QAF Limited

Sustainable Long Term Growth

2018 ANNUAL REPORT

CORPORATE INFORMATION
(AS AT 15 MARCH 2019)

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

Triono J. Dawis

Lee Kwong Foo Edward

Dawn Pamela Lum

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 & DATE OF INCORPORATION

Singapore, 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

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CHAIRMAN'S **STATEMENT**

The Bakery segment is on track to reap benefits from a significant expansion of its bakery production capacities in the Philippines and Malaysia, all of which are now operational.

Dear Shareholders,

The Group had a challenging 2018, primarily due to the adverse performance of the Primary Production segment in Australia.

The Primary Production segment experienced a severe cyclical downturn arising from the general market oversupply situation of commodity meat. This situation caused the general market price of commodity meat to drop to its lowest level in the past five years.

As a result, Primary Production segment's EBITDA dropped from $24 million in FY2017 to $1 million in FY2018. The performance of this segment materially dragged down the Group's results. The cyclical nature of this business will be explained further in the Joint Managing Directors' Report and the Operational Review section.

Last year, the Group's Singapore businesses had to deal with the effects of ageing facilities which had failed and took a toll on our operations. In January 2018, Distribution and Warehousing segment suffered an ammonia leak which affected operations for almost six months. The following month, Gardenia Singapore had a transformer malfunction which disrupted operations.

The Bakery segment performed satisfactorily with an EBITDA of $63 million against $56 million in FY2017. This EBITDA figure includes royalties and our share of profits from GBKL, a 50% joint venture company. The Bakery segment is on track to reap benefits from a significant expansion of its bakery production capacities in the Philippines and Malaysia, all of which are now operational.

The Primary Production segment is seeing firmer prices in 2019 in line with the cyclical nature of its business, although higher feed costs as a consequence of the severe drought conditions in Eastern Australia in 2018 will dampen results. The Distribution and Warehousing segment is back on track following the installation of a new refrigeration system.

Despite recording lower profits for FY2018, the Board recommends a final dividend of four cents per share. If approved by shareholders, the total dividend will be five cents for the year, which includes an interim dividend of one cent paid in October 2018.

Although there is no formal dividend policy, the Board considers the sustainability of dividends to be paid based on the Group's balance sheet, cash generating capability and performance over several years, after setting aside appropriate capital expenditure needed for the businesses. Despite the weaker performance last year, the Group did generate EBITDA of $50 million compared to $74 million in FY2017. EBITDA is a common measure of cash generating capability.

The dividend is proposed in recognition of shareholders who remain with the Group, riding through the ups and the downs of business cycles. I would like to also thank our customers and business associates. Special mention to all our more than 9,000 staff who had put in extra efforts in the past year, in the face of challenging market and operational conditions.

Didi Dawis
Chairman
15 March 2019

BUSINESS **OVERVIEW**

REVENUE	EBITDA	PAT
$815m	$50.0m[1]	$8.7m
GBKL[2] Revenue	**GBKL[2] EBITDA**	**GBKL[2] PAT**
$311m	$32.6m	$19.5m

16 Bakeries

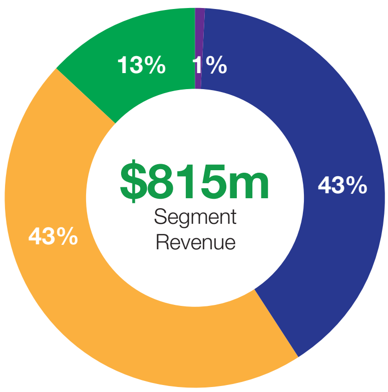
Produced > **1 billion** loaves of bread products annually

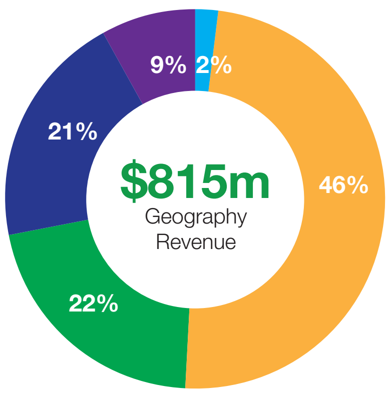
> 44,000 outlets	**> 1,600** routes	**> 1,400** trucks

7 Owned farms	**18** Contracted farms	**2** Processing plants
>7,600 ha of agricultural and commercial freehold land	Produced **>900,000** heads annually	Processed **>1,290,000** heads annually

3 Warehouses

>19,000 sqm of gross floor area





- Bakery
- Primary Production
- Distribution and Warehousing
- Investments and Others

- Singapore
- Philippines
- Australia
- Malaysia
- Others

BAKERY	PRIMARY PRODUCTION	DISTRIBUTION AND WAREHOUSING
REVENUE 2018	REVENUE 2018	REVENUE 2018
$349m	**$354m**	**$106m**
EBITDA 2018	EBITDA 2018	EBITDA 2018
$48.7m	**$1.2m**	**$2.6m**
EBITDA MARGIN 2018	EBITDA MARGIN 2018	EBITDA MARGIN 2018
14%	**0%**	**2%**

[1] Includes segment EBITDA of Bakery, Primary Production, Distribution and Warehousing, and Investment and Others.
[2] Reflects 100% of Gardenia Bakeries (KL) Sdn Bhd of which QAF's share of 50% has been reflected in the Group's EBITDA and PAT.

JOINT GROUP **MANAGING DIRECTORS' REPORT**

On behalf of the Board of Directors of QAF Limited, we present the Annual Report for 2018.

	FY2018 $' millions	FY2017 $' millions	% change
Revenue	814.9	825.8	(1)
Earnings before Interest, Tax, Depreciation and Amortisation ("**EBITDA**")	50.0	74.4	(33)
– EBITDA margin (%)	6.1%	9.0%	
Profit before Taxation ("**PBT**")	13.3	40.6	(67)
Profit after Taxation ("**PAT**")	8.7	30.2	(71)
– PAT margin (%)	1.1%	3.7%	
Underlying earnings	22.5	51.0	(56)

For the financial year ended 31 December 2018, Group revenue decreased by 1% from $825.8 million in 2017 to $814.9 million in FY2018. The decrease in Group revenue was mainly attributable to lower sales of $21 million in Primary Production segment. This was partly offset by higher sales in Bakery segment of $12.6 million mainly in Philippines and Malaysia. In constant currency terms, Group revenue increased by 2% in FY2018 over FY2017.

EBITDA decreased by 33% from $74.4 million in FY2017 to $50.0 million in FY2018. The decline was mainly attributable to the Primary Production segment and, to a smaller extent, Singapore's Bakery and Distribution and Warehousing segments.

The Primary Production segment, which makes up 43% of the Group's revenue, is undergoing a severe down cycle. Since the recent peak in FY2016, and in line with the cyclical nature of the business, 2018 was the second year of this down cycle. This segment reported a decrease in EBITDA of $23 million to $1 million in FY2018 and pulled the overall Group's profitability significantly lower in FY2018. The Distribution and Warehousing segment reported a fall in EBITDA of $4.7 million in FY2017 to $2.6 million in FY2018 mainly due to an ammonia leak incident in January 2018. The Bakery segment performed satisfactorily as the Group continued its investments, mainly in the Philippines and Malaysia. The Bakery segment remained the bright spot, with EBITDA (including share of profits and royalty income from joint venture) of $63.3 million, an increase of 14% over FY2017's $55.6 million. After taking into account the cyclicality of the business, based on a 4-year average EBITDA from 2015 to 2018 of A$24 million for Rivalea (refer to section on Primary Production below), the adjusted FY2018 Group EBITDA would be $74 million (FY2017: $80 million).

The Group's Singapore businesses have had to deal with the effects of ageing facilities which had failed and took a toll on our operations. The breakdowns relating to the ageing facilities had been addressed in FY2018 and the Group had to spend approximately $10 million to rectify the problems. In total, the breakdowns contributed a loss of $4.8 million in FY2018.

Group PBT decreased by 67% due to the above-mentioned factors, and higher depreciation and amortisation expenses of $34.7 million (FY2017: $32.4 million) following the completion of additional bakery production lines and facilities. Underlying earnings fell by 56% from $51.0 million in FY2017 to $22.5 million in FY2018.

BAKERY

Gardenia remains the number one selling bread brand in Singapore, Malaysia and the Philippines in 2018, as confirmed by independent surveys.

If not for production capacity constraints faced by Philippines and Malaysia, growth in this segment would have been better. These capacity constraint issues, together with breakdowns relating to ageing facilities in Singapore, had been addressed in FY2018. Since 2016, the Group's Bakery segment (including GBKL) has invested approximately $200 million in expansionary capital expenditure, including building new plants in the Philippines and Malaysia which have increased the Group's production capacity to support future growth and upgrading of older bakery facilities.

These investments recycled QAF cash reserves into productive plants. This is the main reason why cash at QAF Group level dropped from $105 million at 31 December 2016 to $60 million at 31 December 2018. The two new plants in the Philippines and one new plant in Bukit Kemuning, Klang, have started operations and should contribute to profitability in 2019.

To remain as market leader in the Philippines, the Group has expanded its reach to cover the archipelago more comprehensively, both in the north and the south of the country. Gardenia's new Peso 1.1 billion ($28 million) plant in Mindanao, in the south, started operations in late 2018. This plant, capable of producing both loaves and buns, saw a healthy initial capacity utilisation rate. A larger Peso 1.9 billion ($49 million) plant in north Luzon was also completed on schedule last year. These two investments will increase Gardenia's capacity in the Philippines by nearly 35% and allow it to cement its lead in the competitive bakery industry. Previously, production capacity constraints had hampered better growth in the business.

In Malaysia, Farmland has invested RM175 million ($58 million) in 2016 and 2017 on a state-of-the-art bakery plant in Johor. GBKL has invested RM184 million ($61 million) from 2016 to 2018 for the construction of a new plant in Bukit Kemuning, which was completed in 3Q 2018 to diversify into a new and different food segment and to broaden its earnings base. The launch of its 6-piece *Fluffy Buns* was received favourably by consumers. A new noodle line making *Numee* will start operations by the first half of 2019. With these added investments, Gardenia Malaysia's turnover is well on track to reach sales of one billion ringgit in 2019. With a built-up area of 290,000 square feet, this plant has a production floor space large enough to add three main production lines and one smaller line.

Gardenia Singapore operates in a mature market with intense competition. In 2018, it suffered a transformer malfunction which, together with other ageing facilities, was rectified at a cost of $2.1 million and resulted in one-off operating costs of $0.6 million. To sustain its growth in Singapore, it will continue to focus on new, higher value premium products. New loaves, such as *Gardenia* Low GI Soft Grain Loaf and *Gardenia* Brown Rice & Oat Soft Grain Loaf, found a niche with consumers looking for healthier variants. Improved country loaves, made with sourdough, were also popular. There is a continuing need to upgrade its Singapore bakery facilities. The upgraded facilities will focus on higher value premium products.

In Australia, Bakers Maison's business continues to grow steadily. Over the past 10 years, revenue grew from A$9 million to A$25 million. It expanded into pre-prepared packaged menu meal kit products, a new channel which we foresee to be growing in the future. Its new A$8 million fully automated croissant line, which became fully operational in November 2017, achieved 30% utilisation in 2018. It aims to maximise the utilisation of the new croissant line in 2019. Bakers Maison achieved positive EBITDA despite not being able to achieve the expected profitability for FY2018.

PRIMARY PRODUCTION

The Group has owned the Primary Production business since 2001, going through several cycles brought by circumstances which are challenging to mitigate. The business is inevitably subject to cyclicality which impacts performance and creates volatility. Cyclicality is dependent on a variety of factors which are beyond the Group's control, including weather and macroeconomic conditions. Chief of these exogenous factors are general market price for commodity meat and variable cost of livestock feed brought about by severe weather events.

In years where there are severe drought conditions in Australia, affecting grain growing and resulting in stockfeed prices going higher, large losses were incurred by the industry. These coincided with significant pre-tax losses in FY2003, FY2007 and FY2008 for our Primary Production business.

The Primary Production segment is divided into three core businesses, namely meat production and sales (commodity meat sales division), meat processing and stockfeed milling divisions. The lacklustre performance of Rivalea's main business (the commodity meat sales division) which contributed 73% of Primary Production revenue, was the reason for the pre-tax loss of A$12 million in FY2018. Despite the challenging conditions, it however managed to achieve positive EBITDA.

In 2018, the oversupply of pork had worsened as producers, including farmers, expanded production following a bullish year in 2016, bringing general market price of commodity meat to its lowest levels in the past five years. The pork business in Australia is a fragmented industry. The two biggest players in the market, including Rivalea, have more than 30% of the market share with the rest of the market consisting of smaller players including farmers. Such a market is susceptible to volatility in general market price and hence accentuates the volatility and business cycles.

Another key factor which contributes to the cyclical nature of the business is production cost, particularly feed cost. Owing to one of the worst droughts in eastern Australian history, grain prices had risen to the highest level in the past ten years. These adverse factors namely, the general oversupply market conditions and high grain prices, compounded by higher electricity energy cost and escalating insurance premium charges, led to the adverse performance of the commodity meat sales division.

Based on the Group's historical financial data, the Primary Production business is cyclical in nature, which in our view, have cycles of about three to five years. As such, the performance of this segment should likewise

JOINT GROUP **MANAGING DIRECTORS' REPORT**

Gardenia Bakeries (KL) Sdn Bhd's new bakery plant in Bukit Kemuning, Malaysia.

be viewed over a few years rather than a single year in isolation. For example, in considering FY2018, the performance of the immediately prior three financial years (i.e, making a 4-year business cycle) should also be taken into account. On the basis of such 4-year cycles, and looking at each 4-year periods from year ended FY2007 till year ended FY2018, Rivalea achieved positive EBITDAs ranging from A$10 million to A$28 million. The 4-year average EBITDA from 2015 to 2018 was A$24 million. Peak performances were in FY2006, FY2009 and FY2016.

Amidst a shakeup in the industry, Rivalea, as one of Australia's largest leading vertically integrated industrial meat producer, continues to build up resilience in its business model by taking steps to mitigate the volatility of its performance.

To be less reliant on commodity meat sales, Rivalea has grown its external stockfeed business, its meat processing business via Diamond Valley Pork and its branded meat sales. Stockfeed business contributed steady returns with sheep and beef brands compensating for reduced volumes in the dairy trade as this was more affected by the drought. Processing business, which comprise 11% of the Rivalea's business, has also been profitable. With the acquisition of an additional freehold land adjoining the operations in Melbourne, plans are being finalised to expand its processing capacity, especially in more downstream products. Rivalea is also considering options to increase its capacity for value added processing.

Branded stockfeed mill and branded meat sales divisions, which offer better and more stable margins compared to commodity meat sales division, now account for 22% of Rivalea sales as compared to 15% in the previous year. These are areas that Rivalea will continue to focus on so as to reduce volatility and mitigate the inherent cyclical nature of the commodity meat sales division.

A major achievement occurred in 2018 when *Riverview Farm* brand of deli roast was distributed nationwide in Australia. Rivalea will continue to aggressively expand this branded strategy in 2019 by building upon this maiden nationwide achievement, research on new products and increase marketing and advertising.

Given its strong balance sheet and cash reserves of $60 million as at 31 December 2018, taking into account its cash generating capability (Group EBITDA of $50 million for FY2018 and $74 million for FY2017) and performance over several years, the Group is in the position to embark on a steady growth path and upgrading initiatives through its internal resources and bank borrowings, and to support dividend payments.

A strategic five-year plan is being conducted by Rivalea and Group management to focus on its key strengths and weaknesses and evaluate how best to mitigate volatility in this cyclical business. Amidst a restructure of the industry as evidenced by the reduction in national herd size, it intends to pursue growth opportunities arising from such conditions.

Currently, Rivalea is seeing signs of stabilisation in general market supply, with some improvement in selling prices. However, Rivalea does not expect performance for its commodity meat sales division in FY2019 to improve significantly due to higher feed costs following the severe drought conditions in 2018.

DISTRIBUTION AND WAREHOUSING

The Group's Distribution and Warehousing was impacted by an ammonia leak at its Fishery Port Road premises in January 2018, which adversely affected its business for nearly six months. The ageing refrigeration system was replaced and, during the substantial downtime arising from this incident, the Group took the opportunity to undertake works on other ageing facilities at the Fishery Port Road premises such as replacement of an asbestos roofing and carrying out panelling works. This was the main reason for the lower EBITDA of $2.6 million in FY2018 as compared to $7.3 million last year reported by this segment. If not for this incident, the performance for this segment would have been comparable to that of FY2017. The Group is still in discussions with its insurer to recover costs associated with the ammonia leak.

The drought in Australia, which impacted the Primary Production segment, also affected the supply of dairy products to Ben Foods.

The focus on developing and growing our proprietary brands continued both domestically and regionally. Ben Foods introduced many different flavours of *Cowhead* butter cookies, and 3-in-1 creamy white and brown coffee sachet packs.

GROWTH STRATEGY

The Group generates sustainable cashflow, especially in the Bakery segment. It will undertake strategic planning for the Group's businesses and in the case of Primary Production business, this will take into account the cyclical nature of the business. It will also upgrade its ageing facilities, plan and build ahead of anticipated capacity constraints. It will focus on organic growth, introducing new bread products such as sourdough loaves, food products such as *Numee* and *Snack'em* lentil chips. It is actively extending its footprint in ASEAN, a market with over 600 million consumers. The Group is expanding its Distribution and Warehousing business with new products in Myanmar and is studying the Thailand market.

Given its strong balance sheet and cash reserves of $60 million as at 31 December 2018, taking into account its cash generating capability (Group EBITDA of $50 million for FY2018 and $74 million for FY2017) and performance over several years, the Group is in the position to embark on a steady growth path and upgrading initiatives through its internal resources and bank borrowings, and to support dividend payments. Following the completion of the major expansion of the bakery production capacity in Malaysia and the Philippines, the Group expects the increased production capacity to contribute to the cashflow of the Group in 2019 and onwards.

On the mergers and acquisitions front, the Group evaluated several opportunities in 2017 and 2018. Owing to the global bullish capital markets and economy, valuations were high and unrealistic. With a slowing global economy, the Group will continue to be on a look out for opportunistic acquisitions. Meanwhile, the Group will continue to focus on organic growth, particularly in core markets.

In Singapore, the Company owns 5 strata office units comprising 5.5% of the total share value of the mixed development at Fook Hai Building, 150 South Bridge Road. It has a total floor area of approximately 8,000 sq ft and a remaining leasehold of 51 years, which have a combined net book value of $3.6 million as at 31 December 2018. In early 2019, a collective sale committee was appointed to pursue an en-bloc sale of the property. The process will take some time and there is no certainty of a sale outcome at this time. This is still at an early stage and 80% approval has to be secured to proceed. The Board will decide on the sale at the appropriate time when the reserve price is determined.

JOINT GROUP
MANAGING DIRECTORS' REPORT

Farmland Bakery (M) Sdn Bhd's state-of-the-art bakery plant in Johor, Malaysia.

Since 2017, the Group has embarked on a succession planning process. More than 10 experienced and younger management have been brought into the Group. With an effective succession planning process in place, the Group's bench strength will be stronger, and the Group better positioned to face the many challenges in the future.

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

- Volatility in regional currencies, including Australian dollar, following increases in global interest rates and global trade uncertainties;
- Higher raw material costs arising from extreme weather conditions, in particular higher feed costs arising from the severe drought conditions in Eastern Australia further exacerbating the challenging market trading conditions in the Primary Production segment;
- Escalating costs especially higher energy and fuel costs, raw material (including flour) prices, insurance premia, environmental compliance costs and maintenance expenditure; and
- Increasing competition.

Barring unforeseen circumstances, the Group expects better performance in FY2019 for the Bakery and Distribution and Warehousing segments. However, the Primary Production segment is expected to remain challenging as higher commodity meat prices are expected to be offset by higher feed cost following the severe drought conditions in 2018. Barring unforeseen circumstances, on an overall basis, the Group expects to achieve better performance in FY2019 compared to FY2018.

Lin Kejian
Goh Kian Hwee
Joint Group Managing Directors
15 March 2019

FINANCIAL **HIGHLIGHTS**

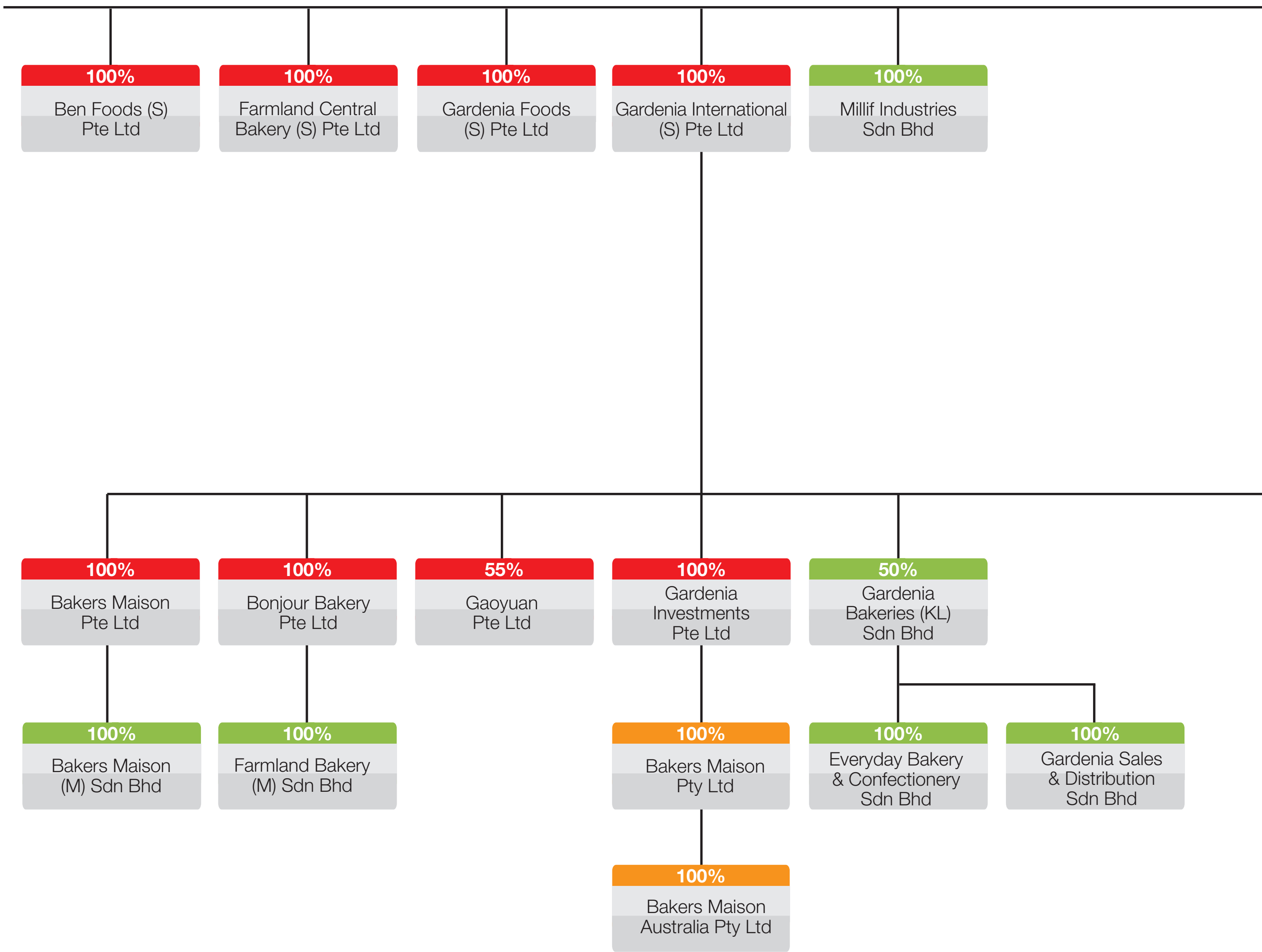
	FY2018	FY2017	FY2016	FY2015	FY2014
INCOME STATEMENT (S$'000)					
Revenue	814,868	825,804	889,520	998,278	1,023,149
Earnings before interest, tax, depreciation and amortisation (EBITDA)					
– before exceptional items	50,032	74,437	105,244	105,678	96,462
– after exceptional items	50,032	74,437	164,619	105,678	96,462
Profit before taxation					
– before exceptional items	13,298	40,648	71,240	68,766	57,917
– after exceptional items	13,298	40,648	130,615	68,766	57,917
Profit attributable to owners of the Company					
– before exceptional items	8,129	32,385	61,015	52,536	45,081
– after exceptional items	8,129	32,385	120,390	52,536	45,081
STATEMENT OF FINANCIAL POSITION (S$'000)					
Total assets	783,633	821,459	772,407	718,903	691,114
Total liabilities	278,614	290,898	244,255	271,850	254,285
Total equity	505,019	530,561	528,152	447,053	436,829
Equity attributable to owners of the Company	511,404	536,928	527,067	426,875	412,368
PER SHARE DATA (CENTS)					
Earnings					
– before exceptional items	1.4	5.7	10.9	9.4	8.2
– after exceptional items	1.4	5.7	21.4	9.4	8.2
Net asset value(Note 1)	88.9	94.3	93.8	76.1	74.7
Net tangible asset(Note 2)	88.9	94.3	93.8	76.0	74.6
Total dividends	5.0	5.0	5.0	5.0	5.0
OTHER FINANCIAL RATIOS					
EBITDA margin (%)					
– before exceptional items	6%	9%	12%	11%	9%
– after exceptional items	6%	9%	19%	11%	9%
Return on average shareholders' equity					
– before exceptional items	2%	6%	13%	13%	11%
– after exceptional items	2%	6%	25%	13%	11%
Return on average assets					
– before exceptional items	1%	4%	8%	7%	7%
– after exceptional items	1%	4%	16%	7%	7%
Dividend payout (%)(Note 3)					
– before exceptional items	351%	87%	46%	53%	61%
– after exceptional items	351%	87%	23%	53%	61%
Current ratio (no. of times)	1.6	1.9	2.2	1.6	1.5
Net gearing ratio (no. of times)(Note 4)	0.10	(0.04)	(0.04)	(0.04)	(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.

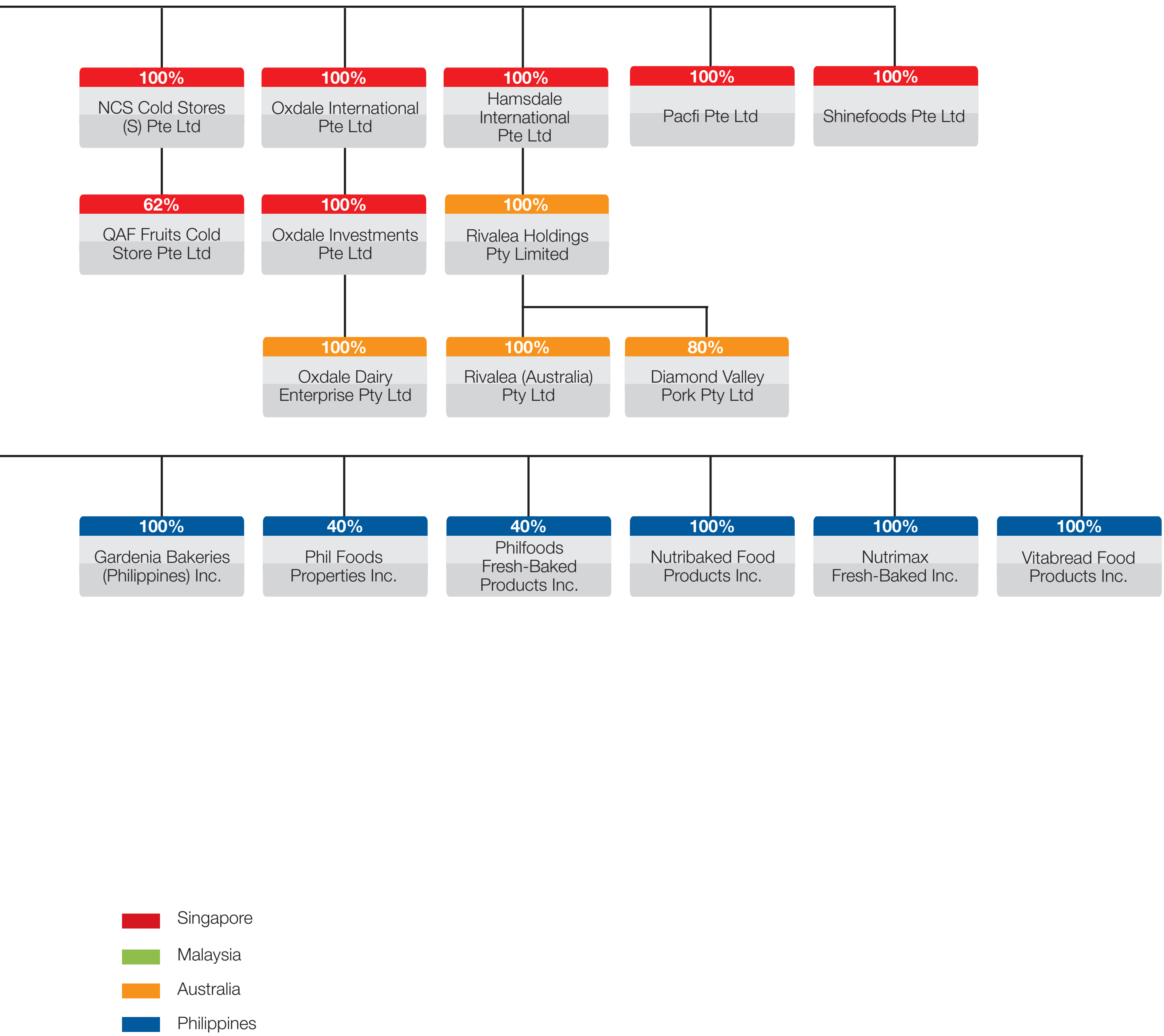
QAF SUBSIDIARIES **AND JOINT VENTURE**

AS AT 15 MARCH 2019

QAF Limited



QAF SUBSIDIARIES AND JOINT VENTURE



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

BOARD OF **DIRECTORS**

DIDI DAWIS, 73

Chairman
Non-executive/ Independent Director

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

Mr Didi 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 Dawis is a member in the councils of several charitable and civic associations in Indonesia, the Chairman of the Governing Board of Indonesia Chinese Entrepreneur Association, the Permanent Honorary Chairman of the International Fuqing Clansmen and Chairman of Fujian Indonesia Association.

Mr Dawis is a substantial shareholder of the Company, with a deemed interest of 8.32% in the total issued shares of the Company as at 15 March 2019.

Mr Dawis is proposed to be re-elected at the 2019 Annual General Meeting. For information relating to Mr Dawis provided pursuant to Rule 720(6) of the SGX-ST Listing Manual, please refer to the Company's announcement released on 26 March 2019 with this Annual Report on SGXNet.

