
QAF Limited
QAF LIMITED
Growing Our Brand Equity
ANNUAL REPORT 2017

CORPORATE INFORMATION

(As at 15 March 2018)

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

Gianto Gunara

Choo Kok Kiong

Dawn Pamela Lum

Triono J. Dawis

Lee Kwong Foo Edward

Ong Wui Leng Linda

Rachel Liem Yuan Fang
(Alternate Director to Andree Halim)

AUDIT AND RISK COMMITTEE

Ong Wui Leng Linda
(Chairman)

Dawn Pamela Lum

Lee Kwong Foo Edward

Triono J. Dawis

NOMINATING COMMITTEE

Dawn Pamela Lum
(Chairman)

Andree Halim

Ong Wui Leng Linda

REMUNERATION COMMITTEE

Dawn Pamela Lum
(Chairman)

Didi Dawis

Andree Halim

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
#09-03 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:
Terry Wee Hiang Bing
(since the financial year ended 31 December 2017)

PRINCIPAL BANKERS

DBS Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Rabobank International

Standard Chartered Bank

United Overseas Bank Limited

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

2017 was a mixed year for the Group. The Bakery and Trading and Logistics businesses in the region performed satisfactorily while the Australian Primary Production business was affected by lower prices in the industry.

In pursuit of long term sustainable growth, the Group has, amongst others, embarked on an expansion plan for its Bakery business in the Philippines and Malaysia, having completed its plant in Johor. The Group will continue to make significant investments in 2018.

Last year, we had sought your approval to list the Primary Production business on the Australian Securities Exchange. Although that has been put on hold, we are reviewing our options for this business.

For the financial year ended 31 December 2017, the Board is recommending a final dividend of four cents per share notwithstanding the drop in profitability. If approved by shareholders at the Annual General Meeting, the total dividend, including the interim dividend of one cent paid in October 2017, will be five cents for the year.

More details of the Group's performance and operations are set out in the Joint Group Managing Directors' Report.

In closing, I would like to thank our customers, business partners and shareholders for being with the Group all these years. To our dedicated over 8,000 employees, a big thank you and we look forward to your continuing support and dedication.

Didi Dawis
Chairman
15 March 2018

BUSINESS OVERVIEW

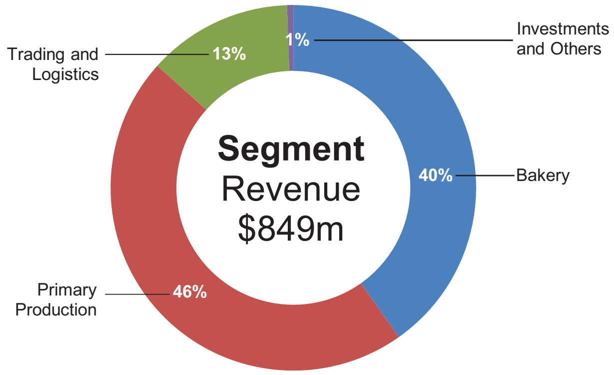
Revenue
$849m

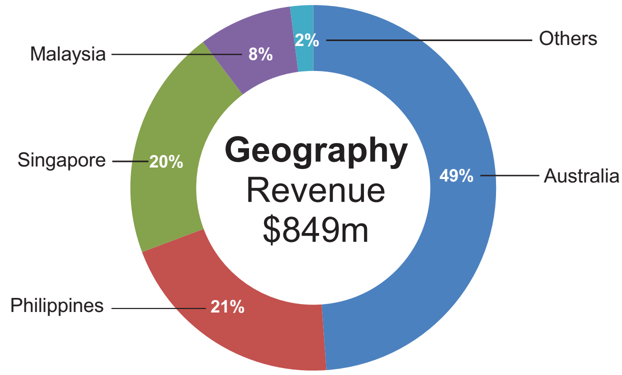
EBITDA
$73.9m[1]

PAT
$29.7m

15
Bakeries[2]

2 Processing plants
7 Owned farms
19 Contracted farms
>7,600ha
of agricultural and commercial freehold land





Reporting Segments

QAF Limited

Bakery	Primary Production	Trading and Logistics
REVENUE 2017 **$341m**	REVENUE 2017 **$393m**	REVENUE 2017 **$109m**
EBITDA 2017 **$43.2m**	EBITDA 2017 **$23.8m**	EBITDA 2017 **$7.3m**
EBITDA margin 2017 **13%**	EBITDA margin 2017 **6%**	EBITDA margin 2017 **7%**

Notes:
[1] Includes segment EBITDA of Bakery, Primary Production, Trading and Logistics, and Investments and Others.
[2] On completion of Mindanao and Luzon plants in Philippines and the GBKL Group's plant in Bukit Kemuning, Selangor.

JOINT GROUP MANAGING DIRECTORS' REPORT

On behalf of the Board of Directors of QAF Limited, we present the Annual Report for FY2017.

	FY2017 $'000	FY2016 $'000	% change
Revenue	848,589	889,520	(5)
Earnings Before Interest, Tax, Depreciation and Amortisation ("**EBITDA**")	73,891	164,619	(55)
EBITDA excluding Exceptional Items	73,891	105,244	(30)
– *EBITDA margin excluding Exceptional Items (%)*	8.7%	11.8%	
Profit Before Taxation ("**PBT**")	40,102	130,615	(69)
PBT excluding Exceptional Items	40,102	71,240	(44)
Profit After Tax ("**PAT**")	29,700	116,371	(74)
PAT excluding Exceptional Items	29,700	56,996	(48)
– *PAT margin excluding Exceptional Items (%)*	3.5%	6.4%	

FY2017

2017 can be characterized as the year of investment and these strategic investments in Bakery, Primary Production, Trading and Logistics will continue in 2018 to support the Group's sustainable long term growth plan.

Building a platform for growth with planned capacity increases, continued advertising and promotion spending to build brand equity, upgrading of older facilities, and coupled with prudent rationalizations of non-performing businesses will put the Group on a firm foundation to reap sustainable benefits in the coming years.

For financial year ended 31 December 2017, Group revenue decreased by 5% from $889.5 million to $848.6 million. The decrease in Group revenue was mainly attributable to deconsolidation of financial results of Gardenia Bakeries (KL) Sdn Bhd ("**GBKL**"), as the Group sold a 20% stake in GBKL in April 2016, reducing the stake to 50%, in compliance with regulatory requirements. Accordingly, GBKL ceased to be a subsidiary and became a joint venture of the Group. Excluding GBKL, Group revenue would have increased by 1% in 2017.

Excluding the one-off non-cash exceptional gain of $59.4 million for FY2016 due to the Group's sale of its 20% shareholdings interest in GBKL, Group PBT would have decreased by 44%. The decline was mainly attributable to the Group's Primary Production segment and one-off and other provisions of approximately $10.7 million, including the Legal and Professional Fees of $4.1 million incurred in connection with the proposed listing of the Primary Production business that has now been put on hold and cessation costs of $2.6 million for the China bakery operations. Excluding these provisions, the underlying earnings would have been $50.8 million representing a 29% year-on-year decline from FY2016 Group PBT excluding Exceptional Items of $71.2 million.

BAKERY

In 2017, the Group's Bakery segment would have reported higher revenue of 4% if not for this deconsolidation. In constant currency terms, and excluding GBKL's revenue contribution for first quarter ended 31 March 2016, the Bakery segment revenue would have increased by 7% year on year.

Gardenia aims to cover the food market even more comprehensively with a wider range of products and an adoption of multi-brand strategy to meet the ever-changing taste preferences of consumers. The Group has over 390 different bakery products and the range is expected to broaden.

Gardenia bakery business grew substantially in the Philippines, boosted by an enhanced distribution network, deeper penetration of the unpackaged

JOINT GROUP MANAGING DIRECTORS' REPORT

bread market through the opening of more franchised *Big Smile Bread Station* and *Bakers Maison* outlets, strong advertising and promotion, and introduction of new bakery products like pocket sandwiches. In Malaysia, *Gardenia* increased its range of product offerings, with muffins and cheese sticks successfully being added. Millif Industries Sdn Bhd, which is in the business of manufacturing bread spread, pastry and confectionery fillings including *Auntie Rosie's* kaya jam spread, is now wholly-owned by the Group. In Singapore, *Gardenia* launched dual cream rolls and sambal buns.

To maintain *Gardenia's* leadership positions in Singapore, Malaysia and the Philippines, the Group has put in place an extensive expansion plan. Completed in 2017, the new state-of-the-art RM 175 million ($56 million) bakery plant at Johor is now operational and expected to ramp up its production. In Singapore, facilities will be upgraded to ensure reliability. GBKL's Bukit Kemuning RM 184 million ($61 million) plant will be ready soon and new products will hit the shelves. A second RM 40 million ($13 million) line is being built there. In the Philippines, two large plants, a Peso 980 million ($26 million) plant in Mindanao and a Peso 1.88 billion ($51 million) plant in North Luzon are expected to commence operations by 2018.

With a total of 15 plants in four countries, namely, Singapore, Malaysia, the Philippines and Australia, the bakery investments will allow the Group to meet market demand in these countries and enjoy better economies of scale.

PRIMARY PRODUCTION

The Primary Production segment saw marginally lower sales because of lower average selling prices but the decrease was marginal as it was offset by higher sales volume. The Primary Production segment faced increased competition from the general oversupply situation in the industry and experienced significant pressure on selling prices. National prices of carcase meat dropped by around 26% in the six months to June 2017, but Rivalea managed to achieve better prices due to its improved customer mix.

The oversupply situation is a cyclical factor affecting the entire industry in Australia and globally where pork prices are depressed.

Due to the strong headwinds, the proposed IPO for Rivalea was put on hold. However, the Group had a much better understanding of the primary production business, especially the need to focus on building up its proprietary brands rather than relying on the commodity meat business. The segment will invest more in its ready-to-eat meals under *Family Chef, High Country and Riverview Farms* and its feedmill products under *Veanavite, Nutrimax* and *SlingShot.*

To meet the growing demand for meat processing, Rivalea is looking to upgrade its Melbourne plant with an estimated A$21 million ($22 million) investment, acquiring an adjacent plot of land and building new chillers.

TRADING AND LOGISTICS

The Group's Trading and Logistics segment will invest in new freezers and chillers at its NCS Cold Store site which was impacted by an ammonia leak in early 2018. This will support Ben Foods in its concerted push to grow its long-established brands such as *Cowhead* and *Farmland*. Ben Foods continued to achieve strong sales in its *Cowhead* dairy products. The brand has been extended to include *Cowhead* Danish butter cookies, which has done well in export markets.

CORPORATE CULTURE, CLOSER INTEGRATION AND SUSTAINABLE GROWTH

The Group operates in Bakery, Primary Production, Trading and Logistics, and in various countries in Asia Pacific. There are core strengths in various companies. Some are strong in production, others in distribution or branding, and yet others in research capabilities.

JOINT GROUP MANAGING DIRECTORS' REPORT

Farmland Bakery, Gardenia Singapore Group's latest bakery plant in Johor, Malaysia was completed in 2017

Going forward, the Group will strive to utilize the strength of each company to grow the food business totally. There will be closer collaborations and potential synergy within the Group will be tapped. For example, a product may be created in a laboratory in one group, made by another, branded by a third group and finally distributed group-wide by all. Ben Foods proprietary products are being distributed in Gardenia's group network. This has started in the Philippines via 50 franchised *Big Smile Bread Station* stores and nine *Bakers Maison* Cafes. Likewise, *Gardenia* frozen garlic breads and par-baked frozen bread products are sold via the marketing outreach of Ben Foods.

In the year ahead, the Group may be exposed to:

- volatility in regional currencies following further increases in global interest rates;
- an oversupply market condition in the Primary Production segment, which is expected to continue to exert significant pressure on selling prices;
- escalating costs especially higher energy costs, raw material (including feed and flour) prices, environmental compliance cost and maintenance expenditure; and
- increasing competition.

The Group has a strong balance sheet and sufficient financial capacity to embark on a sustainable long term growth path to create business value. It will explore strategic collaborations with other food related companies in regional markets. Strategic options for its investment in the Primary Production segment will continue to be explored.

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
15 March 2018

FINANCIAL HIGHLIGHTS

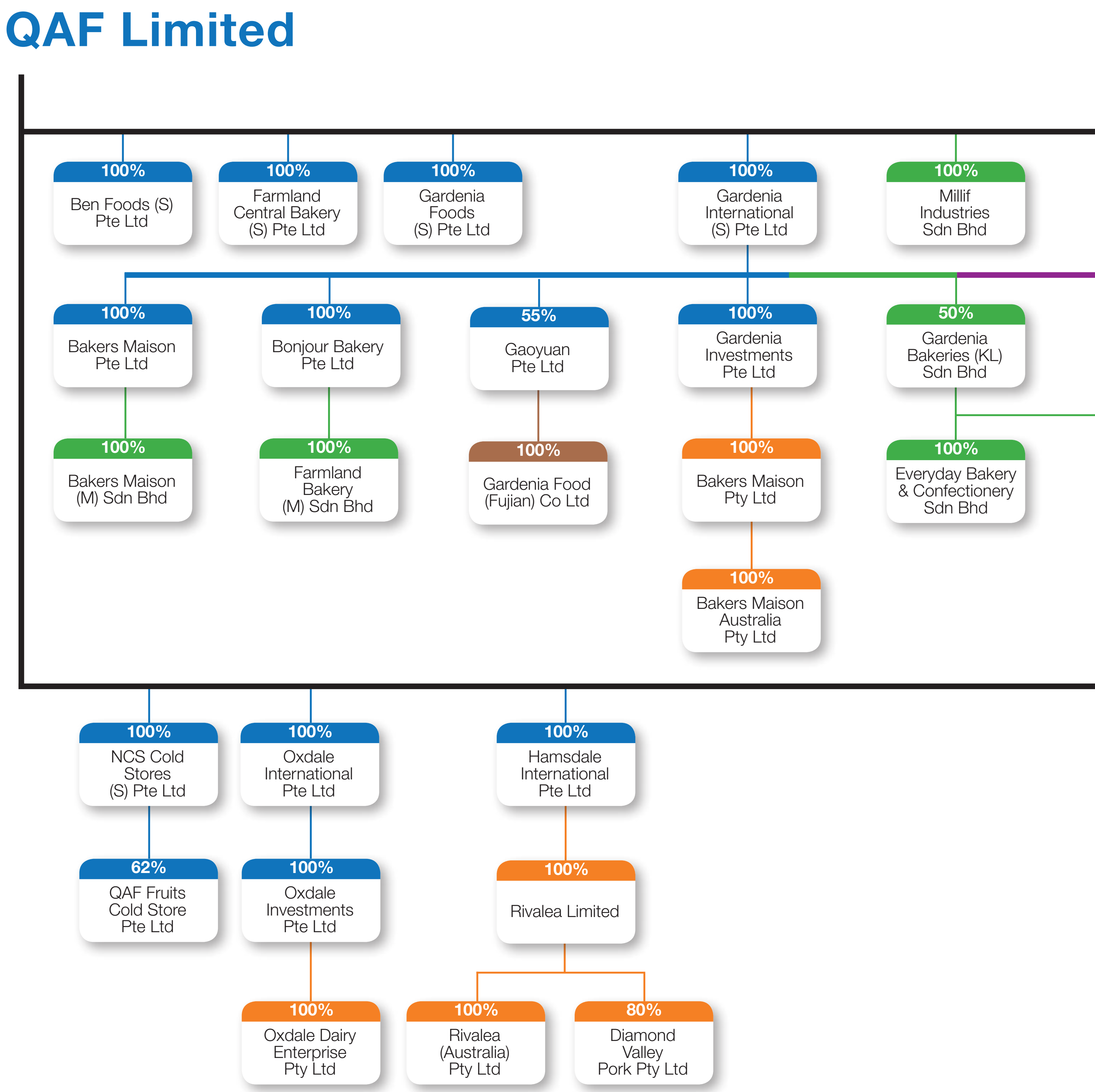
	FY2017	FY2016	FY2015	FY2014	FY2013
INCOME STATEMENT (S$'000)					
Revenue	848,589	889,520	998,278	1,023,149	1,024,160
Earnings before interest, tax, depreciation and amortisation (EBITDA)					
– before exceptional items	73,891	105,244	105,678	96,462	83,434
– after exceptional items	73,891	164,619	105,678	96,462	83,434
Profit before taxation					
– before exceptional items	40,102	71,240	68,766	57,917	42,215
– after exceptional items	40,102	130,615	68,766	57,917	42,215
Profit attributable to owners of the Company					
– before exceptional items	31,839	61,015	52,536	45,081	30,186
– after exceptional items	31,839	120,390	52,536	45,081	30,186
STATEMENT OF FINANCIAL POSITION (S$'000)					
Total assets	821,459	772,407	718,903	691,114	688,221
Total liabilities	290,898	244,255	271,850	254,285	264,543
Total equity	530,561	528,152	447,053	436,829	423,678
Equity attributable to owners of the Company	536,928	527,067	426,875	412,368	396,780
PER SHARE DATA (CENTS)					
Earnings					
– before exceptional items	5.6	10.9	9.4	8.2	5.6
– after exceptional items	5.6	21.4	9.4	8.2	5.6
Net asset value(Note 1)	94.3	93.8	76.1	74.7	72.6
Net tangible asset(Note 2)	94.3	93.8	76.0	74.6	72.2
Total dividends	5.0	5.0	5.0	5.0	5.0
OTHER FINANCIAL RATIOS					
EBITDA margin (%)					
– before exceptional items	9%	12%	11%	9%	8%
– after exceptional items	9%	19%	11%	9%	8%
Return on average shareholders' equity					
– before exceptional items	6%	13%	13%	11%	8%
– after exceptional items	6%	25%	13%	11%	8%
Return on average assets					
– before exceptional items	4%	8%	7%	7%	4%
– after exceptional items	4%	16%	7%	7%	4%
Dividend payout (%)(Note 3)					
– before exceptional items	89%	46%	53%	61%	89%
– after exceptional items	89%	23%	53%	61%	89%
Current ratio (no. of times)	1.9	2.2	1.6	1.5	1.4
Net gearing ratio (no. of times)(Note 4)	(0.04)	(0.04)	(0.04)	(0.03)	0.03

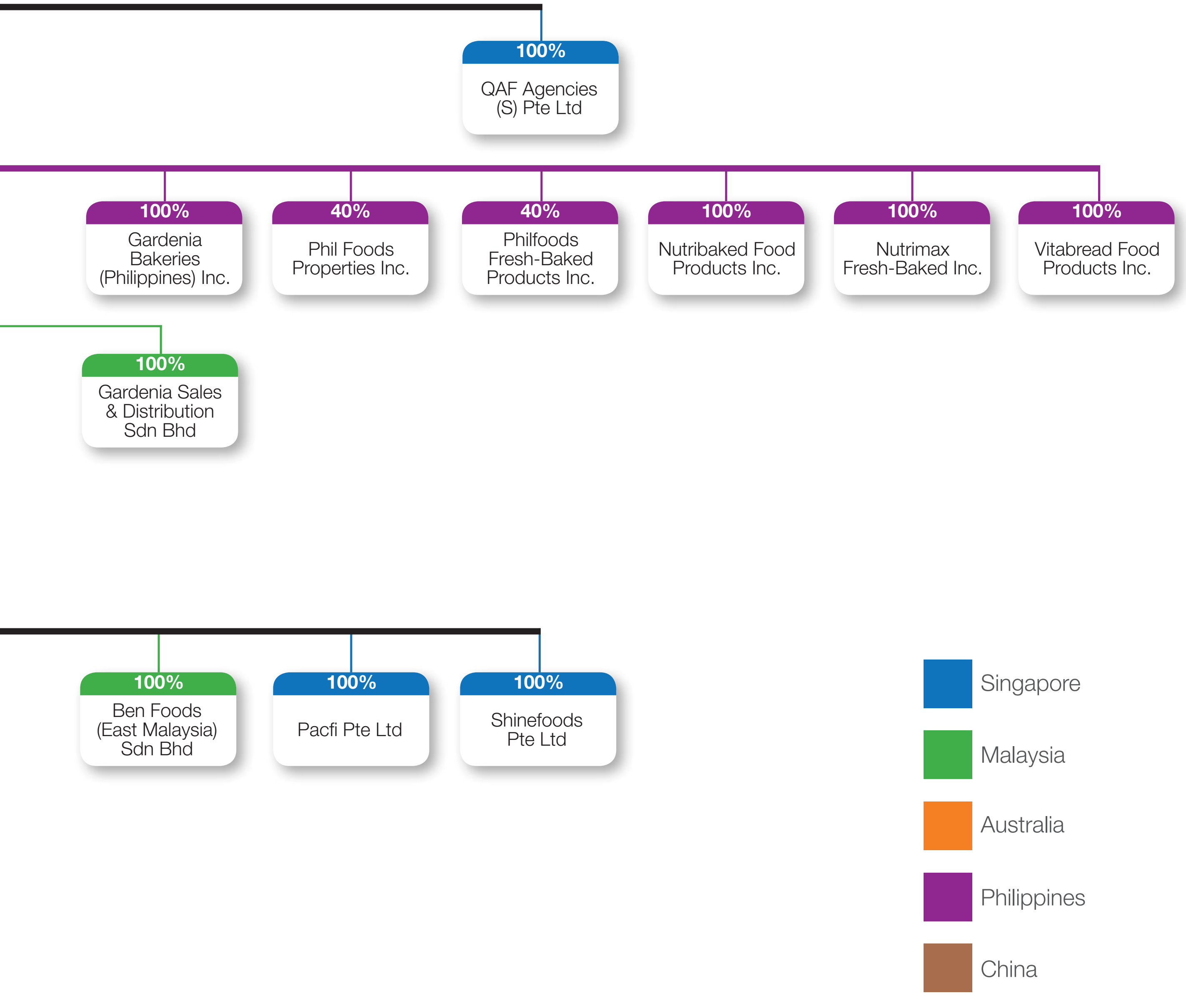
Notes:

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 15 March 2018





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

BOARD OF DIRECTORS

DIDI DAWIS, 72
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, including being Chairman of the Governing Board of Indonesia Chinese Entrepreneur Association and 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 8.41% in the total issued shares of the Company as at 15 March 2018.

ANDREE HALIM, 70
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 in which he has invested.

Mr Andree Halim is a controlling shareholder of the Company, with a deemed interest of 60.15% in the total issued shares of the Company as at 15 March 2018.

LIN KEJIAN, 39
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 47.91% in the total issued shares of the Company as at 15 March 2018.

BOARD OF DIRECTORS

GOH KIAN HWEE, 63
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. Mr Goh is a member of the Listings Advisory Committee of the Singapore Exchange Limited.

TAN TECK HUAT, 56
Finance Director
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 30 years of working experience in major listed companies holding various positions in corporate development and communications, corporate finance, corporate treasury and accounting.

Mr Tan is a board member and chairs the Audit Committee of the Central Provident Fund Board of Singapore. Mr Tan is a member and chairs the Risk and Audit Committee of the Board of Trustees of a Singapore superannuation plan, Home Affairs Uniformed Services INVEST Fund. He is also a member of the Advisory Committee on Accounting Standards for Statutory Boards, which advises the Singapore Accountant-General on prescribing accounting standards for statutory boards.

TAN HANG HUAT, 61
Non-executive/Non-independent Director

Date of last election:
24 April 2017
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).

BOARD OF DIRECTORS

GIANTO GUNARA, 55

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, 48

Non-executive/Non-independent Director

Date of last election:
24 April 2017
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 Executive Director/Group 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.

BOARD OF DIRECTORS

DAWN PAMELA LUM, 64

Non-executive/Independent Director

Date of last election:
29 April 2016
Board Committee:
Audit and Risk 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. She was appointed Lead Independent Director in January 2018.

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.

TRIONO J. DAWIS, 36

Non-executive/Independent Director

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

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 Dawis had previously been appointed as an executive Business Development director of the Company on 1 October 2010 and resigned on 31 December 2012 to pursue his own business interests.

Mr Dawis is actively involved in managing various investments of the Dawis family, is a venture capitalist targeting promising start-ups and has invested in Wallex, Orori, E-mas, Belimobilgue, Ayopop and PouchNation.

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.

LEE KWONG FOO EDWARD, 70

Non-executive/Independent Director

Date of last election:
29 April 2015
Board Committee:
Audit and Risk 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 directorship in other listed company
- Indofood Agri Resources Ltd

BOARD OF DIRECTORS

ONG WUI LENG LINDA, 57
Non-executive/Independent Director

Date of last election:
24 April 2017
Board Committee:
Audit and Risk 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

RACHEL LIEM YUAN FANG, 22
Alternate Director to Mr Andree Halim

Date of last election:
Nil
Board Committee:
Nominating Committee (Alternate)
Remuneration Committee (Alternate)
Executive Committee (Alternate)

Ms Liem was appointed as alternate director to Mr Andree Halim, a Director and Vice-Chairman of the Company, on 21 January 2018. Ms Liem holds a Bachelor of Science Degree (Magna Cum Laude) in Strategic Management and Business Analytics from Babson College (United States). Ms Liem is the daughter of Mr Andree Halim.

QAF MANAGEMENT STAFF

DEREK CHEONG KHENG BENG
Group Corporate Development

Mr Cheong 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. He is now focused on the Group's Primary Production business. 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.

SERENE YEO LI-WEN
Group Legal Counsel/ Company Secretary

Ms Yeo oversees the legal and corporate secretarial functions of our Group. She was appointed Group Legal Counsel and Company Secretary in January 2017. Ms Yeo holds a LLB (Honours) degree from the National University of Singapore and has more than 25 years of experience in legal practice. She started her legal career in a major Singapore law firm, later joined Rajah & Tann as a partner in 2002 and remained with Rajah & Tann Singapore LLP till the end of 2016. Ms Yeo was a senior member of the firm's corporate practice (capital markets and mergers and acquisitions practice group). She was ranked or recognised in legal guides such as Chambers Asia Pacific, Asia Pacific Legal 500, AsiaLaw Profiles, Best Lawyers International and International Who's Who Legal.

GOH KIAT CHIANG
Group Financial Controller

Mr Goh was appointed Group Financial Controller in December 2017 and is responsible for the Group's financial and accounting matters including compliance with financial reporting. He holds a Bachelor of Accountancy degree from the Nanyang Technological University. Mr Goh has more than 13 years of experience with KPMG Singapore in providing audit and advisory services to clients in diverse industries and SGX-ST listed companies. He was Audit Senior Manager with KPMG Singapore from 2009 till 2014. Prior to joining QAF, he was the financial controller of M&L Hospitality from 2014 to 2017. Mr Goh is a Chartered Accountant of Singapore.

OUR KEY BRANDS

BAKERY

Gardenia — So good... you can even eat it on its own!
Bakers Maison
Bonjour — Simply Delicious
Auntie Rosie's
Delicia
Twiggies
Squiggles
Sommerset Cottage — Traditional Country Goodness
Bonanza
Bonjour
Pocket Sandwich
Slim 'n Fit Wheaten Bread
Big Smile Bread Station
NeuBake
Ulam Napay
Toastem
Quick Bites
Toasties
Super Value

PRIMARY PRODUCTION

Murray Valley
High Country
Family Chef
Riverview Farms — Better by a country mile
St. Bernard's Free Range
Optimilk — Experience dairy feed with a difference
veanavite
Nutrimax — Balanced grain additives
SlingShot
grolean
Eggstra
Chewbies
Primegro Technologies

TRADING AND LOGISTICS

farmland
Cowhead
HATON
Spices of the Orient
Orchard Fresh
Oregon Fresh
Big Wave
ThinCurv

OPERATIONAL REVIEW

Bakery

	Bakery		
	FY2017 $'000	FY2016 $'000	% change
Revenue	340,505	379,751	(10)
EBITDA	43,165	53,731	(20)
– *EBITDA margin (%)*	13%	14%	

SINGAPORE

Gardenia Foods (S) Pte Ltd and Farmland Bakery (M) Sdn Bhd ('Gardenia Singapore Group')

The Gardenia Singapore Group continued to deliver another satisfactory set of results for 2017 amid challenging market conditions. *Gardenia* attained the status of "Singapore's Number 1 Selling Bread Brand", leading the bread industry in the "Total Bread Category" and "Wholemeal Bread Segment" both in sales value and volume in a survey conducted by The Nielsen Company, from October 2016 to September 2017. Steadfast performance was achieved through new product launches and strategic branding activities, together with greater operational and cost efficiencies.

During the year, *Gardenia* was awarded "Top Influential Brand" and "Superbrands" status for the Bread Category in Singapore. Three national-wide cash lucky draws were conducted in 2017 to enhance customer loyalty.

Gardenia Foods (S) Pte Ltd achieved Grade A status in the Food Safety Excellence Scheme under the Agri-Food & Veterinary Authority for the 23rd consecutive year in 2017. The company was also accredited with BizSAFE Level 3 by Workplace Safety & Health Council in 2017. These awards are testimony of the company's consistently high standards in food safety, food hygiene, sanitation and processing.

The Gardenia Singapore Group continues to help people acquire life-long healthy eating habits through the development of tasty and nutritious products. Gardenia introduced its Low GI Nutri Multi-Grain Loaf back in 2007 and participated in many health promotion initiatives. Over 20% of its products are certified as "Healthier Choice" by the Singapore Health Promotion Board. Please refer to the section entitled "Promoting Healthy Eating and Lifestyles" in the Sustainability Report for more information.

Robotic arm at the Farmland Bakery plant, Johor, Malaysia

OPERATIONAL REVIEW

Bakery

In the year, the Gardenia Singapore Group launched four variants of new products to expand its Grab&Go product category for customers' convenience and enjoyment. It launched the first dual cream buns in the packaged bread industry, *Gardenia* Enriched Cranberry & Vanilla Wholemeal Cream Roll and *Gardenia* Enriched Peanut Butter & Caramel Wholemeal Cream Roll, targeting at consumers seeking the perfect combination of dual taste in their snacks. To satisfy Singaporeans' demand for savoury buns of their favourite Asian taste, the company launched *Gardenia* Sambal Ikan Bilis Bun and *Gardenia* Sambal Shrimp Bun.

The Group has adopted a multi-brand strategy by developing distinctive brands of products which advocate good nutrition, quality, taste and value. With the opening of the new RM 175million (approximately $56 million) state-of-the-art bakery plant in Johor, Malaysia, *Bonjour* revamped its packaging and improved product recipes, enhancing the look and taste of bread for its consumers. The new plant's capacity to produce 8,000 loaves of bread and 18,000 wraps per hour enables expansion into new product and market segments using cutting-edge bakery methods.

Bonjour introduced three variants of Enriched Matcha, Butter Sugar and Chocolate Wholemeal Cream Rolls to the market as convenient Grab&Go snacks for consumers, making 13 product variants in total. In 2017, *Bonjour* achieved "Top Influential Brand" status as a recognition of the brand's excellence.

For the year ahead, the Gardenia Singapore Group will strive to maintain its leadership position through strategic marketing activities, product innovations that promotes healthier eating, greater operational efficiencies and expansion of its range of products to include frozen bakery products for distribution in the region.

