
Leasehold improvements	–	2 – 20
Plant and machinery	–	5 – 33 ⅓
Furniture, fittings and office equipment	–	7 ½ – 40
Motor vehicles	–	10 – 33 ⅓

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

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

2.9 ***Subsidiaries***

A subsidiary is 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

2.10 *Joint ventures*

Companies in which the Group holds an interest on a long-term basis and are jointly controlled by the Group with one or more parties under a contractual agreement are treated as joint ventures.

The Group account for its investments in joint ventures using the equity method from the date on which it becomes a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of results of the operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint ventures.

When the Group's share of losses in joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.11 *Transactions with non-controlling interests*

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

Changes in the Company'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 2016

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

2.12 *Financial assets*

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(i) *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivative financial instruments are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

The Group does not designate any financial assets not held for trading as financial assets at fair value through profit and loss.

(ii) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(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 2016

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

2.12 ***Financial assets (cont'd)***

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

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

2.13 ***Intangibles***

(i) *Goodwill*

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

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

(ii) *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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

2.13 *Intangibles (cont'd)*

(iii) *Other intangible assets*

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

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

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

2.14 *Inventories*

Raw materials, consumables, finished goods, work-in-progress and spare parts are stated at the lower of cost and net realisable value. Cost is primarily determined on a weighted average basis or first-in-first-out basis for certain subsidiaries, and includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity.

Net realisable value is the price at which the inventories can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from the existing state to a finished condition. Allowance is made, where necessary, for obsolete, slow-moving and defective inventories.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

2.15 ***Biological assets***

Livestock

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

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

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

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

2.16 ***Trade and other receivables***

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

2.17 ***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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

2.17 *Impairment of non-financial assets (cont'd)*

Other assets

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

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in profit or loss. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

Reversal of impairment losses recognised in prior years is recorded when there has been a change in the estimates used to determine the recoverable amount. The reversal is recorded in the profit or loss except for assets that are previously revalued where the revaluation was taken to revaluation reserve. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

2.18 *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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

2.18 ***Financial liabilities (cont'd)***

Other financial liabilities

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

De-recognition

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

2.19 ***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.

Deferred income represents revenue collected but not earned as at end of reporting period. It is recognised as income in profit and loss when the revenue recognition criteria has been met.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

2.22 ***Income taxes (cont'd)***

Deferred tax (cont'd)

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.

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
– Receivables and payables that are stated with the amount of sales tax included.

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

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

(i) *Executives' Share Option Scheme (cont'd)*

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

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

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

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

(ii) *Defined contribution 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 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

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

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

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 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.

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

2.25 ***Leases (cont'd)***

Operating leases

Leases of assets in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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

2.26 ***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 41, 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

2.27 *Impairment of financial assets (cont'd)*

(b) *Assets carried at cost*

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

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

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligator, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment is reversed in profit or loss.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

2.28 ***Contingencies***

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.29 ***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 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

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

(ii) 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 2016 was $1,167,000 (2015: $1,148,000) and $6,099,000 (2015: $5,282,000) respectively. The carrying amount of the Group's tax recoverable as at 31 December 2016 was $1,245,000 (2015: $1,297,000). The carrying amount of the Company's deferred tax liabilities as at 31 December 2016 was $1,734,000 (2015: $318,000). The Group's deferred tax assets and deferred tax liabilities as at 31 December 2016 was $17,267,000 (2015: $14,615,000) and $12,494,000 (2015: $12,353,000) respectively.

(iii) 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 60 years. The carrying amount of the Company's and Group's property, plant and equipment as at 31 December 2016 was $2,290,000 (2015: $2,471,000) and $289,585,000 (2015: $298,174,000). The carrying amount of the Group's investment properties as at 31 December 2016 was $18,248,000 (2015: $26,929,000). 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.

(iv) 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 22.

(v) Biological assets

The fair value of livestock is determined based on the market prices of livestock of similar age, breed and genetic merit. In determining the fair value, a number of assumptions are made by management as disclosed in Note 11.

(vi) Investment in joint venture

The Group engaged an external valuer to determine the fair value of the retained interest in the joint venture as at 31 March 2016. The fair value of the retained interest in the joint venture is determined by external valuer using the Discounted Cash Flow Method. The key assumptions used to determine the fair value of the retained interest in the joint venture are the revenue growth rate and weighted average cost of capital. The carrying amount of the joint venture as at 31 December 2016 is $76,318,000 (2015: Nil).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

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

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 assets

The determination of whether an asset is impaired requires significant judgement. The Group evaluates, among other factors, the duration and extent to which the fair value of an asset is less than its cost, and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry performance, changes in technology and operational and financing cash flow.

3. Revenue

Revenue for the Group includes the invoiced value of goods sold and services rendered, less returns, discounts and goods and services tax, and excludes sales between Group companies.

	Group	
	2016 $'000	2015 $'000
Sale of goods	874,118	985,376
Rental income from storage and warehousing facilities	5,828	6,575
Interest income from:		
– Fixed deposits with financial institutions	665	947
– Others	1,031	1,048
Royalty income	3,700	–
Miscellaneous	4,178	4,332
	889,520	998,278

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

4. Staff costs

	Group 2016 $'000	Group 2015 $'000
Staff costs (including Executive Directors):		
– salaries, wages and other related costs	187,384	211,852
– CPF and contributions to other plans	5,842	6,726
– superannuation contributions	7,749	8,380
	200,975	226,958

5. Amortisation and depreciation

	Note	Group 2016 $'000	Group 2015 $'000
Amortisation of intangibles	24	–	38
Depreciation of property, plant and equipment	17	31,385	34,947
Depreciation of investment properties	18	1,375	1,325
		32,760	36,310

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

6. Profit from operating activities

	Note	Group 2016 $'000	Group 2015 $'000
Profit from operating activities is stated after charging/(crediting):			
Auditors' remuneration:			
– Auditor of the Company		465	485
– Member firms of the auditor of the Company		316	417
Professional fees paid to:			
– Auditor of the Company		229	36
– Member firms of the auditor of the Company		10	7
Fees and remuneration for the directors of the Company:			
– fees and remuneration		4,468	3,505
– contribution to the Central Provident Fund		21	17
Research and development cost		2,893	2,061
Increase in the fair value less estimated point-of-sale costs of livestock, net	11	(2,573)	(4,218)
Foreign exchange loss, net		3,134	2,824
Operating lease rental expense		12,333	10,343
Loss/(gain) on disposal of property, plant and equipment		145	(50)
Allowance for inventory obsolescence charged		723	1,282
Allowance for doubtful trade debts charged	13	429	757
Allowance for doubtful other debts charged	14	–	2
Bad debts written off		22	208
Rental income from investment properties		(5,688)	(6,246)
Direct operating expenses arising from investment properties that generate rental income		4,964	4,991
Provision for long service leave and retirement benefits charged	27(a)	389	764
Fair value adjustment on investment securities		(29)	35
Intangibles written off	24	196	–
Gain on disposal of investment securities		(16)	(193)
Impairment loss on property, plant and equipment	17	6,460	–
Impairment loss on investment properties	18	2,142	–
Impairment loss on investment securities	23	819	–
Advertising and promotion expense		12,718	14,885
Distribution and transportation expense		10,412	15,983

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

7. Finance costs

	Group 2016 $'000	Group 2015 $'000
Interest expense on bank loans and finance leases	2,940	2,597

8. Exceptional items

Group "Exceptional Items" relate to the Group's sale of its partial shareholding representing 20% of Gardenia Bakeries (KL) Sdn Bhd ("GBKL") which was completed on 6 April 2016. The purpose of the sale of the 20% shareholding interest was to comply with the Malaysian governmental regulatory condition imposed on GBKL's manufacturing license. Accordingly, GBKL has ceased to be a subsidiary of the Group and has become a Joint Venture of the Group.

Subsequently, the Group, with the assistance of external valuer, carried out an exercise to determine the fair values of the Group's remaining 50% stake in GBKL's identifiable assets and liabilities.

As a result, a net exceptional gain of $59,375,000 arising from the sale of 20% stake in GBKL and the remeasurement of the remaining 50% stake in GBKL has been recognised during the year.

9. Taxation

	Note	Group 2016 $'000	Group 2015 $'000
Income tax expense on the profit for the year:			
– current tax		12,593	13,265
– deferred tax		1,654	1,005
		14,247	14,270
(Over)/under provision in respect of prior years:			
– current tax		(76)	(427)
– deferred tax		73	194
		(3)	(233)
Tax expense		14,244	14,037
Deferred tax credit related to other comprehensive income:			
– actuarial loss on defined benefit plans	25	(298)	(137)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

9. Taxation (cont'd)

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% (2015: 17%) to the profit before taxation due to the following factors:

	Group	
	2016 $'000	2015 $'000
Profit before taxation	130,615	68,766
Tax expense at statutory tax rate of 17% (2015: 17%)	22,205	11,690
Adjustments:		
Income not subject to tax	(10,895)	–
Expenses not deductible for tax purposes	4,229	2,572
Tax reliefs, rebates and incentives	(1,463)	(1,230)
Utilisation of tax benefits not recognised in previous years	(9,590)	(4,311)
Tax benefits not recognised in current year	1,229	1,314
Difference in effective tax rates in other countries	6,867	4,112
Over provision in respect of prior years, net	(3)	(233)
Others	1,665	123
Tax expense	14,244	14,037

Others mainly relates to deferred tax accrued on royalty income received in advance.