ANDREE HALIM, 71

Vice-Chairman
Non-executive/ Non-independent Director

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

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

Mr Halim holds a diploma in Business Studies from the South East London Technical College of United Kingdom. Mr Halim is an established entrepreneur and has investments in a wide range of businesses. He also sits on the board of directors of various private enterprises that he invested in.

Mr Halim is a controlling shareholder of the Company, with a deemed interest of 60.28% in the total issued shares of the Company as at 15 March 2019.

Mr Halim is proposed to be re-elected at the 2019 Annual General Meeting. For information relating to Mr Halim provided pursuant to Rule 720(6) of the SGX-ST Listing Manual, please refer to the Company's announcement released on 26 March 2019 with this Annual Report on SGXNet.

LIN KEJIAN, 40

Joint Group Managing Director
Executive Director

Date of last election:
Not applicable
Board Committee:
Executive Committee (Member)

Mr Lin Kejian was first appointed as a non-executive Director of the Company on 1 December 2007. On 1 October 2010, he became an executive Director of the Company holding the post of Operations director. He assumed the position of Deputy Group Managing Director of the QAF Group in September 2014 and thereafter Joint Group Managing Director of the QAF Group with effect from 1 January 2017.

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

Mr Lin holds a degree in Business Administration (major in Finance) from California State University, Los Angeles.

Mr Lin is the son of Mr Andree Halim, a Director and Vice-Chairman of the Company. He is also a controlling shareholder of the Company, with a deemed interest of 48.05% in the total issued shares of the Company as at 15 March 2019.

GOH KIAN HWEE, 64

Joint Group Managing Director
Executive Director

Date of last election:
Not applicable
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, with 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 also has extensive corporate experience from, amongst others, directorships previously held in several listed companies (including CapitaLand Commercial Trust Management Limited and Hong Leong Asia Limited) and other non-listed companies since 1989. Mr Goh is a member of the Listings Advisory Committee of the Singapore Exchange Limited.

TAN TECK HUAT, 57

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 GuocoLand Limited, a major listed company, for some 7 years and Director and Adviser of J Trust Asia Pte Ltd prior to joining the Company. He has had over 29 years of working experience in major listed companies holding various positions in corporate development and communications, corporate finance, corporate treasury and accounting.

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.

Mr Tan is proposed to be re-elected at the 2019 Annual General Meeting. For information relating to Mr Tan provided pursuant to Rule 720(6) of the SGX-ST Listing Manual, please refer to the Company's announcement released on 26 March 2019 with this Annual Report on SGXNet.

TAN HANG HUAT, 62

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, a Singapore-listed company, from 2007 to 2014. He was previously a member of the Board of Commissioners of PT Nippon Indosari Corpindo Tbk, listed in Indonesia.

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

BOARD OF **DIRECTORS**

GIANTO GUNARA, 56

*Non-executive/
Non-independent Director*

Date of last election:
26 April 2018
Board Committee:
Nil

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

Mr Gunara started his career with Haagtechno BV, Den Bosch, Holland as a Management Trainee in 1984. He is currently the Executive Director/Group Chief Operating Officer of Gallant Venture Ltd and is a director of most of the subsidiaries of Gallant Venture Ltd. He also sits on the board of directors of various private enterprises.

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.

Directorships in other listed companies:
- Gallant Venture Ltd.

CHOO KOK KIONG, 49

*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 the group and its 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).

Directorships in other listed companies:
- Gallant Venture Ltd.

DAWN PAMELA LUM, 65

*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 GuocoLand Limited, a major listed company and its subsidiaries.

Ms Lum is proposed to be re-elected at the 2019 Annual General Meeting. For information relating to Ms Lum provided pursuant to Rule 720(6) of the SGX-ST Listing Manual, please refer to the Company's announcement released on 26 March 2019 with this Annual Report on SGXNet.

TRIONO J. DAWIS, 37

*Non-executive/
Independent Director*

Date of last election:
26 April 2018
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 QAF Limited 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, PouchNation, Noyo and Pomona through an investment vehicle, Amand Ventures.

He holds a Bachelor of Science degree in Business Administration with concentration in Accounting and Finance from the Haas School of Business in 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, 71

*Non-executive/
Independent Director*

Date of last election:
26 April 2018
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).

Mr Lee was previously a director of Keppel Land Limited, listed in Singapore. He holds a Bachelor of Arts (Honours) degree from the University of Singapore and a Master of Arts degree from Cornell University.

Directorships in other listed companies:
• Indofood Agri Resources Ltd

BOARD OF **DIRECTORS**

ONG WUI LENG LINDA, 58

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.

Directorships in other listed companies:
- Hwa Hong Corporation Limited
- SiS International Holdings Limited

RACHEL LIEM YUAN FANG, 23

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) with concentrations in Strategic Management and Business Analytics from Babson College, United States.
Ms Liem is the daughter of Mr Andree Halim, a Director and Vice-Chairman of the Company.

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, handling corporate work for many listed groups. She started her legal career in a major Singapore law firm's corporate department, 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. Mr Goh had 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. Mr Goh is a Chartered Accountant of Singapore and holds a Bachelor of Accountancy degree from the Nanyang Technological University.

OUR
KEY BRANDS

BAKERY

Gardenia – So good...you can even eat it on its own!
BAKERS MAISON
BONJOUR Simply Delicious
Auntie Rosie's
Gardenia numee
TWIGGIES
Squiggles
Traditional Country Goodness SOMMERSET COTTAGE
BONANZA
Bonjour
DELICIA
Pocket Sandwich
Toast Bites
Gardenia Cream Roll
Gardenia Fun Bun
DOUBLE DELIGHTS
Delicia
Snack'em by Gardenia
Slim 'n Fit Wheaten Bread
Big Smile BREAD STATION
NeuBake
Toastém
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
Primegro Technologies

DISTRIBUTION AND WAREHOUSING

farmland
Cowhead
HATON
SPICES OF THE ORIENT
Orchard Fresh
farmvale
BIG WAVE
ThinCurv

OPERATIONAL **REVIEW**
Bakery

	2018	2017	Increase/(decrease)	
	$'millions	**$'millions**	**$'millions**	**%**
Segment revenue	348.5	335.9	12.6	4
Segment EBITDA	48.7	43.2	5.5	13
EBITDA margin (%)	14	13		
Share of profits and royalty income* from joint venture	14.6	12.4	2.2	18
Segment EBITDA and joint venture contribution	63.3	55.6	7.7	14

* *Royalty fee income from joint venture is classified under Investment & Others segment EBITDA but is included in this section for illustration purposes.*

SINGAPORE

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

Gardenia Singapore will continue to focus its efforts on maintaining its leadership position through strategic marketing activities, product innovations that promote healthier eating, and greater operational efficiencies. The Singapore bakery plants will focus on producing higher value premium products.

Gardenia Singapore continued to be a market leader in 2018 amid challenging market conditions. *Gardenia* was "*Singapore's Number 1 Selling Bread Brand*" and "*Singapore's Number 1 Wholemeal Bread Brand*" both in sales value and volume in a survey conducted by The Nielsen Company, from January to December 2018.

Gardenia Singapore recorded lower profitability due to a change in sales mix mainly as a result of lower market demand for white bread and higher material and operating costs (including costs of $0.6 million incurred in connection with the rectification of a transformer malfunction).

In 2018, Gardenia Singapore achieved Grade A status in the Food Safety Excellence Scheme under the Agri-Food & Veterinary Authority for the 24th consecutive year. The company was accredited with ISO 22000:2005 certification from International Organization for Standardization (ISO) for both its bakery plants in 2018. It also meets the stringent requirements of the Hazard Analysis and Critical Control Point ("HACCP") standards, which are considered among the best standards for maintaining food safety. These awards are a testimony to the company's consistently high standards in food safety, food hygiene, sanitation and processing.

New products launched by Gardenia Singapore in 2018.

OPERATIONAL **REVIEW**
Bakery

Gardenia Singapore continues to promote life-long healthy eating habits through the development of tasty and nutritious products. As Singapore's leading bread brand, *Gardenia* continues to advocate healthy eating by offering a variety of wholemeal and multi-grain breads that cater to different palates. Over 20% of its products are certified as "*Healthier Choice*" by Health Promotion Board, Singapore.

In line with the focus on cultivating healthier diets for Singaporeans, Gardenia Singapore introduced its second Low GI (Glycemic Index) loaf, *Gardenia* Low GI Soft Grain Loaf and launched the *Gardenia* Brown Rice & Oat Soft Grain Loaf. Riding on the various benefits and increased consumer demand, *Gardenia* Light Wholemeal Country Loaf, *Gardenia* Multigrain Country Loaf, *Gardenia* Purple Wheat, Spelt & Quinoa Country Loaf and *Gardenia* Walnut Country Loaf were improved with sourdough. Together with this improvement, the full range of *Gardenia* Country Loaves were refreshed with a new classy look in black and gold packaging. Please refer to the section entitled "*Promoting Healthy Eating and Lifestyles*" at pages 45 to 50 of the Sustainability Report for more information.

To provide more Grab & Go buns for busy consumers, Gardenia launched two new variants of Wholemeal Cream Rolls in March 2018 – *Gardenia* Enriched Banana & Chocolate Wholemeal Cream Roll and *Gardenia* Enriched Milk & Chocolate Wholemeal Cream Roll. Created for convenience and enjoyment, each roll is filled with two cream flavours, providing double the enjoyment in every bite. With these latest additions, there are now eight delectable variants of *Gardenia* Wholemeal Cream Rolls.

Within the fast moving consumer goods category, snack is a category which is showing much promise. *Snack'em* by *Gardenia* is an initiative to diversify into new products, penetrate new market segments and to target the younger consumers such as students and young working adults. Started in December 2018, *Snack'em* by *Gardenia* launched different types of snacks into the market. The first *Gardenia Snack'em* Lentil Chips launched include Kimchi, Curry and Parmesan Cheese variants. Several new products will be launched under the *Snack'em* brand in 2019.

Gardenia Singapore will continue to focus its efforts on maintaining its leadership position through strategic marketing activities, product innovations that promote healthier eating, and greater operational efficiencies. The Singapore bakery plants will focus on producing higher value premium products.

Gardenia Singapore operates in a mature market with intense competition and will continue to face manpower constraints. Investment will be needed to maintain and overhaul older facilities which are due for upgrades.

In the continuing effort to address the ageing facilities, Gardenia Singapore has plans to upgrade the equipment capability for one of its two bakery plants in 2019. A $5 million budget has been allocated for the plant upgrade, inclusive of the dough mixer, proofer, oven and bread cooler. The equipment upgrade is expected to be completed in early 2020.

Gardenia Singapore currently operates two bakery plants in Singapore.

Gardenia Singapore offers a wide range of *Gardenia* bakery products to meet different consumer needs.

OPERATIONAL REVIEW
Bakery

MALAYSIA

Gardenia Bakeries (KL) Sdn Bhd ("GBKL")
Bakers Maison (M) Sdn Bhd
Millif Industries Sdn Bhd
Farmland Bakery (M) Sdn Bhd
('GBKL Group')

The mid-single digit revenue growth achieved in 2018 caps three decades of upward momentum in sales growth. It is a strong testament to GBKL's sound business and operational strategy, aided by its excellent human capital and popularity of the Gardenia brand.

A slowdown in consumer spending has resulted in challenging times for bakery manufacturers in Malaysia. The timely launch of *Gardenia* 6-piece *Fluffy Buns* has enabled GBKL to close the year on a high note, with total revenue increasing by 5% to RM930 million ($311 million). Despite these challenges, share of profits and royalty income from GBKL increased 18% to $14.6 million, which included a one-time recognition of tax incentives from the new bakery plant of $2 million.

For 2018, if not for production capacity constraints faced by GBKL, revenue growth would have been better. This capacity constraint was addressed with the acquisition of the Bukit Kemuning land parcel in 2016. This property was acquired as one of our requirements for the sale of a 20% interest in GBKL to comply with regulatory requirement. The mid-single digit revenue growth achieved in 2018 caps three decades of upward momentum in sales growth. It is a strong testament to GBKL's sound business and operational strategy, aided by its excellent human capital and popularity of the *Gardenia* brand.

Completed on time and on budget in 2018, the new RM184 million ($61 million) plant in Bukit Kemuning with a built-up area of 290,000 square feet, has a production floor space large enough to add three main production lines and one smaller line. Upon full completion of all four production lines in the next few years, we expect our Malaysian operations to be one of the largest bakery and food operators in ASEAN, with 20 production lines in seven plants, including Farmland Bakery plant.

The launch of the 6-piece *Fluffy Buns* was well received by consumers. These buns have three variants, namely Kacang Merah Adzuki (Red Adzuki beans), Kastard Jagung (Corn Custard) and Coklat Malta (Malta Chocolate), and are baked to perfection, using only the finest ingredients for a soft and fluffy texture. To meet increasing demand from consumers, distribution channels for these buns have expanded significantly.

Gardenia Bakeries (KL) Sdn Bhd's new and existing bakery plants in Bukit Kemuning, Malaysia.

OPERATIONAL **REVIEW**
Bakery

GBKL has attained ISO 22000:2005 Food Safety Management System. It adheres strictly to the Halal requirements by the Department of Islamic Development Malaysia ("JAKIM") and is included in JAKIM's White List.

At the prestigious 2018 Putra Brand Awards, *Gardenia* once again clinched the Gold Award as consumers' "*Most Preferred Brand*" in the Foodstuff category for the 9th consecutive year, reinforcing its leadership of the packaged bread market.

An exciting year is ahead as the installation of a RM40 million ($13 million) second production line has shifted into high gear. It is on schedule for completion by the first half of 2019. This second production line for *Numee* wet noodles will contribute to the future growth of GBKL. It is expected to boost GBKL's revenue past the Billion Ringgit milestone. This represents a first step in diversifying into a new line of product.

Last year's opening of QAF Group's newest 8,000 loaves per hour plant in Johor has enhanced the Group's bread production capacity. Farmland Malaysia's new RM175 million ($58 million) plant also houses a tortilla wrap line which is capable of churning out up to 18,000 wraps per hour. Production on the bread line had improved in 2018 although its wrap production line had experienced intermittent interruptions which should be rectified by the first half of 2019. To enhance distribution efficiency in the south of Peninsular Malaysia, GBKL consolidated its numerous distribution depots in the south to a single hub by using part of Farmland Malaysia's offices and loading platforms.

For 2019, Farmland Malaysia will be well supported by distribution within the QAF Group. Marketing plans are underway to further boost its sales through export of its bakery and wraps products to regional markets.

GBKL Group continues to invest more resources into research for the development of innovative products. GBKL Group continues to face challenges including intense competition with the potential entry of a major competitor in 2019, higher material and labour costs and a slowing economy.

In the years ahead, Farmland Malaysia will strive to develop longer shelf life products for the global market, whilst identifying cost reduction opportunities to be more cost-effective to compete against other contract manufacturers for a slice of the domestic market.

In Malaysia, the GBKL Group operates seven plants, including Bakers Maison's plant in Shah Alam and Farmland Malaysia's plant in Johor with sufficient space at the Bukit Kemuning and Johor plants to cater for future expansion plans.

New products launched by Gardenia Bakeries (KL) Sdn Bhd in 2018 and Putra Brand Gold Award 2018. The Award was given to *Gardenia* for being voted Malaysian consumers' "*Most Preferred Brand*" in the Foodstuff category for the 9th 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. Vitabread Food Products Inc. ('Gardenia Philippines')

Gardenia Philippines strengthened its market dominance and marked another milestone in the Philippine bread industry. Gardenia Philippines opened two new fully-automated bread plants in 2018 which will drive future growth. Gardenia Philippines posted a double digit increase in sales in 2018 over the previous year.

Gardenia Philippines strengthened its market dominance and marked another milestone in the Philippine bread industry. Gardenia Philippines opened two new fully-automated bread plants in 2018 which will drive future growth. Gardenia Philippines posted a double digit increase in sales in 2018 over the previous year. It has more than 65% market share in Metro Manila. If not for production capacity constraints and the 6% depreciation of the Peso against Singapore dollar during the year, revenue growth would have been stronger.

In addition, Gardenia Philippines continued to face other challenges including intense competition from major players and new entrants including players from Japan. To meet these challenges head-on, Gardenia Philippines invested significant capital expenditure, advertising and promotion, and distribution costs, which impacted profit margins in 2018.

In the last quarter of 2018, Gardenia Philippines commissioned the first state-of-the-art, fully-automated bread manufacturing plant in Mindanao. This plant can produce more than 130,000 loaves and buns each day to be distributed all over the southern region. This will allow Gardenia Philippines to expand its distribution reach and tap the full potential of Mindanao, the second biggest island in the Philippine archipelago.

In December 2018, Gardenia Philippines started operating another fully-automated bread factory strategically located in Northern Luzon. This plant will meet the growing demand in Central and North Luzon and ensure adequate bread supply in Metro Manila. The newest North Luzon bread production facility has a capacity of more than 200,000 loaves and buns a day.

These two new facilities will have the capability to support Gardenia Philippines sales by up to 35%.

In 2018, expanded distribution and aggressive market penetration, especially in variety stores, contributed to the increased sales. The extensive strategic distribution efforts were complemented with more aggressive integrated marketing and communication campaigns.

The communications and promotions campaigns focused on "variety" and "taste" of *Gardenia* products as key competitive advantages. The campaigns focused on direct consumer medium in broadcast and out-of-home advertising, complemented with publicity, digital efforts, on-ground activations, retail store merchandising and tactical promotions. A cohesive campaign on "freshness" and "nutrition" that featured white and health breads was also launched.

New products launched by Gardenia Philippines in 2018.

OPERATIONAL **REVIEW**
Bakery

Gardenia Philippines' new bakery plant in Mindanao, Philippines.

NeuBake Super Slice, an affordable second brand for the price-sensitive mass market segment, expanded its category and introduced new flavors, *NeuBake* Super Slice Ube Flavored Loaf and *NeuBake* Super Slice Chocolate Flavored Loaf. To further create excitement in the market, *NeuBake* roll formats in Spanish Bread and Ube Bread Roll variants were launched.

New products were also added to a wide array of single-serve snack breads portfolio. Gardenia Philippines launched *Toast Bites* in Honey Butter, Sour Cream and Onion, and Smoky Barbecue flavors. Three new variants of cream rolls namely Butter Sugar, Pizza and Cheese Pimiento were introduced in the market.

Gardenia Philippines continued to penetrate other bread segments through aggressive expansion of *Big Smile Bread Station* and *Bakers Maison* retail stores.

Big Smile Bread Station, Gardenia's retail franchise community bakeries catering to the general market, ended 2018 with 75 stores located in Metro Manila and nearby provinces.

Bakers Maison, Gardenia's artisanal specialty franchise bakery, opened four more stores in 2018, making it a total of 13 stores. *Bakers Maison* offers artisanal breads and pastries for the middle and upper-income class segments.

Gardenia Philippines' corporate social responsibility (CSR) programs and activities in 2018 focused on nutrition and wellness initiatives, health promotions in schools, offices and supermarkets, community outreach activities, environmental conservation efforts and programs for employee welfare and development.

In 2018, Gardenia Philippines' bakery plant at Laguna was granted Islamic Da'wah Council of the Philippines (IDCP) Halal Company Registration. The Halal Company Registration confirms that the Laguna plant is certified to produce Halal quality products which are always in conformity with quality standards being implemented by the IDCP-Halal.

Gardenia Philippines has achieved ISO 9001:2015 in compliance with Quality Management System and certification for product quality excellence. This assures that consumers get the highest quality products in the market. Moreover, Gardenia Philippines has been HACCP certified since 2003, proof of its strict adherence and systematic approach in the identification, evaluation, and control of food safety standards.

Gardenia Philippines is committed to bring a delightful experience to Filipinos by providing an assortment of best quality, great-tasting and nutritious bread made with superior quality ingredients. It has expanded operations and increased bread supply and availability. Its continual product innovation, coupled with aggressive strategic marketing programs and extensive distribution efforts, are key pillars to stay ahead of the competition.

Gardenia Philippines currently operates five plants – three in Luzon in Northern Philippines, and one each in Cebu and Mindanao, with sufficient space and land at the North Luzon and Mindanao plants to cater for future expansion plans.

OPERATIONAL REVIEW
Bakery

AUSTRALIA
Bakers Maison Australia Pty Ltd
('Bakers Maison')

2018 has been a transition year for Bakers Maison. The company achieved sales growth of 11% over the previous year; however, profitability was impacted by higher manufacturing cost and depreciation and interest on the new A$8 million croissant line investment.

2018 has been a transition year for Bakers Maison. The company achieved sales growth of 11% over the previous year; however, profitability was impacted by higher manufacturing cost and depreciation and interest on the new A$8 million croissant line investment.

Manufacturing continued to be challenging with higher cost of ingredients (specifically flour) resulting from the severe drought conditions in Australia, higher electricity rate, higher labour cost, and higher insurance premia.

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

Production output increased, following introduction of a third shift operation and completion of commissioning of a new croissant line in November 2017. The gluten-free manufacturing section was certified by the Coeliac Association in early 2018, allowing additional products to be manufactured.

Bakers Maison achieved an overall double-digit growth in the foodservice sector, above industry performance, with strong penetration in New South Wales, Victoria and Western Australia. The existing network of distributors around the country has continued to support Bakers Maison quality products to achieve a stronger performance than industry average. The airline channel delivered strong growth consistently over the year. Two key national retailers have also been key contributors to Bakers Maison's solid performance and have delivered double digit growth over the previous year.

Specially developed and packaged products such as meal kits have delivered an outstanding performance throughout the year. The company is looking to further grow this channel.

Nine new products were released during the year, including gluten-free muffins, milk buns and garlic ciabatta, all these generating interest in the market. Filled croissants were released in January 2019 with a good reception from consumers. Bakers Maison will develop more varieties of croissant products, including filled croissants for domestic and export markets, to maximise utilisation of its new A$8 million croissant line.

Gluten free muffins from Bakers Maison.

OPERATIONAL **REVIEW**
Primary Production

AUSTRALIA

Rivalea Holdings Pty Ltd
Rivalea (Australia) Pty Ltd
Diamond Valley Pork Pty Ltd
Oxdale Dairy Enterprise Pty Ltd
('Rivalea')

	2018	2017	Increase/(decrease)	
	$'millions	$'millions	$'millions	%
Segment revenue	353.8	375.0	(21.2)	(6)
Segment EBITDA	1.2	23.8	(22.6)	(95)
EBITDA margin (%)	0	6		

Rivalea is a leading vertically integrated industrial meat producer in Australia with a history of more than 45 years. QAF has owned the business since 2001. The Primary Production segment is divided into three core businesses, namely meat production and sales (commodity meat sales division), meat processing and stockfeed milling. Rivalea's main business (the commodity meat sales division), meat processing and stockfeed milling constitutes about 73%, 11% and 16% of its 2018 revenue respectively.

Rivalea operations, which employ over 1,000 staff, are spread over 7,600 hectares of wholly owned agricultural and commercial freehold land across southern New South Wales and Victoria. Rivalea's farming business is conducted across seven farms owned by Rivalea and 18 contract farms owned and operated by third parties.

Rivalea operates 2 pork processing plants whose products range from whole carcases to shelf-ready products. One processing plant is located at its Corowa farm in New South Wales and the other at Laverton, Melbourne which is operated by its 80%-owned subsidiary, Diamond Valley Pork.

Rivalea has a dedicated team of highly skilled stockpeople, farm managers, veterinarians, geneticists, nutritionists and other research and pig production professionals who are focused on delivering high quality care to Rivalea's animals.

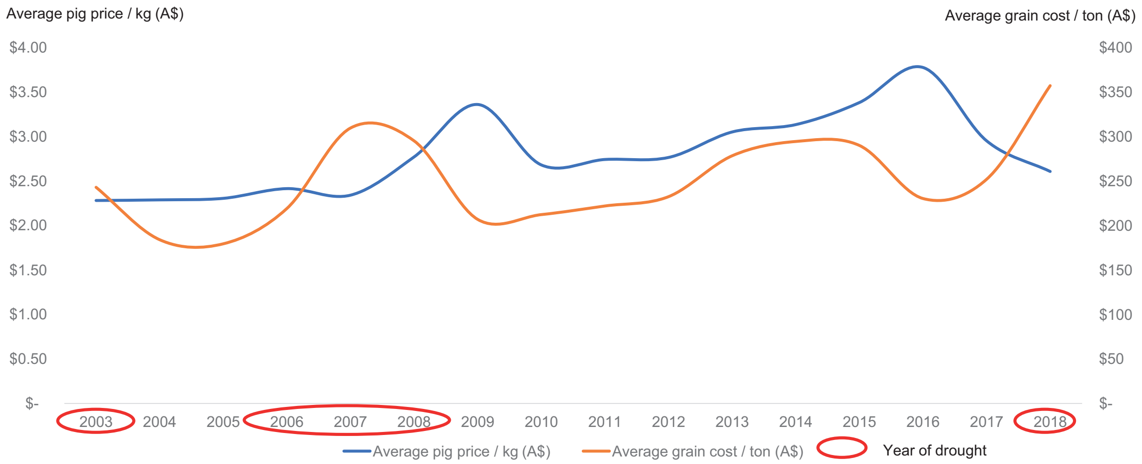
Rivalea sells a range of products and brands across both the retail and wholesale channels. Its brands include *Family Chef*, *Murray Valley*, *High Country*, *St Bernard's Free Range* and *Riverview Farms*. Rivalea operates 3 feedmilling operations which not only supplies feed to its livestock but also manufactures and sells animal feed products to external customers. Its stockfeed brands include *Optimilk*, *Veanavite*, *Slingshot*, *Grolean*, *Nutrimax* and *Eggstra*.

Rivalea's feedmill at Corowa, Australia.

Rivalea has gone through several cycles brought by circumstances which are challenging to mitigate. The commodity meat sales division is inevitably subject to cyclicality which impacts performance and creates volatility. Cyclicality is dependent on a variety of factors which are beyond Rivalea's control, including weather and macroeconomic conditions. Chief of these exogenous factors are the general market price for commodity meat and variable cost of livestock feed brought about by severe weather events. The pork business in Australia is a fragmented industry. The two biggest players in the market, including Rivalea, have more than 30% of the market share with the rest of the market consisting of smaller players including farmers. Such a market is susceptible to volatility in general market price and hence accentuates the volatility and business cycles. Another key factor which contributes to the cyclical nature of the business is production cost, particularly feed cost. In years where there were severe drought conditions in Australia, affecting grain yields and resulting in feed prices rising significantly, large losses can be incurred by the industry. Severe droughts had occurred in 2002/03, 2006/07, 2007/08, and most recently 2018/19. These coincided with significant pre-tax losses in 2003, 2007 and 2008 for our Primary Production business. The 2018 very dry weather period reduced the 2018/19 grain output significantly. It was the lowest grain harvest in 20 years in Eastern Australia.

OPERATIONAL REVIEW

Primary Production



Set out above is a chart showing the volatility of the industry average market prices of pig and grain costs, and the effects of severe drought conditions in this cyclical business. The source data was provided by Australian Pork Limited, an industry body of which Rivalea is a member.

Owing to such business cycles which, in our view, stretch over three to five years, performance of the Primary Production segment should similarly be viewed over a few years. Noteworthy, over a four-year moving average basis since 2006, Rivalea has achieved positive EBITDAs ranging from A$10 million to A$28 million. The 4-year average EBITDA from 2015 to 2018 was A$24 million. Peak performances were in 2006, 2009 and 2016.

In 2018, revenue for the Primary Production segment decreased by 6% due to continued depressed selling prices. The Australian pork industry continued its downturn from the closing second half of 2017, with market oversupply worsening in the first half of 2018. Consequently, prices dropped below those of 2017.

Cost of doing business in Australia has increased, mainly in electricity energy cost and insurance premia. This confluence of factors – higher grain prices, falling commodity pork prices, higher input costs – led to EBITDA falling by $23 million from $24 million in 2017 to $1 million in 2018.

In general terms, the pork production cycle is closely related to changing economic drivers in the industry. Industry participants typically follow market indicators (pork prices and feed costs) to determine their future production plans, higher market prices brought about by higher demand will lead to an increase in breeding herd and ultimately more supply of progeny. The long lead time between production plan and actual supply coming onstream, which can stretch up to three years, can lead to or coincide with a change in the cycle from an upcycle to a downcycle in the year of actual supply. Excess supply will in turn lead to lower market prices and profitability, and eventually producers will readjust their breeding herd in response, this time to reduce pork production. If supply and demand do not reach equilibrium, the cycle is repeated.

Significant changes in production costs, usually cost of feed, will also impact profitability. This can contribute to cyclical production volumes. Droughts and resulting poor harvests of grain for feedstock can lead to drastic increases in the cost of feed, which will negatively affect cash flow for producers. This will result in a reduction of animal supply in the market as producers may not be able to absorb the increasing costs. Conversely, good yields from grain harvests will lower cost of production which enhances profitability. This may lead to producers adding to production.

On a cumulative basis since our acquisition of this business in 2001, Rivalea has contributed positively to the Group's overall performance. A strategic five-year plan is being conducted by Rivalea and Group management to focus on its key strengths and weaknesses and evaluate how best to mitigate volatility in this cyclical business. Amidst a restructure of the industry as evidenced by the reduction in national herd size, it intends to pursue growth opportunities arising from such conditions.

OPERATIONAL **REVIEW**
Primary Production

The percentage of branded products (including branded stockfeed) has now grown to 22% of its total revenue for 2018 as compared to 15% for 2017.

Branding and product development will remain a clear focus. As with 2017, Rivalea brands were impacted in terms of both price and volume as they competed against commodity offerings influenced by lower pork carcase selling prices. A major achievement occured with the *Riverview Farms* brand in 2018. The *Riverview Farms* deli roast was trialled with a major supermarket chain in July 2018 and achieved national ranging from October 2018. National ranging is a first for any Rivalea product. Increasing sales are expected in 2019. The percentage of branded products (including branded stockfeed) has now grown to 22% of its total revenue for 2018 as compared to 15% for 2017.

Diamond Valley Pork continued its capacity improvement works in the first quarter of 2018. In April 2018, it successfully reduced its slaughter processing to a single shift. The processing plant is benefiting from higher volume capacities and increased efficiency. Cost savings from the reduction to a single shift was offset by higher operating costs, particularly electricity energy cost and insurance premia. Diamond Valley's processing capacity is now closer to market requirements and trading performance is more certain. Diamond Valley's traded meat margins continue to improve which will support its operating results. The acquisition of land adjoining the current operational site was completed in December 2018. Plans are progressing with regards to the next stage of development works. Diamond Valley uses market leading practices in processing and advanced animal welfare automation processes. Stockfeed business contributed strong returns with sheep and beef brands compensating for reduced volumes in dairy trade as this was more affected by the drought. Stockfeed margins are expected to be lower than previous year due to higher raw material cost and a lower capacity of some customers to absorb price increases.

Rivalea operates one of the largest private research and innovation groups in the Australian pig industry. Over almost 30 years the Corowa farm has been at the forefront of innovative pig research, working closely with many Australian and international universities, animal health companies and other livestock researchers with outcomes recognised around the world. It has made significant contributions to pig welfare research. Please refer to Sustainability Report section for more details.