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

OPERATIONAL REVIEW

Bakery

MALAYSIA

Gardenia Bakeries (KL) Sdn Bhd, Bakers Maison (M) Sdn Bhd and Millif Industries Sdn Bhd ('GBKL Group')

The GBKL Group kicked off the year with the launch of new products in January, introducing premium muffins, *Gardenia* Banana & Walnut and *Gardenia Chunky* Chocolate & Walnut, to the market. This was subsequently followed by the introduction of *Gardenia* Say Cheese in May, a cheese stick product with two popular variants – Pizza Mania and Classic Cheese.

The premium muffins and cheese sticks, manufactured with high quality ingredients and packed with essential nutrients, were targeted at discerning consumers with higher disposable income. Consumers' response to these new launches was encouraging.

During the year, the GBKL Group continued efforts to drive sales in various market segments. The successful launches of premium muffins and cheese sticks resulted in the GBKL Group achieving record sales.

Gardenia was voted consumers' "Most Preferred Brand", clinching the Gold Award in the Foodstuff Category for the 8th consecutive year at the prestigious 2017 Putra Brand Awards. This accolade is a testament to *Gardenia's* strong brand presence and its market leader position.

The GBKL Group's first retail outlet - *Gardenia* Shoppe, located in the front office of Bakers Maison at Shah Alam opened in October 2017. The retail outlet, which caters primarily to visitors on the factory tours, will further strengthen consumers' loyalty towards the *Gardenia* brand.

Scheduled for completion by July 2018, the new RM 184 million (approximately $61 million) plant in Bukit Kemuning will occupy a floor space of at least 290,000 square feet with a capacity of three main production lines. The first production line will be operational in 2018, whilst planning for the second line costing RM 40 million (approximately $13 million) has commenced. The completion of the second production line in 2019 will enable the GBKL Group to reach out to a new and different food segment that will broaden its earnings base and propel the GBKL Group to the Billion Ringgit sales milestone.

Trading conditions in 2018 remain challenging. However, the GBKL Group will press on with its ongoing cost-control initiatives, brand enhancement programs and expansion of distribution routes, to reap greater benefits. The GBKL Group is intensifying its research and innovation efforts into new products to achieve better returns from its investment in the new production facility.

The GBKL Group currently operates five plants in Malaysia, including the Bakers Maison plant in Shah Alam, which produces bakery products for the GBKL Group.

Products launched by GBKL Group in 2017 and Putra Brand Awards 2017. The Award was given to *Gardenia* for being voted Malaysian consumers' "Most Preferred Brand" in the Foodstuff Category for the 8th consecutive year

OPERATIONAL REVIEW

Bakery

PHILIPPINES

Gardenia Bakeries (Philippines) Inc., Philfoods Fresh-Baked Products Inc., Phil Foods Properties Inc., Nutribaked Food Products Inc., Nutrimax Fresh-Baked Inc. and Vitabread Food Products Inc. ('Gardenia Philippines Group')

The Gardenia Philippines Group cemented its position as the market leader in the packaged bread segment of the Philippines bakery industry, experiencing strong growth in sales over the previous year.

To stay ahead of competition and communicate *Gardenia's* strength on variety and taste, the Gardenia Philippines Group launched a multi-product advertising campaign highlighting core categories: White, Health, Flavored loaves and Pandesal (buns). The campaign was promoted through advertising utilizing TV, print and outdoor media. In-store merchandising and several on-ground activations were also implemented resulting in increased market penetration.

New product introductions highlighted through a more aggressive integrated marketing and communications campaign partnered with intensified distribution efforts significantly contributed to higher sales.

To meet the growing demand for value-priced bread, the Gardenia Philippines Group introduced *NeuBake* Super Slice, an affordable and good tasting bread in white and wheaten variants, packed in a horizontal packaging format targeted for the general mass market.

Effective marketing campaigns triggered a significant increase in sales for the *NeuBake* brand compared to the previous year. A *NeuBake* advertising campaign also reinforced on-ground activations in public markets, small communities and villages within the target market segment.

In 2017, the Gardenia Philippines Group expanded its snack category and launched *Pocket Sandwich*, an innovative crustless sealed sandwich available in chocolate, peanut butter, cheese and strawberry pastille flavors. *Pocket Sandwich* was promoted through an animated advertising campaign.

Higher sales were also attributed to an amplified effort in market development and penetration, covering more variety stores and distribution outlets.

OPERATIONAL REVIEW

Bakery

The Gardenia Philippines Group launched a livelihood program using motorcycles called the *Gardee Cycle* to sell *Gardenia* bakery products in transport terminals, schools, parks, churches, offices and factories in Metro Manila and nearby provinces.

To further penetrate the unpackaged bakery market, the Gardenia Philippines Group expanded its franchised retail business by opening more *Big Smile Bread Station* and *Bakers Maison* outlets. *Big Smile Bread Station* is the Gardenia Philippines Group's version of neighbourhood community bakery that offers Filipino bread products. In 2017, it had a total of 50 stores located in Metro Manila, Cavite, Laguna and Batangas. *Bakers Maison*, a specialty bakery café that offers artisanal breads and pastries inspired by flavours from all over the world, has successfully opened nine stores.

The Gardenia Philippines Group expanded its product line to the non-bread category through the introduction of imported *Gardenia Delicia* spreads in hazelnut and milky chocolate flavours. The launch of *Gardenia Delicia* chocolate spreads in the Philippines is an initial step towards the bread market leader's vision to be a premier food company, not limited to the bakery segment, and to leverage on its extensive distribution network.

To meet the increasing demand for its bakery products and to maintain its market share, the Gardenia Philippines Group is constructing two new plants, a Peso 980 million (approximately $26 million) plant in Mindanao, Southern Philippines and a Peso 1,880 million (approximately $51 million) plant in North Luzon, Northern Philippines. Both facilities are targeted for completion by the end of 2018. This expansion will put the Gardenia Philippines Group on a stronger foundation to increase its market presence.

Consumers can expect more quality products from *Gardenia* as it aggressively expands and diversifies its business to become a total food company. *Gardenia* brand is equated to the combination of superior product quality, advanced bread-making technology and extensive system of distribution. This consumer-oriented vision of Gardenia brings to consumers the highest level of product satisfaction in the industry today.

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

Construction of Gardenia Philippines Group's new bakery plant at Mindanao, Philippines

OPERATIONAL REVIEW

Bakery

AUSTRALIA

Bakers Maison Australia Pty Ltd (‘Bakers Maison’)

2017 was another satisfactory year for Bakers Maison, with the company achieving higher sales.

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, Bakers Maison raised the overall production capacity at its plant in 2017 by introducing a third shift. The production plant is operating 24 hours a day over 5 days a week. Bakers Maison continued to increase its market share in the foodservice sector, with strong gains made in New South Wales and Queensland. The company continued to increase its market presence and national distribution network with the signing up of more distributors.

In August 2017, construction of a new manufacturing plant was completed. Using a fully automated line, Bakers Maison is able to produce 10,000 high quality French style croissants an hour. The additional space allows the plant to triple its freezer capacity, enabling higher stock availability on site.

A gluten free bread manufacturing line was integrated within the new manufacturing plant. The fully segregated site will be accredited soon. This will allow the company to extend its portfolio of products, with the release of gluten free muffins.

The development of two products (bread roll & pastry) with a major Australian airline in September has been successful and will continue in 2018.

In the second quarter, Bakers Maison developed a business relationship with a key player in the “Meal Kit” market, where e-commerce providers offer subscription services delivering ready-to-consume meals or prepared ingredients for end customers to prepare homecooked meals. Four of Bakers Maison’s listed products have shown good performance in this online sales channel which is a growing market.

Bakers Maison has released several artisan stone baked breads in the first part of the year. Sourdough breads have become more popular and has been well-received by consumers. Milk bun has shown enormous growth since its introduction early in the year.

Bakers Maison Café in Sydney’s Central Business District


Stone baked sourdough loaf


Stone baked ciabatta bread


Gluten Free white rolls


Pain au Levain

OPERATIONAL REVIEW

Primary Production

	Primary Production		
	FY2017 $'000	FY2016 $'000	% change
Revenue	393,153	398,284	(1)
EBITDA	23,847	51,774	(54)
– *EBITDA margin (%)*	6%	13%	

AUSTRALIA

Rivalea Limited, Rivalea (Australia) Pty Ltd, Diamond Valley Pork Pty Ltd and Oxdale Dairy Enterprise Pty Ltd ('Rivalea Group')

The Rivalea Group runs our Primary Production business in Australia. Rivalea is a leading vertically integrated meat producer with a history of more than 45 years.

The Rivalea Group operations include farming, meat processing and feed milling spread over 7,600 hectares of wholly owned agricultural and commercial freehold land across southern New South Wales and Victoria. Employing over 1,000 staff, the Rivalea Group's farming business is conducted across seven farms owned by Rivalea and 19 contract farms owned by third parties. The Rivalea Group has two processing plants, one located at its Corowa farm site in New South Wales and the other at Laverton, Melbourne which is operated by its 80%-owned subsidiary, Diamond Valley Pork Pty Ltd.

The Rivalea Group's brands include *Family Chef, Murray Valley, High Country, St Bernard's Free Range* and *Riverview Farms*. The Rivalea Group also produces and markets stockfeed under established brands such as *Optimilk*, *Veanavite*, *Slingshot*, *Grolean*, *Nutrimax* and *Eggstra*.

Revenue for the Primary Production segment saw marginally lower sales because of lower average selling prices but the decrease was marginal as it was offset by higher sales volume. Lower prices followed unexpected reductions in national prices for pork, especially carcase meat, during 2017.

The national price of carcase meat dropped 26% in the six months to June, but the Rivalea Group prices dropped by a lesser amount due to its improved customer mix compared to the general market. The major contributions to pork price reductions are increased supply chain volumes due to herd productivity improvements, higher carcase weights, slaughter capacity constraints and continued imports of pork meat for the processing sector.

The oversupply situation is a cyclical factor affecting the entire industry, which has resulted in significant volatility in the Rivalea Group's performance. The Rivalea Group's pricing has stabilised from the third quarter of 2017 due to better control of weight.

The Rivalea Group recorded $2.3 million write-down of biological assets in line with lower market prices and incurred certain one-off legal and professional fees of $4.1 million relating to the proposed listing of the Primary Production business that has now been put on hold.

The Rivalea Group's external stockfeed business provided a solid contribution on expectations of improving dairy confidence and increased offerings in our sheep and beef prepared feed brand.

Rivalea Group's feedmill at Corowa

Optimilk is a branded range of pelleted feed for dairy cows

OPERATIONAL REVIEW

Primary Production

Aerial view of the feedmill at Corowa

The oversupply market condition is expected to continue to exert significant pressure on selling prices. This cyclical factor is expected to subsist in 2018. Operating expenses are expected to increase, in particular feed and energy costs, as well as environmental compliance cost. If lower demand materialises, the Rivalea Group would consider rationalising some of its operations.

Notwithstanding recent industry and pricing volatility, the Rivalea Group believes it is well-placed to ride out the challenging industry conditions and pursue growth opportunities arising from such conditions.

High quality feedmill product

The Rivalea Group has identified certain growth opportunities including:

- Developing branded products that add value to its commodity product (including the expansion of export markets);
- Upgrading of its Melbourne processing plant with an estimated capital expenditure investment of A$21 million (approximately $22 million) to increase the Rivalea Group's productivity and cost effectiveness;
- Pursuing value opportunities from offal products, including export markets in Asia; and
- Installing additional bio-gas cogeneration facilities to further reduce its energy costs. The Group currently operates one bio-gas facility, which provides approximately 25% of Corowa site's power requirements.

OPERATIONAL REVIEW

Trading and Logistics

	Trading and Logistics FY2017 $'000	FY2016 $'000	% change
Revenue	108,613	106,094	2
EBITDA	7,319	5,112	43
– *EBITDA margin (%)*	7%	5%	

SINGAPORE

Ben Foods (S) Pte Ltd, NCS Cold Stores (S) Pte Ltd and QAF Fruits Cold Store Pte Ltd ('Ben Foods Group')

Amid a challenging business environment, 2017 was a good year for the Ben Foods Group with strong contributions to sales and profitability, led by strong sales of dairy products under its proprietary brands, with growth in export business and e-commerce.

Our well established proprietary brands including *Cowhead* and *Farmland* have extended the range of products to capture the ever-increasing consumer demand for high-quality food items for both local and regional markets.

Leveraging on the brand strength of *Cowhead, Cowhead* Organic Oat Bran and *Cowhead* Organic Oat for Rice products were launched and well received by health-conscious consumers. For the snacking and gifts giving segments, *Cowhead* Danish Butter Cookies and *Cowhead* Crispy Cheese Crackers were successfully launched in the local and regional markets.

The extension of *Farmland* sauces into food service packs had been satisfying many consumers and is expected to grow further. *Farmland* Taro paste can now be enjoyed by many families with the development of smaller retail packs.

Collaborating with the Gardenia Singapore Group and Bakers Maison Australia, the Ben Foods Group launched two varieties of frozen breads: garlic breads and three types of par-baked bread in Singapore. These will be expanded to regional markets too.

OPERATIONAL REVIEW

Trading and Logistics

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. Unfortunately, the recent ammonia leak which occurred in January 2018 at the frozen storage warehouse may adversely affect the domestic business of the Ben Foods Group. The export business of the Ben Foods Group is however not affected.

The Ben Foods Group 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.

The Ben Foods Group continues to see good opportunities in export sales to regional markets and e-commerce channels. The Trading and Logistics segment is expected to incur higher costs, including raw material particularly in the dairy business, repair and maintenance and use of third party warehouses.

QAF LIMITED
SUSTAINABILITY REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

SUSTAINABILITY REPORT

In partnership with the Philippines Red Cross and the Department of Education, Gardenia Philippines donates bread loaves to the children of Cabuyao Central School, Philippines

BOARD STATEMENT

The Board of Directors (the "**Board**") is pleased to present the inaugural Sustainability Report of QAF Limited ("**QAF**" or "**Company**").

The business of the Company and its subsidiaries (the "**QAF Group**" or "**Group**"), and the Company's strategy of pursuing long term sustainable growth and value creation are, we believe, tied to the Group's ability to manage its material environmental, social and governance ("**ESG**") impacts. Sustainable business practices and responsible business conduct help foster strong identification with the Group's products and brands, and assist to further strengthen consumer trust and loyalty. These, in turn, enhance our brand equity.

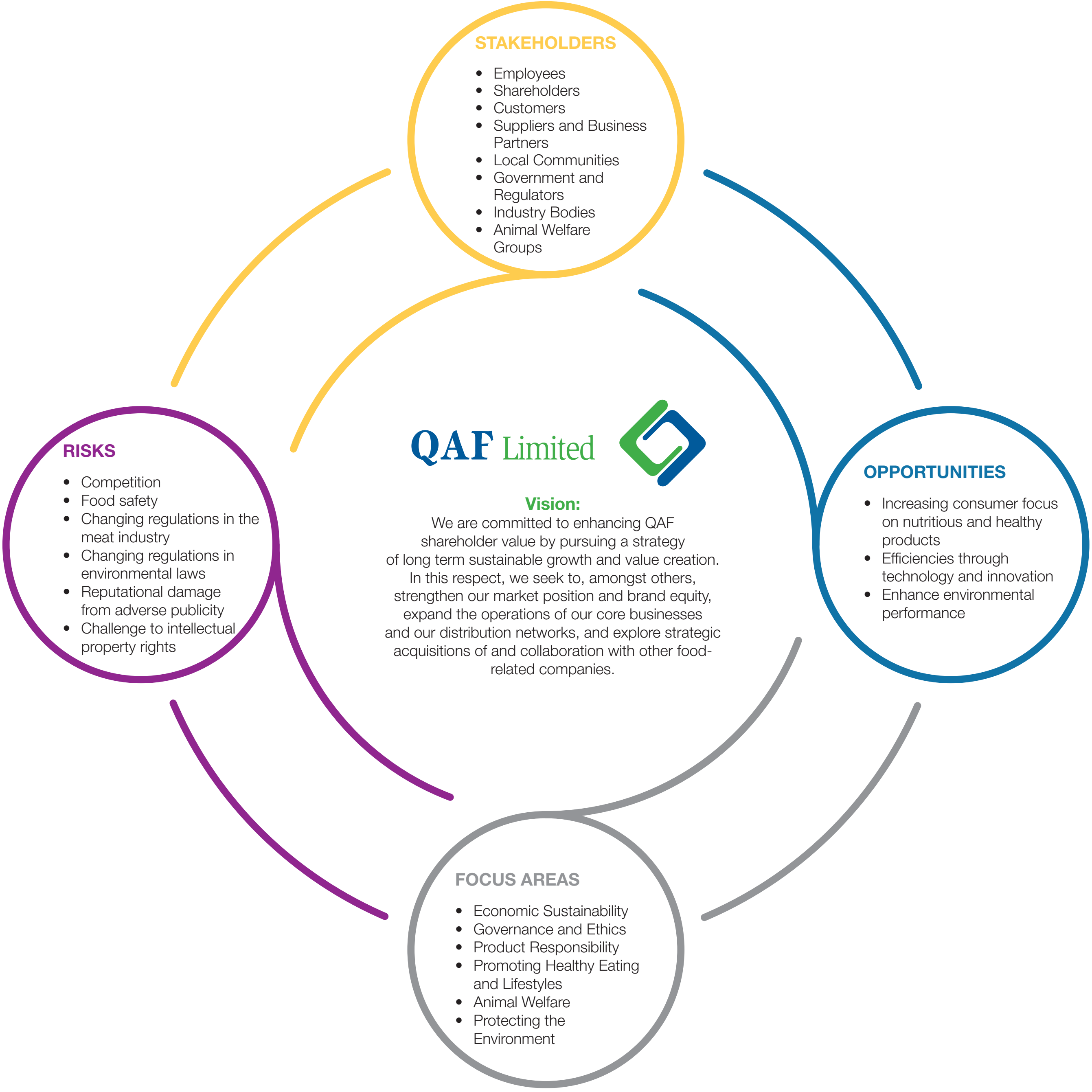
The issues and challenges involved with sustainability can however be complex. The adoption, practical implementation and development of sustainable practices is a journey, and one that must take place and evolve in the context of multi-faceted local and regional social, economic, environmental and commercial circumstances, including market competition and differing local laws and practices. Sustainability is a global issue that should be addressed on a global basis by governments, industries, corporate citizens, local communities and other stakeholders. Prior to this inaugural report, the Group has adopted sustainable business practices, and is pleased to reiterate its commitment thereto. In this report we share a description of our brands and what we stand for, how sustainability is integrated within the QAF Group, as well as our approach towards stakeholder engagement and materiality assessment. We also showcase some of the efforts and initiatives of the Group in the countries in which it operates, many of which are on-going and evolving. It is recognized however that the path ahead will be challenging. The Company intends to adopt a balanced approach whilst it strives to improve, and continues to explore constructive learning opportunities for sustainability.

Having regard to the above, the Board has considered sustainability issues as part of its strategic formulation, determined the ESG factors material to the Group's business for coverage in this report and overseen the management and monitoring of risks and opportunities relating to the material ESG factors. To assist it, the Board has tasked the Audit and Risk Committee of the Company to review and make recommendations to the Board on the sustainability matters and the Company has appointed an external consultant to advise it on this report. Please refer to page 41 in the section entitled "*Governance And Ethics – Sustainability Governance*" for information on our governance structure.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This report summarizes key aspects of the Company's approach towards sustainability and progress to-date, with a focus on the Group's material ESG topics. We provide information on the process adopted for identification of the material ESG topics covered by this report, applicable related policies, if any, practices and performance, and the targets for 2018.



SUSTAINABILITY REPORT

RELIABILITY AND METHODOLOGY

[GRI 102-54]

This report has been prepared in line with the requirements of the sustainability reporting requirements of the Singapore Exchange Securities Trading Limited Listing Manual (Rules 711A and 711B). It has been developed with reference to the Global Reporting Initiative ("**GRI**") Standards (2016), including the GRI Food Processing Sector Disclosures. The GRI Standards framework sets out the principles and standard disclosures that organizations can use to report their ESG performance and impacts. We have selected the GRI Standards as our sustainability reporting framework as we believe it provides robust guidance and is widely accepted as a global standard for sustainability reporting.

REPORT SCOPE

[GRI 102-46] [GRI 102-50]

For the purpose of reporting under the above Methodology (including reporting on our FY2017 performance and 2018 targets for the material ESG topics), we have considered the Group's key operations, namely, its Bakery business in Singapore and the Philippines, and its Primary Production business in Australia. Focus has therefore been placed on the main lines of business where significant ESG impacts are expected to arise.

In addition, whilst not strictly part of our report scope, we have provided some information relating to the Group's other businesses such as its Australian bakery operations and Trading and Logistics business, and the Group's joint venture bakery operations in Malaysia.

FEEDBACK

[GRI 102-53]

If you wish to provide feedback on this report, please send your comments to sustainability@qaf.com.sg.

SUSTAINABILITY REPORT

OUR BUSINESS
[GRI 102-2] [GRI 102-4]

QAF is a leading multi-industry food company listed on the Singapore Exchange Securities Trading Limited. Our core businesses are Bakery, Primary Production, and Trading and Logistics. The Group has extensive food-related operations and distribution network in the Asia-Pacific region including Singapore, Malaysia, the Philippines, Australia, Myanmar, Cambodia, Hong Kong, Taiwan, Macau and Brunei.

OUR VISION
[GRI 102-16]

We are committed to enhancing QAF shareholder value by pursuing a strategy of long term sustainable growth and value creation. In this respect we seek to, amongst others, strengthen our market position and brand equity, expand the operations of our core businesses and our distribution networks, and explore strategic acquisitions of and collaboration with other food-related companies.

OUR BRANDS – WHAT WE STAND FOR
This report focuses on the Group's key operations through its *Gardenia* brand and the various Rivalea-owned brands. Backed by years of experience and expertise in the food industry, the Group has developed distinctive brands which are synonymous with the qualities described below:

Gardenia

The brand *Gardenia* is associated with qualities such as good taste, freshness, nutritional value, trust and reliability.

In a highly competitive market, we believe these values are a key reason for *Gardenia's* continued success. Commitment to these values has enabled us to be a household brand name and forge lasting relationships with our consumers and the communities in which we operate.

Gardenia aims to be the premier brand in the bakery industry and seeks to improve and adapt to suit consumer needs while staying true to our core brand values.

We are pleased to report that in 2017, *Gardenia* achieved "*Top Influential Brand*" and "*Superbrands*" status for the *Bread Category* in Singapore.

In 2017, *Gardenia* also attained the status of "*Singapore's Number 1 Selling Bread Brand*", leading the bread industry in the "*Total Bread Category*" and "*Wholemeal Bread Segment*" both in sales value and volume in a survey conducted by The Nielsen Company (for the period from October 2016 to September 2017).

Under our Group's joint venture in Malaysia, *Gardenia* was voted consumers' "*Most Preferred Brand*", clinching the Gold Award-Foodstuff Category for the 8th consecutive year in the prestigious 2017 Putra Brand Awards.

SUSTAINABILITY REPORT

Rivalea

Rivalea's office at Corowa

Our Group carries on our Australian Primary Production business through the Rivalea group ("**Rivalea**"). Rivalea is Australia's largest pork producer and one of Australia's leading vertically integrated pork companies with a sizeable investment in pig farming, pork processing and feed milling over a history of more than 45 years. Rivalea's brands include *Family Chef*, *Murray Valley*, *High Country*, *St Bernard's Free Range* and *Riverview Farms*. Rivalea also produces and markets stockfeed under established brands such as *Optimilk*, *Veanavite*, *Slingshot*, *Grolean*, *Nutrimax* and *Eggstra*.

Rivalea's vision is to be the preferred supplier of Australian pork by building on its core competencies in pork supply and stockfeed milling to offer a range of products and services which maximise business efficacy and profit. Rivalea's vision is underpinned by three core values: *Quality* (achieve customer satisfaction every time), *People* (an engaged team who takes ownership) and *Integrity* (accountability to all stakeholders at every decision). Running parallel with these core values is Rivalea's over-arching focus on safety and animal welfare: *Safety* (Rivalea's safety focus is "*Everyone home safe every day*") and *Animal Welfare* (Rivalea is committed to providing quality care to every animal, every day).

Rivalea's commitment to animal welfare has been recognised – it received the "*Good Farm Animal Welfare Award*" from Compassion in World Farming in 2011. As a testament to its commitment to sound environmental practices, Rivalea was named a finalist in the Business Leadership Award at the 2017 *Green Globe Awards*, in recognition of its efforts to minimize its environmental footprint by installing a biogas power generation facility in Corowa, New South Wales. This was a significant achievement as the *Green Globe Awards* is a leading environmental award sponsored by the New South Wales government, recognising excellence, leadership and innovation. Please refer to page 35 in the section entitled "*Integrating Sustainability Within QAF – Opportunities for our business – Enhance environmental performance*".


Rivalea's farm at Corowa

SUSTAINABILITY REPORT

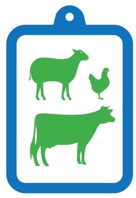
INTEGRATING SUSTAINABILITY WITHIN QAF

In line with our approach of integrating sustainability in our business operations, for the purpose of identifying and assessing our material ESG risks, we took reference from our enterprise risk management (ERM) framework. This approach was adopted so that material ESG risks are considered in the context of our overall risk environment, and the risks identified have direct bearing on our strategies and business operations. Set out below are some risks and opportunities which our sustainability approach endeavours to manage or (as appropriate) harness. For more information on such risks, please refer to our Corporate Governance Report at pages 75 and 76 of the Annual Report.

Key risks to our business

COMPETITION

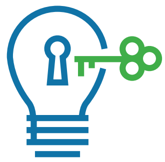
FOOD SAFETY



CHANGING REGULATIONS IN THE MEAT INDUSTRY

CHANGING REGULATIONS IN ENVIRONMENTAL LAWS

REPUTATIONAL DAMAGE FROM ADVERSE PUBLICITY



INTELLECTUAL PROPERTY RIGHTS

- **Competition**: The inability to remain efficient and competitive is a key risk. The Group's 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 local producers and cheap imports.
- **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.
- **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.
- **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.
- **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.
- **Intellectual property rights**: Challenge to or inadequate protection of the Group's brands and other intellectual property rights and/or proprietary information can adversely affect the Group.

To manage certain of these risks, we focus on, *inter alia*, providing consumers quality healthy food options in the form of our *Gardenia* bakery products. We also place strategic focus on product responsibility, the promotion of healthy (and affordable) eating and lifestyles, animal welfare, as well as responsible business practices. We believe that these will help foster strong identification with the Group's products and brands, and assist to further strengthen consumer trust and loyalty. Please refer to the write-up on our material ESG factors on pages 41 to 52 for more information.

SUSTAINABILITY REPORT

Opportunities for our business

- **Increasing consumer focus on nutritious and healthy products:**
  The market place is complex, involving shifting consumer preferences and demographics. Whilst these changes pose challenges, they also give rise to opportunities that we may harness to create business value. Consumers are actively seeking nutritious and healthy product options, as well as options to fit their busy and active lifestyles. Driving research and development to improve or increase nutritional or health benefits of our products and promoting a healthy lifestyle help us cater to ever-changing consumer preferences and stay relevant. The Group's Bakery business has a sizable research and development division which focuses not only on food safety, but also the nutritional value of our bread and bakery products. Examples of product innovation and attention to shifts in consumer needs:

  - With a rapidly ageing population in Singapore, Gardenia identified consumers' demand for a nutritious, soft textured, smaller-sized loaf suitable for older adults. In 2016, the company launched the *Gardenia* Super Fine & Soft 14-Grain Loaf with a soft and easy-to-chew texture. The loaf is packed with essential minerals and vitamins for the elderly such as calcium for bone health, protein to aid in building body tissues, selenium to enhance immunity and Vitamin E with anti-oxidant functions.

  - In 2017, the popularity of *Gardenia* Cream Rolls paved the introduction of two new variants of Wholemeal Cream Rolls packed with the delicious fusion of two cream flavours of Cranberry & Vanilla, and Peanut Butter & Caramel. The full range of Cream Rolls is also specially created with Super Fine and Soft Wholemeal Flour and enriched with vitamins B1, B2 and B3, for the enjoyment and convenience of busy and active consumers who are looking for grab and go snacks.

  - In Singapore, one out of nine persons aged 18 to 69 suffers from diabetes, which comprises more than 400,000 of the population. In support of the fight against diabetes, Gardenia has focused on the promotion of the *Gardenia* Low GI Nutri Multi-Grain Loaf which is suitable for diabetics and health-conscious consumers. Gardenia was the pioneer in developing and introducing low GI bread loaves to the Singapore market. Certified low GI and low in sugar, this loaf provides slow release of glucose into the blood stream to help attain better diabetes control in the long run. Close to 9,000 loaves of the *Gardenia* Low GI Nutri Multi-Grain Bread have been sponsored to the community in 2017. To further promote the *Gardenia* Low GI Nutri Multi-Grain Loaf, Gardenia collaborated with retailer Giant Hypermarket to provide 50 cents savings vouchers to more than 9,000 consumers during roadshows and events.

Gardenia mascot at the Diabetes and Metabolism Centre, Singapore General Hospital

Gardenia Singapore's Low GI Nutri Multi-Grain Loaf is suitable for diabetics and health conscious consumers and is distributed at many health promotion events

SUSTAINABILITY REPORT

- **Efficiencies through technology and innovation:**
  The creation, development and implementation of new technologies and operational processes can deliver mutual benefits for our business and the environment. Some examples:

  - Our Gardenia subsidiary in Singapore has created and is the owner of the intellectual property rights to an innovative IT solution, the Business to Business (B2B) Electronic Data Exchange known as the "*Paperless Mobility Solution*", which reaps benefits for both our business and the environment. This Solution is an automated digital process for delivery, invoicing and confirmation of delivery/purchase which functions through, *inter alia*, a software App installed on the mobile electronic devices (smartphones) of Gardenia's salesmen that is communicable electronically with the retailer's device or computer system. This IT solution which encompasses e-invoicing, eliminates the need to print hard copy paper invoices and substantially reduces transcription errors arising during the delivery/collection process between Gardenia and its retailers (which had led to discrepancies between the parties' respective records). *Paperless Mobility Solution* allows Gardenia's e-invoice data to be transmitted seamlessly and electronically or digitally into the computer systems of retailers such as the latter's back-end computer systems. This initiative was taken by Gardenia to address issues it had previously encountered with collection, in full and on a timely basis, of amounts invoiced to its retailers, which also generated voluminous paperwork and involved time and resources. With the implementation of *Paperless Mobility Solution*, we have managed to reduce, and helped our business retailers who adopt the system such as a major supermarket chain, to reduce, paper consumption significantly. Administrative efficiency is also enhanced, enabling greater focus on other aspects of our business. We have patent pending in Singapore for this innovative Solution.