The Group has unutilised tax losses of approximately $12,588,000 (2015: $27,934,000) 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

10. Earnings per ordinary share ("EPS")

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

	Group	
	2016	**2015**
	$'000	**$'000**
Group's earnings used for the calculation of EPS:		
Earnings for the financial year attributable to owners of the parent		
– excluding exceptional items	61,015	52,536
– including exceptional items	120,390	52,536

	Group	
	2016	**2015**
	'000	**'000**
Number of shares used for the calculation of:		
(i) ***Basic EPS***		
Weighted average number of ordinary shares in issue	561,721	557,598
(ii) ***Diluted EPS***		
Weighted average number of ordinary shares in issue	561,721	557,941

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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

11. Biological assets

	Group 2016 $'000	Group 2015 $'000
Livestock		
– at fair value	32,267	30,503
– at cost	28,536	27,015
	60,803	57,518

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

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

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

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

	Group 2016	Group 2015
Physical quantity of pigs:		
– Number of progeny	391,740	375,265
– Number of breeders	47,469	47,775
	439,209	423,040

Reconciliation of changes in the carrying amount:

	Group 2016 $'000	Group 2015 $'000
Balance at 1 January	57,518	55,878
Currency realignment	712	(2,578)
Gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	568	2,366
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	2,005	1,852
Balance at 31 December	60,803	57,518

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

12. Inventories

	Group 2016 $'000	Group 2015 $'000
Raw materials	31,324	42,744
Finished goods	15,704	14,868
Spare parts and consumables	6,298	14,589
Work-in-progress	63	59
Goods-in-transit	6,770	6,394
Total inventories at lower of cost and net realisable value	60,159	78,654

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

First-in-first-out	14,006	26,214
Weighted average	46,153	52,440
	60,159	78,654
Inventories are stated after deducting allowance for obsolescence of	1,777	2,172

Raw materials of the Group as at 31 December 2016 amounting to $12,818,000 (2015: $20,840,000) 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

For the Financial Year Ended 31 December 2016

13. Trade receivables

	Group 2016 $'000	Group 2015 $'000
Trade receivables		
– third parties	79,225	98,777
– joint venture	19,463	–
	98,688	98,777
Less: Allowance for doubtful debts - third parties	(1,778)	(2,249)
	96,910	96,528

At the end of the reporting period, approximately 17.30% (2015: 20.88%) of the Group's trade receivables are secured by deposits received, credit insurances and letters of credit 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:

	2016	2015
Lesser than 3 months	16,934	16,896
3 months to 6 months	574	878
6 months to 12 months	256	204
More than 12 months	61	64
	17,825	18,042

Receivables that are impaired:

	2016	2015
Gross amount	1,778	2,249
Less: Allowance for doubtful debts	(1,778)	(2,249)
	–	–

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:

	2016	2015
At 1 January	2,249	2,351
Charge for the year (Note 6)	429	757
Written-off against allowance	(420)	(756)
Currency realignment	(480)	(103)
At 31 December	1,778	2,249

Notes to the Financial Statements
For the Financial Year Ended 31 December 2016

14. Other receivables

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-financial assets				
Prepayments	7,461	9,800	56	55
Financial assets				
Sundry deposits	1,293	1,669	29	29
Staff advances and loans	5	42	–	–
Amount due from joint venture				
– non-interest bearing	6,539	–	25	–
	7,837	1,711	54	29
Sundry debtors	18,081	6,064	22	13
Less: Allowance for doubtful debts	(258)	(286)	–	–
	17,823	5,778	22	13
Amounts due from subsidiaries				
– interest bearing	–	–	6,725	455
– non-interest bearing	–	–	70,247	43,832
Less: Allowance for doubtful debts	–	–	(1,647)	(1,386)
	–	–	75,325	42,901
	25,660	7,489	75,401	42,943
	33,121	17,289	75,457	42,998

Receivables that are impaired:

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Gross amount	258	286	1,647	1,386
Less: Allowance for doubtful debts	(258)	(286)	(1,647)	(1,386)
	–	–	–	–

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

14. Other receivables (cont'd)

Movements in the allowance for doubtful debts are as follows:

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
At 1 January		286	498	1,386	1,040
Charged during the year	6	–	2	261	346
Written-off against allowance		(21)	(218)	–	–
Currency realignment		(7)	4	–	–
At 31 December		258	286	1,647	1,386

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 amount due from joint venture is unsecured, repayable upon demand and is to be settled in cash. At the end of the reporting period, dividends of $6,514,000 is receivable from the joint venture.

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 2.37% to 3.00% (2015: 1.96% to 2.64%) per annum and are repayable upon demand.

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

15. Short-term investments

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Fair value through profit or loss				
Unquoted debt securities				
At fair value	994	–	994	–
Held-to-maturity investments				
Quoted debt securities				
At amortised cost	–	2,500	–	2,500
Available-for-sale				
Quoted debt securities				
At fair value	2,974	–	1,974	–
	3,968	2,500	2,968	2,500

On 31 December 2016, the Group reclassified its held-to-maturity investments that were previously measured at amortised cost of $3,002,000 to available-for-sale investments measured at fair value of $2,974,000, as management has intention to sell these investments in future.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

16. Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash and bank balances	89,690	48,905	16,662	2,042
Fixed deposits with financial institutions	15,213	60,147	10,408	25,851
	104,903	109,052	27,070	27,893

Fixed deposits are placed for varying periods depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2016 for the Group and the Company were 0.99% and 0.80% (2015: 1.85% and 1.03%) respectively.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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 1.1.2015	26,532	139,783	44,724	31,933	415,308	35,036	52,707	6,576	752,599
Currency realignment	(1,657)	(7,449)	(2,335)	(2,612)	(29,397)	(1,967)	(4,008)	(284)	(49,709)
Additions	4	1,987	9,621	2,217	27,206	2,450	6,011	12,607	62,103
Disposals	–	(121)	–	(125)	(2,297)	(305)	(1,263)	–	(4,111)
Transfers between categories	–	394	584	215	2,460	2,002	248	(5,903)	–
At 31.12.2015 and 1.1.2016	24,879	134,594	52,594	31,628	413,280	37,216	53,695	12,996	760,882
Currency realignment	169	1,857	107	196	3,272	463	1,002	(832)	6,234
Additions	42	365	1,022	1,199	24,558	1,978	4,672	40,996	74,832
Disposals	–	(30)	–	(987)	(6,075)	(2,146)	(894)	–	(10,132)
Sale of interest in a subsidiary company	(2,993)	(7,831)	(11,429)	(8,239)	(102,306)	(8,182)	(26,532)	–	(167,512)
Transfer from investment properties	2,935	2,786	–	–	310	8	–	601	6,640
Transfers between categories	1,799	5,713	(447)	4,854	10,799	348	156	(23,222)	–
At 31.12.2016	26,831	137,454	41,847	28,651	343,838	29,685	32,099	30,539	670,944
Accumulated depreciation and impairment loss:									
At 1.1.2015	–	72,412	24,261	12,492	283,072	28,615	40,178	–	461,030
Currency realignment	–	(3,568)	(463)	(708)	(19,975)	(1,610)	(3,285)	–	(29,609)
Charge for the year (Note 5)	–	2,820	608	1,766	22,777	2,236	4,740	–	34,947
Disposals	–	(130)	–	(5)	(2,061)	(274)	(1,190)	–	(3,660)
At 31.12.2015 and 1.1.2016	–	71,534	24,406	13,545	283,813	28,967	40,443	–	462,708
Currency realignment	–	937	98	21	3,434	406	879	–	5,775
Charge for the year (Note 5)	–	2,690	920	1,881	20,484	2,197	3,213	–	31,385
Disposals	–	(15)	–	(987)	(5,554)	(2,133)	(799)	–	(9,488)
Sale of interest in a subsidiary company	–	(2,244)	(3,413)	(2,813)	(78,514)	(6,790)	(22,028)	–	(115,802)
Transfer from investment properties	–	220	–	–	98	3	–	–	321
Impairment loss (Note 6)	–	–	–	–	5,286	374	800	–	6,460
At 31.12.2016	–	73,122	22,011	11,647	229,047	23,024	22,508	–	381,359
Net carrying amount:									
At 31.12.2016	26,831	64,332	19,836	17,004	114,791	6,661	9,591	30,539	289,585
At 31.12.2015	24,879	63,060	28,188	18,083	129,467	8,249	13,252	12,996	298,174

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

	Leasehold office and improve-ments $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost:				
At 1.1.2015	2,864	776	742	4,382
Additions	–	18	439	457
Disposals	–	(2)	(332)	(334)
At 31.12.2015 and 1.1.2016	2,864	792	849	4,505
Additions	–	70	–	70
Disposals	–	(12)	–	(12)
At 31.12.2016	2,864	850	849	4,563
Accumulated depreciation:				
At 1.1.2015	1,022	567	552	2,141
Charge for the year	52	55	119	226
Disposals	–	(2)	(331)	(333)
At 31.12.2015 and 1.1.2016	1,074	620	340	2,034
Charge for the year	53	55	142	250
Disposals	–	(11)	–	(11)
At 31.12.2016	1,127	664	482	2,273
Net carrying amount:				
At 31.12.2016	1,737	186	367	2,290
At 31.12.2015	1,790	172	509	2,471

(a) During the year, the Group acquired property, plant and equipment with an aggregate cost of $1,922,000 (2015: $294,000) by means of finance leases. The net carrying amount of property, plant and equipment held under finance leases as at 31 December 2016 was $2,378,000 (2015: $1,456,000) (Note 29).