This significant investment in research, including employing a dedicated team of highly trained research staff, supports continual improvement across Rivalea's integrated production systems. Rivalea's research team strives to provide science-based solutions for continual improvement in animal health and nutrition, genetic supply and reproductive technologies, animal welfare and housing, meat quality and new product development. As a result, feed conversion efficiency (less feed to produce same amount of meat), has improved over the years.

In collaboration with international experts and long-standing research partnerships with Australian Pork Ltd ("APL"), Animal Welfare Science Centre, Pork Cooperative Research Centre for High Integrity Pork and Australasian Pork Research Institute Limited, Rivalea continues to be at the forefront of pig research in the Asia-Pacific Region.


Rivalea's research and development personnel at work.

Rivalea's sow herd is fully accredited as Gestation Stall Free or Sow Stall Free under the Australian Pork Industry Quality Program (APIQ), with Rivalea's pregnant sows accommodated in social groups which enable them to move freely and perform natural social behaviours.

Rivalea has three innovation hubs across its business that focuses on nutrition, pig farming and pig processing and new product development. Each hub has a dual role involving a research function and technical support to the operational groups.

Farming operations continue to deliver greater productivity across its operations and remains focused on customer compliance, cost reductions and efficiency improvements.

OPERATIONAL REVIEW

Primary Production

Rivalea actively manages its environmental governance and operations to develop self-generation of energy inputs, optimising environmental outputs and actively reuse and minimise waste.

Rivalea requires a range of licences, permits, approvals and certifications ('Authorisations') to successfully operate its business, particularly in the area of environmental requirements. If Rivalea is unable to secure or retain these Authorisations for the operation of its sites or business, or if any of its existing Authorisations are adversely amended or revoked, this may increase its costs or adversely impact Rivalea's ability to operate its business. This in turn may have an adverse effect on Rivalea's business and its financial and operating performance. In particular, one of Rivalea's company-owned farms has been facing complaints of odour from its neighbours and Rivalea is in process of working with the authorities to mitigate the issues. The company is also currently developing viable strategies to cope with the environmental issues.

It has made significant capital investments in developing biogas collection facilities at its Bungowannah and Corowa farms. Additionally, the Corowa site has two biogas electricity generators which use methane gas generated by animal waste to generate electricity for the company's operations while the biogas collection facility at Bungowannah site captures and burns the methane that is produced at that site. A third biogas collection lagoon and a third biogas electricity generator are being constructed at Corowa. These are slated for completion by 2Q 2019. These biogas initiatives reduce the quantity of carbon dioxide that is emitted into the atmosphere while, at the same time, use methane gas to generate electricity with resulting savings in energy costs.

Rivalea recognises the importance of safety across all its sites. Rivalea's "*Safety First*" program has just completed the second year of its strategic journey. Initiatives focusing on continuous improvement have been introduced to safeguard the wellbeing of staff, contractors and visitors to our business.

Being a major industrial player in the market and led by an experienced senior management team, Rivalea is well-placed to withstand the current market volatility and to consolidate its position in the market, in particular in the branded segment.

Australia continues to maintain its status as free from African swine fever ("ASF"). As an industrial producer, Rivalea takes the threat of potential disease outbreak very seriously and is monitoring the ASF situation closely. For further information, please refer to our Sustainability Report at pages 33 and 58 and our Corporate Governance Report at page 78.

Since the peak performance in 2016, this segment has gone through two years of down cycle, with 2018 showing an EBITDA of $1 million compared to $51 million in 2016. The industry outlook for 2019 indicates some improvement in pork prices due to a rebalancing of the excess pork supply. Unfortunately, the severe drought conditions across eastern Australia in 2018 have significantly increased the cost of grain, a major input in the cost of feed, in 2019. Higher feed costs will be partially offset by lower energy costs, increased biogas production and a business-wide service cost reduction strategy. Insurance premia are likely to increase further in 2019 as the insurance market remains uncompetitive and assets in food processing highly valued.

OPERATIONAL **REVIEW**
Distribution and Warehousing

SINGAPORE

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

	2018	2017	Increase/(decrease)	
	$'millions	**$'millions**	**$'millions**	**%**
Segment revenue	106.5	108.6	(2.1)	(2)
Segment EBITDA	2.6	7.3	(4.7)	(64)
EBITDA margin (%)	2	7		

2018 was an eventful year as Ben Foods Group has had to deal with the effects of ageing facilities in one of its two warehouses at Fishery Port Road. An ammonia leak in January 2018 took a toll on operations for almost six months. During the down-time arising from the ammonia incident, NCS Cold Stores took the opportunity to rejuvenate its old refrigeration system, replace the asbestos roofs and other panels at a cost of $4.7 million. Ben Foods Group will be upgrading another ageing refrigeration system in the second warehouse at Fishery Port Road and stepping up the maintenance program.

The severe drought conditions in Australia affected the supply and cost of dairy products. Nevertheless, with years of experience and resolve of the staff, Ben Foods Group managed to overcome these challenges and achieved similar sales performance as 2017, helped by higher sales in export and food services division. Whilst topline was maintained, EBITDA fell 64% due to lower rental income and higher operating costs arising from the ammonia incident and write-off of the residual book values of the old refrigeration system and roofs of $1.1 million. Ben Foods Group is still in discussions with its insurer to recover costs associated with the ammonia leak.

The strategy to develop and grow our proprietary branded products (including new product launches) in domestic and regional markets and expanding into new markets, continue to be paramount to the growth of Ben Foods Group.

To further expand *Cowhead*, our main proprietary brand, several new products under the biscuit range, *Cowhead* Crispy Butter Crackers, Fruit and Nut Butter Cookies, Cappuccino Butter Cookies and Green Tea Butter Cookies, were launched in 2018. *Cowhead* 3-in-1 coffee was re-launched with 2 new flavours, Creamy White Coffee and Brown Coffee, to cater to the general trade.

To ensure ample supply of milk, Ben Foods Group has secured additional supply sources for *Cowhead* milk from France and new factories in Australia and New Zealand. These will allow the dairy business to grow further in 2019.

NCS Cold Stores is HACCP certified and a member of International Association of Refrigerated Warehouses, USA.

NCS Cold Stores has a 62% interest in QAF Fruits Cold Store, which owns a cold store for storage of fresh fruits and vegetables. The 16 cold rooms and 14 offices are fully leased.

Ben Foods Group sees good opportunities in export sales to regional markets and via e-commerce channels. It will deepen its reach in the food service segment whilst continuing to upgrade the ageing warehousing facilities of NCS Cold Stores.

Ben Foods' proprietary branded products.

QAF LIMITED

SUSTAINABILITY REPORT FY2018

SUSTAINABILITY **REPORT**

Gardenia Singapore's "*Healthier Choice*" range of bakery products.

BOARD STATEMENT

We are pleased to issue the second Sustainability Report of QAF Limited ("QAF" or "Company").

Our commitment to pursuing a strategy of long-term sustainable growth and value creation for QAF and its subsidiaries ("QAF Group") continues to underpin our approach towards sustainability. In this report, we describe our sustainability performance and progress for FY2018, and hope to give further understanding of how we link certain of our business practices relating to sustainability with our strategy and vision for the Group.

The food industry is facing disruptions on many fronts, including ever-shifting and evolving consumer purchasing patterns, taste preferences and lifestyles. The different markets in which we operate require tailored strategies as each is at a different stage of maturity. As a food group, we are also exposed to challenges to food safety from external factors.

The core values of our *Gardenia* business and brand are to manufacture and distribute nutritious, healthy and value-for-money products, with emphasis on reliability, freshness, nutritional value, good taste and high standards of hygiene. We believe that sustainable business practices which focus on these core values will help us deal with these challenges, strengthen our resilience and maintain market dominance. Consumers' preferences for nutritious and tasty products, and demand for convenient grab and go snacks to fit into busy lifestyles, drive *Gardenia's* research and development efforts. *Gardenia* engages in regular review of its product range and product innovation to meet these needs. New products launched in FY2018 in Singapore which reflect these efforts are the *Gardenia* Low GI Soft Grain Loaf and *Gardenia* Brown Rice & Oat Soft Grain Loaf. *Gardenia* also improved the recipes of four Country Loaf breads by the addition of sourdough. Its focus on innovation to meet changes in diet and lifestyle continues with its collaboration with local start-up Alchemy Foodtech, whose investors include the venture arm of Enterprise Singapore, to develop low Glycemic Index (GI) versions of its products. The Philippines and Malaysia operations seek to meet mass market demand with tasty, nutritious products which are value for money. In the Philippines for example, new products were added to the wide array of single-serve snack breads portfolio. We are also increasing our market penetration and access to our products by setting up new plants. The Group, together with its joint venture, has a total of 16 bakery plants.

As a food producer, product safety and hygiene and the risk of disease are at the forefront of our minds. Apart from quality, value and accessibility of its products, the Group's bakery segment remains focused on product safety and hygiene, and has strong programs to maintain its food safety. Further information is provided in this report (at pages 43, 44 and 54).

The outbreak of the pig disease African Swine Fever ("ASF") in Asia and Europe is a significant concern for the Australian pork industry. An outbreak of ASF in Australia would have major impact on the Australian pork industry. Whilst there has not been any outbreak of ASF in Australia, the management of our Rivalea group's Primary Production business remains vigilant. In early 2019, Australia's biosecurity authorities detected ASF in seized meat products at its international border. In addition to Australia's strict national biosecurity laws and isolation, Rivalea has farm biosecurity policies and procedures, including strict employee and visitor quarantine policies regarding entry into its farms, biosecurity protocols prior to entering farms and barriers to entry around its farms. Rivalea's business is not affected, but it takes the matter seriously and has taken steps to implement additional measures under its biosecurity measures to further protect its business. Rivalea works closely with the Australian pork industry association, Australian Pork Limited ("APL"), and Rivalea's veterinary expert, Dr Regina Fogarty, is a key reference person of the APL as a source of information and assistance in the evaluation of biosecurity risks.

On the environmental front, Rivalea has two biogas collection facilities that capture and burn methane generated from its farming operations. The 2nd biogas generator was commissioned in FY2018. The new lagoon excavation, covering and associated works is expected to be completed in Q2 2019, with the delivery and commissioning of the 3rd generator and project completion expected by the end of Q2 2019. Bakers Maison Australia's solar panel system currently generates over 15% of its electricity requirements. Our Johor bakery plant now uses solar power for compound lighting.

As a testament to our commitment towards corporate governance and transparency, in 2018, QAF was awarded the Best Annual Report Award 2017 (Bronze), Singapore Corporate Awards ($300 million to $1 billion market capitalisation category). The Singapore Corporate Awards was launched by the Institute of Singapore Chartered Accountants for exemplary corporate governance practices for Singapore listed companies. The annual report award is given to companies for excellent corporate reporting that covers a wider scope of disclosures beyond the minimum regulatory requirements.

Our business strategy therefore takes into consideration environmental, social and governance ("ESG") opportunities and challenges, in addition to economic growth. Our Group, together with its joint venture, generates employment for local communities, with over 9,000 employees working at 16 plants, including in developing countries and supporting numerous stakeholders such as our suppliers and retailers.

The Board of Directors, through the Audit and Risk Committee ("ARC"), continues to oversee the management and monitoring of the issues related to our material ESG factors. We share further information with you in the following sections of this report.

The Board of Directors
QAF Limited

QAF Ltd is awarded the Best Annual Report Award 2017 (Bronze) in the "*Companies with $300 million to $1 billion in market capitalisation*" category.

SUSTAINABILITY **REPORT**

WHO WE ARE

Creating Quality Products for Our Customers Through Our Brands

QAF is a leading multi-industry food company listed on the Singapore Exchange Securities Trading Limited and has extensive food-related operations and distribution network across the Asia-Pacific region, including Singapore, Malaysia, the Philippines, Australia, Myanmar, Cambodia, Hong Kong, Taiwan, Macau and Brunei. The business, together with our joint venture, employs over 9,000 people.

OUR VISION

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

This year's Sustainability Report focuses on the Group's Bakery and Primary Production businesses through its *Gardenia, Bakers Maison* and Rivalea group-owned brands.

Gardenia

Gardenia is the top selling brand of packaged bread in Singapore, the Philippines and Malaysia. The brand *Gardenia* is associated with qualities such as good taste, freshness, nutritional value, trust and reliability, all values that are key to Gardenia's continued success in a competitive market.

In 2018, *Gardenia* continued to lead the bread industry in sales value and volume in both the total bread category and wholemeal bread segment, attaining the status of "*Singapore's Number 1 Selling Bread Brand*" and "*Singapore's No.1 Wholemeal Bread Brand*" (Survey conducted by The Nielsen Company, January 2018 – December 2018).

Under our Group's joint venture in Malaysia, *Gardenia* was voted consumers' "*Most Preferred Brand*", clinching the Gold Award in the Foodstuff category for the 9th consecutive year in the prestigious 2018 Putra Brand Awards.

Bakers Maison

Bakers Maison is a French-style bread specialist manufacturer in Australia. Bakers Maison produces par and full-baked frozen bread, pastries and sweets and sells its products to the foodservice sector throughout Australia via an extensive distribution network. Bakers Maison's recipes do not contain added preservatives or artificial flavours.

In 2018, the *Bakers Maison* brand garnered 48% for brand awareness among foodservice operators in the AFS BRAND WATCH 2018 survey of the Australian foodservice market. Bakers Maison was best known for its product quality, stock availability, and distribution and delivery. The AFS Brand Watch 2018 survey covered 96 food and non-alcoholic beverage brands in the Australian foodservice market.

Rivalea

Rivalea is one of Australia's leading vertically integrated industrial pork companies, with a history of over 45 years.

Rivalea group'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*.

ABOUT THIS REPORT

This report provides an overview of our approach towards sustainability in terms of ESG aspects across our business, and our FY2018 performance and progress.

It has been prepared with reference to the Global Reporting Initiative's ("GRI") Standards 2016, including the GRI Food Processing Sector Disclosures as well as the SGX-ST Listing Manual (Rules 711A and 711B). We have selected the GRI Standards as our reporting framework as we believe it provides robust guidance and is widely accepted as a global standard for sustainability reporting. The GRI Standards together with the Food Processing Sector Disclosures enable QAF to prepare a Sustainability Report that is focused on its material factors based on the GRI Reporting Principles.

REPORT SCOPE

This report covers the Bakery businesses in Singapore, Australia and the Philippines under the *Gardenia* and *Bakers Maison* brands and the Primary Production business in Australia for the reporting period 1 January to 31 December 2018. This year, the bakery sites covered include the newly completed plant in Johor, Malaysia.

We have also included some additional information relating to the Group's other businesses although not strictly part of the report scope, for example, the Distribution and Warehousing business and our joint venture bakery operations in Malaysia.

FEEDBACK

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

SUSTAINABILITY GOVERNANCE

The ARC is responsible for reviewing and making recommendations to the Board on sustainability matters, including policies, practices, targets and performance. The ARC is tasked with overseeing sustainability matters including approving the material ESG factors identified, and the Company has appointed an external consultant to advise it on this report. The ARC is supported by the Sustainability Working Group that consists of Company executives who work with personnel of the relevant business units.

The proud and happy employees of Gardenia Bakeries (KL) Sdn Bhd and their CEO, Mr. Koh Chin Huat *(4th from left),* at the 2018 Putra Brand Awards ceremony where *Gardenia* won the *Putra Brand Gold Award* in the Foodstuff category for the 9th consecutive year.

SUSTAINABILITY **REPORT**

STAKEHOLDER ENGAGEMENT

Our key stakeholders are important to our business operations and strategies. Interaction and engagement with them allow us to obtain better understanding of their expectations, interests and concerns. We leverage on this understanding to identify the risks and opportunities with a view to improving our operations.

Key Stakeholders	Key Topics & Concerns	Engagement Methods	Frequency of Engagement
Employees	• Career development and progression	• Training and career development initiatives	• Periodically during the year
	• Compensation and other benefits	• Health and wellness-related initiatives • Discussion of performance and achievements	• Annual performance reviews are held
		• Social and team-building activities	• Periodically during the year
		• Engagement with applicable trade unions	• As and when required
Shareholders	• Business and operations performance	• Release of financial results and other announcements and other relevant disclosures through SGXNet and QAF's website	• Quarterly results announcements • Publish annual report
	• Business strategy and outlook	• Annual General Meeting • Extraordinary General Meeting, where necessary	• An Annual General Meeting is held once a year • Extraordinary General Meetings are held as and when required
		• Responding to questions raised through channel provided (info@qaf.com.sg)	• Ongoing as and when relevant questions/concerns are raised
Customers	• Quality of products	• Participation in interactive roadshows held in conjunction with health promotion campaigns or initiatives	• Periodically during the year
	• Nutritional content of products • Use of trans-fat and GMO products • Availability/ accessibility of products	• Advertisements, and marketing and sales promotion activities • Interaction between brands and customers via websites and social media platforms • Customer surveys	• Regular interaction throughout the year
	• Customer and business partner relationships	• Bakers Maison conducts business reviews and updates with key customers	• Periodically during the year
	• Consumer and community ethical concerns, market insight, market conditions, company development	• Rivalea interacts with customers via formal and informal meetings and presentations	• Periodically during the year

Key Stakeholders	Key Topics & Concerns	Engagement Methods	Frequency of Engagement
Suppliers and Business Partners	• Supplier and business partner relationships • Quality of materials supplied • On-time delivery of products	• Supplier meetings • Annual audits of production facilities	• Periodically during the year
Government and Regulators	• Compliance with relevant rules and regulations	• Routine and ongoing communication and collaboration • Compliance with mandatory reporting requirements	• As and when required
Local Communities	• Promote healthier lifestyles and raise awareness for food nutrition	• Participation in interactive roadshows held in conjunction with health promotion campaigns or initiatives • School health outreach activities • Educational tours of bread production facilities	• Periodically during the year
	• Help improve the livelihoods and living quality of the local community	• Activities to support various philanthropic, community and charitable causes	• Periodically during the year
Industry Bodies	• Short and long-term interests of the industry body groups	• Co-operation and/or collaboration with industry bodies and industry distribution channels such as Australian Pork Limited	• Periodically during the year
Animal Welfare Groups	• Ethical treatment of animals	• Work with recognised animal welfare groups such as the Animal Welfare Science Centre to determine animal welfare program research strategies and direction	• Periodically during the year

SUSTAINABILITY **REPORT**

The QAF Group also has membership and involvement in industry organisations to participate in and contribute to the food industry. Some of the memberships and external initiatives the Group has been involved in are set out below:

Membership and Involvement

- GS1 Singapore Council
- Singapore Manufacturers' Federation
- Singapore Business Federation
- Singapore Food Manufacturers' Association
- Singapore Bakery & Confectionary Trade Association
- Philippine Baking Industry Group
- Employers' Confederation of the Philippines
- Philippine Chamber of Commerce and Industry
- Philippine Chamber of Food Manufacturers
- Makati Business Club
- Management Association of the Philippines
- Filipino-Chinese Bakery Association Inc
- Wallace Business Forum
- European Chamber of Commerce
- People Management Association of the Philippines
- Australian Pork Limited
- Animal Welfare Science Centre
- Cooperative Research Centre for High Integrity Pork
- Australasian Pork Research Institute Ltd

External Initiatives

- Australian Food and Grocery Council
- National Meat Industry Training Advisory Council Limited
- Workplace Enviro Australia
- SAI Global
- National Associated of Testing Authority
- Australian Meat Industry Council
- Feed Ingredients & Additives Association
- Stockfeed Manufacturers Council

MATERIALITY ASSESSMENT

For FY2018's reporting, we conducted a materiality review session to determine the continued relevance of our material ESG factors to our business and key stakeholders. The review was guided by the GRI Materiality Principle. Based on the materiality review session conducted with management and personnel of the relevant business units, we concluded that the five material ESG factors continue to be relevant to our business direction. We are committed to carrying out periodic review of our material ESG factors for relevance to our business and key stakeholder concerns. The table below shows the ESG factors and the corresponding GRI topics for each factor.

Material Factors	Materiality to QAF	GRI Topics
Economic Sustainability	Our financial performance, and economic value generated and distributed.	GRI 201: Economic Performance
Governance and Ethics	Our governance structure, ethics and integrity, and anti-corruption policies	GRI 205: Anti-corruption
Product Responsibility	Product safety, hygiene and nutritional value	GRI: Customer Health and Safety
Promoting Healthy Eating and Lifestyles	Catering to customers' varying nutritional needs and tastes, and spreading the benefits of a healthy diet and lifestyle	GRI: Healthy and Affordable Food
Animal Welfare	Our commitment to the respectful and humane treatment of animals throughout their life cycle	GRI: Animal Welfare
Protecting the Environment	More environmentally sustainable operations	GRI: Effluents and Waste GRI: Energy* GRI: Emissions*
Enriching Communities	Contributing our resources towards the welfare of the less fortunate and fostering strong ties within the communities in which we operate	GRI: Local Communities*
Our People	Investing in developing skills and capabilities of our workforce	GRI: Training and Education*

**Non-material ESG topics*

REPORT STRUCTURE

This report has been organised to show how the five ESG topics are relevant to each of the businesses which form part of the report scope. The table below shows where such ESG topics are relevant to the respective businesses.

Material Factors	Bakery[1]	Primary Production[2]
Governance and Ethics	✓	✓
Product Responsibility	✓	✓
Promoting Healthy Eating and Lifestyles	✓	
Animal Welfare		✓
Protecting the Environment	✓	✓
Enriching Communities*	✓	✓
Our People*	✓	✓

1 Bakery business covers the Gardenia (Singapore and Philippines) and Bakers Maison (Australia) brands.
2 Primary Production business covers the Rivalea-owned brands.
**Non-material ESG topics*

SUSTAINABILITY **REPORT**

OUR FY2018 PERFORMANCE AT GLANCE
Achievements Made Possible by Our Approach Towards Sustainability

Governance and Ethics

- The Group achieved zero confirmed incidents of corruption.

Promoting Healthy Eating and Lifestyles

- Gardenia participated in and conducted various health promotion initiatives in partnership with healthcare and community organisations in Singapore, the Philippines and, through its joint venture, Malaysia.
- To meet the needs of consumers for healthy products, Gardenia Singapore developed a new low GI loaf, the *Gardenia* Low GI Soft Grain Loaf and launched a new wholemeal loaf, *Gardenia* Brown Rice & Oat Soft Grain Loaf. It also improved the recipes of four Country Loaf breads by the addition of sourdough.
- Gardenia reached out to over 300,000 visitors through educational tours at our bakery plants in Singapore and the Philippines.

Product Responsibility

- For the Group's Bakery business[1], approximately 85% of total production volume was manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards.
- For the Group's Primary Production business, 100% of the total production volume was manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards.

Animal Welfare

- Rivalea achieved zero incidents of significant non-compliance with the Australian laws and regulations related to transportation, handling, and slaughtering practices for live terrestrial animals.

OUR FY2018 PERFORMANCE AT GLANCE
Achievements Made Possible by Our Approach Towards Sustainability

Protecting the Environment

- The use of solar energy and various energy efficient measures in Bakers Maison's plants enabled it to reduce its energy consumption by approximately 20% in FY2018.
- Rivalea's new biogas generator was commissioned at the end of 2018.
- Rivalea achieved no incidents of non-compliance with the applicable regulations and wastewater requirements of the local authorities in respect to the water quality discharge.

Enriching Communities

- Gardenia Singapore sponsored two students from the Institute of Technical Education under the SkillsFuture Earn and Learn Programme to provide them with a head-start in careers related to their discipline of studies.
- Gardenia Philippines distributed over 16,000 loaves of bread to families affected by natural disasters in the Philippines under the Quick Response disaster relief program.

Our People

- Gardenia Singapore developed and implemented workplace learning systems in conjunction with Nanyang Polytechnic/National Centre of Excellence for Workplace Learning, bringing structured training to its plants.
- Gardenia Philippines sponsored two employees with Master's degree studies in 2018.
- Rivalea supported ten employees with Bachelor and post-graduate studies, and over 30 employees with nationally-accredited qualifications in 2018.

1 This covers the Singapore, Philippines and Australia Bakery business, in line with the scope of our report. In FY2018, sites covered includes the Group's bakery plant in Johor, Malaysia.

SUSTAINABILITY **REPORT**

GOVERNANCE AND ETHICS

Conducting Our Business Ethically to Build Trust in Our Brands

Good corporate governance plays an important role in building and maintaining trust in our brands and business reputation. We recognise the benefits of having strong corporate governance with clear policies for our business.

The Group has a Whistleblowing Policy that provides an avenue for its employees and officers to raise, in confidence, concerns about actual or suspected improprieties on financial reporting, corruption, bribery, fraud and other matters, directly to the Chairman of the Audit and Risk Committee. Our corporate governance practices are guided by the Singapore Code of Corporate Governance and further information can be found in our Corporate Governance Report on pages 63 to 86.

ANTI-CORRUPTION

Material Factor	FY2018 Achievements	FY2019 Target
Anti-corruption	Zero confirmed incidents of corruption based on internal audits conducted. Established Group Code of Business Conduct.	Continue to maintain zero confirmed incidents of corruption.

QAF is opposed to fraud and corruption. In 2018, the Group adopted a Code of Business Conduct, achieving its 2017 target. The Code reiterates the Group's commitment to conducting business with integrity and good ethical standards, in compliance with applicable anti-bribery and anti-corruption laws. Corrupt practices could subject the Group and individuals concerned to criminal and civil liabilities. Importantly, the Group's reputation may be adversely affected and the confidence of material stakeholders eroded.

Some of our overseas subsidiaries additionally have policies specific to their operations and jurisdictions.

In the Philippines, Gardenia's Employee Code of Conduct sets out the expectations in relation to issues such as fraud or bribery and spot audits for compliance are carried out on all departments within the company. As a signatory to the Philippine Integrity Initiative program for the promotion of common ethical and acceptable integrity standards in the business community, suppliers to Gardenia in the Philippines also pledge to abide by the company's anti-corruption policies.

In Australia, Bakers Maison implements an Ethics Code, an Anti-corruption and Fraud Policy and Code of Conduct Policy in addition to the Group's Whistleblowing Policy.

Rivalea is in the process of preparing a whistleblowing policy which will be compliant with new Australian legislation.

BAKERY BUSINESS

The Group's bakery business has made progress on its sustainability performance and achieved milestones that contributed positively to the environment and community. The Group through its *Gardenia* and *Bakers Maison* brands continues to be committed to manage and improve their sustainability performance through ongoing initiatives by these brands.

Material Factors	FY2018 Achievements	FY2019 Targets
Product Responsibility	For the Group's bakery business, approximately 85% of total production volume was manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards[1]. *[1]This covers the Australia, Singapore and the Philippines Bakery businesses, in line with the scope of our report.*	For the Group's bakery business, to at least maintain the FY2018 percentage.
Promoting Healthy Eating and Lifestyles	The Group's Gardenia operations[2] conducted and participated in various activities which included health promotion activities, school health outreach and educational bread plant tours. *[2]This covers the Singapore and Philippines Bakery businesses only.*	• Gardenia Singapore aims to develop more variants of healthier choice wholemeal products, conduct more promotions for wholemeal loaves, and participate in more outreach events to promote healthier eating. • Gardenia Philippines intends to develop healthier and more affordable bread offerings for the price-conscious mass market, expand the scope of its health promotion programs and initiatives to reach out to more individuals, and conduct educational plant tours at the Mindanao and North Luzon plants that promote healthy eating and lifestyles. It also intends to offer nutrition training programmes to employees to build/ enhance their foundation of nutritional knowledge.
Protecting the Environment	No incidents of non-compliance with the applicable regulations and wastewater requirements of the local authorities in respect to the water quality discharge.	To maintain no incidents of non-compliance with the applicable regulations and wastewater requirements of the local authorities in respect to the water quality discharge.

SUSTAINABILITY REPORT

GARDENIA

PRODUCT RESPONSIBILITY

Our Commitment to Food Safety and Quality

Gardenia maintains high standards of safety and quality in the production of its products. It has strong programs to maintain its food safety, adopting international standards for food safety and quality control. Our bakery operations in Singapore and the Philippines comply with Good Manufacturing Practice ("GMP") hazard management procedures with a view to ensuring that products are produced consistently and controlled according to quality standards. They also meet the stringent requirements of the Hazard Analysis and Critical Control Point ("HACCP") international certification, an internationally recognised food safety management system. In addition, Gardenia's bakery plants and products in Singapore are certified Halal. HACCP standards are considered to be some of the best standards for maintaining food safety.

In 2018, Gardenia Singapore attained the ISO 22000:2005 certification for both its bakery plants. In recognition of its consistent high standards of food hygiene, sanitation and processing, Gardenia Singapore also achieved Grade A status in Food Safety Excellence Scheme under the Agri-Food & Veterinary Authority (AVA) for the 24th consecutive year. The Group's bakery plant in Johor has ISO 22000:2005 certification and has attained Halal certification for all its products.

In the Philippines, Gardenia's ISO certification was upgraded to ISO 9001:2015 Quality Management System in 2018. Gardenia Philippines has maintained its HACCP certification since 2003 and intends to maintain both the ISO and HACCP certifications. In 2018, the Gardenia plant at Laguna also obtained Halal certification when it was granted the Islamic Da'wah Council of the Philippines (IDCP) Halal Company Registration.

The Group's joint venture Gardenia operations in Malaysia has attained ISO 22000:2005 Food Safety Management System. It adheres strictly to the Halal requirements by the Department of Islamic Development Malaysia (JAKIM) and is included in JAKIM's White List.

Gardenia has also put in place mechanisms within its sourcing practices to only source from suppliers that meet its stringent supplier screening requirements. Gardenia Singapore engages with about 200 suppliers both locally and globally, including Singapore, Malaysia, Thailand and Europe. Gardenia Philippines regularly conducts supplier audits and site visits to its suppliers. The suppliers also undergo a stringent accreditation process. Upon delivery, raw material inspection procedures are carried out to check for compliance with our product specifications and standards. Food and Microbial Analyses are carried out by external laboratories accredited by the Food and Drug Authorities (FDA), Philippines.

Training is also provided to employees on food safety standards.

Innovating and Developing Products High in Nutrition

The Group maintains laboratories that handle the development of new products that meet the demand of consumers, including nutritional values, shelf-life and sensory evaluation. They are also responsible for compliance of new products and ingredients with local food legislation, 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 30 persons, consisting of 9 professional staff, 6 laboratory technicians, 12 baking technologists and 3 support staff.

In support of the fight against diabetes, Gardenia was the first bakery in Singapore to produce a low GI bread in 2007, the *Gardenia* Low GI Nutri Multi-Grain Loaf, which is made of 12 types of whole grains. In May 2018, Gardenia Singapore developed a second low GI loaf, the *Gardenia* Low GI Soft Grain with a soft, easy-to-chew bread texture which is suitable for both diabetic and health-conscious consumers. The fine texture is achieved through the usage of barley flour, a key ingredient of the loaf. Barley's natural low GI value promotes slower digestion and absorption of carbohydrates, resulting in a slower release of glucose into the blood stream. The loaf also contains prebiotic and soluble fibre, Beta-Glucan, which is known to reduce bad cholesterol.