  - Our Primary Production subsidiary employs a team to oversee its formal Environmental Management System, managing compliance with environmental laws and regulations, identifying/managing environmental risks and energy generation, and advising operational groups on key issues. In 2017, it continued to expand its database to record the use of energy and water. This system records a wide range of data to assist in monitoring and key decision making. System reports help to identify areas of opportunity and assist in timely reporting of statutory information.

  - Our Trading and Logistics subsidiary has commenced undertaking certain work functions electronically via the use of tablets, in place of carrying them out manually. This initiative, which involves work areas such as quality assurance and food safety audits, was implemented in 2017 to increase work efficiencies, reduce manual processes such as printing and filing, and reduce paper consumption.

- **Enhance environmental performance:**
  In addition to our *Paperless Mobility Solution*, the Group's biogas collection facilities in Australia, which capture and burn methane generated from its farming operations, reduces the operations' impact on global warming. The generator at the Corowa operations has the capacity to supply approximately 25% of the Corowa site's power requirements, thereby reducing Rivalea's emissions associated with grid electricity and delivering cost savings to Rivalea's business.

Rivalea's biogas generator with capacity to supply 25% of the Corowa site's power requirements

SUSTAINABILITY REPORT

OUR FY2017 PERFORMANCE AT GLANCE

Governance and Ethics

- Commitment towards upholding corporate governance - donation to Corporate Governance Week organized by Securities Investors Association Singapore
- Signatory to ethics and integrity - Gardenia Philippines is a signatory to the Integrity Initiative program in the Philippines

Product Responsibility

- Food safety – in respect of the Group's Bakery business in Singapore and the Philippines and the Group's Primary Production business, approximately 84% and 100%, respectively, of the total production volume were manufactured at sites certified by an independent third party based on internationally recognised food safety standards
- Maintaining product safety and hygiene – Gardenia Singapore achieved Grade A status in the Food Safety Excellence Scheme under the Agri-Food & Veterinary Authority for the 23rd consecutive year in 2017

Promoting Healthy Eating and Lifestyles

- Encouraging healthy eating and lifestyles – Gardenia participated and conducted various health promotion initiatives in partnership with healthcare and community organisations such as the Singapore Health Promotion Board, Singapore Heart Foundation and Diabetic Society of Singapore
- Gardenia organized school health outreach programs and provided educational bread and plant tours

Animal Welfare

- In 2017, Rivalea developed and released "*Guiding Principles for Animal Welfare*", which is a published document on Rivalea's website, demonstrating its commitment to animal welfare

SUSTAINABILITY REPORT

OUR FY2017 PERFORMANCE AT GLANCE

Protecting the Environment

- Rivalea was selected as a finalist for the 2017 *Green Globe Awards* in recognition of its efforts to reduce its environmental footprint by installing a biogas generator facility in Corowa, New South Wales, Australia
- Creation of the B2B Electronic Data Exchange Solution, *Paperless Mobility Solution*, by Gardenia Singapore, which reduces paper consumption and environmental impact
- Donations to Wildlife Reserves Singapore Conservation Fund in support of biodiversity protection, and the Borneo Conservation Trust, Malaysia to support preservation of habitat and migration routes of Borneo's endangered wildlife such as the orangutan

Gardenia Singapore's e-invoice system, *Paperless Mobility Solution*

Ms Hazlinah Harun, Gardenia Malaysia, presents donation cheque to Datuk Dr. L. Ambu of the Borneo Conservation Trust, Sabah

Ms Cynthia Samboo, Gardenia Singapore *(5th from left)*, presents donation cheque to Dr. Sonja Luz, Wildlife Reserves Singapore *(4th from left)* for the Wildlife Reserves Singapore Conservation Fund

Enriching Communities

- Established Gardenia Bursary Programme – S$100,000 pledged to each of Nanyang Technological University and National University of Singapore, over a 5-year period
- Donation of fresh bakery products – Gardenia donates fresh bakery products and bread loaves to various charitable causes, underprivileged schoolchildren and victims of calamities and disaster reliefs including donations of bread to refugees in evacuation centres

Dr C.S. Ng, Gardenia Singapore (left), with Mr Victor Tay, NTU, at the cheque presentation ceremony for Gardenia Singapore's Bursary Programme for NTU students

Our People

- In 2017, Rivalea provided support financially and through mentoring nine employees with bachelor and post-graduate studies, and over 84 employees with nationally-accredited qualifications

SUSTAINABILITY REPORT

OUR SUSTAINABILITY APPROACH

STAKEHOLDER ENGAGEMENT

[GRI 102-40] [GRI 102-42] [GRI 102-43]

We identify our key stakeholders as groups of people and organisations who we consider are significantly affected by, or have the capacity to significantly influence, our Group's key business operations and strategies.

We communicate with our key stakeholders with the objective of understanding their material interests and concerns with a view to arriving at informed business decisions and policies. The table below summarises our approach to key stakeholder engagement.

Key Stakeholders	Engagement methods
Employees	• Training and career development programs • Health and wellness campaigns and initiatives, such as on-site health screening and vaccination for employees • Social and team-building activities
Shareholders	• Release of announcements and other relevant disclosures through SGXNet and QAF's website and where appropriate, through the media • Annual General Meetings and Extraordinary General Meetings, where necessary
Customers	• Participation in interactive roadshows held in conjunction with health promotion campaigns or initiatives • Advertisements, and marketing and sales promotion activities • Interaction via websites and social media platforms
Suppliers and Business Partners	• Supplier meetings • Audit of production facilities
Local Communities	• Participation in interactive roadshows held in conjunction with health promotion campaigns or initiatives • School health outreach activities • Tours of bread production facilities • Initiatives to give back to society, including supporting learning institutions through bursaries and various educational, philanthropic, community and charitable causes
Government and Regulators	• Routine and ongoing communication and collaboration • Compliance with mandatory reporting requirements
Industry Bodies	• Co-operation and/or collaboration with industry bodies such as Australian Pork Limited (APL)
Animal Welfare Groups	• Work with animal welfare groups to determine animal welfare program research strategies and direction such as the Animal Welfare Science Centre (AWSC)

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

[GRI 102-47]

A formal materiality assessment was conducted by the Company to identify and prioritise the material ESG risks and opportunities that will act as barriers or enablers to achieving our key business goals. An independent sustainability consultant was engaged to facilitate a three-step process as summarised in the table below. The materiality assessment was guided by the GRI Materiality Principle.

	Activities conducted	We considered:
Step 1 Identify material ESG factors	• Background research • Online questionnaire completed by key executives from various business units	• Global and local emerging sustainability trends • Sustainability focus areas and challenges for the industry, as identified by peers • Risks identified in the Group's Enterprise Risk Management (ERM) framework • Guidance from the GRI Standards (2016) and the GRI Food Processing Sector Supplement
Step 2 Prioritise material ESG factors	• Workshop attended by key executives from various business units	• Significance to the business • Concern to key stakeholders
Step 3 Validate material ESG factors	• Validation and approval by the Audit and Risk Committee	• Relevance to the business, organisational strategies, business model and key stakeholders

The assessment yielded six material ESG factors which form the focus of this report, namely, Economic Performance, Anti-corruption, Customer Health and Safety, Healthy and Affordable Food, Animal Welfare and Effluents and Waste. Whilst we have also provided information relating to Energy, Emissions, Local Communities, and Training and Education, these are non-material ESG topics for the purposes of this report.

SUSTAINABILITY REPORT

Focus Areas		GRI Topics	Read more in our:
	Economic Sustainability Our financial performance, and economic value generated and distributed.	• Economic Performance	• Financial Contents, pages 87 to 186
	Governance and Ethics Our governance structure, ethics and integrity, and anti-corruption policies.	• Anti-corruption	• Sustainability Report, page 41
	Product Responsibility Producing food products are safe, hygienic and nutritious.	• Customer Health and Safety	• Sustainability Report, pages 42 to 44
	Promoting Healthy Eating and Lifestyles Catering to customers' varying nutritional needs and tastes, and spreading the benefits of a healthy diet and lifestyle.	• Healthy and Affordable Food	• Sustainability Report, pages 45 to 49
	Animal Welfare Our commitment to the respectful and humane treatment of animals.	• Animal Welfare	• Sustainability Report, pages 50 and 51
	Protecting the Environment Optimising our operations to be more environmentally sustainable.	• Effluents and Waste • Energy* • Emissions*	• Sustainability Report, pages 52 to 55
	Enriching Communities Contributing our resources towards the welfare of the less fortunate and fostering ties within the communities in which we operate.	• Local Communities*	• Sustainability Report, pages 56 to 59
	Our People Investing in developing the skills and capabilities of our workforce.	• Training and Education*	• Sustainability Report, page 59

**Non-material ESG topics*

SUSTAINABILITY REPORT

GOVERNANCE AND ETHICS

QAF places high priority on fostering and maintaining consumer trust and is committed to upholding good ethical standards and integrity in its business practices. This involves robust corporate governance as well as an accountable and transparent management system. Our corporate governance practices are guided by the Code of Corporate Governance 2012. Further information can be found in our Corporate Governance Report on pages 61 to 86 of the Annual Report. Our Corporate Governance Report notes, amongst others, that the review of the Group's system of internal controls and risk management is a continuing process, and the system as adopted by the Group is 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 and different control environments to operate in and where laws and practices differ from those in Singapore. No system can provide absolute assurance against the occurrence of, amongst others, fraud or other irregularities. Management continues to review and look at areas of improvement in particular in relation to operational and compliance risks.

SUSTAINABILITY GOVERNANCE

[GRI 102-18]

The Audit and Risk Committee ("**ARC**") of the Board is tasked to review and make recommendations to the Board on the sustainability policies, practices, targets and performance including the governance structure and sustainability reporting framework adopted. It validates and approves the ESG factors identified as material to the Group's business for reporting herein. The ARC is supported by the Sustainability Working Committee which comprises certain key executives of the Company, who draw on executives of the various business units.

ANTI-CORRUPTION

QAF is opposed to fraud and corruption, both of which are inconsistent with our values. Our employees are expected to conduct themselves in a professional and ethical manner.

QAF has in place a Whistleblowing Policy which provides an avenue for employees and officers of the Group to raise in confidence, concerns about actual or suspected improprieties about, *inter alia*, financial reporting, internal controls, accounting and audit matters and corruption, bribery and fraud, and offer reassurance that they will be protected from reprisals for whistleblowing in good faith. Whistleblowing complaints received directly by the ARC Chairman or other channels are handled in conjunction with members of the ARC and, where considered appropriate, relevant senior management personnel. The ARC considers the information provided and decides the course of action.

In the Philippines, Gardenia is a signatory to the Integrity Initiative program, a private-sector led campaign to promote common ethical and acceptable integrity standards in the business community and various sectors of society. Gardenia Philippines communicates its anti-corruption policies to its suppliers and requires them to pledge to abide by its integrity standards.

Internal audits of our Group entities are conducted periodically to monitor for risk of corruption and report adverse findings. Based on our internal audits and confirmation sought from relevant Group entities, there were no confirmed incidents of corruption in FY2017. We are presently working on a formal code of conduct for our Group including anti-corruption policy to guide the actions of our employees ("**Code of Conduct**") and plan to adopt the Code of Conduct in FY2018.

Performance for FY2017 [GRI 205-3]
Performance
Zero confirmed incidents of corruption based on checks referred to above
Target for FY2018
Target
To adopt a Code of Conduct for our Group in FY2018

SUSTAINABILITY REPORT

PRODUCT RESPONSIBILITY

As a major food producer and manufacturer, QAF considers customers' confidence in its products to be of paramount importance. It is our priority to produce food which meet all applicable food safety standards and are of consistently high quality and nutritious.

COMMITMENT TO FOOD SAFETY AND QUALITY

Gardenia and Rivalea take steps so as to ensure that their products and production processes are safe, hygienic, and comply with accepted specifications and government regulations. A significant percentage of the Group's production volume from its key Bakery operations as well as its Primary Production business is produced on sites certified by independent third parties according to internationally recognised food safety management system standards. In addition, these key bakery operations meet the stringent requirements of certain food management system standards, such as the Hazard Analysis and Critical Control Point ("**HACCP**") international certifications. HACCP is a food safety management tool which provides a framework for companies to prevent and control food hazards. HACCP certification demonstrates our commitment to manufacture our products according to stringent food safety procedures. The Group's Australian bakery operations also meet Safe Quality Food (SQF) standards.

Gardenia

The Gardenia operations follow a stringent set of standard operating procedures with the objective of ensuring that products and production processes comply with the relevant regulations and quality standards. In Singapore, employees are regularly sent for training courses in food safety. In the Philippines, suppliers are expected to undergo a stringent accreditation process and raw materials to be used in *Gardenia* products are subject to strict inspection procedures for consistent quality standards.

- **Singapore** and **Philippines**: Gardenia operations have attained ISO 9001:2008 food safety and quality control accreditations.

In addition, Gardenia operations comply with Good Manufacturing Practice (GMP) hazard management procedures to check that its products are produced consistently and controlled according to quality standards. The operations are subject to annual quality audits to check that performance is in compliance with these food hygiene and food safety standards. Gardenia operations also undergo audits by local legislation bodies (such as the Agri-Food & Veterinary Authority ("**AVA**") in Singapore) and institutional customers.

Gardenia Singapore achieved Grade A status in the Food Safety Excellence Scheme under the AVA for the 23rd consecutive year in 2017. That same year, Gardenia Singapore was accredited with BizSAFE Level 3 by Workplace Safety & Health Council. These achievements followed from Gardenia Singapore having been awarded, in 2015, the prestigious Platinum Award by the AVA for achieving Grade A status in the Food Safety Excellence Scheme for 20 consecutive years. It was the first local bakery in Singapore to receive this award, recognition of Gardenia's consistently high standards in food hygiene, sanitation and processing. In addition, all *Gardenia* bakery products are certified Halal.

The Group's joint venture Gardenia operations in Malaysia has attained ISO 22000:2005 Food Safety Management System. Gardenia Malaysia's production plants and products have received Halal certification by The Department of Islamic Development Malaysia (JAKIM). In 1994, Gardenia Malaysia had taken a pro-active role to set up a special Internal Halal Committee so as to ensure that all requirements were adhered to and Halal regulations were complied with. This initiative was taken before the introduction of the "*Halal*" certification and logo in Malaysia, and reiterates Gardenia Malaysia's commitment in serving its customers to the best of its ability.

SUSTAINABILITY REPORT

Rivalea

In Australia, Rivalea possesses accreditations under or with:

- the Australian Pork Industry Quality Program
- Export Registered Australian Standard Meat Establishment guidelines
- Global Food Safety Institute Standard SQF Code for Food Safety and Quality Management
- Australian Livestock Processing Industry Animal Welfare Certification
- Australian Government Export Approved Arrangement
- FeedSafe (a Code of Good Manufacturing Practice run by the Stockfeed Manufacturers Council of Australia) and
- accreditations with Australia's major supermarket chains.

Rivalea operates under independently accredited quality systems. Its operations adhere to a quality systems manual which is prepared in line with the requirements of, *inter alia*, the AS/NZS ISO 9001:2008, HACCP, Export Control (Meat and Meat Products) Orders, SQF 2000 and Woolworths Supplier Excellence Program. These quality systems emphasise continuous improvement, and focus on in-line problem prevention rather than end-product defect detection. Rivalea monitors the systems, and defects or non-conformities detected, if any, are acted on and rectified, as appropriate. Employees undergo training and receive a formal set of work instructions with respect to their responsibilities on matters such as food safety, personal hygiene, operation of equipment, handling and storage of food, and animal handling. Trained quality assurance personnel monitor processes for compliance, record findings and initiate corrective actions to manage non-conformance.

The majority of Rivalea's animals are processed through its pork processing plants. This enables Rivalea to achieve better quality carcasses and meat cuts at high hygiene and sanitation standards. The adjoining boning facility uses technologies to efficiently and hygienically debone the meat which is vacuum-packed into case/slice ready primals. The team of food safety and quality assurance officers at the on-site microbiology laboratory undertakes daily testing of both products and equipment to check for compliance with food safety and customer standards. The laboratory is accredited with the National Association of Testing Authorities.

Rivalea's systems are subject to internal and external audit assessments. A full time Australian Government Veterinary Officer is stationed on-site at each of its processing plants and Australian Government Authorised Officers conduct regular inspections. Rivalea is also subject to monthly audits conducted by the Australian Government Department of Agriculture. In addition, its pork processing plants and feed mill operations undergo annual certification audits conducted by independent internationally accredited bodies.

Rivalea undertakes audits of its suppliers. Site audits are conducted before Rivalea's initial approval of any meat product suppliers and meat product storage facilities. All potential suppliers of meat products, food ingredients and food handling equipment are subject to a Food Safety Questionnaire and Quality Assurance risk assessment to assess whether they are suitable as an approved supplier for Rivalea.

Rivalea's research and development personnel at work

SUSTAINABILITY REPORT

IMPROVING FOOD NUTRITION

Besides upholding food safety, QAF also strives to nourish individuals and families through its products. We endeavour to improve the nutritional content of our bakery products to deliver products that not only taste good, but also deliver health benefits to consumers.

Gardenia

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 compliance of new products and ingredients 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. To maintain food quality, the Group together with its Malaysian joint venture operations has an in-house research and development division which currently employs a total of 28 persons, consisting of 14 professional staff, 9 laboratory technicians and 5 baking technologists.

We seek to produce a wide range of *Gardenia* products that are value-for-money and cater to consumers' varying nutritional needs and tastes. The *Gardenia* range of products includes bread with low Glycemic Index ("**GI**") suitable for diabetics and bread made from Canadian purple wheat, an ingredient which is high in anti-oxidants.

- **Singapore**: Gardenia's wholegrains range of high-fibre bakery products carries the Health Promotion Board ("**HPB**")'s "*Healthier Choice Symbol*" to help consumers make healthier food choices. Gardenia held ten promotions during the year in retail stores island-wide in Singapore to encourage consumers to purchase wholemeal products.

- **Philippines**: Gardenia's bread products are enriched with vitamins and minerals which exceed the minimum requirement set by the Food and Drug Association and the Department of Health. Its range of healthy wheat products forms the fastest growing product sector in the Philippines.

Under the Group's joint venture in Malaysia, Gardenia promoted the consumption of a high-fibre diet through its fibremeal range of bread products during the year. The range comprises five products of varying fibre levels to cater to different tastes and needs, and will carry the Malaysia Ministry of Health's "*Healthy Choice Logo*" in 2018. The nutritional information on *Gardenia* products of the Malaysian operations is verified by the American Institute of Baking, and the GI values of its sandwich loaves are tested by the University of Sydney and Temasek Polytechnic of Singapore.

Performance for FY2017 [GRI FP5]
Performance
In respect of the Group's Bakery business*, 84% of total production volume was manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards. In respect of the Group's Primary Production business, 100% of total production volume was manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards.
Target for FY2018
Target
In respect of the Group's Bakery business*, to at least maintain the FY2017 percentage of total production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards. In respect of the Group's Primary Production business, maintain FY2017 performance.

**This covers the Singapore and Philippines bakery businesses, in line with our report scope.*

SUSTAINABILITY REPORT

PROMOTING HEALTHY EATING AND LIFESTYLES

To meet the different nutritional needs of its customers, QAF develops specific products with enhanced nutritional formulation to address some of those needs, whilst seeking not to compromise on affordability or accessibility.

ACCESSIBILITY AND AFFORDABILITY

Gardenia has established a strong brand presence and a reputation for high-quality and value-for-money products. We strive to ensure that *Gardenia* products are accessible to consumers. Each day, *Gardenia* bread is delivered 'straight from the oven' by our fleet of over 1,400 vans and trucks to nearly 50,000 supermarkets, convenience stores and general trade channels all over Singapore, the Philippines and Malaysia.

- **Singapore**: Approximately 280 *Gardenia* bread vending machines located in selected high-density residential areas, corporations and schools also provide customers with greater convenience and accessibility to Gardenia's bread and bakery products around the clock, rain or shine. Gardenia was the first bakery to introduce loaf bread vending machines in Singapore. Similar to retail outlets, the daily-issued loaves and buns are replenished every day so that consumers have greater and more convenient access to fresh bread.

  To promote the affordability of *Gardenia* products, Gardenia held various promotions throughout the year, during which certain of its products were sold at discounted prices. This promotion was also extended to corporations and institutions during which they enjoyed a special bulk price for certain *Gardenia* products.

Gardenia Singapore's bread vending machine

Fleet of *Gardenia* delivery trucks at the Gardenia bakery plant at Laguna, Philippines

- **Philippines**: Gardenia handles direct distribution of bread products through retailers so as to achieve accessibility to fresh products. *Gardenia* products are widely distributed throughout the entire Luzon archipelago through its Laguna plant in northern Philippines while its Cebu plant in southern Philippines caters to the Visayas and Mindanao markets. To meet the growing demand from consumers in the Philippines, Gardenia is setting up new production plants in Mindanao and Luzon.

  To meet the growing demand for value-priced bread by the consumers in the Philippines, *NeuBake*, an affordable and good-tasting bread made by Gardenia, was launched.

Other than traditional media, Gardenia engages consumers through digital platforms such as *Facebook*, *Instagram*, *Twitter* and *Youtube*, providing opportunities for the brand to effectively interact with the younger and internet-savvy consumers.

PROMOTING HEALTHY LIFESTYLES

Gardenia is in a position to play a role in providing consumers and communities access to, and understanding the benefits of, a nutritious, balanced diet and healthy lifestyle through education and health promotion activities. We aim to help people make healthier choices so as to improve their well-being. Gardenia works with partners to promote balanced diets and regular physical activity, giving individuals the support they need to lead better, healthier lives.

SUSTAINABILITY REPORT

Health promotion initiatives

The Group's Gardenia operations play an active role in health promotion initiatives to spread the benefits of a healthy diet and lifestyle to the community. In 2017, Gardenia took part in the following initiatives:

Singapore:

- To promote the consumption of wholegrains, Gardenia distributed wholemeal and multi-grain breads for numerous community outreach events. During the year, it worked closely with numerous partners such as the People's Association, Singapore Cancer Society, Singapore Heart Foundation, HPB and Singapore Kindness Movement to distribute wholemeal bread to the public, especially for family and health related events.

- Since 1992, Gardenia has been a supportive partner of the HPB in various nationwide health promotion initiatives. In 2017, it contributed as a Gold Partner in two major campaigns to promote the importance of wholegrains in Singaporeans' daily diet – "*Eat, Drink, Shop Healthy*" and "*Healthy Lifestyle Festival SG*" ("**HLFSG**").

- Gardenia supported the "*Eat, Drink, Shop Healthy*" nation-wide campaign by incorporating the message of "*Turn Healthy Habits into Wins*" on the packaging of *Gardenia* Fine Grain Wholemeal Bread loaf for a one-month duration. Gardenia also participated in 10 interactive roadshows at various heartland supermarkets to educate consumers to select products with the *Healthier Choice symbol*.

- For the HLFSG campaign, Gardenia participated in three roadshows. Four recipe demonstrations were conducted at the roadshows to encourage the public to make nutritious meals using *Gardenia* Low GI Nutri Multi-Grain Loaf. A direct imprint of the HLFSG campaign details was printed on the packaging of *Gardenia* Super Soft & Fine Enriched Wholemeal White Bread for three months. Gardenia also participated in a 2-day Anchor Event to educate consumers to stay healthy in fun and easy ways.

- Gardenia has worked closely with various partners such as Diabetic Society of Singapore, the HPB, Singapore Health Services and numerous healthcare and community organisations to promote the *Gardenia* Low GI Nutri Multi-Grain Loaf, which is suitable for diabetics and health-conscious consumers. Gardenia participated in the World Diabetes Day event organized by the Diabetic Society of Singapore in November 2017 at the Suntec Convention. The theme for the event was "*Women & Diabetes*". Gardenia was the exclusive bread sponsor for the event, and 1,200 loaves of *Gardenia* Low GI Nutri Multi-Grain bread and *Gardenia* non-woven bags were distributed to the public. In addition, a recipe demonstration was conducted to educate participants on how to create a healthy meal using the *Gardenia* Low GI bread and learn more about the benefits of low GI foods. A *Gardenia* booth was set up where consumers sampled *Gardenia* Low GI Nutri Multi-Grain bread.

Gardenia booth at the Healthy Lifestyle Festival SG event organised by the Health Promotion Board, Singapore

Recipe demonstration by Gardenia Singapore at the World Diabetes Day - "*Women and Diabetes*" event

SUSTAINABILITY REPORT

Philippines:

- The Nutrition and Wellness team of Gardenia in the Philippines strengthened its campaign to practice healthy living and observe an active lifestyle through an aggressive implementation of the Corporate Wellness Movement. This program is designed to cater to the health information needs of employees from government and the Business Process Outsourcing (BPO) firms. In 2017, they were able to facilitate free nutrition counselling, diet prescription and bread sampling to more than 80,000 employees.

Under the Group's joint venture in Malaysia, Gardenia undertook health promotion initiatives, such as co-sponsoring the Nutrition Month Malaysia 2017 health carnival in partnership with the Nutrition Society of Malaysia, Malaysian Dietitians' Association and the Malaysian Association for the Study of Obesity, which carried the theme, "*Eat Smart + Move More = Recipe for Healthy Families*". To teach the young healthy eating habits and nutrition in a fun and effective way, Gardenia Malaysia collaborated with nutritionists from University Kebangsaan Malaysia to organise cooking workshops for children and teenagers. The participants were taught how to cook healthy meals for the family using *Gardenia* bread.

Cooking workshop for children and teenagers organised by Gardenia Malaysia in collaboration with nutritionists from University Kebangsaan Malaysia

Throughout Nutrition Month, Gardenia Malaysia sponsored its healthy Canadian Purple Wheat bread for activities organised by government/private hospitals and regional Health Departments in Malaysia. It also supported health events organised by hospitals in Malaysia in its effort to promote healthy eating and fibre consumption. Some of the programs involved educating children with Type 1 diabetes to take control of their diet, as well as the distribution of Wholegrain bread in conjunction with World Heart Day.

In 2017, Gardenia Malaysia also collaborated with the National Diabetes Institute and University Malaya Medical Centre by providing low GI bread to the participants of the Diabetes Camps. The camps were organised to help participants cope with the disease.

World Bread Day event at the Diabetes and Metabolism Centre, Singapore General Hospital

Nutrition Month Malaysia 2017 health carnival event co-sponsored by Gardenia Malaysia in partnership with the Nutrition Society of Malaysia, Malaysian Dietitians' Association and the Malaysian Association for the Study of Obesity

SUSTAINABILITY REPORT

School health outreach

To take the message of healthy eating to the young, the following school outreach initiatives were undertaken in 2017:

- **Singapore**: Gardenia worked with external vendor Rise&Shine to showcase a healthy breakfast skit to some 25,000 students from 20 primary schools. The skit focused on health messages endorsed by the HPB, such as the "*Healthy Plate*" concept, which taught the importance of eating balanced meals. The children were given an individually packed Healthier Choice *Gardenia* Wholemeal Hamburger Bun and an activity worksheet, "*Fun with Gardenia – A Healthier Breakfast, A Healthier You!*" containing breakfast-related games, as well as easy recipes to create at home with their parents.

- **Philippines**: Gardenia's Nutrition Assistance Program assists students of public elementary schools with high incidents of malnourishment and malnutrition in the Philippines. Gardenia sends breads to chosen schools for one school year term, aiming to improve the nutritional condition of malnourished students. In 2017, Gardenia sponsored breads to more than 2,400 students in nine schools in Laguna and Cebu. At the end of the school year term, students are expected to improve their nutritional condition through the help of the feeding program, partnered with a healthy lifestyle and a balanced diet.

Primary school students in Singapore watching a Healthy Breakfast skit by Gardenia Singapore

Gardenia's School Nutri-Tour program in the Philippines provides a half-day activity that focuses on nutrition education, sandwich recipe demonstration, entertainment activities and bread sampling. Approximately 75,000 private and public elementary schools benefitted from this program during the year.

Gardenia Singapore's activity worksheet for children, "*Fun with Gardenia - A Healthier Breakfast, A Healthier You*"

Nutrition Assistance Program event organised by Gardenia Philippines at the Southville Elementary School, Cavite, Philippines

SUSTAINABILITY REPORT

Visitors at an educational tour of the Gardenia bakery plant at Laguna, Philippines

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, attend nutrition talks and sample *Gardenia* products. During the year:

- **Singapore**: More than 30,000 visitors, including students, youths and the elderly, visited the Gardenia plant in Singapore. Focusing on promoting the benefits of wholegrains, the educational tours allow visitors to better understand the importance of a healthy diet, as well as sample Gardenia's wide range of healthier choice wholegrain products.

- **Philippines**: The Gardenia plant at Laguna played host to some 180,000 visitors.

The Gardenia Malaysia plant also welcomed many visitors (over 40,000) from all walks of life.

Performance for FY2017 [G4-DMA]
Performance
The Group's Gardenia operations* conducted and participated in a range of activities which included health promotion initiatives, school health outreach and educational bread plant tours.
Target for FY2018
Target
The Group's Gardenia operations* aim to broaden the scope of its health promotion programmes (for example, the promotion of Low GI Nutri Multi Grain Loaf to fight against diabetes) and initiatives to reach out to more consumers.

**This covers the Singapore and Philippines bakery businesses, in line with our report scope.*

SUSTAINABILITY REPORT

ANIMAL WELFARE

According to the Food and Agriculture Organisation of the United Nations, over 60 billion terrestrial animals are raised worldwide each year for food. This number is set to double by 2050. We recognise that consumers have become increasingly concerned about the way in which animals reared for food are managed and cared for. Today, food quality is determined not only by the taste and pricing of the product, but also by ethical issues such as the welfare of the animals from which the product was produced.

Rivalea is a proactive leader in the Australian pork industry with a focus on continuous improvement in the area of animal welfare. It is committed to "*caring for every animal, every day*". Examples of Rivalea's best practice and leadership in animal welfare include the following:

- Rivalea removed all gestation stalls and is 100% Gestation Stall Free accredited under APIQ, with pregnant sows accommodated in social groups which enable them to move freely and perform natural social behaviours.

- Rivalea is currently rolling out a "*Treat Program*" which uses small edible cubes as "*treats*" to further foster positive interactions between Rivalea employees and its pigs.

- Conducting trials in areas of housing environment enrichment, reduced confinement sow housing in pregnancy, lactation and weaning, improving piglet survival in free range systems, ecoshelter systems, outdoor areas for growing pigs, humane euthanasia and CO_2 stunning.

- Developing low confinement sow breeding, loose farrowing pen systems.

- Consultation with experts to develop best practice systems at its pork processing plants.

- Working with customers, animal welfare groups, industry bodies, universities and community to determine animal welfare program research strategies and direction, conduct research produce recommendations and establish best practices. Involvement in Australian Pork Limited (APL), the Animal Welfare Science Centre (AWSC), the Pork CRC (Cooperative Research Centre for High Integrity Pork), APRIL (Australasian Pork Research Institute Ltd) and the Victorian and New South Wales Farmers' Federations.