(b) At the end of the financial year, property, plant and equipment with net carrying amounts of $14,611,000 (2015: $8,728,000) were mortgaged/pledged to third parties to secure credit facilities (Note 29).

(c) In 2016, the Group recognised an impairment loss of $6,460,000 (2015: Nil), included under other operating expenses, to write down the carrying amount of certain property, plant and equipment to its recoverable amount, which was based on management's assessment.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

18. Investment properties

	Note	Group $'000
Cost:		
At 1 January 2015		54,816
Currency realignment		(293)
Additions		2,264
Disposals		(1,976)
At 31 December 2015 and 1 January 2016		54,811
Transfer to Property, Plant and Equipment		(6,640)
Additions		1,158
Disposals		(754)
At 31 December 2016		48,575
Accumulated depreciation and impairment loss:		
At 1 January 2015		28,538
Currency realignment		(11)
Charge for the year	5	1,325
Disposals		(1,970)
At 31 December 2015 and 1 January 2016		27,882
Transfer to Property, Plant and Equipment		(321)
Charge for the year	5	1,375
Disposals		(751)
Impairment loss	6	2,142
At 31 December 2016		30,327
Net carrying amount:		
At 31 December 2016		18,248
At 31 December 2015		26,929

The fair value of investment properties amounted to $22,014,000 (2015: $30,596,000) as at 31 December 2016. In 2016, the fair value was determined based on valuations performed by an external valuer with a recognised and relevant professional qualification. The valuation was determined based on either estimated current replacement cost, adjusted for remaining useful lives or comparable market transaction that consider sales of similar properties that have been transacted in the open market (Level 3 of the fair value hierarchy). In 2015, the fair value was determined based on management's assessment making references to discounted cash flows generated from the properties, using significant unobservable inputs (Level 3 of the fair value hierarchy), such as discount rates ranging from 7.94% to 9.82% per annum, and long-term revenue growth rate ranging from 1% to 2.5%.

During the year, the Group transferred a commercial property that was held as investment property to owner-occupied property as the Group had commenced using the property internally.

During the financial year, the Group carried out a review of the recoverable amount of its investment properties. An impairment loss of $2,142,000 (2015: Nil), representing the write-down of the investment property to the recoverable amount was recognised under other operating expenses. The recoverable amount was based on the higher of the fair value less cost of disposal and its value in use.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

19. Subsidiaries

	Company 2016 $'000	Company 2015 $'000
Cost of investment:		
Unquoted equity shares, at cost	102,975	102,975
Less: Impairment loss	(4,002)	(4,002)
	98,973	98,973
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 42(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 $51,205,000 (2015: $52,993,000) with effective interest rates of 2.50% (2015: 3.00% to 3.50%) per annum. These advances have no fixed terms of repayment and no repayments are expected within the next 12 months.

21. Joint venture

With the Group's sale of its partial shareholdings representing 20% of Gardenia Bakeries (KL) Sdn Bhd ("GBKL") in April 2016 in compliance with regulatory requirements, the Group's stake in GBKL has been reduced to 50%. Accordingly, GBKL ceased to be a subsidiary of the Group and has become a Joint Venture of the Group.

The Group has 50% interest in the ownership and voting rights of GBKL that is held through a subsidiary. This joint venture is incorporated in Malaysia. The Group jointly controls the venture with a partner under a contractual agreement which requires unanimous consent for all major decisions over the relevant activities.

Details of the joint venture are set out in Note 42(b).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

21. Joint venture (cont'd)

Summarised financial information in respect of GBKL based on its financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:-

Summarised balance sheet

	2016 $'000
Inventories	13,257
Trade and other receivables	21,779
Cash and cash equivalents	25,930
Current assets	60,966
Property, plant and equipment	58,459
Total assets	119,425
Current liabilities	(66,604)
Deferred tax liabilities	(3,467)
Other non-current liabilities	(4,572)
Total liabilities	(74,643)
Net assets	44,782
Proportion of the Group's ownership	50%
Group's share of net assets	22,391
Fair value uplift on identifiable assets	28,898
Goodwill on acquisition	25,029
Carrying amount of the investment	76,318

Summarised statement of comprehensive income

	9 months ended 31 December 2016 $'000
Revenue	207,011
Interest income	462
Depreciation and amortisation	(9,629)
Operating expenses	(181,169)
Profit before tax	16,675
Income tax expense	(3,905)
Profit after tax	12,770
Other comprehensive income	(10,451)
Total comprehensive income	2,319

Dividends of $6,748,000 were declared by GBKL during the 9 months ended 31 December 2016.

Notes to the Financial Statements

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22. 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.

	Group	
	2016	2015
	$'000	$'000
Benefit asset		
Fair value of plan assets	18,771	19,096
Present value of benefit obligation	(16,117)	(16,433)
Net benefit asset	2,654	2,663
Changes in the fair value of plan assets are as follows:		
At 1 January	19,096	18,749
Interest income	511	332
Actual return on plan assets less interest income	880	788
Employer contributions	208	454
Contributions by plan participants	117	143
Benefits paid	(2,049)	(260)
Taxes, premiums and expenses paid	(189)	(245)
Currency realignment	197	(865)
At 31 December	18,771	19,096
Changes in the present value of the defined benefit obligation are as follows:		
At 1 January	16,433	16,151
Interest cost	419	282
Current service cost	468	474
Contributions by plan participants	117	143
Benefits paid	(2,049)	(260)
Actuarial losses/(gains) arising from changes in financial assumptions	144	(136)
Actuarial losses arising from liability experience	604	770
Taxes, premiums and expenses paid	(189)	(245)
Currency realignment	170	(746)
At 31 December	16,117	16,433

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

22. Pension assets (cont'd)

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

	Group	
	2016	**2015**
	%	**%**
Australian equities	13	17
Overseas equities	17	18
Fixed interest securities	37	53
Property	10	5
Other	23	7
	100	100

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

	Group	
	2016	**2015**
	%	**%**
Discount rate	3.0	3.4
Salary increase rate	4.0	4.0

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

	Group	
	2016	**2015**
	$'000	**$'000**
Net benefit expense (recognised within staff costs):		
Current service cost	468	474
Net interest cost	(92)	(50)
	376	424

The Group expects to contribute $108,000 (2015: $98,000) to its defined benefit pension plan in 2017.

The average duration of the defined benefit obligation at the end of the reporting period is 3.0 years (2015: 3.7 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

22. 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
2016		
Discount rate	+25	(91)
	-25	93
Salary increase rate	+25	72
	-25	(71)
2015		
Discount rate	+25	(102)
	-25	104
Salary increase rate	+25	90
	-25	(87)

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.

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23. Long-term investments

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Fair value through profit or loss				
Unquoted debt securities				
At fair value	–	964	–	964
Held-to-maturity investments				
Quoted debt securities				
At amortised cost	–	12,495	–	11,495
Available-for-sale				
Unquoted equity securities				
At cost	28	29	–	–
Quoted debt securities				
At fair value	7,198	–	7,198	–
	7,226	13,488	7,198	12,459

In 2015, the unquoted debt securities do not carry interest and mature in August 2017.

The quoted debt securities carry interest rates of 4.13% to 5.75% (2015: 4.13% to 6.20%) and mature between August 2018 to January 2026.

During the financial year, the Group recognised impairment loss of $819,000 (2015: Nil) for quoted debt securities as there were significant or prolonged decline in the fair value of these investments below their costs. The Group treats "significant" generally as 30% and "prolonged" as greater than 12 months.

On 31 December 2016, the Group reclassified its held-to-maturity investments that were previously measured at amortised cost less impairment of $7,170,000 to available-for-sale investments measured at fair value of $7,198,000 as management has intention to sell these investments in future.

Notes to the Financial Statements

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24. Intangibles

	Group			Company
	Trademark $'000	Customers lists $'000	Total $'000	Trademark $'000
Cost:				
At 1.1.2015	2,750	1,207	3,957	7,150
Write-off during the year	–	(795)	(795)	–
Currency realignment	–	(57)	(57)	–
At 31.12.2015 and 1.1.2016	2,750	355	3,105	7,150
Write-off during the year (Note 6)	–	(354)	(354)	–
Currency realignment	–	(1)	(1)	–
At 31.12.2016	2,750	–	2,750	7,150
Accumulated amortisation and impairment loss:				
At 1.1.2015	2,750	961	3,711	5,266
Write-off during the year	–	(795)	(795)	–
Currency realignment	–	(45)	(45)	–
Amortisation for the year (Note 5)	–	38	38	188
At 31.12.2015 and 1.1.2016	2,750	159	2,909	5,454
Write-off during the year (Note 6)	–	(158)	(158)	–
Currency realignment	–	(1)	(1)	–
Amortisation for the year (Note 5)	–	–	–	189
At 31.12.2016	2,750	–	2,750	5,643
Net carrying amount:				
At 31.12.2016	–	–	–	1,507
At 31.12.2015	–	196	196	1,696

Trademark with finite life are amortised on a straight-line basis over its useful life of 20 years (2015: 20 years).