In mid-2018, Gardenia launched for the Singapore market, the *Gardenia* Brown Rice & Oat Soft Grain Loaf, a product that was designed for consumers who wish to enjoy the goodness and convenience of brown rice in loaf. The unpolished brown rice, with its bran layer and germ intact, is packed with nutrients and is higher in fibre in comparison to white rice. Brown rice grains are known to be hard to chew, but Gardenia overcame this and used finely milled brown rice to create this innovative loaf.

In 2018, Gardenia improved the recipes of the *Gardenia* Light Wholemeal Country Loaf, *Gardenia* Multigrain Country Loaf, *Gardenia* Purple Wheat, Spelt & Quinoa Country Loaf and *Gardenia* Walnut Country Loaf with the addition of sourdough. Sourdough promotes better digestibility of bread which aids the absorption of micro-nutrients such as minerals and vitamins.

For the enjoyment and convenience of busy and active consumers who are always on-the-go, 2 new variants of Wholemeal Cream Rolls were launched in 2018 – the *Gardenia* Enriched Banana & Chocolate Wholemeal Cream Roll and *Gardenia* Enriched Milk & Chocolate Wholemeal Cream Roll. The full range of cream rolls is specially created with Super Fine and Soft Wholemeal Flour and contains vitamins B1, B2 and B3.

Gardenia also displayed "*Low in Sugar*" and "*Low GI*" logos on the product packaging of selected healthier loaves. Products that are low in sugar contain less than 5g sugar per 100g loaf, while products that are low GI contain a GI value below 55. Gardenia has ten low in sugar white bread and wholemeal loaves to offer consumers in the Singapore market who seek healthier choices.

In the Philippines, Gardenia's products are enriched with vitamins which exceed the minimum requirement set by the FDA and the Department of Health, such as folic acid, vitamin B1 and B2.

In Malaysia, our joint venture operations continue to promote the consumption of a high-fibre diet through its range of fibremeal bread, which comprises five varying products during the year. Gardenia Malaysia is also working with the Malaysian Ministry of Health and the Federation of Malaysian Manufacturer (FMM) to set the nutrients criteria for a "*Healthier Choice*" logo for bread.

PROMOTING HEALTHY EATING AND LIFESTYLES

Making Our Products Accessible

Our Group, together with its joint venture, is a leading manufacturer and distributor of branded packaged bread in the region, with 16 bakery plants in five countries, Singapore, Philippines, Malaysia, China and Australia. Major distribution outlets include supermarkets, hypermarkets, convenience stores, mini marts, petrol kiosks, caterers, restaurants, hotels, hospitals, airlines and schools.

In Singapore, breads are distributed fresh from the oven by our fleet of over 180 vans and trucks and to more than 3,000 retail outlets in Singapore, and sold through about 280 bread vending machines. The bread vending machines are located in selected high-density residential areas, corporations and schools and provide customers with greater convenience and accessibility to Gardenia's products. The daily-issued loaves and buns in the vending machines are replenished every day so that customers may enjoy freshly baked bread. *Gardenia* products are also sold online through e-retailers such as Redmart, Amazon and FairPrice Online. The online platforms serve as alternative sales channels while catering to the fast-paced lifestyle of today's consumers.

In the Philippines, *Gardenia* products are widely distributed throughout the Luzon archipelago through its Laguna plant in northern Philippines while its Cebu plant in southern Philippines caters to the Visayas and Mindanao markets. Gardenia handles the direct distribution of bread and bakery products through retailers to achieve greater accessibility to fresh products. To meet the growing demand from consumers in the Philippines, Gardenia has set up new production plants in Mindanao and Luzon. The new bread plant in Cagayan de Oro caters to the Mindanao market.

Gardenia Singapore's bread vending machine.

SUSTAINABILITY **REPORT**

Empowering Our Customers

As an industry leader, *Gardenia* is in a position to contribute to empowering its consumers to make healthier food choices and lead an active lifestyle. Gardenia actively participates in health promotion activities in Singapore, the Philippines and Malaysia to educate the public on nutrition, a balanced diet and healthy lifestyle.

Singapore

As Singapore's No. 1 Wholemeal Bread Brand, Gardenia actively promotes healthy eating and encourages Singaporeans to consume more wholegrains in their daily diets. Gardenia's wholemeal and multi-grain range carries the "*Healthier Choice Symbol*" of the Health Promotion Board ("HPB") to help consumers make healthier food choices. With over 20% of its products certified as "*Healthier Choice*" by the HPB, Gardenia provides a diverse range of product offerings through a multi-brand approach which includes a lower-priced range of bread under the *Super Value* brand.

To promote awareness of its products, Gardenia held various initiatives during 2018, including partnering with healthcare organisations, launching health awareness campaigns and selling the products at discounted prices.

- During the year, Gardenia participated and conducted various health promotion initiatives in partnership with healthcare organisations such as the HPB, Singapore Heart Foundation, Diabetic Society of Singapore, Singapore Cancer Society and numerous hospitals to encourage event participants to consume more fibre. In support of World Osteoporosis Day, Gardenia also collaborated with Seng Kang General Hospital to sponsor *Gardenia* Hi Calcium Milk Bread and distributed educational leaflet to promote strong bone health. It also worked closely with numerous partners such as the People's Association and Singapore Kindness Movement to distribute wholemeal bread to the public, especially for family related events.

- Gardenia has been a supportive partner of the HPB in various nationwide health promotion initiatives since 1992. In 2018, Gardenia was the Gold Partner for HPB's nation-wide campaign "*Eat, Drink, Shop Healthy*" Challenge that ran from August to October. The campaign was to motivate consumers to make healthy choices by providing rewards and incentives. Gardenia supported the "*Eat, Drink, Shop Healthy*" nation-wide campaign by incorporating the campaign message on the packaging of *Gardenia* 100% Wholemeal Extra Soft & Fine Bread for a one-month duration. The message was also portrayed on Gardenia's out-of-home, above-the-line and social media advertisements. As a Gold Partner, Gardenia participated in ten interactive roadshows at various heartland supermarkets and shopping malls through product sampling and on-site games to educate consumers to select products with the Healthier Choice symbol.

- To encourage Singapore consumers to purchase healthier choice wholemeal products, Gardenia held numerous promotions in retail stores island-wide through the year. As part of Gardenia's 40th anniversary, several 40-cents "price-off" promotions and premiums with purchase of wholemeal and multi-grain products were organised in retail stores. To reach out to more people, corporate order forms with 40-cent discounts off the prices of *Gardenia* Brown Rice & Oat Soft Grain Loaf, *Gardenia* Low GI Soft Grain Loaf, *Gardenia* Low GI Nutri Multi-Grain Loaf and *Gardenia* Fine Grain Wholemeal Loaf were distributed to many corporations in July 2018 to promote Gardenia's wholemeal products to corporate employees.

Gardenia Singapore helps consumers make low GI choices at the "*Eat*, *Drink*, *Shop Healthy*" Challenge roadshow organised by the Health Promotion Board, Singapore.

- Gardenia also worked closely with HPB and Diabetes Singapore to promote the importance of preventing diabetes through good diet. Gardenia sponsored numerous outreach events such as HPB's "*Let's Beat Diabetes*" Campaign and Diabetes Singapore's World Diabetes Day 2018 by promoting the benefits of its two low GI loaves to the public, with more than 8,500 loaves sponsored to the community in 2018. Gardenia also reached out to the ethnic community by participating in health-related events such as "*Harmony Iftar 2018 @ Marine Parade Cluster*" and Diabetes Health Forum organised by the Indian Muslim Social Service Association (IMSSA). In November, Gardenia helped advertise the World Diabetes Day event on its *Gardenia* Low GI Soft Grain Loaf and sponsored low GI bread and discount vouchers for the event.

- In support of the war against diabetes, Gardenia also supported the World Diabetes Day event, "*The Family & Diabetes*" organised by Diabetes Society of Singapore in November 2018 as the exclusive bread sponsor. Apart from promoting the diabetes message through above-the-line and social media publicity, Gardenia sponsored 1,500 loaves of *Gardenia* Low GI Nutri Multi-Grain bread and *Gardenia* non-woven bags to the public at the event. *Gardenia* Low GI Leaflets in the four major languages to reach out to a wider audience, and discount vouchers for *Gardenia* Low GI Soft Grain Loaf and *Gardenia* Low GI Nutri Multi-Grain Loaf were distributed at the event.

Gardenia Singapore at the "*Harmony Iftar 2018 @ Marine Parade Cluster*" health event organised by the Indian Muslim Social Service Association (IMSSA).

- In line with the Singapore government's national initiative to reduce Singaporeans' sugar intake, Gardenia also launched a Low in Sugar campaign from mid-July to October 2018 to feature its ten low in sugar loaves, comprising of *Gardenia* Enriched White Bread and several wholemeal and multi-grain loaves. These ten Low in Sugar *Gardenia* loaves contain less than 5g sugar per 100g loaf. The campaign encouraged consumers to make healthier and easier selections by identifying the Low in Sugar logo on the product packaging.

- To further promote *Gardenia's* Low in Sugar campaign directly to the households in Singapore, Gardenia collaborated with a supplier of cylinder Liquefied Petroleum Gas (LPG) to residential estates island-wide to distribute *Gardenia* Enriched White Bread together with the daily delivery of gas cylinders. The campaign lasted from November 2018 to January 2019 and reached close to 500 households daily. A total of approximately 40,500 loaves of *Gardenia* Enriched White Bread, together with a recipe leaflet educating consumers on Gardenia's full range of Low in Sugar loaves, were delivered to the households directly.

Gardenia Singapore's *Low in Sugar* campaign features ten Low in Sugar *Gardenia* loaves that contain less than 5g sugar per 100g loaf.

SUSTAINABILITY **REPORT**

- Gardenia collaborated with retailer Sheng Siong on a packaging redemption campaign for their consumers. With every three packaging of the low in sugar *Gardenia* Enriched White Bread (400g), consumers were able to redeem a free loaf of *Gardenia* Enriched White Bread. In September 2018, Gardenia also held a SMS Lucky Draw where customers who submitted a receipt for the purchase of any *Gardenia* Enriched White Bread (300g, 400g, 600g) through SMS, stood a chance to win a coffee machine and unsweetened coffee capsules.

- In support of World Diabetes Day, Gardenia also launched a retail promotion for its two low GI breads with various retailers. Customers who purchased the *Gardenia* Low GI Nutri Multi-Grain Loaf or Low GI Soft Grain Loaf received a limited-edition *Gardenia* sandwich box.

- To further promote the benefits of the *Gardenia* Low GI Nutri Multi-Grain Loaf and *Gardenia* Low GI Soft Grain Loaf, Gardenia collaborated with retailer Giant Hypermarket to provide 40 cents savings vouchers to more than 4,000 consumers during roadshows and events.

- In addition to in-store publicity, *Gardenia* promoted the low in sugar message through newspaper advertisements, radio channels, out-of-home advertisements, in-train advertisement panels, social media and health-related community events.

Philippines

- The Nutrition and Wellness team of Gardenia in the Philippines continued its Corporate Wellness Campaign and Supermarket Wellness Camp programs to reach out to the office, household and shopper communities. The Nutrition and Wellness team provided free nutrition counselling on health and wellness, diet prescriptions and bread samples to over 145,000 office workers in 2018.

- Gardenia also rolled out a campaign called "*Nutrition and Proper Hygiene for a Better Future*" in partnership with the Philippines Red Cross and Department of Education to promote proper hand washing and healthy eating habits. The campaign aims to reach out to 15,000 elementary students for the 2018-2019 school year across 18 public schools in Sta. Rose, Laguna.

Malaysia

- In Malaysia, the Group's joint venture, co-sponsored a Nutrition Month Malaysia ("NMM") 2018 health carnival, "*Your Only Choice: Eat Healthy & Be Active*", organised in partnership with the Nutrition Society of Malaysia, Malaysian Dietitians' Association and the Malaysian Association for the Study of Obesity. NMM advocates healthy lifestyle practices to prevent non-communicable diseases and nutritional disorders.

- Gardenia Malaysia sponsored its Canadian Purple Wheat Low GI bread for activities organised by government/private hospitals and health clinics in its effort to increase fibre intake amongst Malaysians and to educate families on the health benefits of consuming a low GI diet. 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 Diabetes Day.

- To enforce the importance of breakfast, Gardenia Malaysia partnered a renowned beverage brand to instil the breakfast habit in Malaysians. More than 88,000 runners and visitors at the fun-filled carnival got to enjoy *Gardenia* products for breakfast.

The Gardenia Malaysia booth at the Nutrition Month Malaysia 2018 health carnival, "*Your Only Choice: Eat Healthy & Be Active*".

Gardenia Malaysia spreads the importance of eating breakfast at a Breakfast Day carnival held in collaboration with a renowned beverage brand.

Reaching Out to Schools

Singapore

- To bring the message of healthy eating to the young, Gardenia worked closely with the HPB to promote the "*Let's Beat Diabetes*" Campaign in schools. In an effort to stop and reverse diabetes, HPB is reaching out to the younger population to spread awareness of preventing pre-diabetes. Gardenia sponsored 450 loaves of *Gardenia* Low GI Soft Grain bread to students and teachers of the Institute of Technical Education ("ITE") Headquarters who had completed a Diabetes Risk Assessment to determine if they were at risk of Type 2 diabetes. Leaflets featuring the benefits of low GI bread were also distributed as part of the educational outreach.

Gardenia Philippines' School Nutri-Tour program promotes nutrition and wellness to schoolchildren in the Philippines.

Philippines

- In the Philippines, Gardenia continued its efforts to help malnourished students of public elementary schools to improve their nutritional conditions through its regular feeding activity called the Nutrition Assistance Program. It donated bread loaves to about 1,100 elementary students in selected schools in Binan, Laguna. At the end of one school year under the Program, and combined with an active lifestyle, it is expected that students will have improved their nutritional status.

Gardenia Singapore's educational outreach on the prevention of pre-diabetes at ITE Headquarters, Singapore.

- Gardenia's School Nutri-Tour program promotes nutrition and wellness among public and private school students. It is a half-day activity that focuses on nutrition education, sandwich recipe demonstration, entertainment activities and bread sampling. In 2018, some 170,000 schoolchildren benefitted from this program.

- Gardenia continued its nutrition and sanitation campaign in partnership with the Philippine Red Cross – Laguna Chapter. The partnership program promotes proper hand washing and healthy eating habits to elementary school students. Approximately 38,000 elementary schoolchildren in 69 schools in Calamba and Binan, Laguna attended the program.

Malaysia

- Gardenia Malaysia supported a program, "*Chef Cilik*" (Junior Chef), a cooking workshop for children organised by nutritionists and dietitians from the University Kebangsaan Malaysia for the second year. This interactive program teaches children basic food preparation skills while educating them on the benefits of a healthy diet in a fun manner.

- To encourage healthy eating habits, Gardenia collaborated with the Department of Nutrition & Dietetics, Faculty of Medicine & Health Science of University Putra Malaysia in a program called "*Young Nutrition Ambassador Camp*". The objective of the program was to teach nutrition and healthy lifestyles to children aged 10 and 11 years old. A series of interactive activities provided opportunities for the children to apply the knowledge learnt in their daily activities. At the end of the program, the participants were encouraged to act as "*Nutrition Ambassadors*" by sharing their knowledge of nutrition with their friends and family members. Gardenia supported the program through sponsorship of goodie bags for participants.

Young people learn the benefits of a healthy diet at the "*Chef Cilik*" cooking workshop organised by University Kebangsaan Malaysia and supported by Gardenia Malaysia.

SUSTAINABILITY **REPORT**

Educating Through Bread Plant Tours

Gardenia believes that education is an ongoing learning journey. Gardenia bakery plants offer free tours to visitors as outreach to the larger community.

Visitors to the daily free educational tours at the Gardenia Singapore plant learn about bread production process and the importance of eating wholegrains for a healthy diet. They are also treated to sampling *Gardenia* products during the tour. Visitors include students, youths and the elderly.

In the Philippines, the Gardenia plant in Laguna accommodated over 300,000 visitors in 2018. The Gardenia Philippines team integrated discussions on healthy eating habits and hygienic practices, values enhancement activities, sandwich-making demonstrations and entertainment programs to make the educational tour program more appealing and relevant to visitors.

The Gardenia Malaysia plant welcomed more than 40,000 visitors from all walks of life and they had the opportunity to view how bread, cream rolls and waffles are produced. It also organised a special visit for a group of senior officers from the Ministry of Domestic Trade and Consumer Affairs to its plant. The visit has established better understanding and further enhanced the relationship between Gardenia and the authority.

PROTECTING THE ENVIRONMENT

Managing Our Effluents

In Singapore, Gardenia's production plants are located in one of Singapore's designated food zones and as such, all the wastewater discharge is handled by the Public Utilities Board ("PUB"). Gardenia operates two production plants that discharge wastewater to the sewer network that leads to the water reclamation plants managed by PUB. Both the production plants discharge a total monthly average of approximately 3391 cubic metres. The wastewater is treated to meet international standards which is safe to be returned to nature. A portion of the treated water is channelled to a separate treatment system at the NEWater Plant and the remaining is channelled to the sea.

In the Philippines, Self-Monitoring Report and Compliance Monitoring Report is submitted by Gardenia on a quarterly and semi-annually basis, in accordance with requirements of the Department of Environment. Gardenia also monitors the effluents by conducting monthly laboratory testing for pH value, discharge temperature, colour, oil and grease, Biological Oxygen Demand, Chemical Oxygen Demand and Total Suspended Solids to ensure that the effluents meet the water quality standards.

Managing Our Energy and Resources

Gardenia Singapore and Philippines use liquefied petroleum gas for the main ovens for the baking processes. Gardenia Singapore and Philippines own delivery trucks and maintain the trucks on a regular basis to ensure the trucks are running in good condition and are fuel efficient to reduce air pollution and greenhouse gas emissions.

The Johor plant uses solar power for compound lighting. Currently, there are 38 units of solar powered lights and the plant is exploring the potential of installing more solar powered lights. As part of its water conservation effort, the plant has a rainwater harvesting system onsite which collects rainwater for non-potable purposes such as urinals, water closet flushing system and general cleaning. There are three rainwater harvesting tanks on site that collectively store 48 cubic metres of rainwater.

The Group's joint venture operations, Gardenia Malaysia, embarked on an energy saving project in 2018. The Bukit Kemuning bakery plant uses the wasted heat generated from the cooling towers to produce hot water. The hot water is then used to clean the machines within the bakery plant. As part of its Green Energy initiative, Gardenia Malaysia also invested in energy saving devices. The devices are incorporated into the air compressor systems to reduce energy consumption. As a result, the plant has managed to reduce 10% of its energy consumption. The use of energy efficient LED lighting in its Puchong bakery plant has also led to the reduction of energy consumption at its production floor by approximately 60%.

Managing Our Waste

Gardenia Singapore is a signatory to the Singapore Packaging Agreement and seeks to reduce its packaging wastes through product development. The company works with the packaging vendor to optimise the packaging micron size while ensuring the packaging does not compromise the quality of its bread. Gardenia Singapore also practices recycling for its bread and plastic packaging. Return and cripple bread are collected and sold as animal feed. Bread packaging is sold to a plastic recycling centre for recycling into trash bags.

Gardenia also 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 from Gardenia's vending machines in Singapore.

Gardenia Singapore encourages consumers to reduce the use of plastic bags by giving away reusable shopping bags.

ENRICHING COMMUNITIES

Growing Together with Our Communities

Gardenia is a well-known household name and it capitalises on its high brand visibility to actively support community initiatives that foster a kind and caring society. Annually, the Group gives back to society through its support of a range of philanthropic, community and charitable causes.

Singapore

Gardenia Singapore had established the Gardenia Bursary in 2017 involving the pledge of a gift of $100,000 each to the National University of Singapore Faculty of Science, and Nanyang Technological University's School of Mechanical and Aerospace Engineering and School of Biological Sciences, Food Science and Technology Programme. The Gardenia Bursary seeks to help talented students achieve their educational and career aspirations and is awarded over a period of five years. Accordingly, in FY2018, the relevant amounts under these bursaries were disbursed to the award recipients.

As part of Gardenia's efforts to reach out to the younger generation, the company sponsored two students from ITE under the SkillsFuture Earn and Learn Programme (ELP) to provide them with a head-start in careers related to their discipline of studies. The ELP is a work-learn programme that provides fresh graduates from polytechnics and the ITE with more opportunities, after graduation, to build on the skills and knowledge acquired in school and better support their transition into the workforce. The two students were engaged as Production Co-ordinators for an 18-month on-the-job training stint to nurture their skills and knowledge of the consumer food industry.

Bread loaves donated by Gardenia Philippines are distributed to the needy in Balo-i, Lanao del Norte, Mindanao, through the Joint Task Force Tabang and 2nd Mechanized Infantry Brigade under Gardenia's "*Daily Bread*" program.

To celebrate Singapore's 53rd birthday, Gardenia pledged a total of 45,000 pieces of *Gardenia* Wholemeal Cream Rolls as a co-partner for the National Day Parade ("NDP") 2018. The *Gardenia* Cream Rolls were distributed to show appreciation to the participants and helpers during the NDP 2018 practice sessions at the Floating Platform, including the actual day event on National Day.

In conjunction with World Bread Day 2018, Gardenia collaborated with the Land Transport Authority and Singapore Kindness Movement in October 2018 to encourage Singaporeans to show appreciation to public transport workers in the bus and rail sectors. A total of 9,000 *Gardenia* cream rolls were distributed at Bishan, Jurong East and Punggol bus interchanges and train stations to the public transport workers, as well as to the public who penned appreciation messages to the public transport workers. In appreciation of its kindness outreach efforts, Gardenia was awarded a certificate by the Singapore Kindness Movement during their 21st Anniversary celebrations in 2018.

In 2018, Gardenia Singapore continued its collaboration with the Rotary Club of Singapore North to distribute heavily subsidised white and wholemeal bread loaves to less fortunate families living in the Teck Ghee area on a weekly basis.

Philippines

Gardenia Philippines is a staunch advocate of social development and regularly contributes its resources for the welfare of the Filipinos. In 2018, Gardenia donated more than 13,000 loaves of bread weekly to about 60 organizations through its "*Daily Bread*" program. The program aims to help improve the nutritional condition of the beneficiaries and help sustain food needs. Apart from these regular donations, Gardenia also distributed 5,000 bread loaves a month to communities in need.

SUSTAINABILITY **REPORT**

Gardenia Philippines distributes bread loaves to victims of a fire in Metro Manila under the *Quick Response* disaster relief program.

Gardenia Philippines is at the forefront of responding to affected families and communities in times of disasters and natural calamities. Under the *Quick Response* disaster relief program, over 8,000 loaves of bread were distributed to about 5,000 families affected by 17 fire disasters during the 2018 hot season. Gardenia also donated some 16,000 loaves of bread to families affected by volcanic eruption and typhoons in 2018.

During the year, Gardenia celebrated Beneficiaries Day with children from Reception and Study Center for Children, Pampanga, and Asilo de San Vicente de Paul, Manila. Gardenia volunteers took the children on a tour of the Gardenia plant and entertained them with exciting games and mascot appearances.

During the National Children's Month in November 2018, Gardenia visited the Southville Community in Calauan, Laguna where about 250 children participated and benefitted from the outreach activity.

In 2018, Gardenia Philippines' employees volunteered in a partnership program with the Department of Environment and Natural Resources – Provincial Environment and Natural Resources Office Laguna for a tree-planting activity in Cavinti, Laguna to plant 2,000 seedlings. Gardenia Philippines also joined Meralco's Mpower community tree planting activity.

Malaysia

In 2018, Gardenia Malaysia donated more than 250,000 units of bread and bakery products to more than 65 charity homes, including old folks' homes, children's homes and shelters. This charitable initiative was started in 1992 with 8 charity homes. Gardenia Malaysia also continues to provide breakfast to 350 under-privileged students in several schools in Kuala Lumpur and Selangor.

Children from Asilo de San Vicente de Paul, Manila, enjoy a fun-filled day at the Gardenia Philippines bread plant on Beneficiaries Day.

In conjunction with World Bread Day, Gardenia Malaysia organised a campaign, the "*Gardenia World Bread Day Campaign*", to promote the spirit of giving. Consumers were encouraged to join the campaign by uploading a photograph of their *Gardenia* loaf purchase receipt to the official *Gardenia* Facebook page and selecting the recipient charity homes of their choice. For every loaf purchased, Gardenia Malaysia contributed ten loaves to the selected homes. The campaign raised 20,000 loaves of bread for 20 charity homes to partially fulfil the requests from the under-privileged in various parts of Malaysia. The free breads were distributed to the charity homes over a period of 6 months. Besides bread contribution, Gardenia Malaysia also added 1000 tubs of kaya as complementary spread for a tasty and hearty breakfast meal.

Gardenia Malaysia distributing free bread loaves to one of 20 charity homes under its "*Gardenia World Bread Day Campaign*" to promote the spirit of giving.

Gardenia Malaysia donated more than 500 school bags to children from villages, low cost housing, single parents and 'Orang Asli' through Malaysia Consumer Protection Association (Johor) and The Social Welfare Department (Selangor). The Gardenia "*Bag-To-School*" annual program helped families to defray their back-to-school expenses.

Gardenia Malaysia donates school bags to underprivileged children under its "*Bag-to-School*" annual program.

During the year, Gardenia Malaysia also supported various charitable causes and the homeless with product donations.

OUR PEOPLE

Investing in Our People to Strengthen Our Workforce

Gardenia believes in equipping its employees with the right skills and work experience. A competent and dynamic workforce enables Gardenia to retain its competitive edge and market leadership within the region.

Training and Education

Gardenia Singapore offers various career development programs that enable its employees to enhance their skills and capabilities to meet the changing needs of the business and to upgrade their skills through local training for employees. The Gardenia Singapore 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. Its employees are regularly sent for training courses in food safety, especially for courses related to ISO 22000 certification. To deepen workplace learning, Gardenia Singapore worked with the National Centre for Excellence for Workplace Learning ("NACE") to develop structured training plans. Gardenia's efforts were noted in Parliament by the Senior Minister of State for Ministry of Education in the context of the topic of building business transformation through skills upgrading for workers. The working hours of employees make attendance at external training challenging.

SUSTAINABILITY REPORT

Gardenia Singapore worked with NACE to develop a workplace learning blueprint which looks to bringing training to employees within its plants. Gardenia Singapore has also implemented structured training for its production co-ordinators under work-learn programmes.

In the Philippines, Gardenia sponsored two employees with Master's degree studies in 2018.

Health & Safety and Wellbeing

In Singapore, Gardenia continues to provide 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.

In the Philippines, Wellness Week programs were conducted for the employees of Gardenia Philippines. Activities included lectures on obesity, urinary tract infection, musculoskeletal strain, family planning, pneumonia, hypertension and anaemia. Blood donation activities, in partnership with Asian Hospital and Medical Center and the Philippine Red Cross, were also held during the Wellness Week. To intensify health promotion, employees enjoyed complimentary regular Zumba sessions. Talks on financial wellness taught employees about different savings and investment strategies.

BAKERS MAISON

PRODUCT RESPONSIBILITY

Our Commitment to Food Safety and Quality

Bakers Maison is committed to delivering safe and high quality products. Bakers Maison is both HACCP and Safe Quality Food ("SQF") Version 8, certified to the highest available level. Bakers Maison has also obtained Halal certification for most of its products by the Australian Federation of Islamic Councils Incorporated, Australia's National Islamic Organisation. The operations apply the GMP hazard management procedures.

Bakers Maison practices stringent internal quality control and regular product checks to maintain the high standards through its Quality Assurance team. The following practices are also in place to maintain the quality expected of its products:

- Annual audit by SQF certifying body
- Annual audit by HACCP certifying body
- Annual audits from key customers

Innovating and Developing Products High in Nutrition

Bakers Maison's products use only natural, mostly Australian ingredients and contain no added sugar or preservatives. Selected items of the products are high in fibre and gluten free. The breads also have no added artificial flavours. In 2018, the Gluten Free manufacturing section was certified by the Coeliac Association.

Gluten Free muffins from Bakers Maison Australia.

PROMOTING HEALTHY EATING AND LIFESTYLES

Making Our Products Accessible

In Australia, Bakers Maison distributes its products throughout the country as far as Tasmania, Western Australia and the Northern Territories using third party transport companies. Bakers Maison leverages on its frozen bakery products with the goal that customers will have access to freshly-baked breads and pastries. Frozen products remain fresher for longer periods and allow customers to consume fresh, quality and tasty products as required. Frozen products also reduce the need for frequent deliveries, reducing impact on the environment.

PROTECTING THE ENVIRONMENT

Managing Our Effluents

Bakers Maison's environmental policy reinforces the business's commitment to improve and review its environmental performance by setting targets to reduce the use of resources and pollution prevention. The company's environmental action plan is regularly reviewed and acts as a prompt when identifying environmental aspects and impacts on the site.

Bakers Maison's wastewater discharge complies with the Sydney Water Board regulations. Wastewater is discharged through grease traps before going into the sewer. Bakers Maison undertakes inspection and cleaning of grease trap every quarter.

Managing Our Energy and Resources

Bakers Maison monitors its carbon footprint. In addition to the solar panels installed on the roof of its main production facility, the new extension, completed in 2017, was designed to be highly energy efficient and 'green rated'. It has approximately 1,100 square metres of solar panels that are able to generate 200kVA of energy.

The entire solar panel system generates enough power to cover over 15% of Bakers Maison's electricity requirements. The solar panel system, together with other energy saving measures such as sensor-activated LED lighting that automatically switches off lights when there is no activity, and the use of natural gas in its ovens, has enabled Bakers Maison to reduce its energy consumption by approximately 20% in FY2018.

Bakers Maison sources approximately 90% of its raw materials locally. It believes that this practice indirectly reduces carbon emissions through the transportation of raw materials for the business.

Managing Our Waste

Bakers Maison seeks to adopt waste minimisation practices. It tries to reduce cardboard waste during bulk packaging of its products but at present it appears that there are limited avenues to innovate bulk packaging. As part of its ongoing waste management initiative, Bakers Maison continues to support local farmers with regular donations of edible waste from production, which are then mixed with grains and recycled into animal feed.

ENRICHING COMMUNITIES

Growing Together with Our Communities

Bakers Maison actively seeks opportunities to contribute to the wellbeing of the communities in which it operates.

Bakers Maison helped to raise funds for Australian farmers and their families as they battled some of the worst drought conditions seen in decades. Through Bakers Maison retail stores, Bakers Maison donated 5 cents for every $1 of bakery items sold, to the Australian Red Cross Disaster Relief and Recovery Appeal.

Solar panels installed on the rooftops of Bakers Masion's production facilities in Australia.