SUSTAINABILITY REPORT

Recognising that animal welfare is an integral component of its business, in 2017, Rivalea developed and published a set of *Guiding Principles for Animal Welfare* on its website, with a focus on:

- Having staff and systems that deliver high standards of animal welfare and maintain the needs of animals at all times.
- Providing all relevant staff in contact with animals with specific animal welfare training.
- Recognising high levels of staff care and empathy towards our pigs in our animal welfare awards recognition program.
- Implementing systems and living environments that offer the animals greater opportunity to experience enhanced welfare.
- Regularly reviewing and updating Rivalea's training and operating systems so that optimum care is provided for all animals.
- Using independently audited animal welfare quality systems – such as APIQ, the Australian Animal Welfare Standards and Guidelines for the Land Transport of Livestock and the Australian Livestock Processing Industry Animal Welfare Certification System.
- Applying Rivalea's Pig Health and Antibiotic Stewardship policies, which provide a framework for antibiotic stewardship considering animal welfare, food safety, stockperson wellbeing, legal obligations, judicious use, prudent oversight, consumer concerns, scientific application and human medical concerns.

In line with these *Guiding Principles*, Rivalea has implemented the Welfare Awards Program which recognised five award winners in 2017, including one overall Annual Animal Welfare Champion. Rivalea employees are the single largest contributor to quality animal welfare, and Rivalea continues to maintain strong internal standards of training, awareness and application of its animal welfare priorities.

Rivalea operates one of the largest private research and innovation groups in the Australian pig industry and has made significant contributions to pig research over the past 20 years. 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. Rivalea's research and innovation division also undertakes contract research programs for external clients such as multinational animal health companies. The results and practical experiences we are gaining through the research is valuable to the industry and our research outcomes are widely published in peer-reviewed scientific publications, industry publications and at national and international conferences.

Performance for FY2017 [GRI FP13]
Performance
Zero incidents of significant non-compliance with Australian laws and regulations related to transportation, handling, and slaughtering practices for live terrestrial animals.
Target for FY2018
Target
Zero incidents of significant non-compliance with Australian laws and regulations related to transportation, handling, and slaughtering practices for live terrestrial animals.

SUSTAINABILITY REPORT

PROTECTING THE ENVIRONMENT

As a leading food producer, QAF is committed to being a socially responsible organisation and strives to take measures to manage its environmental impact. We have actively looked into and identified opportunities to manage such impact, and these measures also help to improve efficiencies and deliver cost reductions for the business.

EFFLUENTS AND WASTE

The food industry generates large quantities of waste in the manufacture its products. The production process creates waste in the form of wastewater, solid waste, food waste and packaging waste.

We aim to reduce our environmental footprint through management of the wastewater generated from our production processes. Wastewater generated from our operations goes through a stringent treatment process at wastewater treatment plants before being reused or discharged into the environment.

Gardenia

In Singapore, wastewater discharged by Gardenia is collected through a network of sewers that leads to the water reclamation plants managed by the Singapore Public Utilities Board. The wastewater is treated in accordance with applicable international standards, and part of the treated water is sent to a separate treatment system at the NEWater Plants whilst the rest is returned to the sea.

In the Philippines, in compliance with the governing rules and regulations of the Department of Environment and Natural Resources and the Laguna Lake Development Authority, Gardenia submits Self-Monitoring Report and Compliance Monitoring Report quarterly and semi-annually, respectively. Monthly effluent samples are collected by an accredited testing laboratory for analysis of the following parameters: pH value; discharge temperature; colour; oil and grease; Biological Oxygen Demand; Chemical Oxygen Demand; and Total Suspended Solids for the purpose of ensuring that water quality standards are met.

Rivalea

Rivalea's piggeries produce a significant volume of wastewater. Via its Waste Water Treatment System, wastewater is treated biologically (typically in anaerobic and aerobic lagoons) and is then either evaporated or diluted to allow disposal by irrigation onto agricultural land (either owned by Rivalea or third parties). Rivalea monitors the quality and volume of wastewater that it irrigates onto agricultural land, as well as the capability of the irrigation sites and the resulting nutrient application rates. Rivalea has engaged independent consultants to recommend how it should monitor and manage groundwater impacts in the future.

At the processing plant in Victoria, wastewater is collected and pre-treated onsite using a Dissolved Air Flotation ("**DAF**") process which clarifies the water and removes suspended material such as solids (sludge) and oil. The water is then pumped from the site and discharged to the sewer in line with the Trade Waste Agreement with City West Corporation. Rivalea's farm at Corowa uses treated water to grow crops, which are either used in its operations or sold to other farmers. The sludge from the DAF is disposed of as prescribed waste, and is transported offsite to be processed at a dedicated composted facility.

Performance for FY2017 [GRI 306-1]
Performance
Complied with the applicable regulations and requirements of the local authorities in respect of the quality of wastewater discharge.

Target for FY2018
Target
Systems are in place to provide for the handling of wastewater produced in a manner that complies with laws and regulations on wastewater discharge of a material nature.

SUSTAINABILITY REPORT

Rivalea's biogas collection facility at Corowa captures and burns methane generated from its farming operations

ENERGY AND EMISSIONS

The effects of climate change can disrupt business operations and bring about potentially dire consequences. We have taken steps to use cleaner and more cost-efficient energy sources and contribute to global carbon emissions reduction.

Gardenia

- **Singapore**: Gardenia uses liquefied petroleum gas for its main ovens for its baking processes. Delivery trucks also undergo regular maintenance to reduce air pollution.
- **Philippines**: Gardenia uses liquefied petroleum gas in its baking processes. Delivery trucks also undergo regular maintenance to reduce air pollution.

Under the Group's joint venture 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.

Rivalea

Rivalea has two biogas collection facilities that capture and burn methane generated from its farming operations. In FY2016 and FY2017, Rivalea delivered 37,000 tonnes of Australian Carbon Credit Units (i.e., tonnes of avoided CO_2 emissions) under its seven-year carbon abatement contract with the Australian Government (via the Clean Energy Regulator) to deliver a total of 112,000 tonnes of Australian Carbon Credit Units. In the second half of FY2017, Rivalea secured a second seven year contract for delivery of an additional 240,000 Australian Carbon Credit Units, to be generated from a new biogas project to be commissioned in late 2018.

A 500kW biogas generator facility was commissioned in 2017 at Rivalea's Corowa farm, making use of the methane generated from one of the farm's effluent ponds. The generator has the capacity to supply about 25% of the Corowa site's power requirements, thereby reducing Rivalea's emissions associated with grid electricity and delivering cost savings to Rivalea's business. In 2017, Rivalea registered a significant achievement – it was selected as a finalist in the Business Leadership Award at the 2017 *Green Globe Awards*. For more information, please refer to page 32 in the section entitled "*Our Brands – What we stand for – Rivalea*" and page 35 in the section entitled "*Integrating Sustainability Within QAF – Opportunities for our business – Enhance environmental performance*".

Solar panels installed on the rooftops of Bakers Maison's factories in Australia

SUSTAINABILITY REPORT

OTHER ENVIRONMENTAL-RELATED INITIATIVES

- Our Group's bakery operations in Australia, which manufactures and distributes *Bakers Maison* bakery products, has also adopted environmentally-friendly initiatives to manage its impact on the environment. It uses natural gas, instead of electricity, in its ovens, and whenever it considers practicable.

  Its new factory building, which has been designed to be energy efficient and "*green rated*", is installed with energy-efficient LED and sensor-activated lighting including a 5,000 litre water tank that collects rainwater for re-use. In addition, approximately 2,100 square metres of solar panels have been installed on the factory roof of the new building to generate 200kW of energy that supplies approximately 15% of its electricity requirements.

- The B2B Electronic Data Exchange, *Paperless Mobility Solution*, created by our Gardenia subsidiary in Singapore, is an eco-friendly solution which eliminates the need for hard copy paper invoices and substantially reduces paper consumption. Please refer to page 35 in the section entitled "*Integrating Sustainability Within QAF – Opportunities for our business – Efficiencies through technology and innovation*" for more information.

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

- In the Philippines, Gardenia employees planted over 2,000 seedlings across the forest landscape of Laguna in collaboration with the Department of Environment and Natural Resources – Provincial Environment and Natural Resources Office ("**DENR-PENRO**"). The tree planting activity was part of the DENR-PENRO's National Greening Program and the Philippine Master Plan for Forestry Development, which aims to have 6.8 million hectares of existing forests protected, conserved and sustainably managed in 10 years.

  Since 2014, Gardenia Philippines has been active in participating and investing in the sustainable management and protection of existing forests not just through tree-planting activities, but also in tree-caring programs.

- Our Trading and Logistics subsidiary undertakes certain work functions electronically via the use of tablets to reduce paper consumption. Please refer to page 35 in the section entitled "*Integrating Sustainability Within QAF – Opportunities for our business – Efficiencies through technology and innovation*" for more information.

- We appreciate the cause advocated by certain groups such as non-governmental organizations (NGOs) regarding protection of our environment in the context of sustainable development. In particular, we support the cause of groups that take constructive steps on these issues including reducing the impact of deforestation on our environment and the natural habitat of wildlife caused by human activities such as rampant palm oil cultivation, logging and mining. Over the years, the Group has undertaken many environmental-related initiatives. In 2017, the Group made a

Employees of Gardenia Philippines participate in a tree-planting activity in Laguna, Philippines

SUSTAINABILITY REPORT

donation to the Wildlife Reserves Singapore Conservation Fund to support the work of Wildlife Reserves Singapore in biodiversity protection. The Group's joint venture, Gardenia Malaysia, made a donation to the Borneo Conservation Trust, Malaysia (BCT). The BCT was established to preserve the habitat and migration routes of Borneo's endangered wildlife such as the orangutan. The migration route is located along the Kinabatangan and the Segama rivers in Sabah, and the BCT works to manage, lease or buy back wetlands and riverine forests to form a "*green corridor*" that will allow wildlife to move from place to place without encountering human civilization or plantations[1].

In recent years, the palm oil industry in particular has faced ethical concerns from various groups regarding the effects of its production on the environment, wildlife and native communities. There are on the other hand, groups that seek to promote better understanding of the various economic, technological and environmental advantages of palm oil and its products, including the impact on the livelihoods of smallholders and economies of poorer producing countries. For example, palm oil is traded in 160 countries, more than 40% of oil palm cultivation in Malaysia is owned by nearly 640,000 smallholders and the industry has contributed to one of the largest poverty alleviation projects in the world. Malaysia has also stated that it has taken steps to ensure that the orangutan population in Malaysia is no longer compromised, and it has initiated plans to conserve the orangutans[2]. Indonesia produced 35 million tons of palm oil in 2016, which accounted for around 55% of global production. Smallholder plantations in the country account for over 40% of palm oil production[3] and the palm oil sector contributed to 5.5 million direct employment and 12 million indirect employment[4]. The Group, which has bakery operations in regional countries including Malaysia, believes that the palm oil issue is therefore not a straightforward one and requires resolution and participation on a global

basis by all stakeholders including governments, sovereign wealth funds which are strong advocates of conservation, industries, all in the supply chain, smallholders, local communities and consumers. There is presently no global consensus on the certification standard for sustainable palm oil. For example, the Roundtable on Sustainable Palm Oil (RSPO) is a private certification standard jointly initiated by transnational NGOs and corporations[5]. The governments of major palm oil producers, Indonesia and Malaysia, have on the other hand their own respective national certification standards, the ISPO[6] and the MSPO. MSPO will be made mandatory for oil palm plantations, smallholders and palm oil mills in Malaysia by the end of 2019[7]. The European Commission has stated that it considers that palm oil production has to be addressed in a balanced manner as it presents both opportunities and challenges. Whilst palm oil production is associated with environmental risks, it contributes to lifting people out of poverty in the producing countries. Further, other vegetable oil crops have lower productivity and require extensive use of land and other inputs[8]. The Group presently uses sustainable palm oil from a source that practices a policy of "*No Deforestation, No Development on Peat and No Exploitation of People and Local Communities*" for selected bakery products. The Group will continue to review the matter including market practice and developments relating to various certification standards for palm oil.

[1] Source – BCT website (http://www.borneotrust.org/background/)
[2] Source – South China Morning Post (http://www.scmp.com/country-reports/business/topics/malaysia-business-report-2017/article/2125189/promoting-sustainable)
[3] Source – The Jakarta Post (http://www.thejakartapost.com/news/2017/09/08/indonesia-to-increase-palm-oil-production-to-42-million-tons-by-2020.html)
[4] Source – Ministry of Foreign Affairs Republic of Indonesia website (https://www.kemlu.go.id/en/berita/berita-perwakilan/Pages/Palm-Oil-Producing-Countries-Agreed-to-Encourage-Cooperation-on-Palm-Oil-Development.aspx)
[5] Source – Roundtable on Sustainable Palm Oil website (https://rspo.org/about)
[6] Source – Indonesian Sustainable Palm Oil website (ispo-org.or.id/index)
[7] Source – Malaysian Palm Oil Certification Council website (https://www.mpocc.org.my/single-post/2017/02/25/Malaysia-sets-timeline-for-MSPO-certification-compliance)
[8] Source – European Union Statement to Malaysia (https://eeas.europa.eu/delegations/malaysia_en/34789/EU%20Responds%20to%20The%20Star%20Article%20on%20European%20Parliament%20Resolution%20on%20Palm%20Oil%20and%20Deforestation%20of%20Rainforest)

SUSTAINABILITY REPORT

ENRICHING COMMUNITIES

We strive to use our reach and influence to create positive value for the communities in which we operate. We play a role in local communities by generating direct and indirect jobs and contribute through various wider social initiatives. Set out below are some of the highlights of our community development initiatives.

COMMUNITY ENGAGEMENT

During the year, the Group contributed its resources towards the welfare of the less fortunate through support of various philanthropic, community and charitable causes:

Singapore

In support of the food industry in Singapore, the Group has set up two bursary programmes. We established the Gardenia Bursary Programme in May 2017 and pledged a gift of S$100,000 to students of the Nanyang Technological University ("**NTU**"). Spanning a five-year period with each bursary valued at S$10,000, this programme supports financially challenged students from the NTU School of Mechanical and Aerospace Engineering and NTU School of Biological Sciences, Food Science and Technology Programme. Two bursaries will be awarded in each academic year.

In June 2017, we also pledged a gift of S$100,000 under the Gardenia Bursary Programme for National University of Singapore ("**NUS**") Science students over five years. The bursaries are valued at S$10,000 each, and will give financially disadvantaged students the opportunity to enjoy the full benefit of NUS Science's holistic education without financial worries. Two bursaries will be awarded in each academic year.

Dr C.S. Ng, Gardenia Singapore (left), with Deputy Dean, Professor Peter Ho, NUS, at the cheque presentation ceremony for Gardenia Singapore's Bursary Programme for NUS students

In celebration of World Bread Day, Gardenia Singapore distributes cream rolls to children from a special needs school

Through initiatives like the Gardenia Bursary Programme, we seek to give back to the community and help future generations of talented students achieve their educational and career aspirations.

Gardenia also continued its collaboration with the Rotary Club of Singapore North to distribute heavily subsidized bread loaves to less fortunate families living in the Teck Ghee area, on a weekly basis.

In celebration of World Bread Day 2017, Gardenia launched the "*Gardenia Cares*" logo. The "*Gardenia Cares*" programme focuses on caring for the health of the community, the elderly, the needy and youths.

Employees from Gardenia volunteered to distribute *Gardenia* loaves during World Bread Day. *Gardenia* Low GI Nutri Multi-Grain loaves were distributed to the public and healthcare professionals at the Singapore General Hospital – Diabetes Metabolism Centre and Sengkang Health at Alexandra Hospital. *Gardenia* Super Fine & Soft Wholemeal Bread (100%) were distributed door-to-door to seniors and needy families living in rental blocks in Tampines. *Gardenia* Cream Rolls were also given to students of the Association for Persons with Special Needs schools.

Employees of Gardenia Singapore who volunteered to distribute bread loaves door-to-door to seniors and needy families living in HDB blocks in Tampines, Singapore

SUSTAINABILITY REPORT

Philippines

As part of Gardenia's commitment to give back to the less fortunate, Gardenia continued its regular bread donations to nearly 60 selected charitable institutions in the Philippines, under its Daily Bread Program, donating more than 12,000 bread loaves weekly.

Gardenia also utilized other channels to donate bakery products to marginalized communities and economically depressed areas. It supports other noble causes and organizations through donations of about 12,000 bread loaves every month.

Gardenia's celebration of Beneficiaries Day every year aims to uplift the spirit and bring joy to unprivileged individuals. In 2017, Gardenia catered to more than a hundred abused and abandoned children of Bahay Tuluyan ng mga Bata, Casa Miani and Nayon ng Kabataan foundations. Employees volunteered in the activities comprising a factory tour, fun games, entertaining mascot appearances and photo-taking held at the Gardenia Laguna plant.

During the year, 50 Gardenia employees participated in outreach activities at Galalan Elementary School in Laguna, Haven for Children and Elsie Gaches Village in Alabang, Philippines.

Children of Bahay Tuluyan ng mga Bata at a Beneficiaries Day event organised by Gardenia Philippines at the Gardenia plant in Laguna, Philippines

Australia

Rivalea established a new model focusing on supporting its local community including the Regional Cancer Centre (cancer treatment and research), Food Share (meals for the disadvantaged) and the Amaranth Foundation (mental health support).

Rivalea also sponsored a new Children's Playground Project, devoted to replacing and upgrading the play equipment for local children which was damaged in flood waters, as well as sponsoring new netball courts for a local sports club. The new courts go towards developing, fostering and promoting a pathway for local youth and young adults to take up the game of netball within a positive and supportive environment.

Rivalea continued to support pre-school education, pledging a donation which goes towards families from disadvantaged backgrounds. This donation enables these families to give their children a good start to their early education through fees assistance.

Malaysia

Under the Group's joint venture in Malaysia, Gardenia donated more than 300,000 units of bakery products to various charitable causes. For the 5th year running, Gardenia Malaysia donated fresh bakery products to school children from 300 underprivileged families. It also supported more than 65 charity homes with regular bread donations, an initiative it has undertaken since 1991. Its "*Bag-to-School*" school bag distribution program also benefited more than 500 students, with special attention given to abandoned and abused children, and children from single-parent families.

Employees of Gardenia Malaysia distribute school bags to underprivileged children in Malaysia under its "*Bag-to-School*" Program

In celebration of Ramadan, Gardenia Malaysia treated the orphans from two neighbourhood schools, Sekolah Kebangsaan Seksyen 16 and Sekolah Kebangsaan Seksyen 19, to a special tour of the Gardenia factory. Games were organized for the children and each child was given a Hari Raya money packet.

SUSTAINABILITY REPORT

RESPONDING TO CALAMITIES AND DISASTER RELIEF EFFORTS

Gardenia Philippines distributes bread loaves at Parola Compound, Tondo, Manila to victims of fires under its Response Agad (Quick Response) for Fire Victims program

In 2017, Gardenia distributed bread to over 6,000 families in the Philippines who were victims of fires under its Response Agad (Quick Response) for Fire Victims program. The programme is a partnership established between the Rotary Club Alabang and Gardenia. In addition, Gardenia donated more than 26,000 bread loaves to families affected by calamities.

In partnership with the Philippine Red Cross and the military, Gardenia also donated about 27,000 bread loaves to, amongst others, refugees in evacuation centres.

COMMUNITY INVOLVEMENT

The Group takes an active part in community activities to foster close relationships and strong ties within the communities in which we operate:

Singapore

Gardenia Singapore partnered with the Singapore Kindness Movement ("**SKM**") for the 13th year to promote SKM's Kindness message, "*Kindness. It is up to us*". It also promoted the Kindness message together with a festive message of "*Spread the Goodness, Share the Joy*" on the bread packaging of the *Gardenia* Wholemeal Banana Walnut Loaf, *Gardenia* Fruit & Nut Loaf and *Gardenia* California Raisin Loaf. The bread loaves were sold at 3,500 retail outlets, reaching out to thousands of households across Singapore.

Philippines

As mentioned on page 54 in the section entitled "*Other Environmental-Related Initiatives*", Gardenia Philippines employees planted seedlings across the forest landscape of Laguna in collaboration with the Department of Environment and Natural Resources – Provincial Environment and Natural Resources Office.

Malaysia

Under the Group's joint venture in Malaysia, Gardenia provides internships to students from different educational fields from the local universities to give them real working experience that will prepare them for future employment. It continues to nurture close relationships with the community heads of the locations where it has production and distribution facilities. In 2017, Gardenia organised a gathering to celebrate the Hari Raya festival in Malaysia. The gathering enhanced better understanding and closer relationship between Gardenia employees and the community. Gardenia Malaysia also 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.

Australia

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.

Rivalea's staff participates in various events to keep involved with the community including tree planting with local High School students, Clean Up Australia Day with

SUSTAINABILITY REPORT

local volunteers, Historical Society "*history hour*" and volunteering at local family fun days.

These events not only build strong and positive relationships with its communities, but also allow local people to learn more about Rivalea and its people and of potential career opportunities within the business.

OUR PEOPLE

Our people are the key driving force behind our successes and achievements. The Group, together with its joint venture operations in Malaysia, employs more than 8,000 people in Singapore, the Philippines, Malaysia and Australia.

INVESTING IN TRAINING AND EDUCATION

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

- Gardenia operations in Singapore, the Philippines and the Group's joint venture in Malaysia 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 tailored resources.

  In 2017, Rivalea supported nine employees with bachelor and post-graduate studies, and over 84 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 personnel, who are able to offer mentoring and advice.

  During the year, a major emphasis on training was around Rivalea's Workplace Health & Safety obligations and strategy. This involved the roll out of a large number of quality education programs to employees at all levels and all sites.

INVESTING IN FAMILY WORK-LIFE BALANCE

We strive to provide a work environment that recognises the need for work-life balance as professional and business performance can be affected by personal and family demands:

- **Singapore**: Gardenia provides complimentary transportation, meals, and a loaf of fresh bread daily to all employees to help to defray the costs of living. On special occasions, special loaves such as the premium *Gardenia* Fruit & Nut Loaves or mini hampers are distributed to employees.

- **Philippines**: Gardenia provides programs and activities that focus on welfare and development of its employees. Its popular Wellness Week, a week-long health and wellness campaign for employees, is held every quarter. It also organises annual family plant tours for its employees.

- **Malaysia**: Under the Group's joint venture in Malaysia, in addition to free daily transportation and complimentary meals, Gardenia organises plant tours for employees and their families. The tours encourage family bonding and give family members a better understanding of the working environment. Gardenia also maintains a staff welfare fund to provide financial assistance to families of the employees who have suffered bereavement or misfortune.

- **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.

MOVING FORWARD

Going forward, we intend to continue to seek solutions to further improve our sustainability practices and better support our business strategies. We will continue to review the relevance of our material ESG factors and monitor their performance to facilitate key stakeholders' understanding of our sustainability approach and, where applicable, performance over time.


NURSES
WAR ON DIABETES
PHILIPPINE RED CROSS
LOW GI
LOW IN SUGAR
SUSTAINED ENERGY
HIGH DIETARY FIBRE
Gardenia

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2018)

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 2017 with reference to the principles of the Code of Corporate Governance 2012 ("**Code**"). The report may make cross-references to certain sections of the Annual Report such as information on our Directors and sustainability approach. For completeness, this report should be read in conjunction with the other reports and information in the Annual Report. The Company continues to focus on the substance and spirit of the Code whilst pursuing its corporate objectives and strategy of long term sustainable growth and value creation. With respect to compliance with the Code, we have set out in the format prescribed by the Singapore Exchange Securities and Trading Limited ("**SGX-ST**"), information under *Guidelines for Disclosure – Code of Corporate Governance 2012* on pages 81 to 86 of the Annual Report. Where the Company's practices deviate from the recommendations under the Code, 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, reviews the performance of the Management, and has oversight of the proper conduct of the Group's business including the framework for the Group's system of internal controls and risk management. Please also refer to the Company's Sustainability Report found on pages 27 to 60 of this Annual Report which sets out the Board's Statement and certain other information on the Company's sustainability approach.

The functions of the Board are carried out by the Board or delegated by it to various Board Committees. The Board has established the Audit & Risk, Nominating, Remuneration and Executive Committees. Our Audit Committee was re-constituted as the Audit & Risk Committee in May 2017. Each Committee has the authority to examine issues relevant to its terms of reference and to approve and/or make recommendations to the Board for consideration. The Executive Committee 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 SGX-ST and any matter which the Executive Committee considers to be material for deliberation by the Board. The Executive Committee reports to the Board on significant decisions relating to the Group on a quarterly basis.

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2018)

(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 2017 ("**FY2017**"), the attendance of the Directors of the Company at meetings of the Board and of the Audit & Risk Committee, Nominating Committee and Remuneration Committee is summarized below:

	Board	Audit & Risk Committee	Nominating Committee	Remuneration Committee
Number of meetings held in FY2017	4	4	1	1
Name of Director	**Number of meetings attended in FY2017**			
Didi Dawis	4	NA	NA	1
Andree Halim	4	NA	1	1
Lin Kejian	3	NA	NA	NA
Goh Kian Hwee	4	NA	NA	NA
Tan Teck Huat	4	NA	NA	NA
Tan Hang Huat	3	NA	NA	NA
Teng Tien Eng Moses(1)	1	NA	NA	NA
Gianto Gunara	4	NA	NA	NA
Choo Kok Kiong	4	NA	NA	NA
Dawn Pamela Lum	4	4	1	1
Triono J. Dawis	4	2(2)	NA	NA
Lee Kwong Foo Edward	4	4	NA	1
Ong Wui Leng Linda	4	4	1	NA

(1) Mr Teng Tien Eng Moses ceased to be a Director of the Company with effect from 24 April 2017 and attended all meetings of the Board held prior to cessation of his directorship.

(2) Mr Triono J. Dawis was appointed to the Audit & Risk Committee on 9 May 2017, and attended all meetings of the committee held after his appointment.

The Executive Committee does not have scheduled meetings. Its members individually and collectively actively engage with each other throughout the year.

The Constitution of the Company permits the Board to conduct meetings by, *inter alia*, telephone, conference television or any other methods of communication by electronic, audio or audio-visual or other similar means or other technology. 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.

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(3) Newly-appointed Directors to the Company are 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 and meet with senior management. They are furnished with a formal letter including information on their fiduciary and other general duties and obligations, on the Company's governance framework, policies and/or processes. During FY2017, one new director was appointed, Ms Ong Wui Leng Linda.

The Company encourages, makes arrangements for and funds the Directors to attend training programmes and seminars on areas relevant to the duties of directors of a public-listed company and to their roles on Board Committees, such as those organised by the Singapore Institute of Directors, Accounting and Corporate Regulatory Authority and/or the SGX-ST. The Management (at times with the assistance of external consultants) furnishes the Directors with information concerning requirements of and changes in laws, regulations or accounting standards where relevant and information pertinent to the Group's business. In addition, Directors are at liberty to request for further explanations, briefings or information as and when required.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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 2017, the Board comprises 12 Directors, five of whom are independent Directors (constituting more than one-third of the Board). Our independent Directors are Mr Didi Dawis, Ms Dawn Pamela Lum, Mr Triono J. Dawis, Mr Lee Kwong Foo Edward and Ms Ong Wui Leng Linda. In January 2018, Ms Dawn Pamela Lum was appointed Lead Independent Director.

(2) The independence of each Director is reviewed annually by the Nominating Committee. In its deliberation on the independence of Directors in FY2017, the Nominating Committee took into account the Code's definition of relationships and each independent Director's confirmation of his or her independence based on the guidelines in the Code. The Nominating Committee undertook a particularly rigorous review of the independent status of Mr Didi Dawis who has served on the Board for more than nine years. The Nominating Committee, with which the Board concurred, was of the view that Mr Didi Dawis may continue to be regarded as independent. Mr Didi Dawis has a significant minority shareholding interest of 8.41% in the Company and he represents such minority interest on the Board of the Company. His presence on the Board and his views serve as a useful balance viz-a-viz that of the controlling shareholders (who have shareholding interests of 60.15%) and of the management. He has demonstrated strong independence in character and judgement in the discharge of his responsibilities as a Director of the Company. He 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 8.41% (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. The Company has been undertaking gradual and progressive refreshing of the Board and its Board Committees (including its independent Directors) since the second half of 2014 which has continued in subsequent years including FY2017.

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(3) The Board is of the view that its size is appropriate and effective taking into account the nature and scope of the Group's operations, the corporate objectives the Group strives to achieve and the need to avoid undue disruptions from changes to the Board composition. The Board is made up of members with a diverse background (including two female directors), skillsets and experience, ranging from accounting, finance, regulatory and legal expertise to entrepreneurial business skills and experience in regional investment and strategic matters, which are essential and/or valuable for decision-making. Please refer to paragraph (2) in the section entitled "Principle 4: Board Membership" in this Corporate Governance Report for the Board's view on diversity.

(4) The non-executive Directors communicate at Board Committee meetings and as and when necessary without the presence of Management and are also provided with the opportunity annually to meet without Management's presence. 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. The Company has recently, in January 2018, appointed a Lead Independent Director who may be spokesman and provide leadership among the directors in a way that enhances the objectivity and independence of the Board.

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 of 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*, for facilitating constructive workings of the Board as a whole; leading the Board to ensure its effectiveness on all aspects of its role; promoting a culture of openness and debate at the Board; oversight as to whether the Directors receive adequate and timely information; and facilitating 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, together with the Executive Committee, are tasked to set strategic objectives and implement strategies to achieve the long term sustainable growth of the Group.

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PRINCIPLE 4: BOARD MEMBERSHIP

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

(1) The Nominating Committee consists of Ms Dawn Pamela Lum (as chairman), Mr Andree Halim and Ms Ong Wui Leng Linda. The majority of the members of the Nominating Committee, including the chairman, are independent Directors.

(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, amongst others, the need to refresh Board membership progressively, the requirement under the Code for independent directors and the needs of the Board taking into account need for diversity in matters such as skills, experience and expertise so as to enhance the Board's effectiveness. The Nominating Committee typically 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 qualifications, expertise, skills, experience and characteristics of the candidates. The Nominating Committee's recommendation is subject to the Board's approval.

The Board does not subscribe to diversity for the sake of it or the inclusion of persons by reason of gender as token representatives on the Board. The Board supports diversity for the purpose of enhancing Board effectiveness. Our two female Directors were selected taking into account, amongst others, their qualifications, extensive experience in relevant areas, ability to add to the depth of Board and Committee discussions and as part of refreshing our Board. Three of our Board Committees are chaired by our female Directors. The Audit & Risk Committee is chaired by Ms Ong Mui Leng Linda, whilst the Nominating and Remuneration Committees are chaired by Ms Dawn Pamela Lum, who is also Lead Independent Director. The appointment of Mr Triono J. Dawis, aged 36, to the Audit & Risk Committee in FY2017 also contributed to refreshing our Board Committees. Certain key information on our Directors is found in the section of this Annual Report entitled "Board of Directors" at pages 10 to 14.

(3) 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 Directors for the time being (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 other than for such specified exceptions. 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.