In 2016, the Group wrote-off the net carrying value of customers lists amounting to $196,000 in view of the reduced scale of operations of the relevant cash generating unit.

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25. Deferred taxation

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Balance at beginning of year	(2,262)	(2,921)	318	353
Currency realignment	9	(403)	–	–
Sale of interest in a subsidiary company	(3,949)	–	–	–
Utilised/(addition) during the financial year	1,654	1,005	1,416	(35)
Under provision in prior years	73	194	–	–
Credited to other comprehensive income	(298)	(137)	–	–
Balance at end of year	(4,773)	(2,262)	1,734	318
Represented by:				
– Deferred tax assets	(17,267)	(14,615)	–	–
– Deferred tax liabilities	12,494	12,353	1,734	318
	(4,773)	(2,262)	1,734	318

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 2015	5,069	4,821	5,629	(459)	15,060
Addition/(utilised) during the year	199	(44)	(191)	161	125
Over recognition in prior years	–	–	–	(62)	(62)
Tax effect of actuarial loss on defined benefit plans charged to other comprehensive income	–	137	–	–	137
Currency realignment	(234)	(192)	(260)	41	(645)
At 31 December 2015 and 1 January 2016	5,034	4,722	5,178	(319)	14,615
Addition/(utilised) during the year	787	(513)	(311)	2,306	2,269
Under/(over) recognition in prior years	215	(193)	–	–	22
Tax effect of actuarial loss on defined benefit plans charged to other comprehensive income	–	209	–	–	209
Currency realignment	74	(5)	55	28	152
At 31 December 2016	6,110	4,220	4,922	2,015	17,267

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

25. Deferred taxation (cont'd)

	Property, plant and equipment $'000	Employee benefits $'000	Deferred income $'000	Others $'000	Total $'000
Deferred tax liabilities					
At 1 January 2015	12,965	(112)	–	(714)	12,139
Charged/(write-back) to profit or loss	1,390	–	–	(260)	1,130
Under/(over) recognition in prior years	180	–	–	(48)	132
Currency realignment	(1,216)	14	–	154	(1,048)
At 31 December 2015 and 1 January 2016	13,319	(98)	–	(868)	12,353
Sale of interest in a subsidiary company	(5,417)	226	–	1,242	(3,949)
Tax effect of actuarial loss on defined benefit plans charged to other comprehensive income	–	(89)	–	–	(89)
(Write back)/charged to profit or loss	(116)	1,098	1,446	1,495	3,923
Under/(over) recognition in prior years	122	–	–	(27)	95
Currency realignment	173	19	–	(31)	161
At 31 December 2016	8,081	1,156	1,446	1,811	12,494

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

	Deferred income $'000	Property, plant and equipment $'000	Total $'000
At 1 January 2015	–	353	353
Write-back to profit or loss	–	(35)	(35)
At 31 December 2015 and 1 January 2016	–	318	318
Charged/(write-back) to profit or loss	1,446	(30)	1,416
At 31 December 2016	1,446	288	1,734

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2015: 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 $52,327,000 (2015: $13,850,000). The deferred tax liability is estimated to be $7,849,000 (2015: $2,078,000).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

26. Trade payables

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Trade payables:				
– third parties	65,121	82,153	225	135
– joint venture	67	–	–	–
	65,188	82,153	225	135

27. Other payables

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
(a) ***Other payables***					
Payable within one year:					
Staff related expenses		22,602	22,302	3,000	1,770
Accrued operating expenses		17,486	20,263	634	237
Provision for long service leave		6,463	6,008	–	–
Sundry creditors		11,509	21,106	236	211
Amounts due to subsidiaries		–	–	4,936	5,964
Derivative financial liabilities	27(b)	28	–	–	–
Deferred income		919	–	919	–
		59,007	69,679	9,725	8,182
Payable after one year:					
Provision for long service leave and retirement benefits		7,222	10,378	–	–
Deferred income		8,019	362	7,584	–
		15,241	10,740	7,584	–

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

27. Other payables (cont'd)

(a) *Other payables (cont'd)*

Deferred income arises mainly from royalty income received in advance due to the renewal of the licensing agreement between the Company and its joint venture during the financial year.

Movements in deferred income are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Balance at beginning of year	362	242	–	–
Currency realignment	(127)	(11)	–	–
Recognised during the year	9,393	131	9,193	–
Credited to profit or loss	(690)	–	(690)	–
Balance at end of year	8,938	362	8,503	–
Represented by:				
– payable within one year	919	–	919	–
– payable after one year	8,019	362	7,584	–
Balance at end of year	8,938	362	8,503	–

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

		Group	
	Note	2016	2015
		$'000	$'000
Balance at beginning of year		16,386	15,363
Currency realignment		208	(297)
Provision charged during the year	6	389	764
Actuarial losses		1,234	609
Utilised during the year		(33)	(53)
Sale of interest in a subsidiary company		(4,499)	–
Balance at end of year		13,685	16,386
Represented by:			
– payable within one year		6,463	6,008
– payable after one year		7,222	10,378
Balance at end of year		13,685	16,386

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

27. Other payables (cont'd)

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

	2016		2015	
	Contract notional amount $'000	Fair value $'000	Contract notional amount $'000	Fair value $'000
Group				
Foreign currency contracts				
– Not designated as hedges	1,439	28	170	–

At 31 December 2016, the settlement dates on open foreign currency ranged between 1 to 12 months for the following notional amounts:

	Group	
	2016 $'000	2015 $'000
Contracts to deliver Singapore Dollars and receive Australian Dollars	37	170
Contracts to deliver Japanese Yen and receive Australian Dollars	1,402	–
	1,439	170

28. Short-term borrowings

	Group	
	2016 $'000	2015 $'000
Short-term bank loans:		
– unsecured	22,150	40,385
– secured	10,492	18,756
	32,642	59,141

The Group's short-term bank loans bear effective interest rates ranging from 1.40% to 3.35% (2015: 2.17% to 5.03%) per annum. The secured portion of the borrowings is charged against inventories of the Group.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

29. Long-term loans and finance leases

	Effective interest rate per annum %	Maturities	Group 2016 $'000	Group 2015 $'000
Loans from banks:				
– Loan A	2.90	2022	13,768	14,083
– Loan B	3.61 – 4.14	2022	5,936	799
– Loan C	Nil	2016	–	2,582
– Loan D	5.12	2027	5,997	3,680
– Loan E	4.13	2019	2,153	2,376
– Loan F	5.12	2026	3,609	–
– Loan G	4.65 – 4.69	2021	9,202	–
– Loan H	5.12	2026	1,933	–
– Other loans	6.94	2018	660	1,419
Loans from non-controlling interests				
– Loan I	7.00	2019	1,277	848
– Loan J	Nil	Nil	6,885	5,625
Finance leases			2,164	1,090
			53,584	32,502
Less: Current portion			(2,456)	(4,101)
Non-current portion of loans			51,128	28,401

Loan A, denominated in Philippine Peso, is unsecured, bears floating interest rate of 2.90% (2015: 2.90%) per annum and is repayable in 20 equal quarterly instalments commencing from December 2017.

Loan B, denominated in Australian Dollars, is unsecured and bears interest rates ranging from 3.61% to 4.14% (2015: 6.16% to 6.40%) per annum. The loan is expected to be fully repaid in June 2022.

Loan C, denominated in Philippine Peso, with floating interest rate of 2.60% per annum, was fully repaid in January 2016.

Loan D, denominated in Australian Dollar, with interest rate of 5.12% (2015: 6.94%) per annum, is secured on floating charge on certain property, plant and equipment of the Group, and is expected to be fully repaid by 2027.

Loan E, denominated in Australian Dollar, with interest rate of 4.13% (2015: 4.39%) per annum, is secured on floating charge on certain property, plant and equipment of the Group, and is repayable in monthly instalments till May 2019.

Loan F, denominated in Australian Dollar, with interest rate of 5.12% (2015: Nil) per annum, is secured on floating charge on certain property, plant and equipment of the Group, and is expected to be fully repaid by November 2026.

Loan G, denominated in Malaysian Ringgit, with interest rate of 4.65% to 4.69% (2015: Nil) per annum, is unsecured and repayable in 11 equal quarterly instalments commencing from October 2018.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

29. Long-term loans and finance leases (cont'd)

Loan H, denominated in Australian Dollar, with interest rate of 5.12% (2015: Nil) per annum, is secured on floating charge on certain property, plant and equipment of the Group, and is expected to be fully repaid by March 2026.

Other loans, denominated in Australian Dollar, with interest rates of 6.94% (2015: 5.75% to 7.80%) per annum, are secured on floating charge on certain property, plant and equipment of the Group, and are repayable in monthly instalments until April 2018.