SUSTAINABILITY **REPORT**

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

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

In support of White Ribbon Australia's campaign against domestic violence, staff of Bakers Maison participated in the "*Strong Men Pull Their Weight*" Canterbury Bankstown White Ribbon Tug O 'War Cup in November 2018. Bakers Maison's staff also supported the campaign by taking the pledge to speak up against domestic violence.

OUR PEOPLE

Investing in Our People to Strengthen Our Workforce

The business recognises that the skills and capabilities of its employees are key to its long-term success. Bakers Maison values its employees and provides learning and development opportunities to realise their potential. The learning and development opportunities can be broadly categorised into technical skills, compliance and development.

In 2018, Bakers Maison conducted a series of presentations for its production employees on bullying, harassment and discrimination. The presentations were put on in response to the "*me 2 movement*" against sexual harassment and assault to raise awareness, preventative actions in the workplace and reinforce Bakers Maison's Code of Conduct and shared values.

Health & Safety and Wellbeing

To encourage health and safety, Bakers Maison implemented a new and improved Work Health & Safety ("WHS") management system that included new eye wash stations, increased emergency lighting, additional safety signage, improved chemical management and storage areas. It also revised the site emergency management plan and risk management processes.

A contractor induction booklet and checklist was issued to new and existing contractors working at Bakers Maison's premises. This induction booklet contains pertinent information on site work health and safety as well as contractor specific requirements they need to be met prior to commencing work on site.

Staff of Bakers Maison participate in the "*Strong Men Pull Their Weight*" Canterbury Bankstown White Ribbon Tug O 'War Cup in support of White Ribbon Australia's campaign against domestic violence.

The company also revised its visitor admittance policy and introduced an electronic sign-in system to keep accurate records of all visitors and contractors to the site. A new transport management plan managed traffic risks at the workplace together with a revised incident investigation and injury management procedure.

To promote health and wellbeing, all Bakers Maison's employees were given the opportunity to receive free influenza vaccination before the start of winter. A medical practitioner came on-site to provide information to employees and give the vaccinations.

Bakers Maison celebrated cultural diversity in July 2018 during the Company's annual Harmony Day event. This is a day of cultural respect for everyone who calls Australia home, promoting harmony and social cohesion. Employees brought a dish from their home countries to share with colleagues. Held every year on 21 March in Australia, Harmony Day coincides with the United Nations International Day for the Elimination of Racial Discrimination.

Staff of Bakers Maison celebrate their cultural diversity at the annual Harmony Day event in Australia.

PRIMARY PRODUCTION

The Group's Primary Production business has achieved notable progress on its sustainability performance in 2018. Rivalea, the Group's primary production brand has been working on a number of programs targeting animal welfare and managing the use of energy in 2018. Rivalea is also committed to being a responsible corporate citizen to drive positive impacts for the community.

Material Factors	FY2018 Achievements	FY2019 Targets
Product Responsibility	100% of the total production volume was manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards.	Maintain FY2018 performance
Animal Welfare	Zero incidents of significant non-compliance with Australian laws and regulations related to transportation, handling, and slaughtering practices for live terrestrial animals.	Maintain FY2018 performance
Protecting the Environment	No incidents of non-compliance with the applicable regulations and wastewater requirements of the local authorities in respect to the water quality discharge* ** Applicable to the wastewater treatment plant at Victoria*	Maintain FY2018 performance

SUSTAINABILITY **REPORT**

Rivalea has farm biosecurity policies and procedures, including strict employee and visitor quarantine policies regarding entry into its farms, biosecurity protocols prior to entering farms and barriers to entry around the farms.

RIVALEA

PRODUCT RESPONSIBILITY

Our Commitment to Food Safety and Quality

Rivalea sources grain and raw materials to produce stockfeed for its own pork production as well as supply to other farmers, retailers and feedmills. To produce quality pork and stockfeed, Rivalea sources high quality raw materials. A large proportion of grain that Rivalea uses is sourced directly from local growers with the balance acquired from small and large trading agents. Other raw materials are either sourced locally such as legume grains and by-products or imported such as soy bean meal.

High quality pelleted stockfeed.

As a pork producer, Rivalea possesses Export Registered Establishment, SQF 2000, Australian Livestock Animal Welfare Certification, Australian Pork Industry Quality Assurance Program, HACCP and GMP certification under the BSI Food Safety Management System and FeedSafe accreditations. As a supplier of pork, Rivalea also has accreditations with many of Australia's leading supermarket chains. Rivalea also maintains its own pork processing plants and boning facilities which leverage on technology to achieve better quality carcasses and meat cuts and meat packaging at high hygiene and sanitation standards. Rivalea has a team of food safety and quality assurance officers to conduct daily inspection and sampling of both products and equipment to comply with food safety and customer standards. The samples are evaluated at Rivalea's on-site microbiology laboratory accredited with the National Association of Testing Authorities.

Rivalea successfully maintained 100% of its production volume manufactured in certified sites in 2018.

The outbreak and spread of ASF in Asia and Europe is a significant concern for the Australian pork industry. Earlier in 2019, Australia's biosecurity authorities detected ASF in seized meat products at its international border. Australia has strict national biosecurity laws and isolation. Rivalea has farm biosecurity policies and procedures, including strict employee and visitor quarantine policies regarding entry into its farms, biosecurity protocols prior to entering farms and barriers to entry around the farms. Rivalea's business is not affected by ASF, but the company remains vigilant and has taken steps to implement additional measures under its biosecurity measures to protect its business. To reduce the risk of infection from contaminated pork on a Rivalea farm, no pork products are permitted to be brought into any Rivalea farm quarantine areas. The pork ban also extends to Rivalea feedmill sites. Rivalea works closely with the Australian pork industry association, APL, and Rivalea's veterinary expert, Dr Regina Fogarty, is a key reference person of the APL as a source of information and assistance in the evaluation of biosecurity risks. Under Australian government agreements, ASF is a Category 3 emergency animal disease in the Government and Livestock Industry Cost Sharing Deed in Respect of Emergency Animal Disease Responses (EADRA) (2002). This means that arrangements are in place to fund the costs of managing the disease during any outbreak.

ANIMAL WELFARE

Treating Our Animals Ethically Through Best Practices and Leadership

Rivalea commits to "caring for every animal, every day" and sets up systems and practices that deliver high standards of welfare for its animals.

Being a proactive leader in the Australian pork industry, Rivalea works with customers, animal welfare groups, industry bodies, universities and community to determine animal welfare program research strategies and direction, conduct research product recommendations and establish best practices. Rivalea also has involvement in APL, AWSC (Animal Welfare Science Centre), 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.

Rivalea continues its best practice and leadership in animal welfare in 2018, including:

- Removed all gestation stalls and is 100% Gestation Stall Free accredited under APIQ (Australian Pork Industry Quality Assurance Program), with pregnant sows accommodated in social groups which enable them to move freely and perform natural social behaviours.
- Conducted experiments in areas of housing environmental enrichment, reduced confinement sow housing, lactation, improving piglet survival in free range systems, ecoshelter (group housed, bedded housing) systems, outdoor areas for pigs, welfare assessment, improving positive affective state of pigs, humane euthanasia and CO_2 stunning.
- Developed low confinement sow, loose farrowing pen systems and implementing a commercial shed of loose farrowing systems.
- Investigated indoor group housed, deep-bedded housing system designs that eliminate the need for additional energy for heating (gas).
- Implemented enrichment programs on all farms to enhance sow welfare (by encouraging positive, natural animal behaviour). By 2020, all Rivalea sows will have access to environmental enrichment for part of their breeding cycle.
- Supported a "*Treat Program*" which uses small edible cubes as "treats" to further foster positive interactions between Rivalea stockpeople and its pigs.
- Investigated impacts of positive human interactions (i.e. positive contact through patting sows and talking quietly) on sow welfare and reproductive performance and developing novel measures of assessing welfare and positive state in pigs.
- Consulted with experts to develop best practice systems at its pork processing plants.
- Implemented group stunning system at Diamond Valley Plant abattoir to reduce animal handling and minimise stress prior to slaughter.

Rivalea continues to operate one of the largest private research and innovation groups in the Australian pig industry. The research areas include animal welfare, veterinary science, food safety and new product development. Rivalea continues to contribute to the industry by publishing the research outcomes in scientific publications, industry publications and at national and international conferences.

Continuing the efforts and achievements in 2017, Rivalea rolled out an internationally recognised stockperson training program, "*ProHand*", in 2018. The training program focuses on teaching and promoting positive animal handling techniques and improving human interactions.

In 2018, Rivalea awarded two employees as winners of the Annual Animal Welfare Champions under the Welfare Awards Program which is in line with its Guiding Principles for Animal Welfare developed in 2017. The program is intended to recognise achievements of employees who actively support animal welfare.

PROTECTING THE ENVIRONMENT

Managing Our Effluents

Rivalea employs an Environmental Team to oversee its formal Environmental Management System, managing compliance with environmental laws and regulations, identifying and managing environmental risks and energy generation and advising operational groups on key issues. All key environmental indicators along with resource use such as energy and water system are recorded and analysed by the Environmental Management Team to identify any problems or opportunities to manage environmental resources more effectively.

In Rivalea's piggeries, wastewater is treated biologically via its wastewater treatment system (typically in anaerobic and aerobic lagoons). After treatment, the wastewater is either evaporated or diluted to allow disposal by irrigation onto agricultural land (either owned by Rivalea or third parties). 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 sludge from the DAF is disposed of as prescribed waste and is transported offsite to be processed at a dedicated compost facility.

SUSTAINABILITY REPORT

The water is then pumped from the site and discharged to the sewer in line with the Trade Waste Agreement with local water authority. Rivalea's farm at Corowa uses treated water to grow crops, which are either used in its operations or sold to other farmers. 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.

Managing Our Energy

Rivalea has two biogas collection facilities that capture and burn methane generated from its farming operations. In the second half of 2017, Rivalea secured a second seven-year contract for delivery of 240,000 Australian Carbon Credit Units, to be generated from a new biogas project to be commissioned in 2019. The new lagoon excavation, covering and associated works is expected to be completed in Q2 2019, with the delivery and commissioning of the third generator and project completion expected by the end of Q2 2019.

Managing Our Waste

Rivalea is a signatory to the Australian Packaging Covenant ("APC"). The APC is a sustainable packaging initiative which aims to change the culture of business to design more sustainable packaging, increase recycling rates and reduce packaging waste.

ENRICHING COMMUNITIES

Growing Together with Our Communities

Rivalea implemented a new company policy devoted to supporting community volunteering. This policy empowers employees to take-up or continue participating in community events such as tree planting with local High School students, Clean Up Australia Day with local volunteers and various volunteering with not-for-profit organisations.

In 2018, Rivalea sponsored a new Children's Playground Project to replace and upgrade play equipment that was

Rivalea's biogas generator.

damaged in flood waters, a new picnic shelter at a local recreation park and upgraded water coolers at a local sporting facility. The new picnic shelter and upgraded water coolers help promote community involvement in sport and recreational activities.

Rivalea offers opportunities to local high school and university students to 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.

OUR PEOPLE

Investing in Our People to Strengthen Our Workforce

Rivalea supports its employees' professional and personal development through various initiatives as it understands that the employees drive the success and achievements of the business.

Training and Education

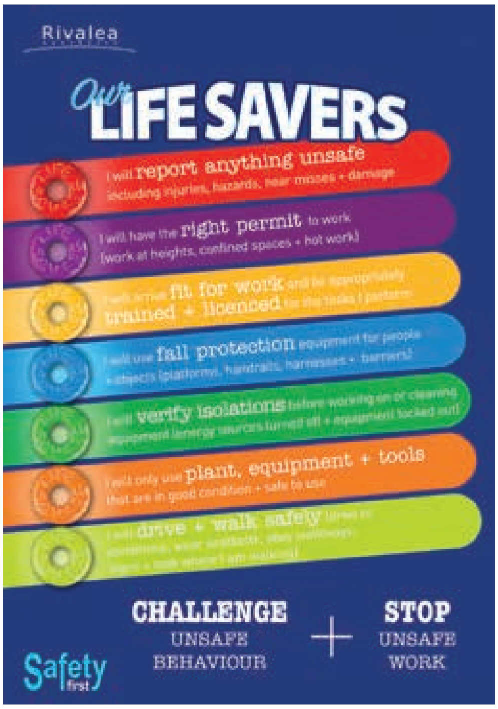
At Rivalea, employees have access to various training, development and career opportunities, including tertiary education. Rivalea has an in-house learning and development team and is equipped with its own dedicated training facilities and tailored resources. Rivalea supports employees who are studying, 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. In 2018, Rivalea supported ten employees with Bachelor and post-graduate studies, and over 30 employees with nationally-accredited qualifications. During the year, Rivalea also continued its focus to roll out of a number of education and training programs related to WHS to employees at all levels and all sites.

Health & Safety and Wellbeing

In 2018, Rivalea continued with the implementation of the WHS strategy. This is the second year of its strategy, "*Safety First*". The strategy is focused on systems and processes; ownership and engagement; key risks and compliance; and health and wellbeing.

Key deliverables of the strategy include a range of new procedures, tools and resources with the delivery of associated training to employees, along with the introduction of:

- A new Safety Management System
- A new Contractor Management System
- A new Incident and Hazard Reporting System
- A new Injury and Claims Management System
- The "*Life Savers*" initiative which details 7 key safety requirements for every employee to consider when working.



Rivalea's "Life Savers" poster reminds employees to adopt safe work behaviour and practices.

In addition to health and safety, Rivalea also rolled out health and wellbeing initiatives for its employees by providing free influenza vaccinations and an on-site physiotherapist provides proactive management of injuries as well as facilitates treatment for stay-at-work and early return-to-work programs.

The "*R U OK Rivalea*?" program continued to raise awareness and promote mental health by reminding people to 'check in' with their family, friends and work mates. The program includes free resources for employees which provide information on how and where to access mental health help and support.

CORPORATE **GOVERNANCE REPORT**

(AS AT 15 MARCH 2019)

QAF Limited ("**QAF**" or the "**Company**") has elected for adoption of Rule 710 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") in advance, and in this Corporate Governance Report describes its corporate governance practices for the financial year ended 31 December 2018 ("**FY2018**") with specific reference to the principles and provisions of the Code of Corporate Governance 2018 ("**Code**"). This report makes cross-references to certain sections of the Annual Report such as information on our Directors on pages 12 to 16 and our sustainability approach on pages 32 to 61. For completeness, this report should be read in conjunction with the other reports and information in the Annual Report.

The Company recognizes the importance of sound corporate governance practices. It focuses on the substance and objective of the Principles underpinning the Code's Provisions whilst pursuing its corporate objectives and strategy of long term sustainable growth and value creation. Where there were variations in the Company's corporate governance practices from the Provisions, explanation as to how the Company's practices were consistent with the intent of the Principle in question is provided in the relevant paragraph of this report.

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: *The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

(1) *Provisions 1.1, 1.3, 1.4 and 1.5*

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, with a view to achieving long-term success for the Company. 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 32 to 61 of this Annual Report which sets out the Board's Statement and other information on the Company's sustainability approach as well as information on the Group's Code of Business Ethics.

The functions of the Board are carried out by the Board or delegated by it to various Board Committees. The Board has established the following Board Committees: Audit & Risk Committee, Nominating Committee, Remuneration Committee and Executive Committee. The members of these Committees are set out in the Corporate Information page of this Annual Report.

Each Committee has written terms of reference including the authority to examine issues relevant to its terms of reference and to approve and/or make recommendations to the Board for consideration. A summary of the terms of reference and the activities of the Committees are more particularly described in other sections of this report. The Executive Committee, which comprises members of Management and our non-executive Vice Chairman, 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 venture(s) in which the Group has an interest, save for, *inter alia*, interested person transactions, transactions which constitute major transactions under Chapter 10 of the Listing Manual of the SGX-ST and any matter which the

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2019)

Executive Committee considers to be material for deliberation by the Board. Please refer to page 76 of this report (Principle 9 "Provisions 9.1 and 9.2") for more information on matters where decisions require Board approval. The Executive Committee reports to the Board on significant decisions and developments relating to the Group on at least a quarterly basis. The long-term vision and strategy for the Company is formulated and discussed at the Executive Committee and Board level, and its implementation, including articulation to shareholders and employees, is tasked to the executive Directors. Management works with, and is accountable to, the Board. In its review of the performance of Management, the Nominating Committee and the Remuneration Committee consider several factors such as those set out on pages 70 and 72 of this report under Principle 5 "Provisions 5.1 and 5.2" and Principle 7 "Provisions 7.1 and 7.3".

The Board conducts regularly scheduled meetings on a quarterly basis. Additional meetings are convened as and when circumstances warrant. Where a Director faces conflicts of interest, he shall recuse himself from discussions and decisions on the relevant matter. The FY2018 attendance and participation of the Directors at Board and Committee meetings as well as the Company's Annual General Meeting in April 2018 ("**AGM**"), is set out below:

	Board	**Audit & Risk Committee**	**Nominating Committee**	**Remuneration Committee**	**AGM**
Number of meetings held in FY2018	4	4	1	1	1
Name of Director	**Number of meetings attended in FY2018**				
Didi Dawis	4	NA	NA	1	1
Andree Halim	4	NA	1	1	1
Lin Kejian	3	NA	NA	NA	1
Goh Kian Hwee	4	NA	NA	NA	1
Tan Teck Huat	4	NA	NA	NA	1
Tan Hang Huat	4	NA	NA	NA	1
Gianto Gunara	3	NA	NA	NA	1
Choo Kok Kiong	4	NA	NA	NA	1
Dawn Pamela Lum	4	4	1	1	1
Triono J. Dawis	4	4	NA	NA	1
Lee Kwong Foo Edward	4	4	NA	NA	1
Ong Wui Leng Linda	4	4	1	NA	1

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

The other directorships and principal commitments held by the Directors have not compromised the time and attention devoted by them to the discharge of their duties to the Company. Please also refer to the disclosures under Principle 4 "Provision 4.5" at page 70 of this report.

(2) *Provision 1.2*

Newly-appointed Directors to the Company are given orientation including briefings 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 information on their fiduciary and other general duties and obligations, on the Company's governance framework, policies and/or processes.

Directors are provided the opportunity to develop and maintain their skills and knowledge on areas relevant to their duties as 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 Company makes arrangements for and funds the Directors to attend such training The Management (with the assistance of external consultants, where considered appropriate) furnishes the Directors with information pertinent to the Group's business including information to keep them apprised of issues and developments, both locally and in other jurisdictions, pertinent to the Group's businesses, changes in laws, listing rules or accounting matters and regulatory and compliance issues. In addition, Directors are at liberty to request for further explanations, briefings or information as and when required.

(3) *Provisions 1.6 and 1.7*

The Management provides Directors with periodic management financial information relating to the Group and quarterly updates are provided to the Board. Board papers are prepared for each meeting of the Board and are normally circulated at least five 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, forecasts and analyses) 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.

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, 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. The Constitution of the Company provides that the Company Secretary shall be appointed and may be removed by the Directors.

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

CORPORATE **GOVERNANCE REPORT**

(AS AT 15 MARCH 2019)

BOARD COMPOSITION AND GUIDANCE

Principle 2: *The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

(1) *Provisions 2.1, 2.2, 2.3 and 2.4*

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. Ms Dawn Pamela Lum is the Lead Independent Director. The majority of the Board comprises non-executive Directors, namely, nine out of 12.

The independence of each Director is reviewed annually by the Nominating Committee. In its deliberation on the independence of Directors in FY2018, the Nominating Committee took into account, amongst others, each independent Director's confirmation of his or her independence based on the guidelines in the Code. The Nominating Committee, with which the Board concurred, was of the view that Mr Didi Dawis may continue to be regarded as independent notwithstanding his substantial shareholding in the Company (ie, a shareholding interest of 5% or more in the Company), and that Mr Triono J. Dawis may continue to be regarded as independent notwithstanding such substantial shareholding of his father, Mr Didi Dawis. To that extent, the Company deviated from Provision 2.1 of the Code, but the Company is of the view that its position and corporate governance practice on this issue are consistent with the intent of Principle 2, as explained in this paragraph (1). Mr Didi Dawis has a significant minority shareholding interest of 8.32% in the Company and he represents the interests of a minority, non-controlling shareholder on the Board. His presence on the Board and his views therefore serve as a useful check and balance viz-a-viz that of the controlling shareholders (who have shareholding interests of approximately 61%) and of the Management. Further, he demonstrated strong independence in conduct, character and judgement in the discharge of his responsibilities as a Director of the Company. Mr Didi Dawis, together with his son, Mr Triono Dawis, contributed proactively at Board meetings and discussions, by providing additional or differing views and perspectives to, and engaging in robust debates with (including constructively challenging), Management and/or the controlling shareholders. The Nominating Committee was of the view that given the factors noted herein, his independence in conduct, character and judgement was not compromised by the mere fact of his shareholding interest of more than 5% and such shareholding interest did not interfere, or could reasonably be perceived to interfere, with exercise of his independent business judgement in the interests of the Company. Mr Didi Dawis confirmed that he had no relationships with the Company or its related corporations, substantial shareholders or officers which interfere, or could reasonably be perceived to interfere, with the exercise of his independent business judgement in the best interests of the Company. Mr Didi Dawis has served on the Board for more than nine years. Under the recent changes to the Code and the SGX-ST Listing Manual, the new rule affecting directors who have served for more than nine years will only apply from 1 January 2022.

The Board is cognizant of the need for progressive refreshing of the Board. 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 in FY2018. The Board is made up of members with diverse backgrounds, skillsets and experience (including extensive and in-depth corporate experience involving listed companies), 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. Our two female Directors were selected taking into account, amongst others, their qualifications, extensive experience and expertise in relevant areas such as role in senior management or boards of listed companies, due understanding of listing compliance requirements, 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 Wui Leng Linda, whilst the Nominating and Remuneration Committees are chaired by Ms Dawn Pamela Lum, who is also Lead Independent Director. Our Board has two directors below 45 years of age, Mr Lin Kejian (age 40) and Mr Triono J. Dawis (age 37). Mr Lin Kejian is Joint Group Managing Director, who focuses on strategic matters. Mr Triono J Dawis' contribution of fresh perspectives and to robust debates during Board and Audit & Risk Committee discussions has been noted above. In January 2018, Mr Andree Halim appointed Ms Rachel Liem Yuan Fang, aged 23, as his alternate Director with a view to nurturing her for future leadership role. Certain key information on our Directors is found in the section of this Annual Report entitled "Board of Directors" at pages 12 to 16.

Whilst the Board consists of 12 members, to facilitate operational efficiency, it has an Executive Committee consisting of four Directors to whom it has delegated overall supervision and management of the Group's operations and affairs. At the same time the Board continues to benefit from the business knowledge, commercial and industry experience, as well as extensive business network of the other Board members. The four non-independent, non-executive Directors have elected not to receive director's fees, as shown under Principle 8 "Provisions 8.1 and 8.3".

The Board is therefore of the view that its size, and that of the Board Committees, and level of independence is appropriate and comprise Directors who as a group have an appropriate balance and mix (as well as breadth and depth) of skills, knowledge and experience, and diversity of thought, so as to foster constructive and robust debate and avoid groupthink.

The Board supports diversity as part of its policy for the selection, appointment and re-appointment of Directors, for the purpose of enhancing Board effectiveness. The Board does not intend to appoint persons as Directors by reason of their gender or age as token representatives on the Board or simply to meet quotas. It is noted that the Diversity Action Committee (DAC) has set a target of having a 20% female representation on the boards of Singapore listed companies by 2020. *The Singapore Directorship Report 2018* states that gender diversity continues to be a challenge, with women only holding 11.9% of board seats in Singapore in 2018. The Company's two female Directors represent about 16.7% of our Board. The Board has reservations on setting a quota as a target, as it may detract from the more fundamental principle that the candidate must be of the right fit and meet the relevant needs and vision of the Board and Company at the material time. The Board's policy is that the Nominating Committee shall undertake an annual review of the Board's composition. During such review, it shall articulate key selection criteria (including succession planning) as well as differing channels for sourcing candidates, being conscious of the need to consider varying criteria and channels, and report and make recommendations to the Board accordingly. The Board will continue to review its diversity policy.

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(2) *Provision 2.5*

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 including on the Group's operations and processes, 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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

(1) *Provisions 3.1 and 3.2*

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, 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 and value creation. No one individual director has unfettered powers of decision making, as reflected in the disclosures under Principle 1 "Provisions 1.1, 1.3, 1.4 and 1.5".

(2) *Provision 3.3*

In 2018, the Company 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. In line with this, our Lead Independent Director, who has extensive experience from her previous role as company secretary in a major listed company and is familiar with procedures for general meetings, also chairs general meetings of the Company. Our Lead Independent Director also responds to shareholders who seek out a different channel of communication with the Company from Management or the Chairman.

BOARD MEMBERSHIP

Principle 4: *The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

(1) *Provisions 4.1 and 4.2*

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

Under its written terms of reference, the Nominating Committee is empowered, *inter alia*, to review and make recommendations to the Board on the following matters:

(a) setting up and implementation of procedures to facilitate a formal and transparent process for the appointment of new directors;

(b) review of the suitability of the directors due for re-election and re-nomination each year;

(c) the independence of each director;

(d) the training needs of the Board members; and

(e) the process and criteria for the evaluation of the performance and effectiveness of the Board as a whole, and ascertain whether any aspects of the Board's oversight can be strengthened and improved.

In addition, the Nominating Committee is responsible for making recommendations to the Board on relevant matters relating to, amongst others, the review of succession plans for Directors and key management personnel, and the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors.

(2) *Provision 4.3*

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 skillsets, experience and expertise (taking into consideration breadth and depth of experience) 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, skillsets, experience and characteristics of the candidates. The Nominating Committee's recommendation is subject to the Board's approval.

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In deciding the Directors who are to stand for re-election, the Nominating Committee evaluates the contribution and performance of each Director to the effectiveness of the Board and also considers need for progressive renewal 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.

(3) *Provision 4.4*

The independence of each Director is reviewed annually by the Nominating Committee and, as and when circumstances require, whether there is a change to the independent status previously accorded to the relevant Directors. For the Nominating Committee's review on the independence of Directors in FY2018, please refer to the section dealing with Principle 2 "Provisions 2.1, 2.2, 2.3 and 2.4" on page 66 of this report.

(4) *Provision 4.5*

The Nominating Committee is assisted by the Legal Department of the Company in providing new Directors with information on their duties and obligations as directors (please refer to the section dealing with Principle 1 "Provision 1.2" of this report). The Nominating Committee evaluates the performance of the Directors annually, as described under Principle 5 "Provisions 5.1 and 5.2".

The Directors' board representations (if any) on other listed companies and other principal commitments are set out on pages 12 to 16 of the Annual Report. The Board takes the view that such other listed company 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.

BOARD PERFORMANCE

Principle 5: *The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

Provisions 5.1 and 5.2

The Nominating Committee recommends to the Board the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole and of each Board Committee separately as well as the contribution of the Chairman and each individual Director.

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.

The Nominating Committee has established a formal evaluation process for assessing the Board as a whole, the Board Committees and individual Directors. For FY2018, no external facilitator was engaged.

Each Director was requested to complete an evaluation form to assess the effectiveness of the Board in key areas including board composition, procedures, training, strategy and performance. The Nominating Committee also undertook an evaluation of the Board Committees based on, amongst others, assessment criteria recommended by the Singapore Institute of Directors. Information on the contributions and performance of individual Directors including on Board Committees was collated, incorporating any comments of the Directors by way of self-assessment, and reviewed by the Nominating Committee. In its evaluation of individual Directors, the Nominating Committee considered, amongst others, the specific criteria set out under Principle 4 "Provision 4.3" and under Principle 7 "Provisions 7.1 and 7.3". The results of the evaluation exercise were reviewed by the Nominating Committee, and reported to the Board with any relevant recommendations. When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussions.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies/Level and Mix of Remuneration/Disclosure on Remuneration

Principle 6: *The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

Principle 7: *The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

Principle 8: *The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

(1) *Provisions 6.1 to 6.4*

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

Under its written terms of reference, the Remuneration Committee, amongst others, shall assist the Board in the review of the framework for remuneration of the Board and key management personnel, 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 Remuneration Committee shall also review service contracts to be entered into between the Company and an executive Director or other key management personnel of 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. No remuneration consultant was engaged by the Company in FY2018.

The Remuneration Committee reviews and makes recommendations to the Board on the remuneration packages of the Directors and key management personnel (who are not also Directors). Any Director who has an interest in the matter in question is required to abstain from participating in the decision-making.

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(2) *Provisions 7.1 and 7.3*

The Remuneration Committee's review and recommendations to the Board on the remuneration packages of the executive Directors and key management personnel (who are not also Directors) is undertaken with objective of ensuring that their remuneration is competitive and sufficient to attract, retain and motivate persons of the required caliber and skills to provide good stewardship and run the Company and the Group successfully, as well as motivate competent, committed and loyal key executives. For FY2018, the Remuneration Committee determined that the factors to be taken into account for this purpose include the individual performance and contribution of the employee to the Group including towards pursuit of the Company's long term strategic objectives and vision, level and extent of responsibility and accountability, the level of experience, expertise, skillsets, competency and potential of the individual, the prevailing market remuneration and the performance of the Group based not on a single year in isolation but over a longer-term basis to take into account the effect of the cyclical nature of the Primary Production segment, all with a view to encouraging focus on long-term sustainable growth and value creation, over short-termism. This longer-term approach is consistent with Provision 7.3 of the Code which states that remuneration is appropriate to attract, retain and motivate key management personnel to manage the company for the long term and is consistent with the Company's approach in recommending a final dividend of 4 cents per share for FY2018 amounting to approximately S$23 million although the Group's earnings attributable to shareholders for such financial year amounted to approximately S$8 million. Consideration was also given, amongst others, to the scale of the Group's operations (including the Group's Malaysian joint venture) which span several countries and generated in excess of S$1 billion of revenue in FY2018, and to specific actions taken towards addressing, amongst others, long term strategic and policy matters such as the Group's ageing facilities, production capacity constraints of the Bakery segment, the cyclical nature of the Primary Production segment, better financial and investment discipline and succession planning for the Group. For FY2018, the Company identified three employees (other than Directors) who constitute key management personnel within the definition of the Code (ie, the chief executive officer and other persons having authority and responsibility for planning, directing and controlling the activities of the company).

The remuneration of the executive Directors and key management personnel (who are not also Directors) 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 benefits. In relation to long term incentive schemes, the Company does not have any employees' share incentive plan to avoid short termism. It previously had an employee share option scheme, which is no longer in force. 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.

Executive Directors and the key management personnel (other than Directors) receive remuneration as employees of the Company and do not receive directors' fees or other remuneration from the Company or its subsidiaries.

The long-term interests of the Company and its risk policies are therefore taken into account in structuring and determining remuneration. Board endorsement is sought for the remuneration packages of the executive Directors and the key management personnel (who are not also Directors).