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In deciding the Directors who are to stand for re-election, the Nominating Committee shall evaluate the contribution and performance of each Director to the effectiveness of the Board. The review parameters for evaluating each Director include attendance, preparedness, candour and participation at board/committee meetings, professional skills, knowledge and experience relevant to management or operation of the business, entrepreneurial business skills and regional investment experience.

(4) With respect to Directors with other board representations and principal commitments, in particular whether they give sufficient time and attention to the affairs of the Company, the Nominating Committee takes into consideration the criteria described in paragraph (3) above. The Board takes 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 have not compromised any of the relevant Directors' ability to carry out and discharge his/her duties adequately. The number of directorships in other listed companies held by each of the Directors (if any) does not give rise to material concern and the Board considers the experience that our Directors may have in other listed companies to be an asset.

(5) The Nominating Committee reviews annually, and as and when circumstances require, whether there is a change to the independent status previously accorded to the relevant Directors. It takes into account the guidelines as set out in the Code. Please refer to paragraph (2) in the section entitled "Principle 2: Board Composition and Guidance" in this Corporate Governance Report for the review undertaken by the Nominating Committee for FY2017.

The Nominating Committee is also responsible for identifying the training needs of the Directors, with the objective of ensuring that they are kept abreast of relevant regulatory and legislative developments and changes relevant and material to the Group's business.

No alternate Director was appointed to the Board in FY2017. In January 2018, Mr Andree Halim appointed Ms Rachel Liem Yuan Fang as his alternate Director with a view to nurturing her for future leadership role.

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 carries out an annual evaluation of the effectiveness of the Board and for FY2017 the Nominating Committee's review was based on criteria consistent with that used for the past financial year.

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(2) The Nominating Committee believes that in evaluating the Board's effectiveness, both quantitative and qualitative criteria of a long term perspective are to be taken into account. Criteria considered by the Nominating Committee include the financial performance of the Group including by reference to revenue growth, EBITDA and profitability; financial position and returns to shareholders; adoption and/or pursuit of strategy of long term sustainable growth (in terms of revenue and profitability) and value creation to enhance shareholder value; any business opportunities introduced by the Board; readiness of the Board to redefine and modify corporate strategies in a changing business environment and its ability to lend support to the Management in steering the Group towards the objectives set.

In its evaluation of individual Directors and, where applicable, their performance as a committee member, the Nominating Committee adopted the specific criteria set out under Principle 4 paragraph (3) and Principles 7 to 9 paragraph (2).

A review by Management to assist the Board in considering areas of improvement for the evaluation process is on-going and progressive steps have been and will continue to be taken.

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 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, where applicable, budgets, forecast, financial results and explanatory notes on material variances) to assist the Directors' review of the issues to be considered at Board meetings and to facilitate discussion at such meetings. Directors are at liberty to request from the Management additional information as needed to make an informed decision.

(2) The Directors have separate and independent access to the Company Secretary. The Company Secretary attends all Board meetings and her responsibilities include checking that board procedures are followed, that applicable rules and regulations, including the listing rules and the Code, are complied with and that minutes of meetings are fairly recorded. The Company Secretary is also tasked with handling information flow within the Board and its Committees, co-ordinating communications for the non-executive Directors with the Management and assisting with professional development. 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.

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PRINCIPLES 7, 8 AND 9: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES/LEVEL AND MIX OF REMUNERATION/DISCLOSURE ON 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.

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 Remuneration Committee consists of Ms Dawn Pamela Lum (as chairman), Mr Didi Dawis and Mr Andree Halim. All of them are non-executive Directors and the majority, including the chairman, are independent Directors.

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

(2) Under its terms of reference, the Remuneration Committee, amongst others, shall assist the Board in the review of the framework for remuneration of Directors and key executives, set up procedures to facilitate a process by which the remuneration of executive Directors is determined and adopt the criteria by which their performance and contribution is to be assessed in an objective and fair manner. Remuneration includes salary, discretionary bonuses and other benefits such as Central Provident Fund ("**CPF**") contributions. The terms of reference also 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.

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The Remuneration Committee reviews and approves the remuneration of the executive Directors and key management personnel (who are not also Directors) with objective of ensuring that their remuneration is competitive and sufficient to attract, retain and motivate persons of the required calibre and entrepreneurial business skills to run the Company and the Group successfully, as well as motivate committed and loyal key executives. For FY2017, the Remuneration Committee determined that the factors to be taken into account for this purpose include the individual performance and contribution of the executive to the Group, level and extent of responsibility and accountability of the individual, the prevailing market remuneration and the performance of the Group. In evaluating the individual's performance and contribution, the Remuneration Committee considered, amongst others, the person's contributions towards pursuit of the Company's strategic objectives and vision, such as the adoption of a long term sustainable growth strategy for the Group and value creation, expansion of the Group's core businesses, strengthening the Group's market position and brands, improvement in organizational capability such as in the areas of financial and capital management, succession planning, instilling a corporate culture that prioritizes teamwork as well as knowledge, experience and resource sharing through integration across the Group, prioritizing and strengthening intellectual property protection and the adoption of technology as an enabler. The long term interests of the Company and its risk policies are therefore taken into account. Board endorsement is sought for the remuneration packages of the executive Directors and the key management personnel (who are not also Directors).

The remuneration of the executive Directors and key management personnel (who are not also Directors and of which there were three in FY2017) generally comprises two components. One component is fixed in the form of a base salary. The other component is variable in the form of discretionary bonus (determined taking into consideration the factors set out above). In addition, the executive Directors and certain key management personnel receive benefits such as car allowance. In relation to long term incentive schemes, 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. 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.

In FY2017 the Group did not employ any immediate family member of a Director or the Joint Group Managing Directors, and whose remuneration exceeded S$50,000. The Company appointed Mr Lin Kejian as the Joint Group Managing Director, who had elected not to receive remuneration. Mr Lin Kejian is an immediate family member of Mr Andree Halim.

(3) In considering the disclosure of remuneration of the executive Directors and of the key management personnel (who are not also Directors), the Remuneration Committee considered, amongst others, the sensitive and confidential nature of employees' remuneration, the importance of maintaining the cohesion and spirit of team work prevailing among senior management executives of the Group and the competitive industry conditions. Apart from the key management personnel, the Group has other senior management executives who are the chief executive officers of the Group's business units. The Company had previously already disclosed heightened competition faced by the Group, not

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just in Singapore but also in other jurisdictions where it operates. In the Company's announcement of its FY2016 full year unaudited financial results as well as in its annual report for FY2016, it was disclosed that one of the key categories of risks faced by the Group is competition (as identified by the management, reviewed by an external consultant which was engaged to assist the Group to formulate an enterprise risk management framework and considered by the Audit & Risk Committee). The Group's competitors include groups that are unlisted and who do not publish details of the remuneration of its key executives. The matter is therefore not an academic, but a real risk, for the Group. In light of these matters, the Remuneration Committee, with which the Board concurs, is of the view that disclosure of its key executives' remuneration in such detail as is recommended by the Code (including the aggregate remuneration of the top 5 key executives (other than the Directors)) is not in the interests of the Company and the Group. The Company has however disclosed in the Notes to the Financial Statements under the Financial Contents of this Annual Report, the aggregate compensation of its key management personnel (including the executive Directors) and has also disclosed in band(s) the FY2017 remuneration of the executive Directors and key management personnel (who are not also Directors) as set out below:

Executive Directors

Remuneration Band	Fixed Salary	Variable Bonus	Other Benefits[(1)]	Total
S$2,000,000 to S$3,000,000				
Goh Kian Hwee	64%	35%	1%	100%
S$500,000 to S$750,000				
Tan Teck Huat	76%	20%	4%	100%

(1) Includes employer's CPF contribution and car allowances

Key Management Personnel (other than Directors)

Number of executives in remuneration band(s):	
S$250,000 to S$500,000	3

The Company did not have contractual provisions to reclaim incentive components of remuneration from FY2017 executive Directors and key management personnel in exceptional cases of mis-statement of financial results or of misconduct resulting in financial loss to the Company. The executive Directors owe fiduciary, statutory as well as contractual duties to the Company and the Company considered that it may avail itself of remedies against the executive Directors in the event of breach of their relevant duties. Further, none of the executive Directors' and key management personnel's remuneration is tied solely and specifically to the profitability of the Company or the Group, as shown in paragraph (2) above.

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(4) Non-executive Directors are paid a basic fee and an additional fee for serving as the Chairman of the Board or as chairman or member of the Audit & Risk, 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 comparable with those that are adopted by a majority of other listed companies with similar market capitalization.

Set out below are the fees payable to the non-executive Directors of the Company who served in FY2017, subject to the approval of Shareholders at the AGM:

Name of Director		Directors' 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	Has elected not to receive Directors' fees
Dawn Pamela Lum	Member of the Board Chairman of Nominating Committee Chairman of Remuneration Committee Member of Audit & Risk Committee	$90,000
Ong Wui Leng Linda	Member of the Board Chairman of Audit & Risk Committee Member of Nominating Committee	$75,000
Lee Kwong Foo Edward	Member of the Board Member of Audit & Risk Committee Member of Remuneration Committee (1 January 2017 – 8 May 2017)	$55,323
Tan Hang Huat	Member of the Board	$30,000
Teng Tien Eng Moses	Member of the Board (1 January 2017 – 24 April 2017)	$9,500
Gianto Gunara	Member of the Board	$30,000
Choo Kok Kiong	Member of the Board	$30,000
Triono J. Dawis	Member of the Board Member of Audit & Risk Committee (9 May 2017 – 31 December 2017)	$42,903

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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 & RISK 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.

(1) The Audit Committee was re-constituted in FY2017 as the Audit & Risk Committee, consisting of four non-executive independent Directors, namely Ms Ong Wui Leng Linda, Ms Dawn Pamela Lum, Mr Lee Kwong Foo Edward and Mr Triono J. Dawis. The Board is of the view that they are appropriately qualified to discharge their responsibilities.

The Company's Audit & Risk 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 extensive experience in corporate finance and management. Ms Dawn Pamela Lum has extensive working experience and had assumed key roles in corporate and management functions, including as the group company secretary of a major listed company. Mr Lee Kwong Foo Edward has been a board member of other listed entities and is conversant with the roles and responsibilities as director of a listed company. Mr Triono J. Dawis is involved in managing various business enterprises and has business management experience. His business acumen and entrepreneurial skills and experience in these areas contribute to providing an added dimension to discussions of the Committee.

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(2) The Audit & Risk Committee performs the functions set out in the Companies Act and the Code relating to audit committees. It has written terms of reference which sets out its authority and duties. Its responsibilities include:

- To review at least annually the independence and objectivity of the external auditors, taking into consideration the non-audit services provided to the Company and to make recommendations to the Board on the appointment or re-appointment of the external auditors
- To review the audit plans of the Company's external auditors
- To review and discuss with the external auditors their annual audit report including key audit matters
- To review and discuss with the external auditors, *inter alia*, the assistance given by the Group's officers to the external auditors and the findings arising from their audit including their evaluation of the Group's internal controls
- To review the significant financial reporting issues and judgements so as to obtain reasonable assurance as to the integrity of the financial statements of the Company and the consolidated financial statements of the Group before making recommendations to the Board
- To oversee the Management in the implementation of the risk management framework of the Group
- To review interested person transactions pursuant to the Listing Manual of the SGX-ST
- 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 with respect to financial, operational, compliance and IT risks, and the internal audit function
- To review the Group's sustainability policies, practices, performance and targets
- To review the scope of work of the internal auditor and periodic findings of the internal auditors
- To review whether the internal audit function is adequately resourced, the qualifications and experience of the internal auditor and whether the Head of Internal Audit has appropriate standing within the Company to enable performance of the internal audit function
- To review the whistle-blowing policy for the Group.

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The Audit & Risk Committee is empowered by its terms of reference to investigate any matter within its terms of reference. 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 the external auditors, any Director and executive officer to attend its meetings.

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

(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 & Risk Committee. The Audit & Risk 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 & Risk Committee in each Audit & Risk Committee meeting. On an annual basis, the Audit & Risk Committee reviews, amongst others, the adequacy and effectiveness of the internal audit function 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 & Risk 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 & Risk Committee. In addition, the Company has an operational and risk management committee to monitor control procedures and to supervise compliance of the Group's risk management framework and policies.

The Audit & Risk 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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During FY2017, with the assistance of an external consultant, the Group formalized its enterprise risk management framework including risk register. The key categories of risks faced by the Group as at 31 December 2017 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 local producers and 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 and Bakery segments. 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.

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Risk	
Heath, safety and security	Lack of or inadequate health, safety and security on the Group's facilities in particular its older facilities, can lead to injuries to employees and the public, and may lead to lower productivity, higher cost and suspension of operations.
Intellectual property	The Group's trademarks, brands and other intellectual property rights are important assets of the Group. Challenge to or infringement of the Group's intellectual property rights, including trademarks, brands, designs, any patents and copyright, or the Group's proprietary information, technology and business and trade secrets, or inadequate protection of any of the foregoing, can adversely affect the Group.
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.

Further, in performing its function, the Audit & Risk 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 FY2017 were presented to the Audit & Risk Committee for discussion. The following key audit matters in respect of FY2017 were presented by the external auditor, Ernst & Young LLP ("**E&Y**"), to the Audit & Risk Committee for consideration and action:

Key audit matter	**How Audit & Risk Committee reviewed these matters and what decisions were made**
Impairment assessment of investment in Gardenia Bakeries (K.L.) Sdn Bhd ("**GBKL**")	• ARC considered and is satisfied with the valuation methodology and reasonableness of key assumptions used to estimate the recoverable amount of the investment in GBKL. • The assessment of the recoverable amount of the investment in GBKL was a key area of focus for E&Y. This item was included as a key audit matter in its audit report for FY2017. Please refer to pages 92 and 93 of this Annual Report.
Biological assets	• ARC 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 FY2017. Please refer to page 92 of this Annual Report.

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2018)

(5) The Company appoints E&Y which is a firm registered with the Accounting and Corporate Regulatory Authority to conduct audit on its financial statements. The Company also engages E&Y for audit of its Singapore-incorporated subsidiaries and member firms of E&Y for its significant foreign incorporated subsidiaries and associated company/joint venture. 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.

None of the members of Audit & Risk Committee was appointed to the Committee within 12 months of the date he/she ceased (if applicable) to be a partner or director of E&Y, or holds financial interest in E&Y.

Prior to the annual re-appointment of the external auditor, its independence is reviewed by the Audit & Risk Committee. The Audit & Risk Committee noted that the fees for non-audit services provided by the auditors for FY2017 exceeded 50% of the audit fees. The fees for audit and non-audit services in FY2017 amounted to approximately S$825,000 and S$1,440,000, respectively. A significant portion of the non-audit fees was in respect of services relating to the proposed listing of the Group's primary production business in Australia. E&Y has informed the Committee that it has evaluated its independence and, *inter alia*, that it has established processes in place to safeguard its independence. E&Y had also confirmed to the Audit & Risk Committee that the non-audit services provided during FY2017 have not impaired its independence, and that it is not aware of any other relationships between E&Y and the Company and its subsidiaries that may reasonably be thought to bear on its independence. Accordingly, E&Y has confirmed to the Committee that it is independent within the meaning of the Singapore Accountants (Public Accountants) Rules and the requirements of the Companies Act for the purpose of its audit of the financial statements of the Company for FY2017. Taking into account the nature of the non-audit services provided and the foregoing, the Audit & Risk Committee is of the opinion that the non-audit fees paid to the auditors for FY2017 would not compromise the independence of E&Y.

(6) The Company has in place a Whistleblowing Policy where officers and employees of the Group may raise concerns in confidence about, *inter alia*, financial reporting, internal controls, accounting and audit matters and corruption, bribery and fraud. Please also see the section entitled "Governance and Ethics – Anti-Corruption" in our Sustainability Report at page 41.

(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 and different control environments to operate in and where 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 material 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 and/or system errors, poor judgement in decision making, fraud or other irregularities. Management continues to review and look at areas of improvement in particular, in relation to operational and compliance risks.

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2018)

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 the assurances in respect of the matters set out in (a) and (b) below received from Joint Group Managing Directors, Finance Director, Group Financial Controller and the Head of Internal Audit of the Company, and where applicable having regard to the matters above, the Board (with the concurrence of the Audit & Risk Committee) is of the opinion that in respect of the FY2017:

(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 2017 to address the financial, operational, information technology and compliance risks which the Group considers relevant and material to its current business operations.

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 principally through:

- annual reports to shareholders issued 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 the period in question;
- circulars for extraordinary general meetings where applicable ("**EGM**");
- announcements and disclosures to the SGX-ST via SGXNET; and
- the Company's website at www.qaf.com.sg at which our shareholders can access information on the Group.

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2018)

The full annual report of the Company is made available to Shareholders. In line with the Company's sustainability efforts and as recently permitted by the Companies Act and the listing rules, the Company intends to make annual reports and circulars of the Company available to shareholders by way of electronic communications via posting these documents on the Company's website. Shareholders may however request for a printed copy of such documents by submitting a request form to the Company's share registrar. Printed copies of the notice of AGM/EGM, proxy form and such request forms will continue to be sent to shareholders. The notice of AGM/EGM is also advertised in a local newspaper. 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 as a matter of policy Management engages with shareholders from time to time on relevant matters.

(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 by a statement regarding the effect of the proposed resolution in respect of such business.

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 72 hours before the meeting. 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 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 implements 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. Shareholders are entitled to be furnished copies of minutes of general meetings in accordance with the provisions of the Companies Act.

(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.

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2018)

INTERESTED PERSON TRANSACTIONS FOR FY2017

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	249	778
Salim Group[1] – Purchase of raw materials including flour	719	2,209
Mr Andree Halim[2] – Purchase of unit for office premises at Fook Hai Building	2,000	N.A.
Mr Lin Kejian[2] – Provision of proportionate shareholders' loan to a subsidiary in which Mr Lin has a 45% shareholding interest	839	N.A.
Mr Lin Kejian[2] – Waiver of licensing fee payable by a subsidiary in which Mr Lin has a 45% shareholding interest	191	N.A.
TOTAL	**3,998**	**2,987**

Notes:

(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.

(2) As disclosed elsewhere in the Annual Report, Mr Andree Halim and Mr Lin Kejian are immediate family members.

Save as may be disclosed in this Annual Report including the Appendix relating to the proposed renewal of the interested person transactions mandate, there were no material contracts entered into by the Company or its subsidiaries involving the interests of any Directors or controlling shareholders of the Company which were still subsisting at the end of FY2017, or if not then subsisting, entered into since the end of FY2016.

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2018)

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.

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**").
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 4 paragraph (2) and 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 4 paragraph (2) and Principle 2 paragraph (3) of the Report.

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2018)

Guideline	Questions	How has the Company complied?
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).
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), Principle 4 paragraph (5), Principle 6 paragraph (1) and Principles 11 to 13 paragraph (2) of the Report.
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) and (2) of the Report.
	(b) Has the Board met its performance objectives?	Yes.

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2018)

Guideline	Questions	How has the Company complied?
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. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	No. 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.
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 Principles 7, 8 and 9 paragraphs (3) and (4) of the Report.

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2018)

Guideline	Questions	How has the Company complied?
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 Principles 7, 8 and 9 paragraph (3) 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 Principles 7, 8 and 9 paragraph (3) 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 Principles 7, 8 and 9 paragraph (2) 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, 8 and 9 paragraph (2) 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, 8 and 9 paragraph (2) of the Report.
	(c) Were all of these performance conditions met? If not, what were the reasons?	Yes. Please refer to Principles 7, 8 and 9 paragraph (2) of the Report in relation to long-term incentive schemes.

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2018)

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 Principles 11 to 13 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.

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2018)

Guideline	Questions	How has the Company complied?
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.	Please refer to Principles 11 to 13 paragraph (5) of the Report.
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.

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 2017.

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 2017 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	
Tan Hang Huat	
Gianto Gunara	
Choo Kok Kiong	
Dawn Pamela Lum	
Triono J. Dawis	
Lee Kwong Foo Edward	
Ong Wui Leng Linda	(Appointed on 1 January 2017)
Rachel Liem Yuan Fang	(Appointed on 21 January 2018)
(Alternate director to Andree Halim)	

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 of the Company or its related corporations are as follows:

	Direct interest			Deemed interest		
Names of directors	At 1.1.2017	At 31.12.2017	At 21.1.2018	At 1.1.2017	At 31.12.2017	At 21.1.2018
Number of shares in QAF Limited						
Didi Dawis	–	–	–	47,877,758	47,877,758	47,877,758
Andree Halim	–	–	–	339,463,981	342,390,394	342,390,394
Lin Kejian	–	–	–	270,762,727	272,684,149	272,684,149
Tan Hang Huat	5,252	5,417	5,417	–	–	–

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.

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.

Options

No options were granted by the Company or its subsidiaries during the financial year to subscribe for unissued shares of the Company or its subsidiaries. No shares were issued during the financial year by the Company by virtue of the exercise of options to take up unissued shares of the Company. There were no unissued shares of the Company under option as at 31 December 2017.

Audit & Risk Committee

The Audit & Risk Committee performed the functions specified in the Act in respect of audit committees. The functions performed are dealt with in the Corporate Governance Report.

DIRECTORS' STATEMENT

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
15 March 2018

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

Independent auditor's report to the members of QAF Limited

Report on the audit of the financial statements

Opinion

We have audited the 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 2017, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity 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.

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 2017 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 2017

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

Key audit matters (cont'd)

Biological assets

The Group has biological assets, comprising mainly of progeny and breeder pigs (collectively referred to as "livestock"), which amounted to $57.2 million as of 31 December 2017.

The Group measures its livestock at fair value less costs to sell in accordance with FRS 41 Agriculture. This requires management to make a number of valuation assumptions and this involves the use of significant judgement. Any changes in these assumptions would have an impact to fair value measurement. As such, we determined this to be a key audit matter.

How our audit addressed the key audit matter

As part of our audit procedures we considered the appropriateness of fair value measurement in accordance with FRS 41 Agriculture. We assessed the valuation methodology and the reasonableness of key assumptions used to estimate fair value. The key assumptions include the number of livestock, weight of the livestock and the net market value ("NMV"). The NMV/kg is estimated by reference to the average sale value of livestock less point-of-sale costs. We assessed the reasonableness of NMV/kg determined by management by reference to recent sales data, trend analysis and current market data.

We compared the number of livestock used in the valuation of biological assets to the livestock on hand by age report and attended the physical counts to ensure that these quantities are accurately recorded. In addition, we compared the weight of the livestock to the sales worksheet and sales reports and further tested the underlying documentation used to compile these reports by reference to a sample of sale invoices. We also reviewed the adequacy of disclosures in Note 11 to the financial statements.

Impairment of investment in joint venture

The Group has an investment in joint venture which amounted to $75.8 million as of 31 December 2017. Note 21 to the financial statements provides details of the contractual agreement with the remaining shareholder of the joint venture.

The Group estimates the recoverable amount of the joint venture based on value-in-use model when there is objective evidence that the investment in joint venture may be impaired. This requires management to make a number of valuation assumptions and this involves the use of significant judgement. As such, we determined this to be a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Key audit matters (cont'd)

Impairment of investment in joint venture (cont'd)

How our audit addressed the key audit matter

As part of our audit procedures we assessed the valuation methodology and the reasonableness of key assumptions used to estimate recoverable amount. The key assumptions include the revenue growth rates, discount rate and residual value at the end of the term of contractual agreement with the remaining shareholder. We considered the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results and evaluated the revenue growth rates by comparing them to recent and actual performance and available external industry data. We involved our internal valuation specialists to independently develop expectations for discount rate and residual value. We further reviewed management's sensitivity analysis in relation to how reasonable changes in the key assumptions could impact the estimation of recoverable amount.

We also reviewed the adequacy of disclosures set out in Note 21 to the financial statements.

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

Responsibilities of management and directors for the financial statements (cont'd)

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.

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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

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

- 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.

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 Terry Wee Hiang Bing.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
15 March 2018

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Revenue	3	848,589	889,520
Costs and expenses			
Costs of materials		445,330	453,121
Staff costs	4	199,177	200,975
Amortisation and depreciation	5	32,370	32,760
Repairs and maintenance		22,880	24,104
Utilities		23,570	23,617
Advertising and promotion		14,969	12,718
Other operating expenses		74,712	74,430
Total costs and expenses		(813,008)	(821,725)
Profit from operating activities	6	35,581	67,795
Finance costs	7	(3,062)	(2,940)
Exceptional items	8	–	59,375
Share of profits of joint venture		7,583	6,385
Profit before taxation		40,102	130,615
Taxation	9	(10,402)	(14,244)
Profit after taxation		29,700	116,371
Attributable to:			
Owners of the parent		31,839	120,390
Non-controlling interests		(2,139)	(4,019)
		29,700	116,371
Earnings per ordinary share:	10		
– Basic and diluted (excluding Exceptional items)		5.6 cents	10.9 cents
– Basic and diluted (including Exceptional items)		5.6 cents	21.4 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 $'000	2016 $'000
Profit after taxation	29,700	116,371
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial loss on defined benefit plans	(330)	(804)
Items that may be reclassified subsequently to profit or loss:		
Currency translation arising on consolidation	(1,699)	14,368
Net fair value gain on available-for-sale investment securities	64	–
Share of other comprehensive income of joint venture	1,550	(5,226)
Other comprehensive income for the year, net of tax	(415)	8,338
Total comprehensive income for the year	29,285	124,709
Total comprehensive income attributable to:		
Owners of the parent	31,485	128,470
Non-controlling interests	(2,200)	(3,761)
	29,285	124,709

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
ASSETS					
Current assets					
Biological assets	11	57,245	60,803	–	–
Inventories	12	69,361	60,159	–	–
Trade receivables	13	97,292	96,910	–	–
Other receivables	14	22,804	33,121	53,516	75,457
Tax recoverable		1,518	1,245	–	–
Short-term investments	15	–	3,968	–	2,968
Cash and cash equivalents	16	136,454	104,903	54,224	27,070
		384,674	361,109	107,740	105,495
Non-current assets					
Property, plant and equipment	17	317,448	289,585	4,147	2,290
Investment properties	18	17,872	18,248	–	–
Subsidiaries	19	–	–	100,132	98,973
Advances to subsidiaries	20	–	–	128,445	123,805
Joint venture	21	75,813	76,318	–	–
Pension assets	22	2,620	2,654	–	–
Long-term investments	23	6,892	7,226	6,866	7,198
Intangibles	24	–	–	1,319	1,507
Deferred tax assets	25	16,140	17,267	–	–
		436,785	411,298	240,909	233,773
Total assets		821,459	772,407	348,649	339,268

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
LIABILITIES					
Current liabilities					
Trade payables	26	73,376	65,188	85	225
Other payables	27	71,596	59,007	9,886	9,725
Short-term borrowings	28	44,154	32,642	–	–
Long-term borrowings – current portion	29	6,268	2,456	–	–
Provision for taxation		4,030	6,099	1,131	1,167
		199,424	165,392	11,102	11,117
Non-current liabilities					
Other payables	27	15,218	15,241	6,665	7,584
Long-term borrowings	29	62,715	51,128	–	–
Deferred tax liabilities	25	13,541	12,494	1,545	1,734
		91,474	78,863	8,210	9,318
Total liabilities		290,898	244,255	19,312	20,435
Net assets		530,561	528,152	329,337	318,833
CAPITAL AND RESERVES					
Share capital	30	272,009	263,087	272,009	263,087
Reserves	31	264,919	263,980	57,328	55,746
Equity attributable to owners of the parent		536,928	527,067	329,337	318,833
Non-controlling interests		(6,367)	1,085	–	–
Total equity		530,561	528,152	329,337	318,833

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Attributable to owners of the parent								
		Share capital $'000	Revaluation reserve $'000	Capital reserve $'000	Fair value reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2017		263,087	244	–	–	300,421	(36,685)	527,067	1,085	528,152
Total comprehensive income for the year										
Net profit/(loss) for the year		–	–	–	–	31,839	–	31,839	(2,139)	29,700
Other comprehensive income for the year:										
– Currency translation arising on consolidation		–	–	–	–	–	(1,613)	(1,613)	(86)	(1,699)
– Net fair value gain on available-for-sale investment securities		–	–	–	64	–	–	64	–	64
– Share of other comprehensive income of joint venture		–	–	–	–	(290)	1,840	1,550	–	1,550
– Actuarial (loss)/gain on defined benefit plans		–	–	–	–	(355)	–	(355)	25	(330)
Other comprehensive income for the year, net of tax		–	–	–	64	(645)	227	(354)	(61)	(415)
Total comprehensive income for the year		–	–	–	64	31,194	227	31,485	(2,200)	29,285
Transactions with owners in their capacity as owners										
Contributions by and distributions to owners										
Issuance of ordinary shares in lieu of cash dividends	30	8,922	–	–	–	–	–	8,922	–	8,922
Transfer to reserves		–	–	(1,795)	–	–	–	(1,795)	1,795	–
Transfer to other payables		–	–	–	–	–	–	–	(4,867)	(4,867)
Dividends	32	–	–	–	–	(28,136)	–	(28,136)	(1,636)	(29,772)
Total contributions by and distributions to owners		8,922	–	(1,795)	–	(28,136)	–	(21,009)	(4,708)	(25,717)
Change in ownership interest in subsidiary										
Acquisition of non-controlling interests without a change in control		–	–	(615)	–	–	–	(615)	(544)	(1,159)
Total change in ownership interest in subsidiary		–	–	(615)	–	–	–	(615)	(544)	(1,159)
Total transactions with owners in their capacity as owners		8,922	–	(2,410)	–	(28,136)	–	(21,624)	(5,252)	(26,876)
Balance at 31 December 2017		272,009	244	(2,410)	64	303,479	(36,458)	536,928	(6,367)	530,561

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share capital $'000	Revaluation reserve $'000	Capital reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
		Attributable to owners of the parent							
Balance at 1 January 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 CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 $'000	2016 $'000
Cash flows from operating activities:		
Profit before taxation	40,102	130,615
Adjustments for:		
Amortisation and depreciation	32,370	32,760
(Gain)/loss on disposal of property, plant and equipment and investment properties	(228)	145
Fair value adjustment on investment securities	(6)	(29)
Gain on disposal of investment securities	–	(16)
Fair value changes on biological assets	2,279	(879)
Intangibles written off	–	196
Interest expense	3,062	2,940
Share of profits of joint venture	(7,583)	(6,385)
(Write-back of)/impairment loss on investment securities	(645)	819
Impairment loss on property, plant and equipment and investment properties	600	8,602
Gain on sale of interest in a subsidiary company	–	(59,375)
Allowance for doubtful receivables charged and bad debts written off, net	805	451
Interest income	(1,643)	(1,696)
Exchange differences	821	2,480
Operating profit before working capital changes	69,934	110,628
Increase in trade and other receivables	(1,343)	(7,737)
(Increase)/decrease in inventories and biological assets	(8,438)	3,954
Increase in trade and other payables	13,949	7,014
Cash from operations	74,102	113,859
Interest paid	(3,064)	(2,956)
Interest received	1,643	1,696
Income tax paid	(10,765)	(10,783)
Net cash from operating activities	61,916	101,816
Cash flows from investing activities:		
Purchase of property, plant and equipment and investment properties	(60,660)	(74,242)
Proceeds from disposal of property, plant and equipment and investment properties	993	502
Proceeds from redemption/sale of investment securities	5,000	4,025
Dividends received from joint venture	11,409	2,526
Net cash inflow from sale of interest in a subsidiary company	–	986
Receipt of final tranche from sale of interest in a subsidiary company in prior year	6,314	–
Net cash used in investing activities	(36,944)	(66,203)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	2017 $'000	2016 $'000
Cash flows from financing activities:		
Dividends paid during the year	(19,206)	(28,087)
Dividends paid to non-controlling interests	–	(4,880)
Proceeds from borrowings	29,077	19,556
Repayment of borrowings	(1,938)	(27,539)
Repayment of finance lease liabilities	(582)	(878)
Proceeds from long-term loans from non-controlling interests	686	1,671
Proceeds from issuance of share capital	–	313
Acquisition of non-controlling interest share in a subsidiary company	(580)	–
Net cash from/(used in) financing activities	7,457	(39,844)
Net increase/(decrease) in cash and cash equivalents	32,429	(4,231)
Cash and cash equivalents at beginning of year	104,903	109,052
Effect of exchange rate changes on cash and cash equivalents	(878)	82
Cash and cash equivalents at end of year (Note 16)	136,454	104,903

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 2017

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, #09-03 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.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

On transition to SFRS(I), the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of $36,685,000 of foreign currency translation reserve to the opening revenue reserve as at 1 January 2017.