Loan I, denominated in Australian Dollars, is unsecured and bears interest at 7.00% (2015: 7.00%) per annum. The loan is expected to be repaid in May 2019.

Loan J, 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. This loan is provided to its 55% owned subsidiary from its 45% shareholder who is also a substantial shareholder of the Company.

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

	Minimum lease payments 2016 $'000	Present value of payments 2016 $'000	Minimum lease payments 2015 $'000	Present value of payments 2015 $'000
Group				
Within one year	627	534	692	649
Between one and five years	1,763	1,630	484	441
Total minimum lease payments	2,390	2,164	1,176	1,090
Less: Amount representing finance charges	(226)	–	(86)	–
Present value of minimum lease payments	2,164	2,164	1,090	1,090

Effective interest rates on finance leases range from 2.54% to 8.00% (2015: 4.80% to 8.00%) 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

30. Share capital

	Group and Company			
	2016		2015	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid:				
At 1 January	561,299,968	262,774	552,304,086	254,520
Issued during the year	555,000	313	8,995,882	8,254
At 31 December	561,854,968	263,087	561,299,968	262,774

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, the Company issued 555,000 (2015: 2,130,000) ordinary shares for cash at the average exercise price of $0.565 (2015: $0.537) per share upon the exercise of 555,000 (2015: 2,130,000) share options by employees pursuant to the QAF Limited Share Option Scheme 2000 (Note 33).

In 2015, the Company issued 6,865,882 ordinary shares at $1.0355 per share pursuant to the QAF Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2014.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

31. Reserves

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Revaluation reserve	244	2,118	–	–
Capital reserve	–	16,888	–	652
Revenue reserve	300,421	190,538	55,746	45,864
Foreign currency translation reserve	(36,685)	(45,443)	–	–
	263,980	164,101	55,746	46,516

	Company	
	2016	2015
	$'000	$'000
Analysis of movement in the reserves of the Company:		
Capital reserve		
At beginning of year	652	1,705
Transfer to revenue reserve	(652)	(1,053)
At end of year	–	652
Revenue reserve		
At beginning of year	45,864	35,997
Net profit for the year	37,317	36,598
Transfer from capital reserve	652	1,053
Dividends	(28,087)	(27,784)
At end of year	55,746	45,864
Total	55,746	46,516

Revaluation reserve

Revaluation reserve comprise of surplus arising from share of a subsidiary's revaluation of property, plant and equipment on acquisition of additional interest in the subsidiary.

Included in 2015 revaluation reserve was a surplus arising from the revaluation of property, plant and equipment by a subsidiary. With the sale of interest in the subsidiary in April 2016, the surplus has been transferred to the revenue reserve.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

31. Reserves (cont'd)

Capital reserve

In 2015, capital reserve comprise of the following:

(a) cumulative value of services received from employees recorded on grant of equity-settled share options and is reduced by the expiry of the 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cumulative value of services received from employees	–	652	–	652
Bonus shares issued by a subsidiary	–	16,236	–	–
	–	16,888	–	652

During the year, the capital reserve has been transferred to the revenue reserve due to expiry of share options and sale of interest in a subsidiary.

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 2016

32. Dividends

	Group and Company 2016 $'000	Group and Company 2015 $'000
Interim tax-exempt (one-tier) dividend of 1 cent per share in respect of the financial year ended 31 December 2016	5,619	–
Final tax-exempt (one-tier) dividend of 4 cents per share in respect of the financial year ended 31 December 2015	22,468	–
Interim tax-exempt (one-tier) dividend of 1 cent per share in respect of the financial year ended 31 December 2015	–	5,613
Final tax-exempt (one-tier) dividend of 4 cents per share in respect of the financial year ended 31 December 2014	–	22,171
Share of a subsidiary's dividends paid to a non-controlling interest in respect of the financial year ended 31 December 2016	504	–
	28,591	27,784

The Company's Scrip Dividend Scheme under which shareholders may elect to receive dividends in the form of new shares in lieu of cash had been applied in respect of the final dividend for the financial year ended 31 December 2014.

The directors have proposed a final tax-exempt (one-tier) dividend of 4 cents per share ("Proposed Final Dividend for FY 2016"), amounting to approximately $22,474,000 be paid in respect of the financial year ended 31 December 2016. The dividend will be recorded as liability in the statement of financial position of the Company and Group subject to and 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 part or all of the cash will apply to the Proposed Final Dividend for FY 2016.

There are no income tax consequence (2015: 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 2016

33. 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 2000 Scheme expired in 2010 without renewal. However, the discontinuation of the 2000 Scheme did 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 2016 '000	Weighted average exercise price in financial year 2016 $	No. of options in financial year 2015 '000	Weighted average exercise price in financial year 2015 $
Outstanding at beginning of year	725	0.565	2,905	0.544
Exercised	(555)	0.565	(2,130)	0.537
Lapsed/forfeited	(170)	0.565	(50)	0.513
Outstanding at end of year	–	–	725	0.565
Exercisable at end of year	–	–	725	0.565

During the financial year, 555,000 (2015: 2,130,000) 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 $1.031 (2015: $1.073).

No options were granted during the financial year under review.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

34. Commitments

		Group		Company	
		2016	2015	2016	2015
		$'000	$'000	$'000	$'000
(i)	Capital commitments not provided for in the financial statements:				
	Expenditure contracted in respect of property, plant and equipment and investment properties	18,480	40,120	–	–
	Share of joint venture's capital commitments in relation to property, plant and equipment	501	–	–	–
		18,981	40,120	–	–
(ii)	Commitments to purchase bulk supplies of raw materials	32,083	39,842	–	–
(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	4,610	4,215	32	110
	Between one and five years	10,689	10,664	9	42
	After five years	21,531	25,292	–	–
		36,830	40,171	41	152

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 2016

35. Contingent liabilities (unsecured)

		Company 2016 $'000	Company 2015 $'000
(a)	Guarantees issued for bank facilities granted to subsidiaries	147,454	133,064
	Amounts utilised by subsidiaries as at end of the reporting period	44,790	54,959

(b) The Group's subsidiary in the Philippines received a notification from the Philippines tax authority in 2016 for alleged deficiency in income and various taxes for the taxable year 2011, of approximately $24,353,000. The subsidiary's tax consultant has advised that there is no merit to this notification and an objection letter has been lodged.

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

36. 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Management fee income from subsidiaries	–	–	1,238	1,112
Royalty income from subsidiaries	–	–	15,317	25,058
Royalty income from joint venture	3,010	–	3,010	–
Interest income from advances to subsidiaries	–	–	1,359	1,765
Dividend income from subsidiaries	–	–	32,456	27,280
Sales to a company owned by a shareholder of the Company	790	945	–	–
Purchases from joint venture	626	–	–	–
Sales to joint venture	47,108	–	–	–
Dividend income from joint venture	6,748	–	–	–

(b) Compensation of key management personnel

	Group 2016 $'000	Group 2015 $'000
Fees and remuneration	4,468	3,505
Contribution to the Central Provident Fund	21	17

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

37. 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 $147,454,000 (2015: $133,064,000) 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 $44,790,000 (2015: $54,959,000).

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

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

37. 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			
	2016		2015	
	$'000	% of total	$'000	% of total
By industry:				
Bakery	59,956	62	55,419	57
Primary production	19,985	21	23,580	25
Trading and logistics	16,969	17	17,529	18
	96,910	100	96,528	100
By country:				
Singapore	33,920	35	31,451	33
Australia	22,282	23	25,929	27
Philippines	19,161	20	18,579	19
Malaysia	20,110	21	18,800	19
Other countries	1,437	1	1,769	2
	96,910	100	96,528	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

For the Financial Year Ended 31 December 2016

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

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

	2016				2015			
	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	122,570	–	–	122,570	104,017	–	–	104,017
Investment securities	4,412	7,025	1,052	12,489	3,165	10,862	4,350	18,377
Cash and cash equivalents	104,937	–	–	104,937	109,088	–	–	109,088
Total undiscounted financial assets	231,919	7,025	1,052	239,996	216,270	10,862	4,350	231,482
Financial liabilities:								
Trade and other payables	116,813	–	–	116,813	145,824	–	–	145,824
Borrowings	37,922	48,986	8,704	95,612	64,525	25,289	5,447	95,261
Total undiscounted financial liabilities	154,735	48,986	8,704	212,425	210,349	25,289	5,447	241,085
Total net undiscounted financial assets/(liabilities)	77,184	(41,961)	(7,652)	27,571	5,921	(14,427)	(1,097)	(9,603)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

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

	2016			2015		
	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	3,371	8,049	11,420	3,120	14,143	17,263
Other receivables	75,401	–	75,401	42,943	–	42,943
Cash and cash equivalents	27,072	–	27,072	27,905	–	27,905
Advances to subsidiaries	–	123,805	123,805	–	130,083	130,083
Total undiscounted financial assets	105,844	131,854	237,698	73,968	144,226	218,194
Financial liabilities:						
Trade and other payables	9,031	–	9,031	8,317	–	8,317
Total undiscounted financial liabilities	9,031	–	9,031	8,317	–	8,317
Total net undiscounted financial assets	96,813	131,854	228,667	65,651	144,226	209,877

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

Company						
Financial guarantees	44,790	–	44,790	54,959	–	54,959

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

37. 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 2016 $'000	Effect on profit after taxation 2015 $'000
Australian Dollar	+ 50	(209)	(299)
Australian Dollar	– 50	209	299

(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 cash equivalents) amounted to $60,286,000 (2015: $73,210,000).