The Company did not have contractual provisions to reclaim incentive components of remuneration from FY2018 executive Directors and key management personnel (other than Directors) 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 other key management personnel's remuneration is tied solely and specifically to the profitability of the Company or the Group, as explained above.

(3) *Provision 7.2*

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, as set out below, which amounts take into account the responsibilities and expected time spent for the respective roles:

Board Membership (base fee)	S$30,000
Board Chairman	S$30,000
Audit & Risk Committee	
Chairman	S$30,000
Other members	S$20,000
Nominating/Remuneration Committee	
Chairman	S$20,000
Other members	S$15,000
Executive Committee	Nil
Lead Independent Director	S$5,000

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 SGX-ST listed companies with similar market capitalization.

The total fees payable to each non-executive Director for FY2018 is set out in the sub-section below under "*Provisions 8.1 and 8.3*".

(4) *Provisions 8.1 and 8.3*

In considering the disclosure of remuneration of the executive Directors and of the key management personnel (who are not also Directors) in the manner set out in Provision 8.1 of the Code, 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. In particular, apart from the key management personnel, the Group has other senior management executives who are the chief executive officers of the Group's business

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units. The Company had previously already disclosed heightened competition faced by the Group, not just in Singapore but also in other jurisdictions where it operates. In the Company's announcement of its FY2016 full year unaudited financial results and annual report for FY2016 and again in its FY2017 full year unaudited financial results and annual report for FY2017, it was disclosed that one of the key categories of risks faced by the Group is competition (such risk having been identified by the management, reviewed by an external professional consultant 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, was already in 2017 and remains of the view that disclosure of its executive Directors and other key management personnel's remuneration in such detail as is provided for under Provision 8.1(a) and (b) of the Code is not in the interests of the Company and the Group, and has therefore deviated from this Provision to the extent that the remuneration of the executive Directors is disclosed in bands, and that the names, remuneration in bands no wider than $250,000, breakdown of remuneration and total remuneration of the key management personnel (who are not Directors) are not disclosed.

The Company is of the view that its corporate governance practice on this aspect is consistent with the intent of Principle 8. The Company has disclosed in the Notes to the Financial Statements under the Financial Contents of this Annual Report, the total FY2018 remuneration of its five key management personnel (including the executive Directors). It has also disclosed the FY2018 remuneration of such key management personnel in band(s) as set out below. The total FY2018 remuneration of QAF's five key management personnel (including the executive Directors) was S$4.59 million (versus S$4.88 million for FY2017). The Company has also given detailed disclosure on its remuneration policy including criteria for assessment of performance and the relationship between remuneration, performance and value creation (see Principle 7 "Provisions 7.1 and 7.3"). The Company therefore believes that, taken as a whole, the disclosures provided are meaningful and sufficiently transparent in giving an understanding of the remuneration of its key management personnel including the executive Directors.

Executive Directors

Remuneration Band/Name of Executive Director	Fixed Salary	Variable Bonus	Other Benefits[1]	Total
S$2,000,000 to S$3,000,000				
Goh Kian Hwee	75%	24%	1%	100%
S$500,000 to S$750,000				
Tan Teck Huat	89%	7%	4%	100%

Key Management Personnel (other than Directors)

Remuneration[1] Band	Number of Key Management Personnel
Below S$500,000	3

(1) Includes employer's CPF contribution and (where applicable) car benefits

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The fees payable to the non-executive Directors of the Company who served in FY2018, subject to the approval of Shareholders at the AGM, is set out below:

Name of Director		**Directors' Fees**
Didi Dawis	Chairman of the Board Member of Remuneration Committee	S$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 Lead Independent Director	S$95,000
Ong Wui Leng Linda	Member of the Board Chairman of Audit & Risk Committee Member of Nominating Committee	S$75,000
Lee Kwong Foo Edward	Member of the Board Member of Audit & Risk Committee	S$50,000
Tan Hang Huat	Member of the Board	Has elected not to receive Directors' fees
Gianto Gunara	Member of the Board	Has elected not to receive Directors' fees
Choo Kok Kiong	Member of the Board	Has elected not to receive Directors' fees
Triono J. Dawis	Member of the Board Member of Audit & Risk Committee	S$50,000
	Total	**S$345,000**

(5) *Provision 8.2*

The Group did not employ any immediate family member of a Director, the Joint Group Managing Directors or substantial shareholder of the Company, and whose remuneration exceeded S$100,000 during FY2018. Mr Lin Kejian, the Joint Group Managing Director, had elected not to receive remuneration. Mr Lin Kejian is an immediate family member of Mr Andree Halim.

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ACCOUNTABILITY AND AUDIT

Risk management and Internal Controls

Principle 9: *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

Provisions 9.1 and 9.2

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.

The Board has determined the nature and extent of the significant risks that the Company is willing to take to achieve its strategic objectives and value creation. It has determined that the following approval thresholds shall apply, and shall be observed by the Executive Committee and Management:

(a) Major transactions (as defined in the Listing Manual) require Board approval. Under the Listing Manual, major transactions are acquisitions or disposals of assets where the 20% threshold, based on the prescribed benchmarks, are exceeded. Examples are where the net profit attributable to the relevant asset exceeds 20% of the Group's net assets and where the aggregate value of the consideration for the asset exceeds 20% of the market capitalization of the Company;

(b) (i) Interested person transactions of value below 3% of the latest audited consolidated NTA of the Group requires the approval of the Audit & Risk Committee;

(ii) Interested person transactions of value equal to or more than 3% of the latest audited consolidated NTA of the Group require Audit & Risk Committee and Board approval;

(c) Investments or divestments with a value more than 10% of the market capitalization of the Company require Board approval; and

(d) Any matter which the Executive Committee considers to be material for deliberation by the Board.

For each of (a) to (d) above, shareholders' approval shall also be sought where required by law or the Listing Manual.

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The Group's financial performance and operations are influenced by a wide range of risk factors and some of these risks are beyond the Group's control. There may also be risks that are either presently unknown or not currently assessed as significant, which may later prove to be material. The Group aims to mitigate these risks through appropriate risk management strategies and internal controls. The key categories of risks faced by the Group, which are not listed in the order of significance, as at 31 December 2018 are summarized as follows:

Risk	
Competition	The Group faces competitive risk in all markets and business segments in which it operates. The inability to remain efficient and competitive is a key risk. The Bakery segment faces direct competition from local bakery chains, new industrial bakeries 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 and fuel prices affects the Bakery and the Distribution and Warehousing segments. The Primary Production segment is affected by the cost of grain and feed ingredients.
Environmental laws and regulations	The operations of the Primary Production segment are subject to government environmental laws, regulations and licensing requirements dealing with, amongst others, management of effluent, general waste control, odour management and other waste, which require regular maintenance and monitoring. Breaches of such requirements may lead to consequences such as claims, increased costs (including relocation cost and cost of restoration of the site to meet environmental requirements), fines, suspension or revocation of permits, licences and approvals and negative publicity. For example, one of the Group's farms, which is approximately 94 hectares and accommodates about 5,000 sows and 7,000 piglets, has been the subject of a number of odour complaints and has received show cause letters and official cautions from the NSW Environmental Protection Agency.
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, maintenance, energy, transportation and distribution costs in relation to the Bakery and the Distribution and Warehousing segments, and increase in labour, processing, insurance and utilities costs in relation to the Primary Production segment.
Fluctuating foreign exchange rates	The Group is exposed to foreign exchange fluctuations, from its operations and through subsidiaries and joint venture operating in foreign countries, which relate to the translation of the foreign currency earnings and carrying values of the overseas operations (including intercompany loans extended to these entities). 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.

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Risk	
Food safety and livestock health	Food safety risks in relation to the Primary Production and Bakery segments include products not satisfying product or food safety requirements and the contamination of ingredients due to non-compliance of product handling procedures. The Primary Production segment is also exposed to variable livestock health issues which include occurrences of diseases, which may lead to reduction in volume, higher mortality or culling rates, increased costs, and may in turn adversely affect the production and sales of the Group's products. Food safety and health issues may also affect consumer confidence in our business and result in reduced demand which may in turn lead to downward pressure on prices.
Health, 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. There are ongoing issues relating to ageing facilities. For example, the Group has had to deal with the effects of ageing facilities in FY2018, namely an ammonia leak in one of Ben Foods Group's warehouses and a transformer malfunction in one of Gardenia Singapore's bakery plants. Please refer to pages 4, 7, 19, 20 and 30 of this Annual Report.
Intellectual property	The Group's trademarks, brands, patents 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, 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 FY2018 were presented to the Audit & Risk Committee for discussion. The following key audit matters in respect of FY2018 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
Recoverability of investment in joint venture	• ARC considered and is satisfied with the valuation methodology and reasonableness of key assumptions used to estimate the recoverable amount of the investment in joint venture. • The assessment of the recoverable amount of the investment in joint venture was a key area of focus for E&Y. This item was included as a key audit matter in its audit report for FY2018. Please refer to pages 92 and 93 of this Annual Report.
Fair value measurement of 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 FY2018. Please refer to page 92 of this Annual Report.

The review of the Group's system of internal controls and risk management is a continuing process. The system of internal controls (including 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.

Based on the system of internal controls and risk management established and maintained by the Group, the work performed by the internal and external auditors and consultants, reviews performed by Management and the assurances of the personnel referred to below and where applicable having regard to the matters above, the Board is of the opinion that in respect of FY2018:

(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 internal controls and risk management systems were adequate and effective as at 31 December 2018 to address the financial, operational, information technology and compliance risks which the Group considers relevant and material to its current business operations.

The Board had received assurances from the Joint Group Managing Directors, Finance Director, Group Financial Controller and relevant key management personnel of the Company confirming the matters in (a) above and from the Joint Group Managing Directors, Finance Director, Group Financial Controller, the Head of Internal Audit and relevant key management personnel of the Company confirming the matters in (b) above. The Audit & Risk Committee concurs with the Board's opinion above.

AUDIT COMMITTEE

Principle 10: *The Board has an Audit Committee ("AC") which discharges its duties objectively.*

(1) *Provisions 10.1, 10.2 and 10.3*

The Audit & Risk Committee consists of four non-executive independent Directors, namely Ms Ong Wui Leng Linda (chairman), Ms Dawn Pamela Lum, Mr Lee Kwong Foo Edward and Mr Triono J. Dawis.

At least two members, including the ARC Chairman, have recent and relevant accounting or related financial management expertise or experience. 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. She has a Master of Practising Accounting degree from Monash University, Australia. Ms Dawn Pamela Lum has extensive working experience and had assumed key roles in corporate and management functions, including as the group company

CORPORATE GOVERNANCE REPORT

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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 the various business enterprises and has business and accounting and related financial management experience. He also holds a Bachelor of Science in Business Administration with concentration in Accounting and Finance from the Haas School of Business in University of California, Berkeley, California. His business acumen and entrepreneurial skills and experience in these areas contribute to providing an added dimension to discussions of the Committee.

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

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

- To make recommendations to the Board on the appointment or re-appointment, terms of engagement and remuneration of the external auditors

- To review the effectiveness of the external audit function and 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 review the assurance provided to the Board by the management (including the Group Managing Director(s) and Chief Financial Officer or their equivalent) on the financial records and financial statements

- 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 effectiveness of the internal audit function, the independence of the Head of Internal Audit, 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 policies and procedures for detecting fraud and whistle-blowing policy, and arrangements that are in place by which employees and officers of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters.

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.

(2) *Provision 10.4*

The Group has in place two suitably qualified and experienced internal auditors. The Head of Internal Audit is a member of the Institute of Singapore Chartered Accountants and the Institute of Internal Auditors. 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. The chairman of the Audit & Risk Committee decides on the appointment, termination and remuneration of the Head of Internal Audit. The internal audit function has unfettered access to all the Company's documents, records, properties and personnel, including the Audit & Risk Committee, and has appropriate standing within the Company. Taking into account the foregoing matters and the work performed by the internal auditors, the Audit & Risk Committee is of the view that the internal audit function is independent, effective and adequately resourced.

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.

With respect to the re-appointment of the external auditor, the Audit & Risk Committee considers, amongst others, the independence of the external auditor, the standard of work, the quantum of non-audit fees for non-audit services provided to the Group and the external auditor's confirmation of its independence. The fees for audit and non-audit services in FY2018 amounted to approximately S$842,000 and S$45,000, respectively. The Audit & Risk Committee reviewed the non-audit services provided to the Group by the external auditor and was satisfied that the independence of the external auditor has not been compromised. Taking into consideration the foregoing, the Audit & Risk Committee recommended to the Board the re-appointment of the external auditor for FY2019 (subject to shareholders approval).

The Audit & Risk Committee meets with the Head of Internal Audit and the external auditor, without the presence of Management, at least annually.

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SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: *The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

(1) *Provisions 11.1 and 11.2*

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 information with respect to the Group is released to shareholders via SGXNET and not to a selected group only, pursuant to the listing rules. From FY2017 added emphasis has been placed on further enhancing the level and quality of disclosures in the Company's announcements, including quarterly results announcements, and annual report, including giving a balanced and understandable assessment of the Group's performance and prospects (in particular the effects of the cyclical nature of the Group's Primary Production business and the ageing facilities of the Singapore operations on the Group's consolidated financial results, information of which has been provided at pages 4 to 8 (Joint Group Managing Directors' Report) as well as pages 19, 26 to 27 and 30 (Operational Review) of the Annual Report).

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.

The full annual report of the Company is made available to Shareholders.

In line with the Company's sustainability efforts and as permitted by the Companies Act and the listing rules, the Company makes 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 as required by the Company's Constitution.

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 issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled" (if any), the Company will explain the reasons and material implications in the notice of meeting pursuant to the relevant requirements. 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. At each general meeting, the procedure for voting is explained to shareholders by the scrutineer appointed by the Company.

The Company implements electronic poll voting for 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 pursuant to requirements of the listing rules.

(2) *Provision 11.3*

All the Directors attended the AGM of the Company in FY2018, as shown in the table set out in relation to Principle 1 "Provisions 1.1, 1.3, 1.4 and 1.5" of this report. The external auditors were also present to address shareholders' queries, if any, about the conduct of audit and the preparation and content of the auditors' report.

(3) *Provision 11.4*

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.

The Company's Constitution permits voting in absentia by appointment of proxy. Voting via mail, email or fax is however not being considered by the Company at present as the authentication of shareholder identity information and other related security issues remain a concern.

(4) *Provision 11.5*

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. The Company does not publish minutes of general meetings of shareholders on its corporate website as contemplated by Provision 11.5. There are potential adverse implications for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting), including risk of litigation if defamatory statements are made during the meeting or of disclosure of sensitive information to the Group's competitors. The Company is of the view that its position is consistent with the intent of Principle 11 as shareholders have a right to attend general meetings either in person or by proxy, where they may exercise their right to speak and vote and have the opportunity to communicate their views on various matters affecting the Company. Further, shareholders, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of minutes of general meetings in accordance with Section 189 of the Companies Act. The Company is therefore of the view that, consistent with the intent of Principle 11, as between themselves, shareholders are treated fairly and equitably by the Company.

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(5) *Provision 11.6*

The Company does not have a formal policy on the payment of dividends (and to that extent its practice varies from Provision 11.6 of the Code which states that a "company has a dividend policy"). However, consistent with Provision 11.6, the Company has communicated to Shareholders that this is to maintain flexibility to support the growth of the Group. The Company is of the view that a fixed dividend policy can hinder a long-term sustainable growth strategy. As stated in our Chairman's Statement on page 2 of the Annual Report, *inter alia*, although there is no formal dividend policy, the Board considers the sustainability of dividends to be paid based on the Group's balance sheet, cash generating capability and performance over several years, after setting aside appropriate capital expenditure needed for the businesses. The Company aims to pay consistent and sustainable dividends having regard, amongst others, to the long term and cyclical nature of the Group's business. Dividends recommended or declared for payment are announced on SGXNET. The Company pays dividends in a timely manner after they have been declared or approved at the AGM, as the case may be. If the QAF Limited Scrip Dividend Scheme is applied to any dividend, the payment date will be in compliance with the SGX-ST Listing Rules (i.e. the payment date will be not less than 30 market days, but not more than 35 market days, after the relevant books closure date). The Company is accordingly of the view that it gives its Shareholders a balanced and understandable assessment of its position on a dividend policy, as well as on the Company's performance, financial position and prospects through its disclosures in its quarterly results and other announcements and its annual report, and its practice is consistent with the intent of Principle 11.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 12: *The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

(1) *Provision 12.1*

Shareholder meetings are the principal forum for dialogue and interaction with shareholders including soliciting and understanding their views. 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 also 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 including where individual shareholders reach out to provide feedback or seek clarification on matters relating to the Group's business. Shareholders may provide feedback through the Company's designated email address, infoqaf.com.sg, provided in the Company's corporate website. Where arising from such queries any material information is proposed to be disclosed, the Company releases the information on SGXNET pursuant to the listing rules, so that such information is available to all shareholders. The Company also appointed a Lead Independent Director in FY2018 who has attended to communications with shareholders who seek out a different channel of communication with the Company from Management or the Chairman.

(2) *Provisions 12.2 and 12.3*

The Company has an investor policy which encourages shareholders to regularly communicate with it including through the Company's designated email address, infoqaf.com.sg, provided in the Company's corporate website. The Company's objective is to encourage constructive comments and exchange of views so that it may take into account or address such comments and concerns when preparing its quarterly results announcements and annual report. In addition, where necessary, the Company may issue announcement(s) in response to comments and concerns raised, so that the information is available to all shareholders.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: *The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

(1) *Provision 13.1*

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups. This is done by the different business units on an on-going basis (for example, with their suppliers, customers and the local community in which they operate) as such matters have to be tailored to their differing needs, and on an annual basis in conjunction with the Company's preparations for sustainability reporting.

(2) *Provision 13.2*

The Company's Sustainability Report at pages 36 and 37 discloses its strategy and key areas of focus in relation to the management of stakeholder relationships during FY2018.

(3) *Provision 13.3*

The Company maintains a current corporate website (www.qaf.com.sg) to communicate and engage with its stakeholders. It undertook a revamp of its website in FY2018 to update and better communicate and present information on its business and its messaging.

CORPORATE GOVERNANCE REPORT

(AS AT 15 MARCH 2019)

Interested Person Transactions for FY2018

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	N.A.	983
Salim Group(1) – Purchase of raw materials including flour	N.A.	13,717
Salim Group(1) – Purchase of finished products	N.A.	321
Mr Lin Kejian(2) – Provision of proportionate shareholders' loan to a subsidiary in which Mr Lin has a 45% shareholding interest	715	N.A.
Mr Lin Kejian(2) – Proposed investment in Thai entity to carry on sale and distribution of "*Gardenia*" products in Thailand, in which the Group is to have a 10% interest and Mr Lin Kejian is to have a 14.5% interest. The investment has not yet commenced.	209	N.A.
TOTAL	**924**	**15,021**

Note:

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

(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 FY2018, or if not then subsisting, entered into since the end of FY2017.

Dealings in Securities

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

FINANCIAL **CONTENTS**

DIRECTORS' **STATEMENT**

The directors have pleasure in presenting their statement together with the audited financial statements of QAF Limited (the "Company") and its subsidiaries (the "Group") and the statement of financial position of the Company for the financial year ended 31 December 2018.

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 2018 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	
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 1.1.2018 or date of appointment	At 31.12.2018	At 21.1.2019	At 1.1.2018 or date of appointment	At 31.12.2018	At 21.1.2019
Number of shares in QAF Limited						
Didi Dawis	–	–	–	47,877,758	47,877,758	47,877,758
Andree Halim	–	–	–	342,390,394	346,752,055	346,752,055
Lin Kejian	–	–	–	272,684,149	276,434,071	276,434,071
Tan Hang Huat	5,417	5,709	5,709	–	–	–
Rachel Liem Yuan Fang	–	11,900	11,900	–	–	–

Save as disclosed above and save that Mr Lin Kejian has an interest in 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 director who held office at the end of the financial year had an interest in any shares or debentures or rights or options over the shares in the Company or in any related corporations of the Company, 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 2018.

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 2019

INDEPENDENT **AUDITOR'S REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, the statements of changes in equity, the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement 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 Singapore Financial Reporting Standards (International) (SFRS(I)) 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 2018 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.

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 2018

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

Key audit matters (cont'd)

Fair value measurement of biological assets

The Group has biological assets, comprising mainly of progeny and breeder pigs (collectively referred to as "livestock"), which amounted to $52.1 million as of 31 December 2018.

The Group measures its livestock at fair value less costs to sell in accordance with SFRS(I) 1-41 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 SFRS(I) 1-41 Agriculture. We assessed the valuation methodology and the reasonableness of key inputs used to estimate fair value. The key inputs include the number of livestock, weight of the livestock and the net market value ("NMV"). The NMV per kilogram is estimated by reference to the average sale value of livestock less point-of-sale costs. We assessed the reasonableness of NMV per kilogram 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 selected physical counts to observe measurement's process of ensuring that these quantities are accurately recorded. In addition, we compared the weight of the livestock used in the valuation to the sales worksheet and reports and further tested the underlying documentation used to compile these reports to a sample of sale invoices. We also reviewed the adequacy of disclosures in Note 10 to the financial statements.

Recoverability of investment in joint venture

The Group has an investment in joint venture which amounted to $80.5 million as of 31 December 2018. Note 20 to the financial statements provides details of the contractual agreement with the partner of the joint venture.

The Group estimates the recoverable amount of the investment in 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 to the members of QAF Limited (cont'd)

Key audit matters (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 partner of the joint venture. 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 to assess reasonableness of management's assumptions. 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 20 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 SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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.

- 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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 2019

CONSOLIDATED **INCOME STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000 (Restated)
Revenue	3	814,868	825,804
Costs and expenses			
Costs of materials		443,123	427,192
Staff costs	4	192,656	199,177
Amortisation and depreciation	5	34,670	32,370
Repairs and maintenance		23,930	22,880
Utilities		27,042	23,570
Advertising and promotion		11,235	10,410
Other operating expenses		75,281	74,078
Total costs and expenses		(807,937)	(789,677)
Profit from operating activities	6	6,931	36,127
Finance costs	7	(3,370)	(3,062)
Share of profits of joint venture		9,737	7,583
Profit before tax		13,298	40,648
Income tax expense	8	(4,639)	(10,402)
Profit after tax		8,659	30,246
Attributable to:			
Owners of the parent		8,129	32,385
Non-controlling interests		530	(2,139)
		8,659	30,246
Earnings per ordinary share:	9		
– Basic and diluted		1.4 cents	5.7 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 2018

	2018 $'000	2017 $'000 (Restated)
Profit after tax	8,659	30,246
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain/(loss) on defined benefit plans	981	(330)
Items that may be reclassified subsequently to profit or loss:		
Currency translation arising on consolidation	(10,607)	(2,245)
Net fair value loss on investment securities at fair value through other comprehensive income	(251)	–
Net fair value gain on available-for-sale investment securities	–	64
Share of other comprehensive income of joint venture	(57)	1,550
Other comprehensive income for the year, net of tax	(9,934)	(961)
Total comprehensive income for the year	(1,275)	29,285
Total comprehensive income attributable to:		
Owners of the parent	(1,974)	31,485
Non-controlling interests	699	(2,200)
	(1,275)	29,285

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

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

	Note	Group			Company		
		31 Dec 2018 $'000	31 Dec 2017 $'000 (Restated)	1 Jan 2017 $'000 (Restated)	31 Dec 2018 $'000	31 Dec 2017 $'000 (Restated)	1 Jan 2017 $'000 (Restated)
ASSETS							
Current assets							
Biological assets	10	52,121	57,245	60,803	–	–	–
Inventories	11	67,481	69,361	60,159	–	–	–
Trade receivables	12	105,037	97,292	96,910	–	–	–
Other receivables	13	28,538	22,804	33,121	52,772	53,516	75,457
Tax recoverable		1,999	1,518	1,245	–	–	–
Short-term investments	14	4,676	–	3,968	4,676	–	2,968
Cash and cash equivalents	15	60,259	136,454	104,903	19,647	54,224	27,070
		320,111	384,674	361,109	77,095	107,740	105,495
Non-current assets							
Property, plant and equipment	16	356,675	317,448	289,585	3,983	4,147	2,290
Investment properties	17	6,215	17,872	18,248	–	–	–
Investment in subsidiaries	18	–	–	–	100,132	100,132	98,973
Advances to subsidiaries	19	–	–	–	149,383	128,445	123,805
Investment in joint venture	20	80,483	75,813	76,318	–	–	–
Pension assets	21	2,338	2,620	2,654	–	–	–
Long-term investments	22	1,801	6,892	7,226	1,776	6,866	7,198
Intangibles	23	125	–	–	1,130	1,319	1,507
Deferred tax assets	24	15,885	16,140	17,267	–	–	–
		463,522	436,785	411,298	256,404	240,909	233,773
Total assets		783,633	821,459	772,407	333,499	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 2018

	Note	Group			Company		
		31 Dec 2018 $'000	31 Dec 2017 $'000 (Restated)	1 Jan 2017 $'000 (Restated)	31 Dec 2018 $'000	31 Dec 2017 $'000 (Restated)	1 Jan 2017 $'000 (Restated)
LIABILITIES							
Current liabilities							
Trade payables	25	75,510	73,376	65,188	209	85	225
Other payables	26	66,725	71,596	59,007	3,903	9,886	9,725
Short-term borrowings	27	52,551	44,154	32,642	–	–	–
Long-term borrowings – current portion	28	4,868	6,268	2,456	–	–	–
Income tax payable		2,990	4,030	6,099	967	1,131	1,167
		202,644	199,424	165,392	5,079	11,102	11,117
Non-current liabilities							
Other payables	26	12,988	15,218	15,241	5,744	6,665	7,584
Long-term borrowings	28	52,550	62,715	51,128	–	–	–
Deferred tax liabilities	24	10,432	13,541	12,494	1,356	1,545	1,734
		75,970	91,474	78,863	7,100	8,210	9,318
Total liabilities		278,614	290,898	244,255	12,179	19,312	20,435
Net assets		505,019	530,561	528,152	321,320	329,337	318,833
CAPITAL AND RESERVES							
Share capital	29	277,043	272,009	263,087	277,043	272,009	263,087
Reserves	30	234,361	264,919	263,980	44,277	57,328	55,746
Equity attributable to owners of the parent		511,404	536,928	527,067	321,320	329,337	318,833
Non-controlling interests		(6,385)	(6,367)	1,085	–	–	–
Total equity		505,019	530,561	528,152	321,320	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 2018

	Note	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
		Attributable to owners of the parent								
Balance at 1 January 2018										
– As previously reported		272,009	244	(2,410)	64	303,479	(36,458)	536,928	(6,367)	530,561
– Effects of adopting SFRS(I) 1		–	–	–	–	(36,139)	36,139	–	–	–
– Effects of adopting SFRS(I) 9		–	–	–	333	(333)	–	–	–	–
– As restated		272,009	244	(2,410)	397	267,007	(319)	536,928	(6,367)	530,561
Total comprehensive income for the year										
Net profit for the year		–	–	–	–	8,129	–	8,129	530	8,659
Other comprehensive income for the year:										
– Currency translation arising on consolidation		–	–	–	–	–	(10,672)	(10,672)	65	(10,607)
– Net fair value loss on investment securities at fair value through other comprehensive income		–	–	–	(251)	–	–	(251)	–	(251)
– Actuarial gain on defined benefit plans		–	–	–	–	877	–	877	104	981
– Share of other comprehensive income of joint venture		–	–	–	–	–	(57)	(57)	–	(57)
Other comprehensive income for the year, net of tax		–	–	–	(251)	877	(10,729)	(10,103)	169	(9,934)
Total comprehensive income for the year		–	–	–	(251)	9,006	(10,729)	(1,974)	699	(1,275)
Transactions with owners in their capacity as owners										
Contributions by and distributions to owners										
Issuance of ordinary shares in lieu of cash dividends	29	5,034	–	–	–	–	–	5,034	–	5,034
Transfer to other payables		–	–	–	–	–	–	–	(158)	(158)
Dividends	31	–	–	–	–	(28,584)	–	(28,584)	(559)	(29,143)
Total transactions with owners in their capacity as owners		5,034	–	–	–	(28,584)	–	(23,550)	(717)	(24,267)
Balance at 31 December 2018		277,043	244	(2,410)	146	247,429	(11,048)	511,404	(6,385)	505,019

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 2018

	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										
– As previously reported		263,087	244	–	–	300,421	(36,685)	527,067	1,085	528,152
– Effects of adopting SFRS(I) 1		–	–	–	–	(36,685)	36,685	–	–	–
– As restated		263,087	244	–	–	263,736	–	527,067	1,085	528,152
Total comprehensive income for the year										
Net profit/(loss) for the year		–	–	–	–	32,385	–	32,385	(2,139)	30,246
Other comprehensive income for the year:										
– Currency translation arising on consolidation		–	–	–	–	–	(2,159)	(2,159)	(86)	(2,245)
– 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)	(319)	(900)	(61)	(961)
Total comprehensive income for the year		–	–	–	64	31,740	(319)	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	29	8,922	–	–	–	–	–	8,922	–	8,922
Transfer to reserves		–	–	(1,795)	–	–	–	(1,795)	1,795	–
Transfer to other payables		–	–	–	–	–	–	–	(4,867)	(4,867)
Dividends	31	–	–	–	–	(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	267,340	(319)	536,928	(6,367)	530,561

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 2018

	2018 $'000	2017 $'000 (Restated)
Cash flows from operating activities:		
Profit before tax	13,298	40,648
Adjustments for:		
Amortisation and depreciation	34,670	32,370
Loss/(gain) on disposal of property, plant and equipment and investment properties	930	(228)
Fair value adjustment on investment securities	–	(6)
Fair value changes on biological assets	1,694	2,279
Interest expense	3,370	3,062
Share of profits of joint venture	(9,737)	(7,583)
Impairment loss/(write-back of impairment loss) on investment securities	162	(645)
Impairment loss on property, plant and equipment	–	600
Loss allowance for receivables charged and bad debts written off, net	679	805
Interest income	(1,306)	(1,643)
Exchange differences	4,692	275
Operating profit before working capital changes	48,452	69,934
Increase in trade and other receivables	(17,275)	(1,343)
Increase in inventories and biological assets	(2,045)	(8,438)
Increase in trade and other payables	3,935	13,949
Cash from operations	33,067	74,102
Interest paid	(3,170)	(3,064)
Interest received	1,306	1,643
Income tax paid	(10,271)	(10,765)
Net cash from operating activities	20,932	61,916
Cash flows from investing activities:		
Purchase of property, plant and equipment and investment properties	(74,384)	(60,660)
Proceeds from disposal of property, plant and equipment and investment properties	450	993
Purchase of intangibles	(150)	–
Proceeds from redemption of investment securities	–	5,000
Dividends received from joint venture	5,018	11,409
Receipt of final tranche from sale of interest in a subsidiary in prior year	–	6,314
Net cash used in investing activities	(69,066)	(36,944)

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 2018

	2018 $'000	2017 $'000 (Restated)
Cash flows from financing activities:		
Dividends paid during the year	(23,441)	(19,206)
Dividends paid to non-controlling interests	(2,166)	–
Proceeds from borrowings	34,540	29,077
Repayment of borrowings	(32,516)	(1,938)
Repayment of finance lease liabilities	(557)	(582)
Proceeds from long-term loans from non-controlling interests	450	686
Payment of remaining consideration for acquisition of non-controlling interest share in a subsidiary	(590)	–
Acquisition of non-controlling interest share in a subsidiary	–	(580)
Net cash (used in)/from financing activities	(24,280)	7,457
Net (decrease)/increase in cash and cash equivalents	(72,414)	32,429
Cash and cash equivalents at beginning of year	136,454	104,903
Effect of exchange rate changes on cash and cash equivalents	(3,781)	(878)
Cash and cash equivalents at end of year (Note 15)	60,259	136,454

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 2018

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 balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

For all periods up to and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 31 December 2018 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

2.2 *First time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))*

These financial statements for the year ended 31 December 2018 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 January 2017, the Group and the Company's date of transition to SFRS(I).