Other than the effects of the matter as described above and impact on the adoption of the SFRS(I) 15 and SFRS(I) 9 that are effective on 1 January 2018, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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**
Improvements to FRSs (December 2016)	
– 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
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
FRS 116 *Leases*	1 January 2019
Amendments to FRS 109: *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28: *Long-term Interest in Associates and Joint Ventures*	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

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standard will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening revenue reserve.

The Group has performed a preliminary impact assessment of adopting SFRS(I) 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I) 9 in 2018.

(a) Classification and measurement

The Group's debt securities are expected to give rise to cash flows representing solely payments of principal and interest. For its quoted available-for-sale debt securities, the Group will continue to hold the debt instruments to collect contractual cash flows and sell, and accordingly measure at fair value through other comprehensive income when it applies SFRS(I) 9. The Group does not expect any significant impact to arise from these changes.

(b) Impairment

SFRS(I) 9 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. Upon application of the expected credit loss model, the Group expects an increase in provision for impairment for the above financial assets and corresponding decrease in opening revenue reserve is expected to arise from the application of the expected credit loss impairment model.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers and introduces new contract cost guidance. Under SFRS(I) 15, 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 new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting SFRS(I) 15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 15 in 2018.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach.

The Group expects the following impact upon adoption of SFRS(I) 15:

(a) Variable consideration

Some of the Group's contracts with customers provide trade discounts or volume rebates. Such provisions give rise to variable consideration under SFRS(I) 15. The Group currently recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns. Under SFRS(I) 15, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associate uncertainty is subsequently resolved.

On the adoption of SFRS(I) 15, the Group expects revenue to decrease for the financial year ended 31 December 2017.

(b) Rights of return

Under SFRS(I) 15, the Group will estimate the amount of expected returns in determining the transaction price and recognise revenue based on the amounts to which the Group expects to be entitled through the end of the return period. The Group will recognise the amount of expected returns as a refund liability, representing its obligation to return the customer's consideration. Separately, the Group recognises a related asset for the right to recover the returned goods.

On the adoption of SFRS(I) 15, the Group expects revenue to decrease with a related decrease to cost of sales for the financial year ended 31 December 2017. In addition, the Group expects to recognise refund liabilities and correspondingly, related assets for the right to recover products from customers on return.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

SFRS(I) 16 *Leases*

SFRS(I) 16 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, Earnings before Interest, Tax, Depreciation and amortisation ("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 2017

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 revenue reserve, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

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

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

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.13. 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.

Acquisitions of subsidiaries that includes put options to acquire non-controlling interests in the future are accounted for in accordance with FRS 110 Consolidated Financial Statements. During the period the non-controlling interests put options remain unexercised, the non-controlling interests are calculated and immediately derecognised as though it was acquired at that date. A financial liability with respect to put options is recognised in accordance with FRS 39 Financial Instruments: Recognition and Measurement. The difference between derecognition of the non-controlling interests and recognition of the financial liabilities is accounted for as an equity transaction, and disclosed under capital reserve in equity.

2.5 *Foreign currencies*

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.5 *Foreign currencies (cont'd)*

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 2017

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.9 *Subsidiaries*

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

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

2.10 *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 accounts 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.10 *Joint ventures (cont'd)*

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 Company.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.12 *Financial assets (cont'd)*

(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 or loss.

(ii) *Loans and receivables*

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

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

Available-for-sale financial assets 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.14 *Inventories*

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

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

2.15 *Biological assets*

Livestock

Livestock is recorded at fair value less costs to sell based on livestock of similar age, breed and genetic merit. In determining the fair value, a number of assumptions are made by management:

(i) For progeny stock aged 1 to 17 weeks for which there is no active market, fair value is determined to approximate cost.

(ii) Progeny stock aged weeks 18 plus are valued based on average selling prices.

(iii) Breeder stock are valued based on average selling prices.

2.16 *Trade and other receivables*

Trade and other receivables, which generally have 30-90 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.17 *Impairment of non-financial assets*

Goodwill

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

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format.

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

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

Other assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

Other assets (cont'd)

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 *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 2017

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

2.18 *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 2017

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

2.19 *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Other financial liabilities

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

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.20 *Provisions*

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

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.21 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.22 *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from the sale of goods and services are recognised upon passage of title and risks to the customer which generally coincides with their delivery and acceptance.

Rental income is recognised on a straight-line basis over the lease term.

Interest income is recognised on effective interest rate method.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.23 *Income taxes*

Current tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.23 *Income taxes (cont'd)*

Deferred tax (cont'd)

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

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

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

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

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.

2.24 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.25 *Employee benefits*

(i) *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.

(ii) *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.

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 revenue reserve within equity and are not reclassified to profit or loss in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.25 *Employee benefits (cont'd)*

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

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

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

(iii) *Employee entitlements*

Liabilities for paid annual leave and sick leave are recognised and measured as the amount unpaid at the end of the reporting period at current pay rates in respect of employees' services up to that date.

A liability for long service leave is recognised, on the basis of an estimation of the present value of the future cash outflows to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates that match, as closely as possible, the estimated future cash outflows.

2.26 *Leases*

Finance leases

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.26 *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.

2.27 *Segment information*

For management purposes, the Group is organised into operating segments based on their products and services. The management of the Company regularly reviews 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 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.29 *Significant accounting estimates and judgements*

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management is of the opinion that there is no instance of application of judgement which is expected to have a significant impact on the amounts recognised in the consolidated financial statements, apart from those involving estimations described below.

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 are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) <u>Biological assets</u>

Livestock is recorded at fair value less costs to sell based on livestock of similar age, breed and genetic merit. In determining the fair value, a number of assumptions are made by management:

(i) For progeny stock aged 1 to 17 weeks for which there is no active market, fair value is determined to approximate cost.

(ii) Progeny stock aged weeks 18 plus are valued based on average selling prices.

(iii) Breeder stock are valued based on average selling prices.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

Key sources of estimation uncertainty (cont'd)

(ii) Impairment assessment of investment in joint venture

The Group assesses whether there are any indicators of impairment for the investment in joint venture at each reporting date. When there is objective evidence, the Group estimates the recoverable amount of the joint venture and determines if an impairment loss should be recognised.

Estimating the recoverable amount requires management to make an estimate of the expected future cash flows to be generated by the joint venture and determine a suitable discount rate to calculate the present value of those cash flows. Forecasts of future cash flows are based on management's estimate of the expected revenue growth and residual value from the joint venture.

The carrying amount of the joint venture as at 31 December 2017 is $75,813,000 (2016: $76,318,000).

(iii) Impairment of non-financial assets

The Group assesses 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 estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

(iv) Income taxes

The Group operates in various countries and is subject to different tax jurisdictions. Significant judgement is involved in determining the 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 2017 was $1,131,000 (2016: $1,167,000) and $4,030,000 (2016: $6,099,000) respectively. The carrying amount of the Group's tax recoverable as at 31 December 2017 was $1,518,000 (2016: $1,245,000). The carrying amount of the Company's deferred tax liabilities as at 31 December 2017 was $1,545,000 (2016: $1,734,000). The Group's deferred tax assets and deferred tax liabilities as at 31 December 2017 was $16,140,000 (2016: $17,267,000) and $13,541,000 (2016: $12,494,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

Key sources of estimation uncertainty (cont'd)

(v) 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 2017 was $4,147,000 (2016: $2,290,000) and $317,448,000 (2016: $289,585,000) respectively. The carrying amount of the Group's investment properties as at 31 December 2017 was $17,872,000 (2016: $18,248,000). 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.

(vi) Put option liability

The put option liability reflects the fair value of the put option to acquire the 20% non-controlling interest in a subsidiary, Diamond Valley Pork Pty Ltd ("DVP"). The put option process reflects the net assets of DVP adjusted for fair value uplifts of key assets. The fair value of the liability has been calculated based on the financial performance of DVP and expected market EBITDA multiple.

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	
	2017 $'000	2016 $'000
Sale of goods	831,984	874,118
Rental income from storage and warehousing facilities	5,805	5,828
Royalty income	4,757	3,700
Interest income from:		
– Fixed deposits with financial institutions	865	665
– Others	778	1,031
Miscellaneous	4,400	4,178
	848,589	889,520

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. Staff costs

	Group	
	2017 $'000	2016 $'000
Staff costs (including Executive Directors):		
– salaries, wages and other related costs	187,300	187,384
– CPF and contributions to other plans	4,364	5,842
– superannuation contributions	7,513	7,749
	199,177	200,975

5. Amortisation and depreciation

		Group	
	Note	2017 $'000	2016 $'000
Depreciation of property, plant and equipment	17	30,981	31,385
Depreciation of investment properties	18	1,389	1,375
		32,370	32,760

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. Profit from operating activities

	Note	Group 2017 $'000	Group 2016 $'000
Profit from operating activities is stated after charging/(crediting):			
Auditors' remuneration:			
– Auditor of the Company		462	465
– Member firms of the auditor of the Company		363	316
Professional fees paid to:			
– Auditor of the Company		124	229
– Member firms of the auditor of the Company		1,316	10
Fees and remuneration for the directors of the Company:			
– fees and remuneration		4,282	4,468
– CPF contribution		29	21
Provision for long service leave and retirement benefits charged	27(a)	655	389
Distribution and transportation expense		9,769	10,412
Legal and professional fees		7,587	2,325
Operating lease expense		13,800	12,333
Research and development expense		3,096	2,893
Foreign exchange loss, net		1,649	3,134
Fair value changes on biological assets	11	2,279	(879)
Allowance for inventories charged and inventories written off, net		1,515	723
Allowance for doubtful trade receivables charged	13	91	429
Allowance for doubtful other receivables charged	14	686	–
Bad debts written off		28	22
Fair value adjustment on investment securities		(6)	(29)
Intangibles written off	24	–	196
Gain on disposal of investment securities		–	(16)
(Gain)/loss on disposal of property, plant and equipment and investment properties		(228)	145
Impairment loss on property, plant and equipment	17	600	6,460
Impairment loss on investment properties	18	–	2,142
(Write-back of)/impairment loss on investment securities	23	(645)	819
Rental income from investment properties		(5,730)	(5,688)
Direct operating expenses arising from investment properties that generate rental income		4,645	4,964

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

7. Finance costs

	Group	
	2017 $'000	2016 $'000
Interest expense on borrowings	3,062	2,940

8. Exceptional items

In 2016, "Exceptional Items" related to the Group's sale of its partial shareholdings 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 ceased to be a subsidiary of the Group and had 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 was recognised arising from the sale of 20% stake in GBKL and the remeasurement of the remaining 50% stake in GBKL.

9. Taxation

	Note	Group	
		2017 $'000	2016 $'000
Income tax expense on the profit for the year:			
– current tax		9,508	12,593
– deferred tax		1,385	1,654
		10,893	14,247
(Over)/under provision in respect of prior years:			
– current tax		(1,179)	(76)
– deferred tax		688	73
		(491)	(3)
Tax expense		10,402	14,244
Deferred tax credit related to other comprehensive income:			
– actuarial loss on defined benefit plans	25	(141)	(298)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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% (2016: 17%) to the profit before taxation due to the following factors:

	Group	
	2017 $'000	2016 $'000
Profit before taxation	40,102	130,615
Tax expense at statutory tax rate of 17% (2016: 17%)	6,817	22,205
Adjustments:		
Income not subject to tax	(1,342)	(10,895)
Expenses not deductible for tax purposes	3,720	4,229
Tax reliefs, rebates and incentives	(1,600)	(1,463)
Utilisation of tax benefits not recognised in previous years	(675)	(9,590)
Tax benefits not recognised in current year	924	1,229
Difference in effective tax rates in other countries	3,292	6,867
Over provision in respect of prior years, net	(491)	(3)
Others	(243)	1,665
Tax expense	10,402	14,244

In 2016, Others mainly related to deferred tax accrued on royalty income received in advance.

10. Earnings per ordinary share ("EPS")

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

	Group	
	2017 $'000	2016 $'000
Group's earnings used for the calculation of EPS:		
Earnings for the financial year attributable to owners of the Company		
– excluding exceptional items	31,839	61,015
– including exceptional items	31,839	120,390

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. Earnings per ordinary share ("EPS") (cont'd)

	Group	
	2017 '000	2016 '000
Number of shares used for the calculation of:		
Basic and diluted EPS		
Weighted average number of ordinary shares in issue	564,590	561,721

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

11. Biological assets

The Group's livestock comprises mainly progeny and breeder pigs owned by a subsidiary. The progeny pigs are raised for slaughter and sale. The breeder pigs are held to produce further progeny pigs.

	Group	
	2017	2016
Physical quantity of pigs:		
– Number of progeny	391,741	383,455
– Number of breeders	47,736	47,469
	439,477	430,924

Reconciliation of changes in the carrying amount:

	Group	
	2017 $'000	2016 $'000
Balance at 1 January	60,803	57,518
Currency realignment	(122)	712
Breeding costs in the period	179,086	178,139
Gain/(loss) on revaluation	15,602	32,318
Decrease due to harvest/processing	(198,124)	(207,884)
Balance at 31 December	57,245	60,803

Biological assets closing inventory balance includes a fair value adjustment of $3,780,000 (2016: $6,014,000). The net negative impact to the consolidated income statement amounting to $2,279,000 (2016: $879,000 positive) is classified as part of cost of materials.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

12. Inventories

	Group	
	2017 $'000	2016 $'000
Raw materials	42,111	31,324
Finished goods	14,323	15,704
Spare parts and consumables	6,218	6,298
Work-in-progress	79	63
Goods-in-transit	6,630	6,770
Total inventories at lower of cost and net realisable value	69,361	60,159

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

	Group	
	2017 $'000	2016 $'000
First-in-first-out	13,475	14,006
Weighted average	55,886	46,153
	69,361	60,159
Inventories are stated after deducting allowance of	2,404	1,777

Raw materials of the Group as at 31 December 2017 amounting to $23,581,000 (2016: $12,818,000) have been pledged to a bank in connection with credit facilities granted to a subsidiary.

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

13. Trade receivables

	Group	
	2017 $'000	2016 $'000
Trade receivables		
– third parties	83,176	79,225
– joint venture	15,383	19,463
	98,559	98,688
Less: Allowance for doubtful debts – third parties	(1,267)	(1,778)
	97,292	96,910

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. Trade receivables (cont'd)

At the end of the reporting period, approximately 19% (2016: 17%) 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:

	Group	
	2017 $'000	2016 $'000
Lesser than 3 months	17,984	16,934
3 months to 6 months	1,206	574
6 months to 12 months	676	256
More than 12 months	1	61
	19,867	17,825
Receivables that are impaired:		
Gross amount	1,267	1,778
Less: Allowance for doubtful debts	(1,267)	(1,778)
	–	–

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 are as follows:

	Group	
	2017 $'000	2016 $'000
At 1 January	1,778	2,249
Charge for the year (Note 6)	91	429
Written-off against allowance	(531)	(420)
Currency realignment	(71)	(480)
At 31 December	1,267	1,778

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. Other receivables

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Non-financial assets				
Prepayments	7,542	7,461	78	56
Financial assets				
Sundry deposits	1,375	1,293	30	29
Staff advances and loans	4	5	–	–
Amount due from joint venture				
– non-interest bearing	4,969	6,539	19	25
	6,348	7,837	49	54
Sundry debtors	9,740	18,081	22	22
Less: Allowance for doubtful debts	(826)	(258)	–	–
	8,914	17,823	22	22
Amounts due from subsidiaries				
– interest bearing	–	–	6,707	6,725
– non-interest bearing	–	–	48,573	70,247
Less: Allowance for doubtful debts	–	–	(1,913)	(1,647)
	–	–	53,367	75,325
	15,262	25,660	53,438	75,401
	22,804	33,121	53,516	75,457
Receivables that are impaired:				
Gross amount	826	258	1,913	1,647
Less: Allowance for doubtful debts	(826)	(258)	(1,913)	(1,647)
	–	–	–	–

Movements in the allowance for doubtful debts are as follows:

		Group		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January		258	286	1,647	1,386
Charge for the year	6	686	–	266	261
Written-off against allowance		(120)	(21)	–	–
Currency realignment		2	(7)	–	–
At 31 December		826	258	1,913	1,647

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. Other receivables (cont'd)

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 $4,950,000 (2016: $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 interest at rates ranging from 2.45% to 2.62% (2016: 2.37% to 3.00%) per annum and are repayable upon demand. The amounts due from subsidiaries are to be settled in cash.

15. Short-term investments

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Fair value through profit or loss				
Unquoted debt securities				
At fair value	–	994	–	994
Available-for-sale				
Quoted debt securities				
At fair value	–	2,974	–	1,974
	–	3,968	–	2,968

16. Cash and cash equivalents

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash and bank balances	63,943	89,690	5,765	16,662
Fixed deposits with financial institutions	72,511	15,213	48,459	10,408
	136,454	104,903	54,224	27,070

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 2017 for the Group and the Company were 1.47% and 1.38% (2016: 0.99% and 0.80%) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 1.1.2016	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 and 1.1.2017	26,831	137,454	41,847	28,651	343,838	29,685	32,099	30,539	670,944
Currency realignment	(299)	(418)	(167)	(263)	(4,388)	(331)	(943)	(272)	(7,081)
Additions	85	4,828	3,143	3,177	18,020	1,893	4,939	26,865	62,950
Disposals	–	(265)	–	(374)	(8,133)	(4,310)	(2,761)	–	(15,843)
Transfers between categories	–	2,044	20,683	(258)	16,820	555	399	(40,243)	–
At 31.12.2017	26,617	143,643	65,506	30,933	366,157	27,492	33,733	16,889	710,970
Accumulated depreciation and impairment loss:									
At 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 and 1.1.2017	–	73,122	22,011	11,647	229,047	23,024	22,508	–	381,359
Currency realignment	–	(252)	(165)	(180)	(2,858)	(222)	(645)	–	(4,322)
Charge for the year (Note 5)	–	3,360	1,044	1,814	19,971	2,178	2,614	–	30,981
Disposals	–	(243)	–	(373)	(7,922)	(4,286)	(2,272)	–	(15,096)
Transfers between categories	–	492	–	(492)	–	–	–	–	–
Impairment loss (Note 6)	–	–	–	–	600	–	–	–	600
At 31.12.2017	–	76,479	22,890	12,416	238,838	20,694	22,205	–	393,522
Net carrying amount:									
At 31.12.2017	26,617	67,164	42,616	18,517	127,319	6,798	11,528	16,889	317,448
At 31.12.2016	26,831	64,332	19,836	17,004	114,791	6,661	9,591	30,539	289,585

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

	Leasehold office and improvements $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost:				
At 1.1.2016	2,864	792	849	4,505
Additions	–	70	–	70
Disposals	–	(12)	–	(12)
At 31.12.2016 and 1.1.2017	2,864	850	849	4,563
Additions	2,057	62	287	2,406
Disposals	–	(45)	(427)	(472)
At 31.12.2017	4,921	867	709	6,497
Accumulated depreciation:				
At 1.1.2016	1,074	620	340	2,034
Charge for the year	53	55	142	250
Disposals	–	(11)	–	(11)
At 31.12.2016 and 1.1.2017	1,127	664	482	2,273
Charge for the year	86	57	100	243
Disposals	–	(45)	(121)	(166)
At 31.12.2017	1,213	676	461	2,350
Net carrying amount:				
At 31.12.2017	3,708	191	248	4,147
At 31.12.2016	1,737	186	367	2,290

(a) During the year, the Group acquired plant and machinery with an aggregate cost of $498,000 (2016: $1,922,000) by means of finance leases. The net carrying amount of plant and machinery held under finance leases as at 31 December 2017 was $2,482,000 (2016: $2,378,000) (Note 29).

(b) At the end of the financial year, property, plant and equipment with net carrying amounts of $13,632,000 (2016: $14,611,000) were mortgaged/pledged to third parties to secure credit facilities (Note 29).

(c) The Group recognised an impairment loss of $600,000 (2016: $6,460,000), 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 2017

18. Investment properties

	Note	Group $'000
Cost:		
At 1 January 2016		54,811
Transfer to property, plant and equipment		(6,640)
Additions		1,158
Disposals		(754)
At 31 December 2016 and 1 January 2017		48,575
Additions		1,031
Disposals		(344)
At 31 December 2017		49,262
Accumulated depreciation and impairment loss:		
At 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 and 1 January 2017		30,327
Charge for the year	5	1,389
Disposals		(326)
At 31 December 2017		31,390
Net carrying amount:		
At 31 December 2017		17,872
At 31 December 2016		18,248

The fair value of investment properties amounted to $25,359,000 (2016: $22,014,000) as at 31 December 2017, based on management's assessment amounting to $11,359,000 (2016: $Nil) and valuations performed by external valuers with recognised and relevant professional qualification amounting to $14,000,000 (2016: $22,014,000).

Fair values determined based on management's assessment made references to discounted cash flows generated from the properties, using significant unobservable inputs (Level 3 of the fair value hierarchy), such as discount rate of 7.56% per annum, and long-term revenue growth rate of 1%. Valuations performed by external valuers was determined based on either estimated current replacement cost, adjusted for remaining useful lives or comparable market transactions that consider sales of similar properties that have been transacted in the open market (Level 3 of the fair value hierarchy).

In 2016, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18. Investment properties (cont'd)

In 2016, the Group carried out a review of the recoverable amount of its investment properties. An impairment loss of $2,142,000, 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.

19. Subsidiaries

	Company	
	2017 $'000	2016 $'000
Unquoted equity shares, at cost	104,134	102,975
Less: Impairment loss	(4,002)	(4,002)
	100,132	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 40(a).

Acquisition of non-controlling interests

In December 2017, the Company acquired an additional 35% equity interest in Millif Industries Sdn Bhd ("Millif") from its non-controlling interests for a cash consideration of $1,159,000 (Malaysian Ringgit 3,500,000). As a result of this acquisition, Millif became a wholly-owned subsidiary of the Company. The carrying value of the net assets of Millif at the acquisition date was $1,554,000 and the carrying value of the additional interest acquired was $544,000. The difference of $615,000 between the consideration and the carrying value of the additional interest acquired has been recognised under capital reserve in equity.

The following summarises the effect of the changes in the Group's ownership interest in Millif on the equity attributable to owners of the Company.

	$'000
Consideration paid/payable for acquisition of non-controlling interests	1,159
Decrease in equity attributable to non-controlling interests	(544)
Decrease in equity attributable to owners of the Company	615

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 $44,806,000 (2016: $51,205,000) with effective interest rates of 2.50% (2016: 2.50%) 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 to comply 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 the remaining shareholder under a contractual agreement which requires unanimous consent for all major decisions over the relevant activities. Under certain specified circumstances if the objective to list GBKL is not achieved by April 2026 and there is no acquisition by one shareholder of the shares of the other in accordance with the contract, GBKL shall be wound up and the contract shall terminate.

Details of the joint venture are set out in Note 40(b).

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

	2017 $'000	2016 $'000
Inventories	13,941	13,257
Trade and other receivables	25,707	21,779
Cash and cash equivalents	15,257	25,930
Current assets	54,905	60,966
Property, plant and equipment	64,653	58,459
Total assets	119,558	119,425
Current liabilities	(67,440)	(66,604)
Deferred tax liabilities	(2,565)	(3,467)
Other non-current liabilities	(6,039)	(4,572)
Total liabilities	(76,044)	(74,643)
Net assets	43,514	44,782
Proportion of the Group's ownership	50%	50%
Group's share of net assets	21,757	22,391
Fair value uplift on identifiable assets	28,405	28,898
Goodwill on acquisition	25,651	25,029
Carrying amount of the investment	75,813	76,318

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21. Joint venture (cont'd)

Summarised statement of comprehensive income

	12 months ended 31 December 2017 $'000	9 months ended 31 December 2016 $'000
Revenue	285,147	207,011
Interest income	350	462
Depreciation and amortisation	(12,224)	(9,629)
Operating expenses	(253,222)	(181,169)
Profit before tax	20,051	16,675
Income tax expense	(4,885)	(3,905)
Profit after tax	15,166	12,770
Other comprehensive income	3,100	(10,451)
Total comprehensive income	18,266	2,319

Dividends of $9,639,000 were declared by GBKL to the Group during the year (9 months ended 31 December 2016: $6,748,000).

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	
	2017 $'000	2016 $'000
Benefit asset		
Fair value of plan assets	17,683	18,771
Present value of benefit obligation	(15,063)	(16,117)
Net benefit asset	2,620	2,654

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

22. Pension assets (cont'd)

	Group	
	2017 $'000	2016 $'000
Changes in the fair value of plan assets are as follows:		
At 1 January	18,771	19,096
Interest income	453	511
Actual return on plan assets less interest income	214	880
Employer contributions	102	208
Contributions by plan participants	171	117
Benefits paid	(1,793)	(2,049)
Taxes, premiums and expenses paid	(201)	(189)
Currency realignment	(34)	197
At 31 December	17,683	18,771
Changes in the present value of defined benefit obligation are as follows:		
At 1 January	16,117	16,433
Interest cost	370	419
Current service cost	405	468
Contributions by plan participants	171	117
Benefits paid	(1,793)	(2,049)
Actuarial losses arising from changes in financial assumptions	201	144
Actuarial (gains)/losses arising from liability experience	(178)	604
Taxes, premiums and expenses paid	(201)	(189)
Currency realignment	(29)	170
At 31 December	15,063	16,117

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

	Group	
	2017 %	2016 %
Australian equities	16	13
Overseas equities	19	17
Fixed interest securities	48	37
Property	4	10
Other	13	23
	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

22. Pension assets (cont'd)

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

	Group	
	2017 %	2016 %
Discount rate	2.4	3.0
Salary increase rate	4.0	4.0

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

	Group	
	2017 $'000	2016 $'000
Net benefit expense (recognised within staff costs):		
Current service cost	405	468
Net interest cost	(83)	(92)
	322	376

The Group expects to contribute $115,000 (2017: $108,000) to its defined benefit pension plan in 2018.

The average duration of the defined benefit obligation at the end of the reporting period is 2.0 years (2016: 3.0 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 markets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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
2017		
Discount rate	+25	(84)
	-25	86
Salary increase rate	+25	64
	-25	(62)
2016		
Discount rate	+25	(91)
	-25	93
Salary increase rate	+25	72
	-25	(71)

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.

23. Long-term investments

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Available-for-sale				
Unquoted equity securities				
At cost	26	28	–	–
Quoted debt securities				
At fair value	6,866	7,198	6,866	7,198
	6,892	7,226	6,866	7,198

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. Long-term investments (cont'd)

The quoted debt securities carry interest at rates of 4.00% to 4.75% (2016: 4.13% to 5.75%) and mature between March 2019 to August 2023.

During the financial year, the Group wrote back impairment loss of $645,000 for a quoted debt security due to subsequent increase in fair value.

In 2016, the Group recognised impairment loss of $819,000 for quoted debt securities as there were significant or prolonged declines in the fair value of these investments below their costs. The Group treats "significant" generally as 30% and "prolonged" as greater than 12 months.

24. Intangibles

	Group			Company
	Trademark $'000	Customers lists $'000	Total $'000	Trademark $'000
Cost:				
At 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 and 1.1.2017 and 31.12.2017	2,750	–	2,750	7,150
Accumulated amortisation and impairment loss:				
At 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	–	–	–	189
At 31.12.2016 and 1.1.2017	2,750	–	2,750	5,643
Amortisation for the year	–	–	–	188
At 31.12.2017	2,750	–	2,750	5,831
Net carrying amount:				
At 31.12.2017	–	–	–	1,319
At 31.12.2016	–	–	–	1,507

Trademark with finite life is amortised on a straight-line basis over its useful life of 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25. Deferred taxation

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	(4,773)	(2,262)	1,734	318
Sale of interest in a subsidiary company	–	(3,949)	–	–
Recognised in profit or loss	2,073	1,727	(189)	1,416
Recognised in other comprehensive income	(141)	(298)	–	–
Currency realignment	242	9	–	–
At 31 December	(2,599)	(4,773)	1,545	1,734
Represented by:				
– Deferred tax assets	(16,140)	(17,267)	–	–
– Deferred tax liabilities	13,541	12,494	1,545	1,734
	(2,599)	(4,773)	1,545	1,734

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 2016	5,034	4,722	5,178	(319)	14,615
Recognised in profit or loss	1,002	(706)	(311)	2,306	2,291
Recognised in other comprehensive income	–	209	–	–	209
Currency realignment	74	(5)	55	28	152
At 31 December 2016 and 1 January 2017	6,110	4,220	4,922	2,015	17,267
Recognised in profit or loss	691	3,342	(4,984)	(207)	(1,158)
Recognised in other comprehensive income	–	198	–	–	198
Currency realignment	(14)	(192)	62	(23)	(167)
At 31 December 2017	6,787	7,568	–	1,785	16,140

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2016	13,319	(98)	–	(868)	12,353
Sale of interest in a subsidiary company	(5,417)	226	–	1,242	(3,949)
Recognised in profit or loss	6	1,098	1,446	1,468	4,018
Recognised in other comprehensive income	–	(89)	–	–	(89)
Currency realignment	173	19	–	(31)	161
At 31 December 2016 and 1 January 2017	8,081	1,156	1,446	1,811	12,494
Recognised in profit or loss	528	(284)	(156)	827	915
Recognised in other comprehensive income	–	57	–	–	57
Currency realignment	89	1	–	(15)	75
At 31 December 2017	8,698	930	1,290	2,623	13,541

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 2016	–	318	318
Recognised in profit or loss	1,446	(30)	1,416
At 31 December 2016 and 1 January 2017	1,446	288	1,734
Recognised in profit or loss	(156)	(33)	(189)
At 31 December 2017	1,290	255	1,545

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25. Deferred taxation (cont'd)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2016: 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 $60,445,000 (2016: $52,327,000). The deferred tax liability is estimated to be $9,067,000 (2016: $7,849,000).