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

		2016 Profit after taxation $'000	2016 Equity $'000	2015 Profit after taxation $'000	2015 Equity $'000
AUD	– strengthened 1% (2015: 1%)	598	–	60	662
	– weakened 1% (2015: 1%)	(598)	–	(60)	(662)
Ringgit	– strengthened 1% (2015: 1%)	42	734	(50)	514
	– weakened 1% (2015: 1%)	(34)	(749)	61	(525)

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

38. Classification of financial instruments

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Loans and receivables				
Trade receivables	96,910	96,528	–	–
Other receivables	25,660	7,489	75,401	42,943
Cash and cash equivalents	104,903	109,052	27,070	27,893
Advances to subsidiaries	–	–	123,805	130,083
	227,473	213,069	226,276	200,919
Available-for-sale				
Short-term investments	2,974	–	1,974	–
Long-term investments	7,226	29	7,198	–
	10,200	29	9,172	–
Held-to-maturity financial assets				
Short-term investments	–	2,500	–	2,500
Long-term investments	–	12,495	–	11,495
	–	14,995	–	13,995
Financial liabilities measured at amortised cost				
Trade payables	65,188	82,153	225	135
Other payables	51,597	63,671	8,806	8,182
Short-term borrowings	32,642	59,141	–	–
Long-term loans and finance leases	53,584	32,502	–	–
	203,011	237,467	9,031	8,317
Fair value through profit or loss				
Short-term investments	994	–	994	–
Long-term investments	–	964	–	964
Forward currency contracts	(28)	–	–	–
	966	964	994	964

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

39. Fair value of assets and liabilities

A. *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 that the Group can access at the measurement date.
- 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)

B. *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:

	Group 2016			
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**
Financial assets				
Short-term investments (Note 15)	2,974	994	–	3,968
Long-term investments (Note 23)	7,198	–	–	7,198
	10,172	994	–	11,166
Non-financial assets				
Biological assets (Note 11)	–	–	32,267	32,267
Financial liabilities				
Forward currency contracts (Note 27(b))	–	28	–	28

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

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

	Group 2015			
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**
Financial assets				
Long-term investments (Note 23)	–	964	–	964
Non-financial assets				
Biological assets (Note 11)	–	–	30,503	30,503

C. ***Level 2 fair value measurement***

The following is a description of the valuation inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy.

Short-term investments and long-term investments

The fair value of short-term and long-term investments are determined by reference to statements as at the financial year-end provided by the issuer or by reference to their published market price at the end of the reporting period.

Forward currency contracts

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

D. ***Level 3 fair value measurements***

Fair value of biological assets is determined as described in Note 11. 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 $1.6 million and a decrease of $1.6 million respectively.

E. ***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 cash equivalents, 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.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

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

F. *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 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 a company that is not quoted in any market.

Investments classified as held-to-maturity

In 2015, investments classified as held-to-maturity amounting to $15.0 million for the Group are stated at amortised cost. The fair value of these investments as at 31 December 2015 approximate $14.5 million for the Group. Fair value is determined by reference to their published market ask price at the end of the reporting period.

40. 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 34(ii).

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

41. 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 2016

41. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Eliminations $'000	Consolidated $'000
2016						
Revenue and expenses						
Revenue from external customers	375,508	395,434	105,804	3,700	–	880,446
Other revenue from external customers	4,243	2,759	251	125	–	7,378
Inter-segment revenue	–	–	39	16,279	(16,318)	–
	379,751	398,193	106,094	20,104	(16,318)	887,824
Unallocated revenue						1,696
Total revenue						889,520
Segment EBIT	32,263	42,140	2,946	2,544	–	79,893
Unallocated revenue						1,696
Unallocated expenses						(13,794)
Profit from operating activities						67,795
Finance costs						(2,940)
Exceptional items						59,375
Share of profits of joint venture	6,385	–	–	–	–	6,385
Profit before taxation						130,615
Taxation						(14,244)
Profit after taxation						116,371

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

41. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Eliminations $'000	Consolidated $'000
2015						
Revenue and expenses						
Revenue from external customers	511,547	371,612	104,447	–	–	987,606
Other revenue from external customers	4,637	2,995	242	803	–	8,677
Inter-segment revenue	–	–	53	26,170	(26,223)	–
	516,184	374,607	104,742	26,973	(26,223)	996,283
Unallocated revenue						1,995
Total revenue						998,278
Segment EBIT	60,119	16,777	3,559	(560)	–	79,895
Unallocated revenue						1,995
Unallocated expenses						(10,527)
Profit from operating activities						71,363
Finance costs						(2,597)
Profit before taxation						68,766
Taxation						(14,037)
Profit after taxation						54,729

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

41. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Consolidated $'000
2016					
Assets and liabilities					
Segment assets	288,323	247,594	65,667	75,993	677,577
Joint venture	76,318	–	–	–	76,318
Total assets	364,641	247,594	65,667	75,993	753,895
Deferred tax assets					17,267
Tax recoverable					1,245
Total assets per consolidated statement of financial position					772,407
Segment liabilities	68,807	53,680	14,606	12,669	149,762
Provision for taxation					6,099
Deferred tax liabilities					12,494
Bank borrowings					75,900
Total liabilities per consolidated statement of financial position					244,255
Other segment information					
Expenditure for non-current assets	59,438	11,300	2,183	3,069	75,990
Amortisation and depreciation	21,468	8,592	2,166	534	32,760
Impairment loss	6,460	–	2,142	819	9,421
Allowance for inventory obsolescence charged/ (written back)	10	(154)	867	–	723
Allowance for doubtful debts charged and bad debts written off, net	75	44	332	–	451

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

41. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Consolidated $'000
2015					
Assets and liabilities					
Segment assets	329,267	236,717	67,842	69,165	702,991
Deferred tax assets					14,615
Tax recoverable					1,297
Total assets per consolidated statement of financial position					718,903
Segment liabilities	104,268	49,037	14,252	2,578	170,135
Provision for taxation					5,282
Deferred tax liabilities					12,353
Bank borrowings					84,080
Total liabilities per consolidated statement of financial position					271,850
Other segment information					
Expenditure for non-current assets	44,522	10,559	2,637	6,649	64,367
Amortisation and depreciation	25,247	8,624	1,923	516	36,310
Allowance for inventory obsolescence charged	197	155	930	–	1,282
Allowance for doubtful debts charged and bad debts written off, net	633	70	264	–	967

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

41. Segmental reporting (cont'd)

Geographical information

	Revenue		Non-current assets	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Singapore	179,229	173,460	44,542	48,137
Malaysia	123,893	282,660	74,863	95,624
Australia	408,846	386,603	140,909	128,391
Philippines	160,095	140,889	47,493	47,580
Other countries	17,457	14,666	26	5,567
	889,520	998,278	307,833	325,299

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

42. Subsidiaries and joint venture

(a) ***The subsidiaries as at 31 December 2016 are:-***

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2016 %	2015 %
	Bakery			
(1)	Gardenia Foods (S) Pte Ltd (Singapore)	Bread manufacturer (Singapore)	100	100
(1)	Farmland Central Bakery (S) Pte Ltd (Singapore)	Purchasing agent of bread, confectionery and bakery products (Singapore)	100	100

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

42. Subsidiaries and joint venture (cont'd)

(a) ***The subsidiaries as at 31 December 2016 are (cont'd):-***

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2016 %	2015 %
	Bakery (cont'd)			
(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
#	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. Became dormant during the year. (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 ^

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

42. Subsidiaries and joint venture (cont'd)

(a) ***The subsidiaries as at 31 December 2016 are (cont'd):-***

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2016 %	2015 %
	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 2016

42. Subsidiaries and joint venture (cont'd)

(a) ***The subsidiaries as at 31 December 2016 are (cont'd):-***

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2016 %	2015 %
	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
(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 2016

42. Subsidiaries and joint venture (cont'd)

(a) ***The subsidiaries as at 31 December 2016 are (cont'd):-***

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2016 %	2015 %
	Dormant corporations			
*	Auspeak Holdings Pte Ltd (Singapore)	Dormant	100	100
*	Gardenia Hong Kong Limited (Hong Kong)	Dormant	100	100
*	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)	Dormant	100	100
(2)	Farmland Bakery (M) Sdn Bhd (Malaysia)	To commence manufacture and distribution of bread, confectionery and bakery products	100	100

(b) ***The joint venture as at 31 December 2016 is:-***

	Name of company (Country of incorporation)	Principal activities (place of business)	2016 %	2015 %
(2)	Gardenia Bakeries (KL) Sdn Bhd (Malaysia)	Bread manufacturer (Malaysia)	50∞	70
	Held by Gardenia Bakeries (KL) Sdn Bhd			
(2)	Gardenia Sales & Distribution Sdn Bhd (Malaysia)	Marketing and distribution of bakery products (Malaysia)	50	70
(2)	Everyday Bakery and Confectionery Sdn Bhd (Malaysia)	Dormant	50	70