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

2.2 *First time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)*

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. As a result, foreign currency translation reserve and revenue reserve as at 1 January 2017 was increased and reduced by $36,685,000 respectively. For the year ended 31 December 2017, foreign currency translation loss was reduced by $546,000 as a result of the reduction in the foreign currency translation reserve recognised as at 1 January 2017.

- The comparative information do not comply with SFRS(I) 9 Financial Instruments or SFRS(I) 7 Financial Instruments: Disclosures to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 January 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 January 2018, the Group adopted SFRS(I) 9 *Financial instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening revenue reserve at the date of initial application, 1 January 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.2 *First time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)*

SFRS(I) 9 *Financial Instruments (cont'd)*

Classification and measurement

SFRS(I) 9 requires debt instruments to be classified either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018.

The Group's debts instruments have contractual cash flows that are solely payments of principal and interest. For its debt securities that were classified as available-for-sale previously, the Group's business model is to hold the debt instrument to collect contractual cash flows and sell, and accordingly measured at FVOCI when it applies SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

For the previously held available-for-sale equity securities, the Group has elected to measure them at FVOCI.

Derivatives are required to be classified at fair value through profit or loss.

There is no significant impact arising from measurement of the instrument under SFRS(I) 9.

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

2.2 *First time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)*

SFRS(I) 9 *Financial Instruments (cont'd)*

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the debt instruments at FVOCI requires an additional impairment of $333,000.

The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in the Group's and the Company's revenue reserve of $333,000 as at 1 January 2018.

The Group has assessed which business model apply to the financial assets held by the Group at 1 January 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9. The effects before tax impact are as follows:

	FRS 39 carrying amount on 31 Dec 2017 $'000	Re-classifications $'000	SFRS(I) 9 carrying amount on 1 Jan 2018 $'000
Financial assets			
Measurement category			
Group			
FVOCI			
Reclassified from AFS equity securities carried at cost	–	26	26
Reclassified from AFS debt securities at fair value	6,866	–	6,866
FVOCI balances, reclassifications and remeasurements at 1 January 2018	6,866	26	6,892
Company			
FVOCI			
Reclassified from AFS debt securities at fair value	6,866	–	6,866
FVOCI balances, reclassifications and remeasurements at 1 January 2018	6,866	–	6,866

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.2 *First time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)*

SFRS(I) 9 *Financial Instruments (cont'd)*

Impairment (cont'd)

The reconciliation for loss allowances are as follow:

	Group			
	Trade receivables $'000	Other receivables $'000	Short-term investments carried at FVOCI $'000	Long-term investments carried at FVOCI $'000
Opening loss allowance (based on FRS 39) as at 1 January 2018	1,267	826	–	174
Amount restated through opening revenue reserve	–	–	63	270
Adjusted loss allowance (based on SFRS(I) 9)	1,267	826	63	444

	Company		
	Amounts due from subsidiaries carried at amortised cost $'000	Short-term investments carried at FVOCI $'000	Long-term investments carried at FVOCI $'000
Opening loss allowance (based on FRS 39) as at 1 January 2018	1,913	–	174
Amount restated through opening revenue reserve	–	63	270
Adjusted loss allowance (based on SFRS(I) 9)	1,913	63	444

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

2.2 *First time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)*

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

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018. The Group applied SFRS(I) 15 retrospectively.

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 key impact of adopting SFRS(I) 15 is detailed as follows:

(i) Variable consideration

Some of the Group's contracts with customers provide trade discounts or volume rebates. The Group has certain contracts with customers which contain listing and participation fees. 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.

(ii) Rights of return

Under SFRS(I) 15, the Group estimates 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 recognises 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.

(iii) Repurchase agreement

The Group sells pigs to certain third party customers and buys back a portion of the boned meat for value adding for on-selling to other third party customers. The sale of pigs and the subsequent purchase of boned meat from the third party customers are accounted for as a repurchase agreement under SFRS(I) 15. With this, the purchase of the boned meat is net off against the sale of pigs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.2 *First time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)*

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 January 2017 to the balance sheet of the Group.

	Group		
	1 Jan 2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	1 Jan 2017 (SFRS(I)) $'000
CAPITAL AND RESERVES			
Share capital	263,087	–	263,087
Revaluation reserve	244	–	244
Revenue reserve	300,421	(36,685)	263,736
Foreign currency translation reserve	(36,685)	36,685	–
Equity attributable to owners of the parent	527,067	–	527,067
Non-controlling interests	1,085	–	1,085
Total equity	528,152	–	528,152

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 and 1 January 2018 to the balance sheet of the Group.

	Group				
	31 Dec 17 (FRS) $'000	SFRS(I) 1 adjustments $'000	31 Dec 2017 (SFRS(I)) $'000	SFRS(I) 9 adjustments $'000	1 Jan 2018 (SFRS(I)) $'000
CAPITAL AND RESERVES					
Share capital	272,009	–	272,009	–	272,009
Revaluation reserve	244	–	244	–	244
Capital reserve	(2,410)	–	(2,410)	–	(2,410)
Fair value reserve	64	–	64	333	397
Revenue reserve	303,479	(36,139)	267,340	(333)	267,007
Foreign currency translation reserve	(36,458)	36,139	(319)	–	(319)
Equity attributable to owners of the parent	536,928	–	536,928	–	536,928
Non-controlling interests	(6,367)	–	(6,367)	–	(6,367)
Total equity	530,561	–	530,561	–	530,561

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

2.2 First time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 December 2017 to the balance sheet of the Company. The adoption of SFRS(I) does not have any impact to the balance sheet of the Company as at 1 January 2017.

	Company		
	31 Dec 2017 (FRS) $'000	SFRS(I) 9 adjustments $'000	1 Jan 2018 (SFRS(I)) $'000
CAPITAL AND RESERVES			
Share capital	272,009	–	272,009
Fair value reserve	64	333	397
Revenue reserve	57,264	(333)	56,931
Total equity	329,337	–	329,337

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) and application of the new accounting standards to the consolidated income statement and consolidated statement of comprehensive income of the Group for the year ended 31 December 2017.

	Group			
	2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	SFRS(I) 15 adjustments $'000	2017 (SFRS(I)) $'000
Revenue	848,589	–	(22,785)	825,804
Costs and expenses				
Costs of materials	445,330	–	(18,138)	427,192
Staff costs	199,177	–	–	199,177
Amortisation and depreciation	32,370	–	–	32,370
Repairs and maintenance	22,880	–	–	22,880
Utilities	23,570	–	–	23,570
Advertising and promotion	14,969	–	(4,559)	10,410
Other operating expenses	74,712	(546)	(88)	74,078
Total costs and expenses	(813,008)	546	22,785	(789,677)
Profit from operating activities	35,581	546	–	36,127
Finance costs	(3,062)	–	–	(3,062)
Share of profits of joint venture	7,583	–	–	7,583
Profit before tax	40,102	546	–	40,648
Income tax expense	(10,402)	–	–	(10,402)
Profit after tax	29,700	546	–	30,246

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.2 *First time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)*

	Group			
	2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	SFRS(I) 15 adjustments $'000	2017 (SFRS(I)) $'000
Profit after tax	29,700	546	–	30,246
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial loss on defined benefit plans	(330)	–	–	(330)
Items that may be reclassified subsequently to profit or loss:				
Currency translation arising on consolidation	(1,699)	(546)	–	(2,245)
Net fair value gain on available-for-sale investment securities	64	–	–	64
Share of other comprehensive income of joint venture	1,550	–	–	1,550
Other comprehensive income for the year, net of tax	(415)	(546)	–	(961)
Total comprehensive income for the year	29,285	–	–	29,285
Total comprehensive income attributable to:				
Owners of the parent	31,485	–	–	31,485
Non-controlling interests	(2,200)	–	–	(2,200)
	29,285	–	–	29,285
Earnings per ordinary share:				
– Basic and diluted	5.6 cents	0.1 cents	–	5.7 cents

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
SFRS(I) 16 *Leases*	1 January 2019
Amendments to SFRS(I) 9: *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28: *Long-term Interest in Associates and Joint Ventures*	1 January 2019
Amendments to SFRS(I) 10 & SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards 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) 16 are described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 on the required effective date, using the modified retrospective approach, without restating prior years' information.

On the adoption of SFRS(I) 16, the Group, on a lease-by-lease basis, will measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 in 2019.

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.

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 SFRS(I) 1-39 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 2018

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 SFRS(I).

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 SFRS(I) 10 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 SFRS(I) 1-39 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.

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.

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

2.5 *Foreign currencies (cont'd)*

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.8 *Depreciation*

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

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

		%
Investment properties	–	2 – 33 $^{1}/_{3}$
Freehold buildings	–	2 – 2 $^{1}/_{2}$
Leasehold properties	–	1 $^{2}/_{3}$ – 6
Leasehold improvements	–	2 – 20
Plant and machinery	–	5 – 33 $^{1}/_{3}$
Furniture, fittings and office equipment	–	7 $^{1}/_{2}$ – 40
Motor vehicles	–	10 – 33 $^{1}/_{3}$

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.

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.

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

2.10 *Joint ventures (cont'd)*

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

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

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

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

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

2.11 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.12 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI 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 for impairment losses, foreign exchange gains and losses 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.

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

2.12 *Financial assets (cont'd)*

Subsequent measurement (cont'd)

Investments in debt instruments (cont'd)

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

A financial asset is derecognised where 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 had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

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 *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

Goodwill (cont'd)

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

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

Other assets

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

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

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

2.17 *Impairment of financial assets*

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.18 *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest 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. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.19 *Provisions*

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

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

2.20 *Cash and cash equivalents*

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

2.21 *Revenue recognition*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The goods may be sold with a right of return and with retrospective volume discounts based on the aggregate sales over a period of time.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume discounts and adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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

2.21 *Revenue recognition (cont'd)*

The Group recognises the expected volume discounts payable to customer where consideration have been received from customers and refunds due to expected returns from customers as refund liabilities. Separately, the Group recognises a related asset for the right to recover the returned goods, based on the former carrying amount of the good less expected costs to recover the goods, and adjusts them against cost of sales correspondingly.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes. The Group also updates its measurement of the asset for the right to recover returned goods for changes in its expectations about returned goods.

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

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.

2.22 *Income taxes*

Current tax

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

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.22 *Income taxes (cont'd)*

Deferred tax

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

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

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

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

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

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

– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

2.22 *Income taxes (cont'd)*

Deferred tax (cont'd)

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

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

Sales tax

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

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

2.23 *Borrowing costs*

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

2.24 *Employee benefits*

(i) *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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.24 *Employee benefits (cont'd)*

(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.

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.

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

2.24 *Employee benefits (cont'd)*

(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.

2.25 *Leases*

Finance leases

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

Operating leases

Leases of assets in which 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.

2.26 *Segment information*

For management purposes, the Group is organised into operating segments based on their products and services. The management of the Company regularly 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 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

2.27 *Contingencies*

A contingent liability is:

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

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

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

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

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

2.28 *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.

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

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

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) Biological assets

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.

(ii) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 12.

The carrying amount of trade receivables as at 31 December 2018 is $105,037,000 (31 December 2017: $97,292,000, 1 January 2017: $96,910,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

Key sources of estimation uncertainty (cont'd)

(iii) Recoverability 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 investment in joint venture as at 31 December 2018 is $80,483,000 (31 December 2017: $75,813,000, 1 January 2017: $76,318,000).

(iv) 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.

(v) 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 income tax payable as at 31 December 2018 was $967,000 (31 December 2017: $1,131,000, 1 January 2017: $1,167,000) and $2,990,000 (31 December 2017: $4,030,000, 1 January 2017: $6,099,000) respectively. The carrying amount of the Group's tax recoverable as at 31 December 2018 was $1,999,000 (31 December 2017: $1,518,000, 1 January 2017: $1,245,000). The carrying amount of the Company's deferred tax liabilities as at 31 December 2018 was $1,356,000 (31 December 2017: $1,545,000, 1 January 2017: $1,734,000). The Group's deferred tax assets and deferred tax liabilities as at 31 December 2018 was $15,885,000 (31 December 2017: $16,140,000, 1 January 2017: $17,267,000) and $10,432,000 (31 December 2017: $13,541,000, 1 January 2017: $12,494,000) respectively.

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

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

Key sources of estimation uncertainty (cont'd)

(vi) 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 2018 was $3,983,000 (31 December 2017: $4,147,000, 1 January 2017: $2,290,000) and $356,675,000 (31 December 2017: $317,448,000, 1 January 2017: $289,585,000) respectively. The carrying amount of the Group's investment properties as at 31 December 2018 was $6,215,000 (31 December 2017: $17,872,000, 1 January 2017: $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.

(vii) 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	
	2018 $'000	2017 $'000
Sale of goods	800,795	809,199
Rental income from storage and warehousing facilities	4,831	5,805
Royalty income	4,938	4,757
Interest income from:		
– Fixed deposits with financial institutions	809	865
– Others	497	778
Miscellaneous	2,998	4,400
	814,868	825,804

The Group has determined that disaggregation of revenue using existing segments and geographical markets meet the disclosure objective in SFRS(I) 15.114. Information regarding operating segments is disclosed in Note 38.

NOTES TO THE FINANCIAL STATEMENTS

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4. Staff costs

	Group	
	2018 $'000	2017 $'000
Staff costs (including Executive Directors):		
– salaries, wages and other related costs	180,326	187,300
– contributions to defined contribution plans	5,653	4,364
– superannuation contributions	6,677	7,513
	192,656	199,177

5. Amortisation and depreciation

		Group	
	Note	2018 $'000	2017 $'000
Depreciation of property, plant and equipment	16	33,154	30,981
Depreciation of investment properties	17	1,501	1,389
Amortisation of intangibles	23	15	–
		34,670	32,370

6. Profit from operating activities

	Note	Group 2018 $'000	Group 2017 $'000
Profit from operating activities is stated after charging/(crediting):			
Auditors' remuneration:			
– Auditor of the Company		451	462
– Member firms of the auditor of the Company		391	363
Professional fees paid to:			
– Auditor of the Company		30	124
– Member firms of the auditor of the Company		15	1,316
Fees and remuneration for the directors of the Company:			
– fees and remuneration		3,886	4,282
– CPF contribution		29	29
Provision for long service leave and retirement benefits charged	26(a)	650	655
Distribution and transportation expense		10,447	9,769
Other professional fees		3,068	7,587
Operating lease rental expense		16,347	13,800
Research and development expense		2,856	3,096
Foreign currency translation loss		4,120	1,103
Fair value changes on biological assets	10	1,694	2,279
Loss allowance for inventories charged and inventories written off, net		208	1,515
Loss allowance for trade receivables charged	12	472	91
Loss allowance for other receivables charged	13	134	686
Bad debts written off		73	28
Fair value adjustment on investment securities		–	(6)
Loss/(gain) on disposal of property, plant and equipment and investment properties		930	(228)
Impairment loss on property, plant and equipment	16	–	600
Write-back of impairment loss on available-for-sale investment securities	22	–	(645)
Impairment loss on short-term investment securities carried at FVOCI	14	15	–
Impairment loss on long-term investment securities carried at FVOCI	22	147	–
Rental income from investment properties		(2,521)	(5,730)
Direct operating expenses arising from investment properties that generate rental income		1,523	4,645

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. Finance costs

	Group	
	2018 $'000	2017 $'000
Interest expense on borrowings	3,370	3,062

8. Income tax expense

	Note	Group	
		2018 $'000	2017 $'000
Income tax expense on the profit for the year:			
– current tax		9,214	9,508
– deferred tax		(4,065)	1,385
		5,149	10,893
(Over)/under provision in respect of prior years:			
– current tax		(484)	(1,179)
– deferred tax		(26)	688
		(510)	(491)
Tax expense		4,639	10,402
Deferred tax related to other comprehensive income:			
– actuarial gain/(loss) on defined benefit plans	24	420	(141)

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% (2017: 17%) to the profit before tax due to the following factors:

	Group	
	2018 $'000	2017 $'000
Profit before tax	13,298	40,648
Tax expense at statutory tax rate of 17% (2017: 17%)	2,261	6,910
Adjustments:		
Income not subject to tax	(1,795)	(1,342)
Expenses not deductible for tax purposes	304	3,627
Tax reliefs, rebates and incentives	(390)	(1,600)
Utilisation of tax benefits not recognised in prior years	–	(675)
Deferred tax assets not recognised	4,038	924
Effect of different tax rates in foreign jurisdictions	798	3,292
Over provision in respect of prior years, net	(510)	(491)
Others	(67)	(243)
Income tax expense	4,639	10,402

8. Income tax expense (cont'd)

The Group has unutilised tax losses and unabsorbed capital allowances of approximately $12,491,000 (2017: $nil) and $1,277,000 (2017: $nil) respectively, which subject to the provisions of relevant local tax legislation and agreement with the relevant tax authorities, can be carried forward and utilised to set off against future taxable profits. The potential tax benefit arising from such unutilised tax losses and unabsorbed capital allowances has not been recognised in the financial statements due to the uncertainty of recoverability.

9. Earnings per ordinary share ("EPS")

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

	Group	
	2018 $'000	**2017 $'000**
Group's earnings used for the calculation of EPS:		
Earnings for the financial year attributable to owners of the Company	8,129	32,385

	2018 '000	**2017 '000**
Number of shares used for the calculation of:		
Basic and diluted EPS		
Weighted average number of ordinary shares in issue	570,938	564,590

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.

10. 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		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**
Physical quantity of pigs:			
– Number of progeny	367,960	391,741	383,455
– Number of breeders	42,663	47,736	47,469
	410,623	439,477	430,924

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Biological assets (cont'd)

Reconciliation of changes in the carrying amount:

	Group	
	2018 $'000	2017 $'000
Balance at 1 January	57,245	60,803
Currency realignment	(4,246)	(122)
Breeding costs in the period	176,921	179,086
(Loss)/gain on revaluation	(7,013)	15,602
Decrease due to harvest/processing	(170,786)	(198,124)
Balance at 31 December	52,121	57,245

Biological assets closing inventory balance includes a fair value adjustment of $1,821,000 (31 December 2017: $3,780,000, 1 January 2017: $6,014,000). The net negative impact to the consolidated income statement amounting to $1,694,000 (2017: $2,279,000) is classified as part of cost of materials.

11. Inventories

	Group		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Raw materials	40,962	42,111	31,324
Finished goods	14,090	14,323	15,704
Spare parts and consumables	6,529	6,218	6,298
Work-in-progress	–	79	63
Goods-in-transit	5,900	6,630	6,770
Total inventories at lower of cost and net realisable value	67,481	69,361	60,159

11. Inventories (cont'd)

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

	Group		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
First-in-first-out	14,942	13,475	14,006
Weighted average	52,539	55,886	46,153
	67,481	69,361	60,159
Inventories are stated after deducting allowance of	2,291	2,404	1,777

Raw materials of the Group as at 31 December 2018 amounting to $23,209,000 (31 December 2017: $23,581,000, 1 January 2017: $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.

12. Trade receivables

	Group		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Trade receivables			
– third parties	93,670	83,176	79,225
– joint venture	13,177	15,383	19,463
	106,847	98,559	98,688
Less: Loss allowance – third parties	(1,810)	(1,267)	(1,778)
	105,037	97,292	96,910

At the end of the reporting period, approximately 20% (31 December 2017: 19%, 1 January 2017: 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.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. Trade receivables (cont'd)

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

	Group		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Less than 3 months	21,225	17,984	16,934
3 months to 6 months	2,257	1,206	574
6 months to 12 months	1,242	676	256
More than 12 months	279	1	61
	25,003	19,867	17,825
Receivables that are impaired:			
Gross amount	1,810	1,267	1,778
Less: Loss allowance	(1,810)	(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 loss allowance are as follows:

	Group	
	2018 $'000	2017 $'000
At 1 January	1,267	1,778
Charge for the year (Note 6)	–	91
Measured at lifetime ECL (Note 6)	472	–
Written-off against allowance	(44)	(531)
Currency realignment	115	(71)
At 31 December	1,810	1,267

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13. Other receivables

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Non-financial assets						
Prepayments	8,322	7,542	7,461	78	78	56
Sales tax receivables	10,503	2,275	1,497	22	22	22
	18,825	9,817	8,958	100	100	78
Financial assets						
Sundry deposits	1,389	1,375	1,293	25	30	29
Staff advances and loans	4	4	5	–	–	–
Amount due from joint venture						
– non-interest bearing	4,951	4,969	6,539	–	19	25
	6,344	6,348	7,837	25	49	54
Sundry debtors	4,306	7,465	16,584	–	–	–
Less: Loss allowance	(937)	(826)	(258)	–	–	–
	3,369	6,639	16,326	–	–	–
Amounts due from subsidiaries						
– interest bearing	–	–	–	–	6,707	6,725
– non-interest bearing	–	–	–	54,596	48,573	70,247
Less: Loss allowance	–	–	–	(1,949)	(1,913)	(1,647)
	–	–	–	52,647	53,367	75,325
	9,713	12,987	24,163	52,672	53,416	75,379
	28,538	22,804	33,121	52,772	53,516	75,457
Receivables that are impaired:						
Gross amount	937	826	258	1,949	1,913	1,647
Less: Loss allowance	(937)	(826)	(258)	(1,949)	(1,913)	(1,647)
	–	–	–	–	–	–

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13. Other receivables (cont'd)

Movements in the loss allowance are as follows:

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
At 1 January		826	258	1,913	1,647
Charge for the year	6	–	686	–	266
Measured at 12-month ECL	6	134	–	36	–
Written-off against allowance		–	(120)	–	–
Currency realignment		(23)	2	–	–
At 31 December		937	826	1,949	1,913

Staff loans are unsecured, non-interest bearing and repayable over 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, dividend of $4,950,000 (31 December 2017: $4,950,000, 1 January 2017: $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 were unsecured, interest bearing at rates ranging from 2.45% to 2.62% per annum at 31 December 2017 and 2.37% to 3.00% per annum at 1 January 2017 and are repayable upon demand. The amounts due from subsidiaries are to be settled in cash.

14. Short-term investments

	Group 31 Dec 2018 $'000	Group 31 Dec 2017 $'000	Group 1 Jan 2017 $'000	Company 31 Dec 2018 $'000	Company 31 Dec 2017 $'000	Company 1 Jan 2017 $'000
At fair value through other comprehensive income						
Quoted debt securities	4,676	–	–	4,676	–	–
At fair value through profit or loss						
Unquoted debt securities	–	–	994	–	–	994
Available-for-sale, at fair value						
Quoted debt securities	–	–	2,974	–	–	1,974
	4,676	–	3,968	4,676	–	2,968

14. Short-term investments (cont'd)

The movement in loss allowance for short-term quoted debt securities based on 12-month ECL is as follows:

	Group and Company $'000
At 1 January 2018 (restated upon adoption of SFRS(I) 9)	63
Charge for the year (Note 6)	15
At 31 December 2018	78

15. Cash and cash equivalents

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Cash and bank balances	35,887	63,943	89,690	3,146	5,765	16,662
Fixed deposits with financial institutions	24,372	72,511	15,213	16,501	48,459	10,408
	60,259	136,454	104,903	19,647	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 2018 for the Group and the Company were 1.98% and 1.79% (31 December 2017: 1.47% and 1.38%, 1 January 2017: 0.99% and 0.80%) per annum respectively.

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16. Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Leasehold properties $'000
Group			
Cost:			
At 1.1.2017	26,831	137,454	41,847
Currency realignment	(299)	(418)	(167)
Additions	85	4,828	3,143
Disposals	–	(265)	–
Transfers between categories	–	2,044	20,683
At 31.12.2017 and 1.1.2018	26,617	143,643	65,506
Currency realignment	(1,555)	(10,558)	(218)
Additions	75	57	6,241
Disposals	–	(16)	–
Transfer from investment properties	–	–	17,960
Transfers between categories	6,415	509	2,989
At 31.12.2018	31,552	133,635	92,478
Accumulated depreciation and impairment loss:			
At 1.1.2017	–	73,122	22,011
Currency realignment	–	(252)	(165)
Charge for the year (Note 5)	–	3,360	1,044
Disposals	–	(243)	–
Transfer between categories	–	492	–
Impairment loss (Note 6)	–	–	–
At 31.12.2017 and 1.1.2018	–	76,479	22,890
Currency realignment	–	(5,829)	(82)
Charge for the year (Note 5)	–	3,213	1,337
Disposals	–	(8)	–
Transfer from investment properties	–	–	14,113
At 31.12.2018	–	73,855	38,258
Net carrying amount:			
At 31.12.2018	31,552	59,780	54,220
At 31.12.2017	26,617	67,164	42,616
At 01.01.2017	26,831	64,332	19,836

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Leasehold improvements $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
28,651	343,838	29,685	32,099	30,539	670,944
(263)	(4,388)	(331)	(943)	(272)	(7,081)
3,177	18,020	1,893	4,939	26,865	62,950
(374)	(8,133)	(4,310)	(2,761)	–	(15,843)
(258)	16,820	555	399	(40,243)	–
30,933	366,157	27,492	33,733	16,889	710,970
(913)	(15,782)	(1,304)	(1,099)	(409)	(31,838)
2,259	19,215	1,935	2,101	38,492	70,375
(195)	(1,512)	(791)	(2,373)	–	(4,887)
4,623	12,955	–	–	81	35,619
529	10,481	625	505	(22,053)	–
37,236	391,514	27,957	32,867	33,000	780,239
11,647	229,047	23,024	22,508	–	381,359
(180)	(2,858)	(222)	(645)	–	(4,322)
1,814	19,971	2,178	2,614	–	30,981
(373)	(7,922)	(4,286)	(2,272)	–	(15,096)
(492)	–	–	–	–	–
–	600	–	–	–	600
12,416	238,838	20,694	22,205	–	393,522
(222)	(11,723)	(1,025)	(784)	–	(19,665)
2,171	21,440	2,242	2,751	–	33,154
(191)	(1,430)	(781)	(2,225)	–	(4,635)
1,223	5,852	–	–	–	21,188
15,397	252,977	21,130	21,947	–	423,564
21,839	138,537	6,827	10,920	33,000	356,675
18,517	127,319	6,798	11,528	16,889	317,448
17,004	114,791	6,661	9,591	30,539	289,585

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16. 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 1.1.2017	2,864	850	849	4,563
Additions	2,057	62	287	2,406
Disposals	–	(45)	(427)	(472)
At 31.12.2017 and 1.1.2018	4,921	867	709	6,497
Additions	–	73	–	73
Disposals	–	(20)	–	(20)
At 31.12.2018	4,921	920	709	6,550
Accumulated depreciation:				
At 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 and 1.1.2018	1,213	676	461	2,350
Charge for the year	110	59	68	237
Disposals	–	(20)	–	(20)
At 31.12.2018	1,323	715	529	2,567
Net carrying amount:				
At 31.12.2018	3,598	205	180	3,983
At 31.12.2017	3,708	191	248	4,147
At 01.01.2017	1,737	186	367	2,290

(a) During the year, the Group acquired plant and machinery with an aggregate cost of $207,000 (2017: $498,000) by means of finance leases. The net carrying amount of plant and machinery held under finance leases as at 31 December 2018 was $2,232,000 (31 December 2017: $2,482,000, 1 January 2019: $2,378,000) (Note 28).

(b) At the end of the financial year, property, plant and equipment with net carrying amounts of $11,980,000 (31 December 2017: $13,632,000, 1 January 2017: $14,611,000) were mortgaged/pledged to third parties to secure credit facilities (Note 28).

(c) In 2017, the Group recognised an impairment loss of $600,000, 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.

17. Investment properties

	Note	Group $'000
Cost:		
At 1 January 2017		48,575
Additions		1,031
Disposals		(344)
At 31 December 2017 and 1 January 2018		49,262
Additions		5,403
Disposals		(5,548)
Transfer to property, plant and equipment		(35,619)
At 31 December 2018		13,498
Accumulated depreciation and impairment loss:		
At 1 January 2017		30,327
Charge for the year	5	1,389
Disposals		(326)
At 31 December 2017 and 1 January 2018		31,390
Charge for the year	5	1,501
Disposals		(4,420)
Transfer to property, plant and equipment		(21,188)
At 31 December 2018		7,283
Net carrying amount:		
At 31 December 2018		6,215
At 31 December 2017		17,872
At 1 January 2017		18,248

The fair value of investment properties amounted to $13,146,000 (31 December 2017: $25,359,000, 1 January 2017: $22,014,000) as at 31 December 2018, based on management's assessment amounting to $13,146,000 (31 December 2017: $11,359,000, 1 January 2017: $Nil) and valuations performed by external valuers with recognised and relevant professional qualification amounting to $Nil (31 December 2017: $14,000,000, 1 January 2017: $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 8.00% per annum (31 December 2017: 7.56% per annum), and long-term revenue growth rate of 2% per annum (31 December 2017: 1% per annum). Valuations performed by external valuers were 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).

During the year, the Group transferred a commercial property that was held as investment property to owner-occupied property as the Group had increased its internal usage.

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18. Investment in subsidiaries

	Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Unquoted equity shares, at cost	104,134	104,134	102,975
Less: Impairment loss	(4,002)	(4,002)	(4,002)
	100,132	100,132	98,973

Movements in impairment loss are as follows:

	2018 $'000	2017 $'000
Balance at beginning and end of year	4,002	4,002

Details of subsidiaries are set out in Note 39(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.

19. Advances to subsidiaries

The advances to subsidiaries, which are to be settled in cash, are unsecured and non-interest bearing except for an amount of $44,344,000 (31 December 2017: $44,806,000, 1 January 2017: $51,205,000) with effective interest rates of 2.50% (31 December 2017: 2.50%, 1 January 2017: 2.50%) per annum. These advances have no fixed terms of repayment and no repayments are expected within the next 12 months.

20. Investment in joint venture

The Group has 50% interest in the ownership and voting rights of Gardenia Bakeries (KL) Sdn Bhd ("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 39(b).