26. Trade payables

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables:				
– third parties	73,330	65,121	85	225
– joint venture	46	67	–	–
	73,376	65,188	85	225

27. Other payables

	Note	Group		Company	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
(a) Other payables					
Payable within one year:					
Staff related expenses		22,751	22,602	2,857	3,000
Accrued operating expenses		20,841	17,486	338	634
Provision for long service leave		6,390	6,463	–	–
Sundry creditors		15,778	11,509	838	236
Amounts due to subsidiaries		–	–	4,934	4,936
Derivative financial liabilities	27(b)	40	28	–	–
Deferred income		929	919	919	919
Put option liability	27(c)	4,867	–	–	–
		71,596	59,007	9,886	9,725
Payable after one year:					
Provision for long service leave and retirement benefits		8,231	7,222	–	–
Deferred income		6,987	8,019	6,665	7,584
		15,218	15,241	6,665	7,584

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27. Other payables (cont'd)

(a) Other payables (cont'd)

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

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 in 2016.

Movements in deferred income are as follows:

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Balance at beginning of year	8,938	362	8,503	–
Currency realignment	22	(127)	–	–
Recognised during the year	–	9,393	–	9,193
Credited to profit or loss	(1,044)	(690)	(919)	(690)
Balance at end of year	7,916	8,938	7,584	8,503
Represented by:				
– payable within one year	929	919	919	919
– payable after one year	6,987	8,019	6,665	7,584
Balance at end of year	7,916	8,938	7,584	8,503

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

		Group	
	Note	**2017 $'000**	**2016 $'000**
Balance at beginning of year		13,685	16,386
Currency realignment		(364)	208
Provision charged during the year	6	655	389
Actuarial losses		662	1,234
Utilised during the year		(17)	(33)
Sale of interest in a subsidiary company		–	(4,499)
Balance at end of year		14,621	13,685
Represented by:			
– payable within one year		6,390	6,463
– payable after one year		8,231	7,222
Balance at end of year		14,621	13,685

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27. Other payables (cont'd)

(b) Derivative financial liabilities are as follows:

	2017		2016	
	Contract notional amount $'000	Fair value $'000	Contract notional amount $'000	Fair value $'000
Group				
Foreign currency contracts				
– Not designated as hedges	1,227	40	1,439	28

At 31 December 2017, the settlement dates on open foreign currency ranged between 1 to 5 months for the following notional amounts:

	Group	
	2017 $'000	2016 $'000
Contracts to deliver Singapore Dollars and received Australian Dollars	–	37
Contracts to deliver Japanese Yen and receive Australian Dollars	1,227	1,402
	1,227	1,439

(c) Put option liability

The put option liability reflects the fair value of the put option to acquire the 20% non-controlling interest in a subsidiary Diamond Valley Pork Pty Ltd ("DVP").

The put option process reflects the net assets of DVP adjusted for fair value uplifts of key assets. The fair value of the liability has been calculated based on the financial performance of DVP and expected market EBITDA multiple.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

28. Short-term borrowings

	Group	
	2017 $'000	2016 $'000
Short-term bank loans:		
– unsecured	22,931	22,150
– secured	21,223	10,492
	44,154	32,642

The Group's short-term bank loans bear interest at rates ranging from 1.35% to 4.78% (2016: 1.40% to 3.35%) per annum. The secured portion of the borrowings is secured by a charge over certain inventories of the Group.

29. Long-term borrowings

	Effective interest rate per annum %	Maturities	Group 2017 $'000	Group 2016 $'000
Loans from banks:				
– Loan A	2.90	2022	12,059	13,768
– Loan B	3.49 – 3.59	2022	14,588	5,936
– Loan C	4.70 – 4.78	2021	17,838	9,202
– Loan D	4.13 – 6.94	2022	13,371	14,352
			57,856	43,258
Loans from non-controlling interests				
– Loan E	7.00	2019	1,481	1,277
– Loan F	Nil	Nil	7,571	6,885
			9,052	8,162
Finance leases			2,075	2,164
			68,983	53,584
Less: Current portion			(6,268)	(2,456)
Non-current portion of loans			62,715	51,128

Loan A, denominated in Philippine Peso, is unsecured, bears floating interest rate of 2.90% (2016: 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 3.49% to 3.59% (2016: 3.61% to 4.14%) per annum. The loan is expected to be fully repaid by June 2022.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. Long-term borrowings (cont'd)

Loan C, denominated in Malaysian Ringgit, with interest rate of 4.70% to 4.78% (2016: 4.65% to 4.69%) per annum, is unsecured and repayable in 11 equal quarterly instalments commencing from January 2019.

Loans D, denominated in Australian Dollars, with interest rates between 4.13% to 6.94% (2016: 4.13% to 6.94%) per annum, are secured by a floating charge on certain property, plant and equipment of the Group, and is expected to be fully repaid by June 2022.

Loan E, denominated in Australian Dollars, is unsecured and bears interest at 7.00% (2016: 7.00%) per annum. The loan is expected to be repaid in May 2019.

Loan F, 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 2017 $'000	Present value of payments 2017 $'000	Minimum lease payments 2016 $'000	Present value of payments 2016 $'000
Group				
Within one year	645	557	627	534
Between one and five years	1,613	1,518	1,763	1,630
Total minimum lease payments	2,258	2,075	2,390	2,164
Less: Amount representing finance charges	(183)	–	(226)	–
Present value of minimum lease payments	2,075	2,075	2,164	2,164

Effective interest rates on finance leases range from 2.54% to 5.50% (2016: 2.54% 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 debt or entering into other leasing agreements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

29. Long-term borrowings (cont'd)

A reconciliation of liabilities arising from financial activities is as follows:–

			Non-cash changes			
	2016 $'000	Cash flows $'000	Acquisition $'000	Foreign exchange movement $'000	Reclassification from other payables $'000	2017 $'000
Short-term borrowings	32,642	11,736	–	(224)	–	44,154
Loans from banks	43,258	15,403	–	(805)	–	57,856
Loans from non-controlling interests	8,162	686	–	(4)	208	9,052
Finance leases	2,164	(582)	498	(5)	–	2,075
Total	86,226	27,243	498	(1,038)	208	113,137

30. Share capital

	Group and Company			
	2017		2016	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid:				
At 1 January	561,854,968	263,087	561,299,968	262,774
Issued during the year	7,361,453	8,922	555,000	313
At 31 December	569,216,421	272,009	561,854,968	263,087

The holders of ordinary shares are entitled to receive dividends as and when declared or paid by the Company as the case may be. All ordinary shares carry one vote per share without restrictions and have no par value.

During the financial year, the Company issued 3,478,086 ordinary shares at $1.27 per share and 3,883,367 ordinary shares at $1.16 per share, pursuant to QAF Limited Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2016 and interim dividend for the financial year ended 31 December 2017, respectively.

In 2016, the Company issued 555,000 ordinary shares for cash at the average exercise price of $0.565 per share upon the exercise of 555,000 share options by employees pursuant to the QAF Limited Share Option Scheme 2000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. Reserves

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Revaluation reserve	244	244	–	–
Capital reserve	(2,410)	–	–	–
Fair value reserve	64	–	64	–
Revenue reserve	303,479	300,421	57,264	55,746
Foreign currency translation reserve	(36,458)	(36,685)	–	–
	264,919	263,980	57,328	55,746

	Company	
	2017 $'000	2016 $'000
Analysis of movement in the reserves of the Company:		
Capital reserve		
At 1 January	–	652
Transfer to revenue reserve	–	(652)
At 31 December	–	–
Fair value reserve		
At 1 January	–	–
Net fair value gain on available-for-sale investment securities	64	–
At 31 December	64	–
Revenue reserve		
At 1 January	55,746	45,864
Net profit for the year	29,646	37,317
Transfer from capital reserve	–	652
Dividends	(28,128)	(28,087)
At 31 December	57,264	55,746
Total	57,328	55,746

Revaluation reserve

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. Reserves (cont'd)

Capital reserve

Capital reserve represents 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) difference between de-recognition of the non-controlling interest and the recognition of the financial liability in a subsidiary; and
(c) consideration in excess of net book value on acquisition of non-controlling interest of a subsidiary.

	Group	
	2017 $'000	2016 $'000
Difference between de-recognition of non-controlling interest of a subsidiary and the recognition of the financial liability in a subsidiary	(1,795)	–
Consideration in excess of net book value on acquisition of non-controlling interest of a subsidiary	(615)	–
	(2,410)	–

Fair value reserve

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale investment securities until they are disposed of or impaired.

Foreign currency translation reserve

The foreign currency translation reserve represents 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 Group's net investment in a foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32. Dividends

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Interim tax-exempt (one-tier) dividend of 1 cent per share in respect of the financial year ended 31 December 2017	5,654	–	5,654	–
Final tax-exempt (one-tier) dividend of 4 cents per share in respect of the financial year ended 31 December 2016	22,474	–	22,474	–
Interim tax-exempt (one-tier) dividend of 1 cent per share in respect of the financial year ended 31 December 2016	–	5,619	–	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	–	22,468
Share of a subsidiary's dividends paid to a non-controlling interest in respect of the financial year ended 31 December 2017	8	–	–	–
Share of a subsidiary's dividends paid to a non-controlling interest in respect of the financial year ended 31 December 2016	–	504	–	–
	28,136	28,591	28,128	28,087

QAF Limited Scrip Dividend Scheme under which shareholders may elect to receive dividends in the form of new shares in lieu of all or part of the cash had been applied in respect of the final dividend for the financial year ended 31 December 2016 and interim dividend for the financial year ended 31 December 2017.

The directors have proposed that a final tax-exempt (one-tier) dividend of 4 cents per share ("Proposed Final Dividend for FY 2017"), amounting to approximately $22,768,000, be paid in respect of the financial year ended 31 December 2017. 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.

QAF Limited 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 2017.

There is no income tax consequence (2016: 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 2017

33. Commitments

(a) Capital commitments not provided for in the financial statements:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Expenditure contracted in respect of property, plant and equipment and investment properties	38,999	18,480	–	–
Share of joint venture's capital commitments in relation to property, plant and equipment	598	501	–	–
	39,597	18,981	–	–

(b)

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Commitments to purchase bulk supplies of raw materials	45,507	32,083	–	–

(c) Lease commitments payable – as lessee

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Within one year	8,952	7,324	99	32
Between one and five years	15,786	12,260	107	9
After five years	23,563	21,531	–	–
	48,301	41,115	206	41

The Group leases office premises, factories, warehousing/trading facilities, retail outlets and vehicles under operating leases. The leases typically run for an initial period of 1 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.

(d) 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 2017

34. Contingent liabilities (unsecured)

	Company	
	2017 $'000	2016 $'000
(a) Guarantees issued for bank facilities granted to subsidiaries	127,772	147,454
Amounts utilised by subsidiaries as at end of the reporting period	73,725	44,790

	Group	
	2017 $'000	2016 $'000
(b) Claims by a subsidiary's tenant	148	–

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

35. Related party transactions

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

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Management fee income from subsidiaries	–	–	1,238	1,238
Royalty income from subsidiaries	–	–	12,147	15,317
Royalty income from joint venture	3,838	3,010	3,838	3,010
Interest income from advances to subsidiaries	–	–	1,399	1,359
Dividend income from subsidiaries	–	–	25,491	32,456
Sales to an affiliate of a former shareholder of the Company	–	790	–	–
Purchases from joint venture	1,077	626	–	–
Sales to joint venture	61,927	47,108	–	–
Dividend income from joint venture	9,639	6,748	–	–
Purchase of leasehold property from a director of the Company	2,000	–	2,000	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2017 $'000	2016 $'000
Fees and remuneration	4,807	5,215
CPF contribution	72	77

36. Financial risk management objectives and policies

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

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

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

(a) Credit risk

Credit risk is the risk that entities and individuals will be unable to meet their obligations to the Group resulting in financial loss to the Group. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products and services are made to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The Group has made allowances, where necessary, for potential losses on credits extended. The Group's maximum exposure to credit risk in the event the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. The Group has no significant concentration of credit risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(a) Credit risk (cont'd)

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 $127,772,000 (2016: $147,454,000) 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 $73,725,000 (2016: $44,790,000).

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

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the industry sector and country 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			
	2017		2016	
	$'000	% of total	$'000	% of total
By industry:				
Bakery	57,548	59	59,956	62
Primary production	21,703	22	19,985	21
Trading and logistics	18,041	19	16,969	17
	97,292	100	96,910	100
By country:				
Singapore	30,843	32	33,920	35
Australia	25,347	26	22,282	23
Philippines	22,787	24	19,161	20
Malaysia	15,949	16	20,110	21
Other countries	2,366	2	1,437	1
	97,292	100	96,910	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(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.

	2017				2016			
	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	110,279	–	–	110,279	121,073	–	–	121,073
Investment securities	301	7,130	131	7,562	4,412	7,025	1,052	12,489
Cash and cash equivalents	136,613	–	–	136,613	104,937	–	–	104,937
Total undiscounted financial assets	247,193	7,130	131	254,454	230,422	7,025	1,052	238,499
Financial liabilities:								
Trade and other payables	135,359	–	–	135,359	114,622	–	–	114,622
Borrowings	53,669	63,951	3,389	121,009	37,922	48,986	8,704	95,612
Total undiscounted financial liabilities	189,028	63,951	3,389	256,368	152,544	48,986	8,704	210,234
Total net undiscounted financial assets/ (liabilities)	58,165	(56,821)	(3,258)	(1,914)	77,878	(41,961)	(7,652)	28,265

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(b) Liquidity risk (cont'd)

	2017			2016		
	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	301	7,236	7,537	3,371	8,049	11,420
Other receivables	53,416	–	53,416	75,379	–	75,379
Cash and cash equivalents	54,310	–	54,310	27,072	–	27,072
Advances to subsidiaries	–	128,445	128,445	–	123,805	123,805
Total undiscounted financial assets	108,027	135,681	243,708	105,822	131,854	237,676
Financial liabilities:						
Trade and other payables	9,052	–	9,052	9,031	–	9,031
Total undiscounted financial liabilities	9,052	–	9,052	9,031	–	9,031
Total net undiscounted financial assets	98,975	135,681	234,656	96,791	131,854	228,645

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	73,725	–	73,725	44,790	–	44,790

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group'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.

		Effect on profit after taxation	
Loans denominated in	**Increase/ decrease in basis points**	**2017 $'000**	**2016 $'000**
Australian Dollar	+ 50	(296)	(209)
Australian Dollar	– 50	296	209

(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 $60,726,000 (2016: $60,286,000).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(d) Foreign currency risk (cont'd)

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.

		2017		2016	
		Profit after taxation $'000	Equity $'000	Profit after taxation $'000	Equity $'000
AUD	– strengthened 1% (2016: 1%)	617	–	598	–
	– weakened 1% (2016: 1%)	(617)	–	(598)	–
Ringgit	– strengthened 1% (2016: 1%)	37	734	42	734
	– weakened 1% (2016: 1%)	(29)	(749)	(34)	(749)

37. Classification of financial instruments

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Loans and receivables				
Trade receivables	97,292	96,910	–	–
Other receivables	12,987	24,163	53,416	75,379
Cash and cash equivalents	136,454	104,903	54,224	27,070
Advances to subsidiaries	–	–	128,445	123,805
	246,733	225,976	236,085	226,254
Available-for-sale				
Short-term investments	–	2,974	–	1,974
Long-term investments	6,892	7,226	6,866	7,198
	6,892	10,200	6,866	9,172

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. Classification of financial instruments (cont'd)

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial liabilities measured at amortised cost				
Trade payables	73,376	65,188	85	225
Other payables	57,076	49,406	8,967	8,806
Short-term borrowings	44,154	32,642	–	–
Long-term borrowings	68,983	53,584	–	–
	243,589	200,820	9,052	9,031
Fair value through profit or loss				
Short-term investments	–	994	–	994
Forward currency contracts	(40)	(28)	–	–
	(40)	966	–	994
Fair value through other comprehensive income				
Other payables	4,867	–	–	–

38. 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

B. Assets and liabilities carried at fair value

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

	Group 2017			
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)	6,866	–	–	6,866
Non-financial assets				
Biological assets (Note 11)	–	–	57,245	57,245
Financial liabilities				
Forward currency contracts (Note 27(b))	–	40	–	40
Put option liability (Note 27(c))	–	–	4,867	4,867
	–	40	4,867	4,907

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

	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)	–	–	60,803	60,803
Financial liabilities				
Forward currency contracts (Note 27(b))	–	28	–	28

C. Level 2 fair value measurements

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

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

Forward currency contracts

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

D. Level 3 fair value measurements

Information about significant unobservable inputs used in Level 3 for 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 $2.9 million and a decrease of $2.9 million respectively.

Fair value of put option liability is determined as described in Note 27(c). The key assumption in determining fair value is the expected market EBITDA multiple. A reasonable change in the expected market EBITDA multiple of +5% or -5% would affect the put option liability valuation by an estimated change of an increase in $0.2 million and a decrease of $0.2 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 interest bearing loan from a 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.

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.

The interest-free loan from a non-controlling interest has no fixed terms of repayment and is not expected to be repaid within the next 12 months. Accordingly, the fair value is not determinable as the timing of the future cash flows cannot be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. 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 2017

39. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Eliminations $'000	Consolidated $'000
2017						
Revenue and expenses						
Revenue from external customers	337,043	389,798	108,410	4,757	–	840,008
Other revenue from external customers	3,412	3,355	148	23	–	6,938
Inter-segment revenue	50	–	55	13,386	(13,491)	–
	340,505	393,153	108,613	18,166	(13,491)	846,946
Unallocated revenue						1,643
Total revenue						848,589
Segment EBITDA	43,165	23,847	7,319	3,874	–	78,205
Amortisation and depreciation	(20,071)	(9,746)	(2,310)	(243)	–	(32,370)
Segment EBIT	23,094	14,101	5,009	3,631	–	45,835
Unallocated revenue						1,643
Unallocated expenses						(11,897)
Profit from operating activities						35,581
Finance costs						(3,062)
Share of profits of joint venture	7,583	–	–	–	–	7,583
Profit before taxation						40,102
Taxation						(10,402)
Profit after taxation						29,700

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. 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	2,850	251	34	–	7,378
Inter-segment revenue	–	–	39	16,279	(16,318)	–
	379,751	398,284	106,094	20,013	(16,318)	887,824
Unallocated revenue						1,696
Total revenue						889,520
Segment EBITDA	53,731	51,774	5,112	2,036	–	112,653
Amortisation and depreciation	(21,468)	(8,877)	(2,166)	(249)	–	(32,760)
Segment EBIT	32,263	42,897	2,946	1,787	–	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 2017

39. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Trading and logistics $'000	Investments and others $'000	Consolidated $'000
2017					
Assets and liabilities					
Segment assets	311,672	277,041	68,142	71,133	727,988
Joint venture	75,813	–	–	–	75,813
Total assets	387,485	277,041	68,142	71,133	803,801
Deferred tax assets					16,140
Tax recoverable					1,518
Total assets per consolidated statement of financial position					821,459
Segment liabilities	76,201	65,672	17,502	11,942	171,317
Provision for taxation					4,030
Deferred tax liabilities					13,541
Bank borrowings					102,010
Total liabilities per consolidated statement of financial position					290,898
Other segment information					
Expenditure for non-current assets	50,360	8,419	2,796	2,406	63,981
Impairment loss/(write-back of impairment loss)	–	600	–	(645)	(45)
Allowance for inventories charged and inventories written off, net	920	–	595	–	1,515
Allowance for doubtful receivables charged/(written-back) and bad debts written off, net	981	7	(183)	–	805

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. 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	257,008	65,667	66,579	677,577
Joint venture	76,318	–	–	–	76,318
Total assets	364,641	257,008	65,667	66,579	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	53,691	14,606	12,658	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	14,299	2,183	70	75,990
Impairment loss	6,460	–	2,142	819	9,421
Allowance for inventories charged/(written-back) and inventories written off, net	10	(154)	867	–	723
Allowance for doubtful receivables charged (written-back) and bad debts written off, net	75	44	332	–	451

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. Segmental reporting (cont'd)

Geographical information

	Revenue		Non-current assets	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Australia	414,621	408,846	147,755	140,909
Philippines	173,357	160,095	59,006	47,493
Singapore	173,059	179,229	46,241	44,542
Malaysia	70,245	123,893	82,318	74,863
Other countries	17,307	17,457	–	26
	848,589	889,520	335,320	307,833

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

40. Subsidiaries and joint venture

(a) The subsidiaries as at 31 December 2017 are:–

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2017 %	Percentage of equity held by the Group 2016 %
	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
(2)	Millif Industries Sdn Bhd (Malaysia)	Manufacture of kaya and related products (Malaysia)	100	65
(2)	Gardenia Bakeries (Philippines) Inc (Philippines)	Manufacture and distribution of bread, confectionery and bakery products (Philippines)	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40. Subsidiaries and joint venture (cont'd)

(a) *The subsidiaries as at 31 December 2017 are (cont'd):–*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2017 %	Percentage of equity held by the Group 2016 %
	Bakery (cont'd)			
(2)	Farmland Bakery (M) Sdn Bhd (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	100	100
(2)	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
(2)	Philfoods Fresh-Baked Products Inc (Philippines)	Bread manufacturer (Philippines)	40^	40^
(2)	Phil Foods Properties Inc (Philippines)	Investment holding (Philippines)	40^	40^
(2)	Nutribaked Food Products Inc (Philippines)	Bread manufacturer (Philippines)	100	–
	Primary production			
(2)	Rivalea (Australia) Pty Ltd (Australia)	Intensive pig production and wholesaling (Australia)	100	100
(2)	Diamond Valley Pork Pty Ltd (Australia)	Pig meat processing and wholesale (Australia)	80	80

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40. Subsidiaries and joint venture (cont'd)

(a) The subsidiaries as at 31 December 2017 are (cont'd):–

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2017 %	Percentage of equity held by the Group 2016 %
	Trading and logistics			
(1)	Ben Foods (S) Pte Ltd (Singapore)	Trading and distribution of food and beverage products (Singapore)	100	100
(2)	Ben Foods (East Malaysia) Sdn Bhd (Malaysia)	Operation of supermarkets (Malaysia)	100	100
(1)	Shinefoods Pte Ltd (Singapore)	Agency and distribution of food and beverage products (Singapore)	100	100
(1)	NCS Cold Stores (S) Pte Ltd (Singapore)	Operation of warehousing logistics (Singapore)	100	100
(1)	QAF Fruits Cold Store Pte Ltd (Singapore)	Operation of cold storage warehouse (Singapore)	62	62
	Investments and others			
(2)	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40. Subsidiaries and joint venture (cont'd)

(a) *The subsidiaries as at 31 December 2017 are (cont'd):–*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2017 %	2016 %
	Investments and others (cont'd)			
(2)	Rivalea Limited (formerly known as 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
(2)	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
	Dormant corporations			
*	Auspeak Holdings Pte Ltd (Singapore)	Dormant	100	100
*	Gardenia Hong Kong Limited (Hong Kong)	Dormant	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40. Subsidiaries and joint venture (cont'd)

(a) The subsidiaries as at 31 December 2017 are (cont'd):–

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 2017 %	Percentage of equity held by the Group 2016 %
	Dormant corporations (cont'd)			
*	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
#	Gardenia Trading (Fujian) Co Ltd (People's Republic of China)	Dormant	55	55
(2)	Delicia Sdn Bhd (Malaysia)	Dormant	100	100
(2)	Nutrimax Fresh Baked Inc (Philippines)	Proposed manufacture of bread (Philippines)	100	–
(2)	Vitabread Food Products Inc (Philippines)	Proposed manufacture of bread (Philippines)	100	–

(b) The joint venture as at 31 December 2017 is:–

	Name of company (Country of incorporation)	Principal activities (place of business)	2017 %	2016 %
(2)	Gardenia Bakeries (KL) Sdn Bhd (Malaysia)	Bread manufacturer (Malaysia)	50	50
	Held by Gardenia Bakeries (KL) Sdn Bhd			
(2)	Gardenia Sales & Distribution Sdn Bhd (Malaysia)	Marketing and distribution of bakery products (Malaysia)	50	50
(2)	Everyday Bakery & Confectionery Sdn Bhd (Malaysia)	Dormant	50	50

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40. Subsidiaries and joint venture (cont'd)

Notes

* *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*

Audited by:

(1) *Ernst & Young LLP, Singapore*

(2) *Audited by member firms of EY Global in the respective countries*

(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 2017:					
QAF Fruits Cold Store Pte Ltd	Singapore	38	254	2,653	1,634
Diamond Valley Pork Pty Ltd	Australia	20	183	3,077	10
Gaoyuan Group+	People's Republic of China	45	(2,754)	(9,280)	–
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)	–

\+ *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 2017

40. 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+	
	As at 31 December 2017 $'000	As at 31 December 2016 $'000	As at 31 December 2017 $'000	As at 31 December 2016 $'000	As at 31 December 2017 $'000	As at 31 December 2016 $'000
Current						
Assets	5,531	4,553	10,447	10,594	2,198	3,349
Liabilities	(4,836)	(497)	(13,999)	(11,055)	(5,995)	(2,638)
Net current assets/ (liabilities)	695	4,056	(3,552)	(461)	(3,797)	711
Non-current						
Assets	6,590	6,860	34,751	33,629	–	26
Liabilities	(303)	(303)	(15,813)	(18,629)	(16,825)	(15,300)
Net non-current assets/(liabilities)	6,287	6,557	18,938	15,000	(16,825)	(15,274)
Net assets/(liabilities)	6,982	10,613	15,386	14,539	(20,622)	(14,563)

Summarised statement of comprehensive income

	QAF Fruits Cold Store Pte Ltd		Diamond Valley Pork Pty Ltd		Gaoyuan Group+	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Revenue	2,626	2,656	70,522	68,483	6,474	5,858
Profit/(loss) before income tax	807	677	2,422	2,352	(6,119)	(13,278)
Income tax (expense)/ credit	(138)	(92)	(745)	(724)	–	28
Profit/(loss) after tax	669	585	1,677	1,628	(6,119)	(13,250)
Other comprehensive income	–	–	(819)	172	60	(436)
Total comprehensive income	669	585	858	1,800	(6,059)	(13,686)

\+ *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 2017

40. 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Net cash flows from/(used in) operating activities	1,054	948	4,497	5,497	(1,968)	(3,343)
Acquisition of significant property, plant and equipment and investment properties	82	49	3,586	9,985	–	1,578

41. 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. 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 2016, is also to maintain gearing ratios on net debt-to-equity ratio of not exceeding 1.5 times.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

41. Capital management (cont'd)

	Group	
	2017 $'000	2016 $'000
Net debt	(23,317)	(18,677)
Shareholders' funds	536,928	527,067
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.

42. Events occurring after the reporting period

On 26 January 2018, an ammonia leak occurred in the Group's warehouse at 1 Fishery Port Road. A stop work order was issued by the Ministry of Manpower ("MOM") requiring a subsidiary, NCS Cold Stores (S) Pte Ltd, to cease carrying on works at the premises until certain measures have been taken. Since then, both MOM and the Agri-Food and Veterinary Authority have given clearance for goods stored at the warehouse to be shifted out, and the re-location of goods to third-party warehouses has been completed. Clearance has also been given for staff to utilise unaffected parts of the premises which will allow operations to partially continue. With workplace safety as the priority, the Group continues to work with MOM to lift the stop work order and is considering replacing or refurbishing the refrigeration system at the warehouse. The Group expects to incur higher costs, including for repairs and maintenance and use of third party warehouses. The Group continues to be in discussion with its insurers.

43. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 15 March 2018.