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

42. Subsidiaries and joint venture (cont'd)

Note

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

\# *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*

∞ *During the year, Gardenia Bakeries (KL) Sdn Bhd had become a joint venture (previously a subsidiary)*

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*

(c) *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	Proportion of ownership interest held by non-controlling interest %	Profit/(loss) allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
31 December 2016:					
QAF Fruits Cold Store Pte Ltd	Singapore	38	223	4,033	1,164
Diamond Valley Pork Pty Ltd	Australia	20	326	2,908	630
Gaoyuan Group+	People's Republic of China	45	(5,963)	(6,554)	–
31 December 2015:					
QAF Fruits Cold Store Pte Ltd	Singapore	38	219	4,974	24
Diamond Valley Pork Pty Ltd	Australia	20	401	2,674	–
Gaoyuan Group+	People's Republic of China	45	(2,345)	(394)	–
Gardenia Bakeries (KL) Sdn Bhd	Malaysia	30	3,697	12,226	4,277

\+ *Gaoyuan Group comprises of Gaoyuan Pte Ltd and its wholly-owned subsidiaries, Gardenia Food (Fujian) Co Ltd and Gardenia Trading (Fujian) Co Ltd.*

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

42. Subsidiaries and joint venture (cont'd)

(d) *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

	QAF Fruits Cold Store Pte Ltd		Diamond Valley Pork Pty Ltd		Gaoyuan Group		Gardenia Bakeries (KL) Sdn Bhd
	As at 31 December 2016 $'000	As at 31 December 2015 $'000	As at 31 December 2016 $'000	As at 31 December 2015 $'000	As at 31 December 2016 $'000	As at 31 December 2015 $'000	As at 31 December 2015 $'000
Current							
Assets	4,553	6,706	10,594	9,415	3,349	7,008	54,322
Liabilities	(497)	(457)	(11,055)	(9,410)	(2,638)	(925)	(56,179)
Net current assets/ (liabilities)	4,056	6,249	(461)	5	711	6,083	(1,857)
Non-current							
Assets	6,860	7,161	33,629	25,230	26	5,567	50,233
Liabilities	(303)	(320)	(18,629)	(11,866)	(15,300)	(12,526)	(7,624)
Net non-current assets/(liabilities)	6,557	6,841	15,000	13,364	(15,274)	(6,959)	42,609
Net assets/ (liabilities)	10,613	13,090	14,539	13,369	(14,563)	(876)	40,752

Summarised statement of comprehensive income

	QAF Fruits Cold Store Pte Ltd		Diamond Valley Pork Pty Ltd		Gaoyuan Group		Gardenia Bakeries (KL) Sdn Bhd
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2015 $'000
Revenue	2,656	2,597	68,483	61,070	5,858	3,591	279,350
Profit/(loss) before income tax	677	682	2,352	2,879	(13,278)	(5,179)	16,336
Income tax (expense)/credit	(92)	(106)	(724)	(873)	28	(34)	(4,012)
Profit/(loss) after tax	585	576	1,628	2,006	(13,250)	(5,213)	12,324
Other comprehensive income	–	–	172	(548)	(436)	51	(6,210)
Total comprehensive income	585	576	1,800	1,458	(13,686)	(5,162)	6,114

Notes to the Financial Statements

For the Financial Year Ended 31 December 2016

42. Subsidiaries and joint venture (cont'd)

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

Other summarised information

	QAF Fruits Cold Store Pte Ltd		Diamond Valley Pork Pty Ltd		Gaoyuan Group		Gardenia Bakeries (KL) Sdn Bhd
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2015 $'000
Net cash flows from/(used in) operating activities	948	1,044	5,497	4,213	(2,756)	(6,255)	30,245
Acquisition of significant property, plant and equipment and investment properties	49	37	9,985	6,711	1,578	1,331	7,769

43. 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 cash equivalents. Shareholders' fund relates to equity attributable to owners of the parent. The Group's strategy, which was unchanged from 2015, is also to maintain gearing ratios on net debt-to-equity ratio of not exceeding 1.5 times.

	Group	
	2016 $'000	2015 $'000
Net debt	(18,677)	(17,409)
Shareholders' funds	527,067	426,875
Net debt-to-equity ratio	(0.04 times)	(0.04 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.

44. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 16 March 2017.

List of Major Properties

The major properties of the Company and its principal subsidiaries as at 31 December 2016 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
230B Pandan Loop Singapore	Warehouse, bakery and office premises	Approval in principle granted by JTC for a 20-year lease from 1 October 2011
(b) 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 2640	Piggery Farming	Freehold

List of Major Properties

The major properties of the Company and its principal subsidiaries as at 31 December 2016 are:

Name of building/location	Description	Tenure of land
(b) Properties in Australia		
Balpool 1 & 2 Piggery Balpool Station Balpool Lane, Moulamein New South Wales 2733	Piggery Farming	Freehold
Balpool 3 Turora Street Moulamein New South Wales 2733	Residence	Freehold
Bagshot Piggery 429 Clays Road Bagshot, Victoria 3551	Piggery Farming	Freehold
Whitehead Street Corowa New South Wales 2646	Farming related use	Freehold
Gre Gre 674 Carrolls Bridge Road Gre Gre, Victoria 3477	Piggery Farming	Freehold
Corowa Feedmill Albury, Corowa New South Wales 2646	Feedmill	Freehold

Statistics of Shareholdings

as at 10 March 2017

Issued and Fully paid-up Capital : $263,087,241
Class of Shares : Ordinary Shares

Analysis of Shareholders by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	260	5.16	6,782	0.00
100 – 1,000	877	17.39	681,537	0.12
1,001 – 10,000	2,782	55.16	13,000,406	2.31
10,001 – 1,000,000	1,102	21.85	56,043,420	9.98
1,000,001 and above	22	0.44	492,122,823	87.59
	5,043	100.00	561,854,968	100.00

List of Twenty Largest Shareholders

S/No.	Name of Shareholder	No. of Shares	%
1.	Citibank Nominees Singapore Pte Ltd	140,197,829	24.95
2.	Tian Wan Enterprises Company Limited	125,779,812	22.39
3.	Tian Wan Equities Company Limited	95,411,385	16.98
4.	Raffles Nominees (Pte) Ltd	52,656,102	9.37
5.	DBS Nominees Pte Ltd	28,294,139	5.04
6.	DB Nominees (S) Pte Ltd	6,243,621	1.11
7.	CIMB Securities (Singapore) Pte Ltd	5,517,005	0.98
8.	Tan Kong King	4,803,034	0.85
9.	HSBC (Singapore) Nominees Pte Ltd	4,704,393	0.84
10.	Toh Tiong Wah	4,114,943	0.73
11.	United Overseas Bank Nominees (Private) Limited	3,632,920	0.65
12.	OCBC Securities Private Ltd	3,598,874	0.64
13.	Lee Fook Khuen	2,682,125	0.48
14.	DBSN Services Pte Ltd	2,455,877	0.44
15.	OCBC Nominees Singapore Private Ltd	1,984,573	0.35
16.	Teh Kiu Cheong @Teong Cheng @ Cheng Chiu Chang	1,952,622	0.35
17.	ISI Investments Company Limited	1,693,772	0.30
18.	Tarn Teh Chuen	1,490,007	0.27
19.	DBS Vikers Securities (Singapore) Pte Ltd	1,431,491	0.25
20.	Lim Leng Chye	1,333,537	0.24
		489,978,061	87.21

Statistics of Shareholdings

as at 10 March 2017

Substantial Shareholders

Name of Substantial Shareholder	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Andree Halim	–	–	339,463,981[1]	60.42	339,463,981	60.42
Lin Kejian	–	–	270,762,727[2]	48.19	270,762,727	48.19
Tian Wan Enterprises Company Limited	125,779,812	22.39	–	–	125,779,812	22.39
Tian Wan Equities Company Limited	95,411,385	16.98	–	–	95,411,385	16.98
Tian Wan Holdings Group Limited	40,181,975	7.15	78,090,809[3]	13.90	118,272,784	21.05
Tian Wan Capital Limited	57,362,848	10.21	–	–	57,362,848	10.21
Denonshire Group Limited	47,877,758[5]	8.52	–	–	47,877,758	8.52
Didi Dawis	–	–	47,877,758[4]	8.52	47,877,758	8.52
Tower Ridge Limited	–	–	47,877,758[5]	8.52	47,877,758	8.52

Notes:

(1) *Mr Andree Halim is deemed to have an interest in the Shares owned by Tian Wan Enterprises Company Limited, Tian Wan Equities Company Limited, Tian Wan Holdings Group Limited, Tian Wan Capital Limited and J&H International Limited.*

(2) *Mr Lin Kejian is deemed to have an interest in the Shares owned by Tian Wan Enterprises Company Limited, Tian Wan Equities Company Limited, ISI Investments Company Limited and in the Shares in which Tower Ridge Limited has an interest.*

(3) *Tian Wan Holdings Group Limited is deemed to have an interest in the Shares owned by Tian Wan Capital Limited and J&H International Limited.*

(4) *Mr Didi Dawis is deemed to have an interest in the Shares owned by Denonshire Group Limited.*

(5) *Tower Ridge Limited has an interest in the Shares owned by Denonshire Group Limited pursuant to an option granted to Tower Ridge Limited to purchase 47,877,759 QAF shares 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 William Pickering Ballroom, Level 2, PARKROYAL on Pickering, Singapore, 3 Upper Pickering Street, Singapore 058289 on 24 April 2017 at 11.00 a.m. to transact the following business:-

Ordinary Business

1. To receive and adopt the Directors' Statement and audited financial statements for the financial year ended 31 December 2016 and auditors' report thereon. **(Resolution 1)**

2. To declare a final tax-exempt (one-tier) dividend of 4 cents per ordinary share in respect of the financial year ended 31 December 2016. **(Resolution 2)**

3. To note the retirement of Mr Teng Tien Eng Moses retiring under Article 104 of the Company's Constitution

   (Note: Mr Teng Tien Eng Moses will not be seeking re-election and will retire as Director of the Company on 24 April 2017 at the close of the Annual General Meeting).

4. To re-elect Mr Tan Hang Huat retiring under Article 104 of the Company's Constitution. **(Resolution 3)**

5. To re-elect Mr Choo Kok Kiong retiring under Article 104 of the Company's Constitution. **(Resolution 4)**

6. To re-elect Ms Ong Wui Leng Linda retiring under Article 114 of the Company's Constitution. **(Resolution 5)**

7. To approve Directors' fees of up to $630,417 for the financial year ended 31 December 2016 (FY2015: $585,000). **(Resolution 6)**

8. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorize the Directors to fix their remuneration. **(Resolution 7)**

Special Business

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modification:

General mandate to issue shares

9. That authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively "**instruments**") that might or would require shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   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; and

Notice of Annual General Meeting

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while this Resolution was in force,

Provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), and provided further that where shareholders of the Company are not given the opportunity to participate in the same on a *pro-rata* basis, then the shares to be issued (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued shares of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (2) below);

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

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

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

(iii) any subsequent bonus issue, consolidation or subdivision of shares; and

(3) (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 the earlier. **(Resolution 8)**

Authority to issue shares under the QAF Limited Scrip Dividend Scheme

10. 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 in the Company as may be required to be allotted and issued under the QAF Limited Scrip Dividend Scheme, on such terms and conditions as may be determined by the Directors pursuant to the QAF Limited Scrip Dividend Scheme and to do all acts and things which they may in their absolute discretion deem necessary or desirable to carry the same into effect. **(Resolution 9)**

Notice of Annual General Meeting

Proposed IPT Mandate

11. That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**Chapter 9**"), for the Company and its subsidiaries and associated companies which are considered to be "entities at risk" under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions as set out in the Appendix to this Notice of Annual General Meeting, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions (the "**Proposed IPT Mandate**");

(b) the Proposed IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the Directors of the Company be and are hereby authorised to do all acts and things as they may in their discretion deem necessary, desirable or expedient in the interests of the Company to give effect to the Proposed IPT Mandate and/or this Resolution. **(Resolution 10)**

By Order of the Board

Serene Yeo Li-Wen
Company Secretary

Singapore, 5 April 2017

Explanatory Notes:

(i) Ordinary Resolution 3. Mr Tan Hang Huat was appointed as a non-executive non-independent Director on 17 July 2014. Certain information on Mr Tan is found on page 11 of the Annual Report.

(ii) Ordinary Resolution 4. Mr Choo Kok Kiong was appointed as a non-executive non-independent Director on 17 July 2014. Certain information on Mr Choo is found on page 13 of the Annual Report.

(iii) Ordinary Resolution 5. Ms Ong Wui Leng Linda was appointed as a non-executive independent Director on 1 January 2017. She is the chairman of the Audit Committee and a member of the Nominating Committee of the Company. Certain information on Ms Ong is found on page 15 of the Annual Report.

(iv) Ordinary Resolution 6. Please see page 53 of the Annual Report for information on the proposed fees for Directors for FY2016.

Notice of Annual General Meeting

v) **Special Business:** Ordinary Resolution 8, if passed, will empower the Directors to, *inter alia*, issue shares and/or make or grant instruments, and issue shares in pursuance of such instruments. The aggregate number of shares that may be issued (including shares issued in pursuance of instruments) will be subject to a limit of 50% of the total number of issued shares of the Company excluding treasury shares, with a sub-limit of 20% for issues other than on a pro rata basis to all shareholders of the Company. The 50% limit and the 20% sub-limit shall be calculated based on the total number of issued shares of the Company excluding treasury shares at the time Ordinary Resolution 8 is passed, after adjusting for, *inter alia*, new shares arising from the conversion or exercise of any convertible securities and any subsequent consolidation or subdivision of shares. The authority will continue until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier (unless such authority is revoked at a general meeting).

vi) **Special Business**: Ordinary Resolution 9, if passed, will authorize the Directors to issue shares in the Company pursuant to the QAF Limited Scrip Dividend Scheme (as approved by shareholders in 2006 and as modified from time to time pursuant to such Scheme) to shareholders who, in respect of a qualifying dividend, elect to receive scrip in lieu of part or all of the cash amount of that qualifying dividend. The authority will continue until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier (unless such authority is revoked at a general meeting). Authority sought under Ordinary Resolution 9 is in addition to the general authority to issue shares sought under Ordinary Resolution 8.

vii) **Special Business**: Ordinary Resolution 10 is to adopt the Proposed IPT Mandate to allow the Company and its subsidiaries and associated companies which are considered to be "entities at risk" under Chapter 9 of the SGX-ST Listing Manual to enter into interested person transactions, information of which is set out in the Appendix to this Notice of Annual General Meeting.

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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) 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 or service providers) to comply with any applicable laws, listing rules, take-over 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 or service providers), 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 or service providers) 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.

Notice of Annual General Meeting

Notes:

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy (expressed as a percentage as a whole) shall be specified in the proxy form. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholdings and the second named proxy shall be deemed to be an alternate to the first named proxy.

   (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. In relation to a relevant intermediary who wishes to appoint more than two proxies, it should annex to the proxy form the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of shareholding (number of shares, class of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank who intends to appoint CPF/SRS investors as its proxies shall comply with this Note.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 150 South Bridge Road #09-04 Fook Hai Building Singapore 058727 not less than 48 hours before the time appointed for the AGM. Completion and return of the instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the AGM.

4. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the AGM.

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Proxy Form

Annual General Meeting of QAF Limited
(Co. Registration No. 195800035D)

IMPORTANT

1. A relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50) may appoint more than two proxies to attend, speak and vote at the AGM.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. A CPF/SRS investor who wishes to attend the AGM as proxy has to submit his request to his CPF Agent Bank so that his CPF Agent Bank may appoint him as its proxy within the specified timeframe. (CPF Agent Banks: Please refer to Notes 2(b) and (4) on the reverse side of this form on the required details.)

I/We ________________________________ NRIC/Passport No./Co. Registration No. ____________________

of ____

being a Member/Members of the above-named Company, hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of shareholdings (Ordinary Shares)	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of shareholdings (Ordinary Shares)	
			No. of Shares	%

or failing him/her the Chairman of the Meeting as my/our proxy/proxies to vote on my/our behalf at the Annual General Meeting ("AGM") of the Company to be held at William Pickering Ballroom, Level 2, PARKROYAL on Pickering Street, 3 Upper Pickering Street, Singapore 058289 on 24 April 2017 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as hereunder indicated. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM and at any adjournment thereof.

Resolution No.	Ordinary Business	No. of Votes For*	No. of Votes Against*
1.	To adopt the Directors' Statement and audited financial statements and auditors' report thereon.		
2.	To declare a final tax-exempt (one-tier) dividend of 4 cents per share.		
3.	To re-elect Mr Tan Hang Huat.		
4.	To re-elect Mr Choo Kok Kiong.		
5.	To re-elect Ms Ong Wui Leng Linda.		
6.	To approve Directors' fees.		
7.	To re-appoint Ernst & Young LLP as Auditors of the Company.		
	Special Business		
8.	General mandate to issue shares.		
9.	Authority to issue shares pursuant to the QAF Limited Scrip Dividend Scheme.		
10.	To approve the Proposed IPT Mandate.		

* *Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick (√) in the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.*

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

Signed this ______________ day of ______________ 2017 by:

____

Signature of Member(s) / Corporation's Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Glue and seal firmly

Glue and seal firmly

First fold (this flap for sealing)

Please affix postage stamp

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

Second fold here

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. 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. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy (expressed as a percentage of the whole) shall be specified in the proxy form. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholdings and the second named proxy shall be deemed to be an alternate to the first named proxy.

   (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. In relation to a relevant intermediary who wishes to appoint more than two proxies, it should annex to the proxy form the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of shareholding (number of shares, class of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank who intends to appoint CPF/SRS investors as its proxies shall comply with this Note.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 150 South Bridge Road #09-04 Fook Hai Building Singapore 058727 not less than 48 hours before the time appointed for the AGM. Completion and return of the instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the AGM.

5. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the AGM.

Personal Data Privacy

By submitting an instrument appointing a 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 5 April 2017.