MAJOR PROPERTIES

The major properties of the Company and its principal subsidiaries as at 31 December 2017 are:

Name of building/location	Description	Tenure of land
(a) Properties in Singapore		
150 South Bridge Road #09-01 to #09-04 and #10-02 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	20-year lease from 1 October 2011
(b) Properties in Australia		
Huntly Farm No. 1 and 2 Bendigo-Tennyson Road Huntly, Victoria	Piggery Farming	Freehold
St. Arnaud Unit 1 Sunraysia Highway St. Arnaud, Victoria	Piggery Farming	Freehold
St Arnaud Units 2 & 3 Nelson Road St Arnaud, Victoria	Piggery Farming	Freehold
Corowa Piggery Hudsons Road, Corowa New South Wales	Piggery Farming	Freehold
Bungowannah Piggery Riverina Highway Bungowannah New South Wales	Piggery Farming	Freehold

MAJOR PROPERTIES

The major properties of the Company and its principal subsidiaries as at 31 December 2017 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	Piggery Farming	Freehold
Balpool 3 Turora Street, Moulamein New South Wales	Residence	Freehold
Bagshot Piggery 429 Clays Road Bagshot, Victoria	Piggery Farming	Freehold
Whitehead Street Corowa New South Wales	Farming related use	Freehold
Gre Gre 674 Carrolls Bridge Road Gre Gre Victoria	Piggery Farming	Freehold
Corowa Feedmill Albury, Corowa New South Wales	Feedmill	Freehold

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2018

Issued and Fully paid-up Capital : $272,009,116
Class of Shares : Ordinary Shares

Analysis of Shareholders by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	282	4.74	7,814	0.00
100 – 1,000	890	14.95	661,207	0.12
1,001 – 10,000	3,291	55.27	15,670,973	2.75
10,001 – 1,000,000	1,474	24.76	61,763,313	10.85
1,000,001 and above	17	0.28	491,113,114	86.28
	5,954	100.00	569,216,421	100.00

Based on information available to the Company as at 15 March 2018, approximately 31.1% of the total number of issued shares in the capital of the Company is held by the public and Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

Twenty Largest Shareholders

S/No.	Name of Shareholder	No. of Shares	%
1.	Raffles Nominees (Pte) Ltd	277,486,395	48.75
2.	Citibank Nominees Singapore Pte Ltd	142,630,090	25.06
3.	DBS Nominees Pte Ltd	24,574,105	4.32
4.	DB Nominees (Singapore) Pte Ltd	5,793,278	1.02
5.	CGS-CIMB Securities (Singapore) Pte Ltd	5,594,181	0.98
6.	HSBC (Singapore) Nominees Pte Ltd	4,916,696	0.86
7.	Tan Kong King	4,803,117	0.84
8.	Toh Tiong Wah	4,281,139	0.75
9.	United Overseas Bank Nominees (Private) Limited	3,754,684	0.66
10.	OCBC Securities Private Ltd	3,434,170	0.60
11.	OCBC Nominees Singapore Pte Ltd	2,842,630	0.50
12.	Lee Fook Khuen	2,790,451	0.49
13.	Teh Kiu Cheong @Teong Cheng @ Cheng Chiu Chang	2,031,485	0.36
14.	Phillip Securities Pte Ltd	1,819,518	0.32
15.	Tarn Teh Chuen	1,494,067	0.26
16.	DBSN Services Pte Ltd	1,479,712	0.26
17.	Lim Leng Chye	1,387,396	0.24
18.	Chong Siew Lee Michele (Zhang Shuli Michele)	985,526	0.17
19.	UOB Kay Hian Pte Ltd	862,782	0.15
20.	DBS Vickers Securities (Singapore) Pte Ltd	818,754	0.14
		493,780,176	86.73

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2018

Substantial Shareholders

Name of Substantial Shareholder	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%	Total Interest No. of Shares	%
Andree Halim	–	–	342,390,394[(1)]	60.15	342,390,394	60.15
Lin Kejian	–	–	272,684,149[(2)]	47.91	272,684,149	47.91
Tian Wan Enterprises Company Limited	126,864,121	22.29	–	–	126,864,121	22.29
Tian Wan Equities Company Limited	96,233,897	16.91	–	-	96,233,897	16.91
Tian Wan Holdings Group Limited	40,528,371	7.12	78,764,005[(3)]	13.84	119,292,376	20.96
Tian Wan Capital Limited	57,857,355	10.16	–	–	57,857,355	10.16
Denonshire Group Limited	47,877,758[(5)]	8.41	–	–	47,877,758	8.41
Didi Dawis	–	–	47,877,758[(4)]	8.41	47,877,758	8.41
Tower Ridge Limited	–	–	47,877,758[(5)]	8.41	47,877,758	8.41

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 and 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 47,877,758 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, 3 Upper Pickering Street, Singapore 058289 on 26 April 2018 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 2017 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 2017. **(Resolution 2)**

3. To re-elect Mr Gianto Gunara retiring under Regulation 102 of the Company's Constitution. **(Resolution 3)**

4. To re-elect Mr Lee Kwong Foo Edward retiring under Regulation 102 of the Company's Constitution. **(Resolution 4)**

5. To re-elect Mr Triono J. Dawis retiring under Regulation 102 of the Company's Constitution. **(Resolution 5)**

6. To approve Directors' fees of up to $437,726 for the financial year ended 31 December 2017 (FY2016: $630,417). **(Resolution 6)**

7. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise 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

8. 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,

NOTICE OF ANNUAL GENERAL MEETING

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

(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)**

NOTICE OF ANNUAL GENERAL MEETING

Authority to issue shares under the QAF Limited Scrip Dividend Scheme

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

Renewal of Interested Person Transactions Mandate

10. That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST ("**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 dated 26 March 2018 to the Annual Report (the "**Appendix**"), provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions as set out in the Appendix (the "**IPT Mandate**");

(b) the 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 or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; 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 renewal of the IPT Mandate and/or this Ordinary Resolution. **(Resolution 10)**

By Order of the Board

Serene Yeo Li-Wen
Company Secretary

Singapore, 26 March 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

i) Ordinary Resolutions 3 to 5 are to re-elect Mr Gianto Gunara, Mr Lee Kwong Foo Edward and Mr Triono J. Dawis, respectively, who are retiring by rotation pursuant to the Constitution of the Company. Certain information on these Directors is found in the section entitled "Board of Directors" of the Annual Report.

ii) Ordinary Resolution 6. Please refer to the section entitled "Corporate Governance Report – Principles 7, 8 and 9 paragraph (4)" of the Annual Report for information on the proposed fees for non-executive Directors for FY2017.

iii) **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).

iv) **Special Business:** Ordinary Resolution 9, if passed, will authorise 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.

v) **Special Business:** Ordinary Resolution 10 relates to the renewal of the IPT Mandate, which was approved by the shareholders on 24 April 2017 authorising the Company and its subsidiaries and associated companies which are considered to be "entities at risk" under Chapter 9 of the Listing Manual of the SGX-ST to enter into interested person transactions, more information of which is set out in the Appendix to the Annual Report.

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.

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. If the relevant information is not specified, the first named proxy shall be deemed to represent 100 per cent of the shareholdings. 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 of Singapore.

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 #09-03 Fook Hai Building Singapore 058727 not less than 72 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 (including any related attachment). 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 speak and 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 purposes if used or purported to be used by them. CPF/SRS Investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
3. 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 AGM dated 26 March 2018.

I/We ________________________ (Name), NRIC/Passport No./Co. Registration No. ____________

of ____
(Address)

being a Member/Members of QAF Limited ("**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of shareholdings (Ordinary Shares)	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of shareholdings (Ordinary Shares)	
		No. of Shares	%
Address			

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, 3 Upper Pickering Street, Singapore 058289 on 26 April 2018 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.	Adoption of Directors' Statement and audited financial statements and auditors' report thereon.		
2.	Declaration of a final tax-exempt (one-tier) dividend of 4 cents per share.		
3.	Re-election of Mr Gianto Gunara.		
4.	Re-election of Mr Lee Kwong Foo Edward.		
5.	Re-election of Mr Triono J. Dawis.		
6.	Approval of Directors' fees.		
7.	Re-appointment of Ernst & Young LLP as Auditors.		
	Special Business		
8.	General mandate for issue of shares.		
9.	Authority to issue shares pursuant to the QAF Scrip Dividend Scheme.		
10.	Renewal of 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 above. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the relevant boxes provided above.*

Signed this ________ day of ______________ 2018 by:

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

____
Signature of Member(s)/Corporation's Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF

Fold along this line (1)

Please affix postage stamp

The Company Secretary
QAF Limited
150 South Bridge Road
#09-03 Fook Hai Building
Singapore 058727

Second fold here

Notes:

1. Please insert the total number of shares in the Company 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. If the relevant information is not specified, the first named proxy shall be deemed to represent 100 per cent of the shareholdings. 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 of Singapore.
3. A proxy need not be a member of the Company.
4. This instrument of proxy must be deposited at the Company's registered office at 150 South Bridge Road #09-03 Fook Hai Building Singapore 058727 not less than 72 hours before the time appointed for the AGM. Completion and return of this instrument of 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. This instrument of proxy must, in the case of an individual, be signed by the appointer or his attorney duly authorised in writing. In the case of a corporation, this instrument of proxy must be executed under its common seal or executed as a deed in accordance with the Companies Act, Chapter 50 or signed on its behalf by its attorney or duly authorised officer.
6. Where this instrument of proxy is signed on behalf of the appointor by an attorney, the power of attorney or other authority (or a duly certified copy thereof) must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.
7. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with Section 179 of the Companies Act, Chapter 50.
8. 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 (including any related attachment). 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 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 speak and vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the AGM.

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QAF LIMITED
Company Registration No: 195800035D

150 South Bridge Road
#09-03 Fook Hai Building
Singapore 058727
T: (65) 6538 2866
F: (65) 6538 6866
E: info@qaf.com.sg
W: www.qaf.com.sg

APPENDIX TO ANNUAL REPORT 2017 DATED 26 MARCH 2018

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

This Appendix is circulated to Shareholders of QAF Limited (the "**Company**") together with the Company's Annual Report 2017. The purpose of this Appendix is to provide information to the Shareholders relating to the proposed renewal of the IPT Mandate to be tabled at the Annual General Meeting of the Company to be held on 26 April 2018 at 11 a.m at William Pickering Ballroom, Level 2, PARKROYAL on Pickering, 3 Upper Pickering Street, Singapore 058289. The Notice of Annual General Meeting and Proxy Form are enclosed with the Annual Report.

If you have sold or transferred all your shares in the Company, you should immediately forward this Appendix, the Annual Report, the Notice of Annual General Meeting and the Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Capitalised terms appearing on the cover of this Appendix have the same meanings as defined herein.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

QAF Limited

(Incorporated in the Republic of Singapore on 3 March 1958)

(Company Registration No. 195800035D)

APPENDIX TO THE ANNUAL REPORT

IN RELATION TO

THE PROPOSED RENEWAL OF THE IPT MANDATE

DEFINITIONS

In this Appendix, the following definitions shall apply throughout unless the context otherwise requires:

"2017 AGM"	:	Annual general meeting of the Company held on 24 April 2017
"2018 AGM"	:	Annual general meeting of the Company to be held on 26 April 2018
"Annual Report"	:	Annual report of the Company for FY2017
"Appendix"	:	This appendix dated 26 March 2018 to the Annual Report
"approved exchange"	:	A stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual
"associate"	:	(a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means: (i) his immediate family (that is, the person's spouse, child, adopted-child, step-child, sibling and parent); (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) In relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"Audit & Risk Committee"	:	The audit and risk committee of the Company for the time being
"Board"	:	The board of Directors of the Company for the time being
"Companies Act"	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time

"Company"	:	QAF Limited
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares and subsidiary holdings in the company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company
"Directors"	:	The directors of the Company for the time being
"entity at risk"	:	(a) The listed company; (b) A subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or (c) An associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company
"FY"	:	Financial year ended or ending 31 December
"Group"	:	The Company and its subsidiaries
"Interested Persons"	:	Has the meaning ascribed to it in Section 2.3 of this Appendix
"IPT" or "Interested Person Transactions"	:	Transactions between an entity at risk within the meaning of Chapter 9 of the Listing Manual and any of the Interested Persons which fall within the scope of the IPT Mandate
"IPT Mandate" or "Interested Person Transactions Mandate"	:	The general mandate pursuant to Chapter 9 of the Listing Manual for the Company and its subsidiaries and associated companies which are considered to be "entities at risk" under Chapter 9 of the Listing Manual, or any of them, to enter into any of the transactions falling within the types of interested person transactions as set out in this Appendix, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions
"Latest Practicable Date"	:	15 March 2018, being the latest practicable date prior to the printing of this Appendix
"Listing Manual"	:	The listing manual of the SGX-ST, as amended or modified from time to time

"NTA"	:	Net tangible assets
"Notice of Annual General Meeting"	:	The Notice of Annual General Meeting dated 26 March 2018 convening the 2018 AGM
"Salim Group"	:	Mr Anthoni Salim and the group of companies controlled by him or, if the context requires, Mr Anthoni Salim
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shareholders"	:	Means: (a) where the Depository is named in the register of members of the Company as the holder of shares, a Depositor in respect of the number of shares standing to the credit of his name in the Depository Register; and (b) in any other case, a person whose name appears on the register of members maintained by the Company pursuant to Section 190 of the Companies Act and/or any other applicable law
"Shares"	:	Ordinary shares in the capital of the Company
"Substantial Shareholder"	:	A person who has an interest in one or more voting shares in a company and the total votes attached to such share(s) is not less than 5% of the total votes attached to all the voting shares in the company
"S$" or "$" and "cents"	:	Singapore dollars and cents, respectively
"%" or "per cent"	:	Percentage or per centum

The terms "Depositor", "Depository" and "Depository Register" shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

Any reference in this Appendix to any statute or enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual or any modification thereof and used in this Appendix shall have the meaning assigned to it under the Companies Act, the Listing Manual or any modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day and date in this Appendix is a reference to Singapore time and date, respectively, unless otherwise stated. Any reference to currency set out in this Appendix is a reference to S$ unless otherwise stated.

Any discrepancies in figures included in this Appendix between the amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures that precede them.

QAF LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 195800035D)

Board of Directors	**Registered Office**
Didi Dawis *(Chairman and Non-executive, Independent Director)*	150 South Bridge Road
Andree Halim *(Vice-Chairman and Non-executive, Non-independent Director)*	#09-03 Fook Hai Building
Lin Kejian *(Joint Group Managing Director, Executive Director)*	Singapore 058727
Goh Kian Hwee *(Joint Group Managing Director, Executive Director)*	
Tan Teck Huat *(Finance Director, Executive Director)*	
Tan Hang Huat *(Non-executive, Non-independent Director)*	
Gianto Gunara *(Non-executive, Non-independent Director)*	
Choo Kok Kiong *(Non-executive, Non-independent Director)*	
Dawn Pamela Lum *(Non-executive, Independent Director)*	
Triono J. Dawis *(Non-executive, Independent Director)*	
Lee Kwong Foo Edward *(Non-executive, Independent Director)*	
Ong Wui Leng Linda *(Non-executive, Independent Director)*	
Rachel Liem Yuan Fang *(Alternate Director to Andree Halim)*	

26 March 2018

To: The Shareholders of **QAF Limited**

Dear Shareholders

1. INTRODUCTION

The purpose of this Appendix is to provide Shareholders with information relating to the proposed renewal of the IPT Mandate, which is referred to in Ordinary Resolution 10 set out in the notice convening the 2018 AGM to be held on 26 April 2018.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.

2. THE PROPOSED RENEWAL OF THE IPT MANDATE

2.1 Existing IPT Mandate

The existing IPT Mandate was approved by Shareholders at the 2017 AGM to authorise the Company, its subsidiaries and its associated companies which are considered to be “entities at risk” within the meaning of Rule 904(2) of the Listing Manual to enter into any of the transactions falling within certain types of interested person transactions, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions. Particulars of the existing IPT Mandate were set out in the appendix circulated to Shareholders together with the annual report of the Company for FY2016 and Ordinary Resolution 10 in the notice of meeting for the 2017 AGM.

The IPT Mandate was expressed to take effect until the conclusion of the forthcoming AGM of the Company, being the 2018 AGM, which is scheduled to be held on 26 April 2018. Accordingly, Shareholders’ approval is being sought for the renewal of the IPT Mandate at the 2018 AGM.

2.2 Chapter 9 of the Listing Manual

Chapter 9 of the Listing Manual governs transactions by a listed company, as well as transactions by its subsidiaries and associated companies that are considered to be entities at risk, with the listed company's interested persons. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with interested persons that may adversely affect the interests of the listed company or its shareholders.

Under Chapter 9 of the Listing Manual, where a listed company or any of its subsidiaries or any of its associated companies which are controlled by the listed group and its interested person(s) (other than a subsidiary or associated company that is listed on the SGX-ST or an approved exchange) proposes to enter into transactions with the listed company's interested persons, the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders' approval if the value of the transaction is equal to or exceeds certain financial thresholds. In particular:

(a) where the value of such transaction is equal to or exceeds 3% of the latest audited consolidated NTA of the listed company and its subsidiaries and is less than 5% of the latest audited consolidated NTA of the listed company and its subsidiaries, an immediate announcement is required;

(b) where the value of such transaction is equal to or exceeds 5% of the latest audited consolidated NTA of the listed company and its subsidiaries, an immediate announcement and shareholders' approval is required;

(c) if the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 3% or more of the latest audited consolidated NTA of the listed company and its subsidiaries, the listed company must make an immediate announcement of the latest transaction and all future transactions entered into with that same interested person during that financial year; and

(d) if the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to 5% or more of the latest audited consolidated NTA of the listed company and its subsidiaries, an immediate announcement must be made and shareholders' approval must be obtained in respect of the latest and all future transactions entered into with that interested person during that financial year.

Based on the existing provisions of the Listing Manual, the rules as to making announcements and seeking shareholders' approval referred to above do not apply to transactions below S$100,000.

Based on the Group's audited consolidated financial statements for FY2017, 3% and 5% of the latest audited consolidated NTA of the Group would be approximately S$16.1 million and S$26.8 million, respectively. This is based on the latest audited consolidated NTA of the Group of approximately S$536.9 million as at 31 December 2017.

Chapter 9 of the Listing Manual permits a listed company, however, to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the listed company's interested persons. Transactions conducted under a general mandate are not subject to the rules on making announcements and seeking shareholders' approval referred to above.

Under the Listing Manual:

(i) an "entity at risk" means:

(1) the listed company;

(2) a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or

(3) an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company;

(ii) an "interested person" means a director, chief executive officer or controlling shareholder of the listed company or an associate of any such director, chief executive officer or controlling shareholder;

(iii) an "associate":

(1) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:

(aa) his immediate family (that is, the person's spouse, child, adopted-child, step-child, sibling and parent);

(bb) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

(cc) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and

(2) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more;

(iv) an "approved exchange" means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles to Chapter 9 of the Listing Manual;

(v) an "interested person transaction" means a transaction between an entity at risk and an interested person; and

(vi) a "transaction" includes:

(1) the provision or receipt of financial assistance;

(2) the acquisition, disposal or leasing of assets;

(3) the provision or receipt of services;

(4) the issuance or subscription of securities;

(5) the granting of or being granted options; and

(6) the establishment of joint ventures or joint investments,

whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

2.3 Background

The Group is principally engaged in the businesses of bakery, primary production and trading and logistics. For its bakery business, the Group manufactures and distributes bread and bakery products in Singapore, Malaysia, the Philippines and Australia. Its primary production business comprises a vertically integrated pork production operation in Australia which include pig farming, pork processing and feed milling. For its trading and logistics business, the Group undertakes wholesale distribution of a range of third party and proprietary-brand processed food and beverage products to the foodservice industry, and provides logistics operations including warehousing and distribution.

As at the Latest Practicable Date, Mr Andree Halim, Vice-Chairman and Non-executive, Non-independent Director of the Company, has a shareholding interest of approximately 60.15% in the Company and is a Controlling Shareholder of the Company. Mr Lin Kejian, Joint Group Managing Director and Executive Director of the Company, is the son of Mr Andree Halim and is also a Controlling Shareholder of the Company with a shareholding interest of approximately 47.91% in the Company as at the Latest Practicable Date.

The Group may from time to time enter into transactions with Mr Andree Halim, Mr Lin Kejian and/or their respective associates ("**Interested Persons**") in the ordinary course of business. Such transactions include the purchase of products and raw materials from, as well as the sale of products to, certain parties which are Interested Persons. In FY2017, the Group sold unsold and returned bread to the Salim Group[1]. The Salim Group is an Interested Person as Mr Anthoni Salim is the brother of Mr Andree Halim. The aggregate value of such transactions in FY2017 pursuant to the existing IPT Mandate amounted to approximately S$0.8 million. The Group also purchased raw materials, including flour, from the Salim Group in FY2017 and the aggregate value of such transactions in FY2017 pursuant to the existing IPT Mandate amounted to approximately S$2.2 million. The aggregate value of the aforementioned transactions entered into by the Group with the Salim Group in FY2017 was approximately 0.6% of the audited consolidated NTA of the Group for FY2017 (being less than 3% of the audited consolidated NTA of the Group for FY2017).

[1] The Salim Group is an Indonesian conglomerate with interests in various businesses, including interests in First Pacific Company Limited ("**First Pacific**"), an investment management and holding company with principal business interests relating to telecommunications, consumer food products, infrastructure and natural resources, which is listed on the Hong Kong Stock Exchange; PT Indofood Sukses Makmur Tbk ("**PT ISM**"), which is in food manufacturing including production and processing of raw materials and listed on the Indonesia Stock Exchange; Indofood Agri Resources Ltd. ("**IndoAgri**"), a diversified and integrated agribusiness group which is listed on the SGX-ST and Gallant Venture Ltd., an Indonesia-focused group with core businesses in the automotive business, property development, industrial parks, utilities and resort operations which is listed on the SGX-ST. PT ISM and IndoAgri are subsidiaries of First Pacific.

2.4 Rationale for and Benefits of the Renewal of the IPT Mandate

The Group envisages that the Interested Person Transactions will occur with some degree of frequency and could arise at any time and from time to time. Such transactions are recurring transactions and are part of the day-to-day operations of the Group.

The renewal of the IPT Mandate, if approved by the Shareholders, will enable the Group, in the ordinary course of business, to undertake such transactions in a more expeditious manner. It will also enhance the Group's ability to pursue business opportunities which may be time-sensitive and frequent in nature and will allow the Group to conduct its business efficiently by eliminating the need to convene separate general meetings from time to time to seek Shareholders' approval as and when potential Interested Person Transactions arise. The IPT Mandate will reduce the expenses involved with the convening of general meetings on an *ad hoc* basis and allow manpower resources and time to be channeled towards attaining other corporate objectives.

2.5 Classes of Interested Persons

The IPT Mandate will apply to the Interested Persons in relation to the types of transactions set out in Section 2.6 below. The associates of the Interested Persons who will have dealings under the IPT Mandate include the Salim Group, such as KMP Food Industries Pte Ltd, which is controlled by Mr Anthoni Salim, who is Mr Andree Halim's brother.

2.6 Types of Transactions under the IPT Mandate

The types of transactions contemplated under the IPT Mandate are as follows:

(a) the purchase of products and raw materials; and

(b) the sale of products.

The types of products and/or raw materials covered under the IPT Mandate will be those which are transacted by the Group in its ordinary course of business with the Interested Persons in connection with the latter's ordinary course of business. Such transactions include for example, the sale by the Group of unsold and returned bread to the Salim Group as animal feed, and the purchase of flour and wheat-related raw materials such as wheat bran and wheat germ from the Salim Group.

2.7 Review Procedures under the IPT Mandate

The Group maintains a register of Interested Person Transactions and the following review procedures are implemented by the Company:

2.7.1 Review Procedures

(a) When purchasing products and/or raw materials from an Interested Person, quotations from at least two (2) other unrelated third party vendors for similar quantities and/or quality will be obtained (whenever possible or available) for comparison to ascertain whether the price and terms offered by the Interested Person are fair and reasonable and competitive compared to those offered by such other unrelated third party vendors. In determining whether the price and terms offered by the Interested Person are fair and reasonable, pertinent factors, including but not limited to quality, track record, specification compliance, delivery time, experience and expertise, and where applicable, terms offered to third parties, preferential rates, discounts or rebates accorded for bulk purchases, may also be taken into consideration.

In the event that such competitive quotations cannot be obtained (for instance, if there are no unrelated third party vendors providing or selling a similar type of product or raw material or if the unrelated third party vendor(s) is not able to meet the Group's specifications or in cases of urgency), an Executive Director (other than an Interested Person) or the Audit & Risk Committee (as the case may be depending on the approval threshold as set out in Section 2.7.2 below) will determine whether the price and terms offered by the Interested Person are fair and reasonable. In determining the transaction price payable to the Interested Person for such products and/or raw materials, pertinent factors, including but not limited to quality, track record, specification compliance, delivery time, experience and expertise, reliability and/or efficiency of the seller, strategic considerations, and where applicable, terms offered to third parties, preferential rates, discounts or rebates accorded for bulk purchases, may also be taken into consideration.

(b) When selling products to an Interested Person, the pricing or fees for the products are to be carried out at the prevailing market rates or prices of the products, on terms no more favourable to the Interested Person than the usual commercial terms extended to unrelated third parties (including, where applicable, preferential rates, discounts and/or rebates accorded to corporate customers or for bulk purchases) or otherwise in accordance with applicable industry norms.

In the event that prevailing market rates or prices are not available (for instance due to the nature of the product to be sold or if there are no other customers for similar products or if the unrelated third party customer(s) is not able to meet the Group's specifications or in cases of urgency), the transaction prices will, where applicable, (i) be in accordance with the Group's usual business practices and pricing policies, consistent with the usual margin of the Group for the same or substantially similar type(s) of transaction with unrelated third parties, or (ii) in certain cases (for example, waste disposal or technical expertise) be determined by reference to factors including but not limited to track record, specification compliance, quantity, volume, duration of contract, strategic considerations, reliability and/or efficiency of the purchaser, extent of cost recovery, industry norms and where applicable, preferential rates, discounts or rebates accorded for bulk purchases, may also be taken into consideration.

2.7.2 Approval Thresholds

The following approval thresholds shall be adopted in respect of the Interested Person Transactions:

	Value of Interested Person Transaction(s)	Approving Authorities *(each having no interest, direct or indirect, in the Interested Person Transaction)*
1.	An Interested Person Transaction the value of which is equal to or exceeds S$100,000,[1] but less than 3% of the latest audited consolidated NTA of the Group from time to time[2]	Executive Director or such senior executive of the Group as may be designated by the Audit & Risk Committee from time to time If an Executive Director or relevant senior executive of the Group is himself interested in an Interested Person Transaction, the Interested Person Transaction will be reviewed and approved by another Executive Director or senior executive (each having no interest, direct or indirect, in the Interested Person Transaction)
2.	(i) Where the value of an Interested Person Transaction, when aggregated with the value of all previous Interested Person Transactions of the same kind in the same financial year, is equal to or exceeds 3% of the latest audited consolidated NTA of the Group from time to time[2], such Interested Person Transaction and all future Interested Person Transactions of the same kind during the financial year in question, Provided That any Interested Person Transaction below S$100,000 in value does not require approval and shall be disregarded for aggregation purposes	Audit & Risk Committee
	(ii) An Interested Person Transaction the value of which is equal to or exceeds 3% of the latest audited consolidated NTA of the Group from time to time[1]	Audit & Risk Committee

Notes:

(1) Based on the existing provisions of the Listing Manual.

(2) Based on the Group's audited consolidated financial statements for FY2017, 3% of the latest audited consolidated NTA of the Group would be approximately S$16.1 million.

The approving authorities may request for additional information pertaining to the transaction under review as they deem fit.

2.7.3 Interested Audit & Risk Committee Member to Abstain

In the event that a member of the Audit & Risk Committee (where applicable) is interested (directly or indirectly) in any Interested Person Transaction, he or she will abstain from reviewing that particular transaction. Approval of that transaction will accordingly be undertaken by the remaining members of the Audit & Risk Committee.

2.7.4 Periodic Review by Audit & Risk Committee

The Audit & Risk Committee will review all Interested Person Transactions (including transactions with Interested Persons the values of which are below S$100,000) on a quarterly basis to ascertain whether the established review procedures for the Interested Person Transactions have been complied with and the relevant approvals have been obtained.

The Audit & Risk Committee will also review the established review procedures of the Interested Person Transactions and determine if such review procedures continue to be adequate in ensuring that the Interested Person Transactions are conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders. If the Audit & Risk Committee is of the view that the review procedures have become inappropriate or insufficient to meet such objectives, the Company will seek a fresh mandate from its Shareholders based on new review procedures for the Interested Person Transactions.

2.8 Excluded Transactions

The IPT Mandate will not cover any transaction with an Interested Person that is below S$100,000 in value, as the current provisions of Chapter 9 of the Listing Manual provides that any such transaction is to be disregarded.

Transactions between the Group and the Interested Persons which do not fall within the ambit of the IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual, or other applicable provisions of the Listing Manual, if any.

2.9 Validity Period of the Renewed IPT Mandate

If approved by Shareholders at the 2018 AGM, the renewed IPT Mandate will take effect from the passing of the ordinary resolution relating thereto at the 2018 AGM, and will (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 or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier.

Approval from Shareholders will be sought for the renewal of the IPT Mandate at the 2018 AGM and at each subsequent annual general meeting of the Company, subject to satisfactory review by the Audit & Risk Committee of its continued application to transactions with the Interested Persons.

2.10 Disclosure

Disclosure will be made in the Company's Annual Report of the aggregate value of the transactions conducted with Interested Persons pursuant to the IPT Mandate during the relevant financial year, and in the annual reports for the subsequent financial years that the IPT Mandate continues in force, in accordance with the requirements and form set out in Chapter 9 of the Listing Manual.

2.11 Directors' and Substantial Shareholders' Interests

As at the Latest Practicable Date, the direct and deemed interests of the Directors and Substantial Shareholders in the Shares of the Company, based on information recorded in the register of Director's shareholdings and the register of Substantial Shareholders maintained by the Company, are as follows:

	Direct Interests		Deemed Interests	
	No. of Shares	Percentage of Shareholding(1)	No. of Shares	Percentage of Shareholding(1)
Directors				
Didi Dawis	–	–	47,877,758(2)	8.41%
Andree Halim	–	–	342,390,394(3)	60.15%
Lin Kejian	–	–	272,684,149(4)	47.91%
Goh Kian Hwee	–	–	–	–
Tan Teck Huat	–	–	–	–
Tan Hang Huat	5,417	0%	–	–
Gianto Gunara	–	–	–	–
Choo Kok Kiong	–	–	–	–
Dawn Pamela Lum	–	–	–	–
Triono J. Dawis	–	–	–	–
Lee Kwong Foo Edward	–	–	–	–
Ong Wui Leng Linda	–	–	–	–
Rachel Liem Yuan Fang	–	–	–	–
Substantial Shareholders (other than Directors)				
Tian Wan Enterprises Company Limited	126,864,121	22.29%	–	–
Tian Wan Equities Company Limited	96,233,897	16.91%	–	–
Tian Wan Holdings Group Limited	40,528,371	7.12%	78,764,005(5)	13.84%
Tian Wan Capital Limited	57,857,355	10.16%	–	–
Denonshire Group Limited	47,877,758(6)	8.41%	–	–
Tower Ridge Limited	–	–	47,877,758(6)	8.41%

Notes:

(1) Based on 569,216,421 Shares as at the Latest Practicable Date.

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

(3) 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.

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

(5) 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.

(6) 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 47,877,758 Shares owned by Denonshire Group Limited.

2.12 Statement by the Audit & Risk Committee

The Audit & Risk Committee of the Company having considered, *inter alia*, the terms of the IPT Mandate, confirms that the review procedures for determining the transaction prices of the Interested Person Transactions as set out in Section 2.7 of this Appendix have not changed since the last shareholder approval for the IPT Mandate at the 2017 AGM. The Audit & Risk Committee is also of the view that such review procedures for determining the transaction prices of the Interested Person Transactions, when taken as a whole and if applied consistently, are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. However, should the Audit & Risk Committee subsequently no longer be of this opinion, the Company will revert to the Shareholders for a fresh mandate based on new review procedures for transactions with the Interested Persons.

3. DIRECTORS' RECOMMENDATION

The Directors of the Company (save for Mr Andree Halim and Mr Lin Kejian), having considered, amongst other things, the rationale for and benefits of the renewal of the IPT Mandate, the review procedures and the role of the Audit & Risk Committee, are of the opinion that the proposed renewal of the IPT Mandate is in the interests of the Company. Accordingly, the Directors (save for Mr Andree Halim and Mr Lin Kejian) recommend that Shareholders **vote in favour** of the ordinary resolution in respect of the proposed renewal of the IPT Mandate at the 2018 AGM.

As different Shareholders might have different investment objectives, Shareholders should consult their stockbroker, bank manager, solicitor, accountant or other professional advisers if they require specific advice in relation to the proposed renewal of the IPT Mandate.

4. ABSTENTION FROM VOTING

Rule 919 of the Listing Manual requires that interested persons must not vote on a shareholders' resolution approving any mandate in respect of any interested person transactions. Mr Andree Halim and Mr Lin Kejian (being Interested Persons) will abstain, and shall procure that their respective associates abstain, from voting on the ordinary resolution relating to the proposed renewal of the IPT Mandate to be tabled at the 2018 AGM. Mr Andree Halim, Mr Lin Kejian and their respective associates will also not act as proxies in relation to such ordinary resolution unless voting instructions have been given by the relevant Shareholder.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the IPT Mandate and the Group in relation to the proposed renewal of the IPT Mandate and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 150 South Bridge Road, #09-03 Fook Hai Building, Singapore 058727, during normal business hours from the date of this Appendix up to and including the date of the 2018 AGM:

(a) the Constitution of the Company; and

(b) the Annual Report of the Company for FY2017.

Yours faithfully,
For and on behalf of the Board of Directors of
QAF Limited

Goh Kian Hwee
Joint Group Managing Director