20. Investment in joint venture (cont'd)

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

Summarised balance sheet

	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Inventories	14,085	13,941	13,257
Trade and other receivables	31,325	25,707	21,779
Cash and cash equivalents	11,691	15,257	25,930
Current assets	57,101	54,905	60,966
Property, plant and equipment	98,200	64,653	58,459
Total assets	155,301	119,558	119,425
Current liabilities	(91,553)	(67,440)	(66,604)
Deferred tax liabilities	(754)	(2,565)	(3,467)
Other non-current liabilities	(6,674)	(6,039)	(4,572)
Total liabilities	(98,981)	(76,044)	(74,643)
Net assets	56,320	43,514	44,782
Proportion of the Group's ownership	50%	50%	50%
Group's share of net assets	28,160	21,757	22,391
Net fair value uplift on identifiable assets	26,672	28,405	28,898
Goodwill on acquisition	25,651	25,651	25,029
Carrying amount of the investment	80,483	75,813	76,318

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20. Investment in joint venture (cont'd)

Summarised statement of comprehensive income

	2018 $'000	2017 $'000
Revenue	310,255	285,147
Interest income	347	350
Depreciation and amortisation	(13,999)	(12,224)
Operating expenses	(277,703)	(253,157)
Interest expense	(566)	(65)
Profit before tax	18,334	20,051
Income tax credit/(expense)	1,140	(4,885)
Profit after tax	19,474	15,166
Other comprehensive income	(114)	3,100
Total comprehensive income	19,360	18,266

Dividends of $5,010,000 were declared by GBKL to the Group during the year (2017: $9,639,000).

21. Pension assets

The Group's subsidiaries 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		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Benefit asset			
Fair value of plan assets	15,735	17,683	18,771
Present value of benefit obligation	(13,397)	(15,063)	(16,117)
Net benefit asset	2,338	2,620	2,654

21. Pension assets (cont'd)

	Group	
	2018 $'000	2017 $'000
Changes in the fair value of plan assets are as follows:		
At 1 January	17,683	18,771
Interest income	311	453
Actual return on plan assets less interest income	108	214
Employer contributions	136	102
Contributions by plan participants	107	171
Benefits paid	(1,113)	(1,793)
Taxes, premiums and expenses paid	(206)	(201)
Currency realignment	(1,291)	(34)
At 31 December	15,735	17,683
Changes in the present value of defined benefit obligation are as follows:		
At 1 January	15,063	16,117
Interest cost	250	370
Current service cost	434	405
Contributions by plan participants	107	171
Benefits paid	(1,113)	(1,793)
Actuarial (gains)/losses arising from changes in financial assumptions	(244)	201
Actuarial losses/(gains) arising from liability experience	211	(178)
Taxes, premiums and expenses paid	(206)	(201)
Currency realignment	(1,105)	(29)
At 31 December	13,397	15,063

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

	Group		
	31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
Australian equities	21	16	13
Overseas equities	14	19	17
Fixed interest securities	49	48	37
Property	4	4	10
Other	12	13	23
	100	100	100

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21. Pension assets (cont'd)

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

	Group		
	31 Dec 2018	**31 Dec 2017**	**1 Jan 2017**
	%	**%**	**%**
Discount rate	2.6	2.4	3.0
Salary increase rate	3.0	4.0	4.0

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

	Group	
	2018	**2017**
	$'000	**$'000**
Net benefit expense (recognised within staff costs):		
Current service cost	434	405
Net interest cost	(61)	(83)
	373	322

The Group expects to contribute $138,000 (2017: $115,000) to its defined benefit pension plan in 2019.

The average duration of the defined benefit obligation at the end of the reporting period is 2.0 years (31 December 2017: 2.0 years, 1 January 2017: 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.

21. Pension assets (cont'd)

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

	Increase/ (decrease) in basis points	Effect on present value of benefit obligation $'000
31 Dec 2018		
Discount rate	+25	(58)
	-25	58
Salary increase rate	+25	48
	-25	(48)
31 Dec 2017		
Discount rate	+25	(84)
	-25	86
Salary increase rate	+25	64
	-25	(62)
1 Jan 2017		
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.

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22. Long-term investments

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
At fair value through other comprehensive income						
Unquoted equity security	25	–	–	–	–	–
Quoted debt securities	1,776	–	–	1,776	–	–
Available-for-sale						
Unquoted equity securities						
At cost	–	26	28	–	–	–
Quoted debt securities						
At fair value	–	6,866	7,198	–	6,866	7,198
	1,801	6,892	7,226	1,776	6,866	7,198

The quoted debt securities carry interest at rates of 4.00% to 4.40% (2017: 4.00% to 4.75%) per annum and mature between June 2021 to August 2023.

The movement in loss allowance for long-term debt securities based on lifetime ECL is as follows:

	Group and Company $'000
At 1 January 2018 (restated upon adoption of SFRS(I) 9)	444
Charge for the year (Note 6)	147
At 31 December 2018	591

In 2017, the Group reversed impairment loss of $645,000 for a quoted debt security due to increase in fair value during the year.

23. Intangibles

	Group			Company
	Trademark $'000	Intellectual property $'000	Total $'000	Trademark $'000
Cost:				
At 1.1.2017, 31.12.2017 and 1.1.2018	2,750	–	2,750	7,150
Additions during the year	–	150	150	–
Currency realignment	–	(11)	(11)	–
At 31.12.2018	2,750	139	2,889	7,150
Accumulated amortisation and impairment loss:				
At 1.1.2017	2,750	–	2,750	5,643
Amortisation for the year	–	–	–	188
At 31.12.2017 and 1.1.2018	2,750	–	2,750	5,831
Amortisation for the year (Note 5)	–	15	15	189
Currency realignment	–	(1)	(1)	–
At 31.12.2018	2,750	14	2,764	6,020
Net carrying amount:				
At 31.12.2018	–	125	125	1,130
At 31.12.2017	–	–	–	1,319
At 01.01.2017	–	–	–	1,507

Trademark and intellectual property with finite lives are amortised on a straight-line basis over their useful life of 20 and 10 years respectively.

24. Deferred taxation

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At 1 January	(2,599)	(4,773)	1,545	1,734
Recognised in profit or loss	(4,091)	2,073	(189)	(189)
Recognised in other comprehensive income	420	(141)	–	–
Currency realignment	817	242	–	–
At 31 December	(5,453)	(2,599)	1,356	1,545

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24. Deferred taxation (cont'd)

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Represented by:						
– Deferred tax assets	(15,885)	(16,140)	(17,267)	–	–	–
– Deferred tax liabilities	10,432	13,541	12,494	1,356	1,545	1,734
	(5,453)	(2,599)	(4,773)	1,356	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 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 and 1 January 2018	6,787	7,568	–	1,785	16,140
Recognised in profit or loss	(62)	(379)	801	851	1,211
Recognised in other comprehensive income	–	(378)	–	–	(378)
Currency realignment	(482)	(444)	(35)	(127)	(1,088)
At 31 December 2018	6,243	6,367	766	2,509	15,885

24. 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 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 and 1 January 2018	8,698	930	1,290	2,623	13,541
Recognised in profit or loss	(1,603)	(165)	(157)	(955)	(2,880)
Recognised in other comprehensive income	–	42	–	–	42
Currency realignment	(51)	(62)	–	(158)	(271)
At 31 December 2018	7,044	745	1,133	1,510	10,432

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 2017	1,446	288	1,734
Recognised in profit or loss	(156)	(33)	(189)
At 31 December 2017 and 1 January 2018	1,290	255	1,545
Recognised in profit or loss	(157)	(32)	(189)
At 31 December 2018	1,133	223	1,356

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (31 December 2017: $nil, 1 January 2017: $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 $45,049,000 (31 December 2017: $60,445,000, 1 January 2017: $52,327,000). The deferred tax liability is estimated to be $6,757,000 (31 December 2017: $9,067,000, 1 January 2017: $7,849,000).

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25. Trade payables

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Trade payables:						
– third parties	75,426	73,330	65,121	209	85	225
– joint venture	84	46	67	–	–	–
	75,510	73,376	65,188	209	85	225

26. Other payables

	Note	Group			Company		
		31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
(a) Other payables							
Payable within one year:							
Staff related expenses		19,014	22,751	22,602	2,306	2,857	3,000
Accrued operating expenses		17,079	20,841	17,486	378	338	634
Provision for long service leave		5,936	6,390	6,463	–	–	–
Sundry creditors		16,703	13,484	9,318	285	836	235
Sales tax payable		1,965	2,294	2,191	1	2	1
Amounts due to subsidiaries		–	–	–	14	4,934	4,936
Amounts due to joint venture		440	–	–	–	–	–
Derivative financial liabilities	26(b)	–	40	28	–	–	–
Deferred income		934	929	919	919	919	919
Put option liability	26(c)	4,654	4,867	–	–	–	–
		66,725	71,596	59,007	3,903	9,886	9,725
Payable after one year:							
Provision for long service leave and retirement benefits		6,961	8,231	7,222	–	–	–
Deferred income		6,027	6,987	8,019	5,744	6,665	7,584
		12,988	15,218	15,241	5,744	6,665	7,584

26. Other payables (cont'd)

(a) Other payables (cont'd)

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

The amounts due to joint venture 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at beginning of year	7,916	8,938	7,584	8,503
Currency realignment	29	22	–	–
Credited to profit or loss	(984)	(1,044)	(921)	(919)
Balance at end of year	6,961	7,916	6,663	7,584

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Represented by:						
– payable within one year	934	929	919	919	919	919
– payable after one year	6,027	6,987	8,019	5,744	6,665	7,584
Balance at end of year	6,961	7,916	8,938	6,663	7,584	8,503

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26. Other payables (cont'd)

(a) Other payables (cont'd)

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

	Note	Group 2018 $'000	Group 2017 $'000
Balance at beginning of year		14,621	13,685
Currency realignment		(846)	(364)
Provision charged during the year	6	650	655
Actuarial (gains)/losses		(1,260)	662
Utilised during the year		(268)	(17)
Balance at end of year		12,897	14,621
Represented by:			
– payable within one year		5,936	6,390
– payable after one year		6,961	8,231
Balance at end of year		12,897	14,621

(b) Derivative financial liabilities are as follows:

	31 Dec 2018		31 Dec 2017		1 Jan 2017	
	Contract notional amount $'000	Fair value $'000	Contract notional amount $'000	Fair value $'000	Contract notional amount $'000	Fair value $'000
Group						
Foreign currency contracts						
– Not designated as hedges	1,419	–	1,227	40	1,439	28

26. Other payables (cont'd)

(b) Derivative financial liabilities are as follows: (cont'd)

At 31 December 2018, the settlement dates on outstanding foreign currency contracts ranged between 9 days to 8 months for the following notional amounts:

	Group		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Contracts to deliver Japanese Yen and receive Australian Dollars	1,294	1,227	1,402
Contracts to deliver United States dollars and receive Australian Dollars	125	–	–
Contracts to deliver Singapore Dollars and receive Australian Dollars	–	–	37
	1,419	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.

27. Short-term borrowings

	Group		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Short-term bank loans:			
– unsecured	31,663	22,931	22,150
– secured	20,888	21,223	10,492
	52,551	44,154	32,642

The Group's short-term bank loans are interest bearing at rates ranging from 1.55% to 3.69% (31 December 2017: 1.35% to 4.78%, 1 January 2017: 1.40% to 3.35%) per annum. The secured portion of the borrowings is secured by a charge over certain inventories of the Group.

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28. Long-term borrowings

	Effective interest rate per annum %	Maturities	Group 31 Dec 2018 $'000	Group 31 Dec 2017 $'000	Group 1 Jan 2017 $'000
Loans from banks:					
– Loan A	2.90 – 6.09	2026	29,109	12,059	13,768
– Loan B	–	–	–	14,588	5,936
– Loan C	4.68 – 4.78	2021	5,463	17,838	9,202
– Loan D	3.84 – 3.99	2026	11,739	13,371	14,352
			46,311	57,856	43,258
Loans from non-controlling interests					
– Loan E	7.00	2020	1,501	1,481	1,277
– Loan F	Nil	Nil	8,021	7,571	6,885
			9,522	9,052	8,162
Finance leases			1,585	2,075	2,164
			57,418	68,983	53,584
Less: Current portion			(4,868)	(6,268)	(2,456)
Non-current portion of loans			52,550	62,715	51,128

Loan A, denominated in Philippine Peso, is unsecured, bears floating interest rate ranging from 2.90% to 6.09% (31 December 2017: 2.90%, 1 January 2017: 2.90%) per annum and is repayable in instalments till 2026.

Loan B, denominated in Australian Dollars, was unsecured and borne interest rates ranging from 3.49% to 3.59% per annum at 31 December 2017 and 3.61% to 4.14% per annum at 1 January 2017. The loan was fully repaid during the year.

Loan C, denominated in Malaysian Ringgit, with interest rate of 4.68% to 4.78% (31 December 2017: 4.70% to 4.78%, 1 January 2017: 4.65% to 4.69%) per annum, is unsecured and is expected to be fully repaid by July 2021.

Loan D, denominated in Australian Dollars, with interest rates between 3.84% to 3.99% (31 December 2017: 4.13% to 6.94%, 1 January 2017: 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 April 2026.

Loan E, denominated in Australian Dollars, is unsecured and bears interest at 7.00% (31 December 2017: 7.00%, 1 January 2017: 7.00%) per annum. The loan is expected to be repaid in April 2020.

Loan F, denominated in Singapore Dollars, is unsecured and non-interest bearing. The loan is repayable on demand 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.

28. Long-term borrowings (cont'd)

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

	Minimum lease payments 31 Dec 2018 $'000	Present value of payments 31 Dec 2018 $'000	Minimum lease payments 31 Dec 2017 $'000	Present value of payments 31 Dec 2017 $'000	Minimum lease payments 1 Jan 2017 $'000	Present value of payments 1 Jan 2017 $'000
Group						
Within one year	659	599	645	557	627	534
Between one and five years	1,034	986	1,613	1,518	1,763	1,630
Total minimum lease payments	1,693	1,585	2,258	2,075	2,390	2,164
Less: Amount representing finance charges	(108)	–	(183)	–	(226)	–
Present value of minimum lease payments	1,585	1,585	2,075	2,075	2,164	2,164

Effective interest rates on finance leases range from 2.54% to 5.50% (31 December 2017: 2.54% to 5.50%, 1 January 2017: 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.

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes			
	31 Dec 2017 $'000	Cash flows $'000	Acquisition $'000	Foreign exchange movement $'000	Reclassification from other payables $'000	31 Dec 2018 $'000
Short-term borrowings	44,154	12,172	–	(3,775)	–	52,551
Loans from banks	57,856	(10,148)	–	(1,397)	–	46,311
Loans from non-controlling interests	9,052	450	–	(116)	136	9,522
Finance leases	2,075	(557)	207	(140)	–	1,585
Total	113,137	1,917	207	(5,428)	136	109,969

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28. Long-term borrowings (cont'd)

			Non-cash changes			
	1 Jan 2017 $'000	Cash flows $'000	Acquisition $'000	Foreign exchange movement $'000	Reclassification from other payables $'000	31 Dec 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

29. Share capital

	Group and Company			
	2018		2017	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid:				
At 1 January	569,216,421	272,009	561,854,968	263,087
Issued during the year	6,052,019	5,034	7,361,453	8,922
At 31 December	575,268,440	277,043	569,216,421	272,009

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 the issued and fully paid ordinary shares carry one vote per share without restrictions and have no par value.

During the financial year, the Company issued 1,415,331 ordinary shares at $0.985 per share and 4,636,688 ordinary shares at $0.785 per share, pursuant to QAF Limited Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2017 and interim dividend for the financial year ended 31 December 2018, respectively.

In 2017, 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.

30. Reserves

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Revaluation reserve	244	244	244	–	–	–
Capital reserve	(2,410)	(2,410)	–	–	–	–
Fair value reserve	146	64	–	146	64	–
Revenue reserve	247,429	267,340	263,736	44,131	57,264	55,746
Foreign currency translation reserve	(11,048)	(319)	–	–	–	–
	234,361	264,919	263,980	44,277	57,328	55,746

	Company	
	2018 $'000	2017 $'000
Analysis of movement in the reserves of the Company:		
Fair value reserve		
At 1 January		
– As previously reported	64	–
– Effects of adopting SFRS(I) 9	333	–
– As restated	397	–
Net fair value loss on investment securities at fair value through other comprehensive income	(251)	–
Net fair value gain on available-for-sale investment securities	–	64
At 31 December	146	64
Revenue reserve		
At 1 January		
– As previously reported	57,264	55,746
– Effects of adopting SFRS(I) 9	(333)	–
– As restated	56,931	55,746
Net profit for the year	15,675	29,646
Dividends	(28,475)	(28,128)
At 31 December	44,131	57,264
Total	44,277	57,328

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30. Reserves (cont'd)

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.

Capital reserve

Capital reserve represents the following:

(a) difference between de-recognition of the non-controlling interest and the recognition of the financial liability in a subsidiary; and

(b) consideration in excess of net book value on acquisition of non-controlling interest of a subsidiary.

	Group		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Difference between de-recognition of non-controlling interest of a subsidiary and the recognition of the financial liability in a subsidiary	(1,795)	(1,795)	–
Consideration in excess of net book value on acquisition of non-controlling interest of a subsidiary	(615)	(615)	–
	(2,410)	(2,410)	–

Fair value reserve

Fair value reserve represents the cumulative fair value changes, net of tax, of investment securities until they are disposed.

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.

31. Dividends

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interim tax-exempt (one-tier) dividend of 1 cent per share in respect of the financial year ended 31 December 2018	5,706	–	5,706	–
Final tax-exempt (one-tier) dividend of 4 cents per share in respect of the financial year ended 31 December 2017	22,769	–	22,769	–
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
Share of a subsidiary's dividends paid to a non-controlling interest in respect of the financial year ended 31 December 2018	109	–	–	–
Share of a subsidiary's dividends paid to a non-controlling interest in respect of the financial year ended 31 December 2017	–	8	–	–
	28,584	28,136	28,475	28,128

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 2017 and interim dividend for the financial year ended 31 December 2018.

The directors have proposed that a final tax-exempt (one-tier) dividend of 4 cents per share, amounting to approximately $23,011,000, be paid in respect of the financial year ended 31 December 2018. 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.

There is no income tax consequence (2017: $nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

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32. Commitments

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

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Expenditure contracted in respect of property, plant and equipment and investment properties	6,132	38,999	18,480	–	–	–
Share of joint venture's capital commitments in relation to property, plant and equipment	1,196	598	501	–	–	–
	7,328	39,597	18,981	–	–	–

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
(b) Commitments to purchase bulk supplies of raw materials	41,410	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		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Within one year	6,723	8,952	7,324	106	99	32
Between one and five years	16,444	15,786	12,260	32	107	9
After five years	20,738	23,563	21,531	–	–	–
	43,905	48,301	41,115	138	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.

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33. Contingent liabilities (unsecured)

		Company		
		31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
(a)	Guarantees issued for bank facilities granted to subsidiaries	130,910	127,772	147,454
	Amounts utilised by subsidiaries as at end of the reporting period	53,825	73,725	44,790

		Group		
		31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
(b)	Claims by a subsidiary's tenant	148	148	–

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

34. 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Management fee income from subsidiaries	–	–	1,478	1,238
Royalty income from subsidiaries	–	–	12,426	12,147
Royalty income from joint venture	4,017	3,838	4,017	3,838
Interest income from advances to subsidiaries	–	–	1,189	1,399
Dividend income from subsidiaries	–	–	17,028	25,491
Purchase of goods from joint venture	773	1,077	–	–
Sale of goods to joint venture	69,470	61,927	–	–
Dividend income from joint venture	5,010	9,639	–	–
Purchase of leasehold property from a director of the Company	–	2,000	–	2,000

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34. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2018 $'000	2017 $'000
Short-term employee benefits	4,512	4,807
CPF contribution	78	72

35. 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 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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

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

(a) Credit risk (cont'd)

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days, when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the debtors to settle the receivables. The Group has identified the gross domestic product (GDP) and the unemployment rate of the countries in which it sells goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

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35. 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 $130,910,000 (31 December 2017: $127,772,000, 1 January 2017: $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 $53,825,000 (31 December 2017: $73,725,000, 1 January 2017: $44,790,000).

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

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					
	31 Dec 2018		31 Dec 2017		1 Jan 2017	
	$'000	% of total	$'000	% of total	$'000	% of total
By industry:						
Bakery	59,359	57	57,548	59	59,956	62
Primary production	24,653	23	21,703	22	19,985	21
Distribution and warehousing	21,025	20	18,041	19	16,969	17
	105,037	100	97,292	100	96,910	100
By country:						
Singapore	32,472	31	30,843	32	33,920	35
Australia	27,332	26	25,347	26	22,282	23
Philippines	29,407	28	22,787	24	19,161	20
Malaysia	13,530	13	15,949	16	20,110	21
Other countries	2,296	2	2,366	2	1,437	1
	105,037	100	97,292	100	96,910	100

35. 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.

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

(b) Liquidity risk (cont'd)

	31 Dec 2018			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group				
Financial assets:				
Trade and other receivables	114,750	–	–	114,750
Investment securities	4,884	1,983	–	6,867
Cash and cash equivalents	60,275	–	–	60,275
Total undiscounted financial assets	179,909	1,983	–	181,892
Financial liabilities:				
Trade and other payables	133,400	–	–	133,400
Borrowings	60,228	53,682	7,790	121,700
Total undiscounted financial liabilities	193,628	53,682	7,790	255,100
Total net undiscounted financial (liabilities)/assets	(13,719)	(51,699)	(7,790)	(73,208)

	31 Dec 2017				1 Jan 2017			
	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
	110,279	–	–	110,279	121,073	–	–	121,073
	301	7,130	131	7,562	4,412	7,025	1,052	12,489
	136,613	–	–	136,613	104,937	–	–	104,937
	247,193	7,130	131	254,454	230,422	7,025	1,052	238,499
	135,359	–	–	135,359	114,622	–	–	114,622
	53,669	63,951	3,389	121,009	37,922	48,986	8,704	95,612
	189,028	63,951	3,389	256,368	152,544	48,986	8,704	210,234
	58,165	(56,821)	(3,258)	(1,914)	77,878	(41,961)	(7,652)	28,265

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

(b) Liquidity risk (cont'd)

	31 Dec 2018		
	1 year or less $'000	Over 1 year $'000	Total $'000
Company			
Financial assets:			
Investment securities	4,884	1,958	6,842
Other receivables	52,672	–	52,672
Cash and cash equivalents	19,657	–	19,657
Advances to subsidiaries	–	149,383	149,383
Total undiscounted financial assets	77,213	151,341	228,554
Financial liabilities:			
Trade and other payables	3,192	–	3,192
Total undiscounted financial liabilities	3,192	–	3,192
Total net undiscounted financial assets	74,021	151,341	225,362

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	53,825	–	53,825

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31 Dec 2017			1 Jan 2017		
1 year or less $'000	Over 1 year $'000	Total $'000	1 year or less $'000	Over 1 year $'000	Total $'000
301	7,236	7,537	3,371	8,049	11,420
53,416	–	53,416	75,379	–	75,379
54,310	–	54,310	27,072	–	27,072
–	128,445	128,445	–	123,805	123,805
108,027	135,681	243,708	105,822	131,854	237,676
9,050	–	9,050	9,030	–	9,030
9,050	–	9,050	9,030	–	9,030
98,977	135,681	234,658	96,792	131,854	228,646
73,725	–	73,725	44,790	–	44,790

NOTES TO THE FINANCIAL STATEMENTS

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35. 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 tax.

Loans denominated in	Increase/ decrease in basis points	Effect on profit after tax 2018 $'000	Effect on profit after tax 2017 $'000
Australian Dollar	+ 50	(297)	(296)
Australian Dollar	– 50	297	296

(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 $59,218,000 (2017: $60,726,000).

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.

35. 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 tax and equity.

		2018		2017	
		Profit after tax $'000	Equity $'000	Profit after tax $'000	Equity $'000
AUD	– strengthened 1% (2017: 1%)	605	–	617	–
	– weakened 1% (2017: 1%)	(605)	–	(617)	–
Ringgit	– strengthened 1% (2017: 1%)	(23)	677	37	734
	– weakened 1% (2017: 1%)	36	(690)	(29)	(749)

36. Classification of financial instruments

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Loans and receivables						
Trade receivables	105,037	97,292	96,910	–	–	–
Other receivables	9,713	12,987	24,163	52,672	53,416	75,379
Cash and cash equivalents	60,259	136,454	104,903	19,647	54,224	27,070
Advances to subsidiaries	–	–	–	149,383	128,445	123,805
	175,009	246,733	225,976	221,702	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

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36. Classification of financial instruments (cont'd)

	Group			Company		
	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Financial liabilities measured at amortised cost						
Trade payables	75,510	73,376	65,188	209	85	225
Other payables	53,236	57,076	49,406	2,983	8,965	8,805
Short-term borrowings	52,551	44,154	32,642	–	–	–
Long-term borrowings	57,418	68,983	53,584	–	–	–
	238,715	243,589	200,820	3,192	9,050	9,030
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						
Short-term investments	4,676	–	–	4,676	–	–
Long-term investments	1,801	–	–	1,776	–	–
Other payables	(4,654)	(4,867)	–	–	–	–
	1,823	(4,867)	–	6,452	–	–

37. 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).

37. 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 31 Dec 2018			
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 14)	4,676	–	–	4,676
Long-term investments (Note 22)	1,776	–	25	1,801
	6,452	–	25	6,477
Non-financial assets				
Biological assets (Note 10)	–	–	52,121	52,121
Financial liabilities				
Put option liability (Note 26(c))	–	–	4,654	4,654

	Group 31 Dec 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 22)	6,866	–	–	6,866
Non-financial assets				
Biological assets (Note 10)	–	–	57,245	57,245
Financial liabilities				
Forward currency contracts (Note 26(b))	–	40	–	40
Put option liability (Note 26(c))	–	–	4,867	4,867
	–	40	4,867	4,907

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

	Group 1 Jan 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				
Short-term investments (Note 14)	2,974	994	–	3,968
Long-term investments (Note 22)	7,198	–	–	7,198
	10,172	994	–	11,166
Non-financial assets				
Biological assets (Note 10)	–	–	60,803	60,803
Financial liabilities				
Forward currency contracts (Note 26(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.

37. 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 10. The key assumptions in determining fair value are the inputs of selling prices from prior transactions, age, breed and genetic merit of animals. A reasonable change in the price assumption of +5% or -5% would affect the livestock valuation by an estimated change of an increase in $2.6 million and a decrease of $2.6 million respectively.

Fair value of put option liability is determined as described in Note 26(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 loans from non-controlling interests based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or are repriced frequently.

38. 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)	Distribution and warehousing	–	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.

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38. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Distribution and warehousing $'000	Investments and others $'000	Eliminations $'000	Consolidated $'000
Year ended 31 December 2018						
Revenue and expenses						
Revenue from external customers	345,226	351,676	106,207	4,938	–	808,047
Other revenue from external customers	3,281	2,084	131	19	–	5,515
Inter-segment revenue	11	–	113	13,904	(14,028)	–
	348,518	353,760	106,451	18,861	(14,028)	813,562
Unallocated revenue						1,306
Total revenue						814,868
Segment EBITDA	48,671	1,197	2,634	5,113	–	57,615
Amortisation and depreciation	(22,569)	(9,382)	(2,483)	(236)	–	(34,670)
Segment EBIT	26,102	(8,185)	151	4,877	–	22,945
Unallocated revenue						1,306
Unallocated expenses						(17,320)
Profit from operating activities						6,931
Finance costs						(3,370)
Share of profits of joint venture	9,737	–	–	–	–	9,737
Profit before tax						13,298
Income tax expense						(4,639)
Profit after tax						8,659
Timing of transfer of goods or services						
At a point in time	348,498	353,708	101,568	19	–	803,793
Over time	276	208	4,833	5,758	–	11,075
	348,774	353,916	106,401	5,777	–	814,868

38. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Distribution and warehousing $'000	Investments and others $'000	Eliminations $'000	Consolidated $'000
Year ended 31 December 2017						
Revenue and expenses						
Revenue from external customers	332,412	371,661	108,393	4,757	–	817,223
Other revenue from external customers	3,412	3,355	148	23	–	6,938
Inter-segment revenue	50	–	55	13,386	(13,491)	–
	335,874	375,016	108,596	18,166	(13,491)	824,161
Unallocated revenue						1,643
Total revenue						825,804
Segment EBITDA	43,165	23,847	7,319	4,420	–	78,751
Amortisation and depreciation	(20,071)	(9,746)	(2,310)	(243)	–	(32,370)
Segment EBIT	23,094	14,101	5,009	4,177	–	46,381
Unallocated revenue						1,643
Unallocated expenses						(11,897)
Profit from operating activities						36,127
Finance costs						(3,062)
Share of profits of joint venture	7,583	–	–	–	–	7,583
Profit before tax						40,648
Income tax expense						(10,402)
Profit after tax						30,246
Timing of transfer of goods or services						
At a point in time	335,822	374,945	102,811	23	–	813,601
Over time	377	390	5,753	5,683	–	12,203
	336,199	375,335	108,564	5,706	–	825,804

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38. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Distribution and warehousing $'000	Investments and others $'000	Consolidated $'000
As at 31 December 2018					
Assets and liabilities					
Segment assets	341,751	240,236	67,215	36,064	685,266
Investment in joint venture	80,483	–	–	–	80,483
Total assets	422,234	240,236	67,215	36,064	765,749
Deferred tax assets					15,885
Tax recoverable					1,999
Total assets per consolidated statement of financial position					783,633
Segment liabilities	86,856	52,927	16,673	9,874	166,330
Income tax payable					2,990
Deferred tax liabilities					10,432
Bank borrowings					98,862
Total liabilities per consolidated statement of financial position					278,614
Year ended 31 December 2018					
Other segment information					
Expenditure for non-current assets	58,641	10,919	6,295	73	75,928
Impairment loss	–	–	–	162	162
Loss allowance for inventories (written-back)/charged and inventories written off, net	(326)	–	534	–	208
Loss allowance for receivables charged and bad debts written off, net	657	22	–	–	679

38. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Distribution and warehousing $'000	Investments and others $'000	Consolidated $'000
As at 31 December 2017					
Assets and liabilities					
Segment assets	311,672	277,041	68,142	71,133	727,988
Investment in 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
Income tax payable					4,030
Deferred tax liabilities					13,541
Bank borrowings					102,010
Total liabilities per consolidated statement of financial position					290,898
Year ended 31 December 2017					
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)
Loss allowance for inventories charged and inventories written off, net	920	–	595	–	1,515
Loss allowance for receivables charged/(written-back) and bad debts written off, net	981	7	(183)	–	805

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

38. Segmental reporting (cont'd)

	Bakery $'000	Primary production $'000	Distribution and warehousing $'000	Investments and others $'000	Consolidated $'000
As at 1 January 2017					
Assets and liabilities					
Segment assets	288,323	257,008	65,667	66,579	677,577
Investment in 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
Income tax payable					6,099
Deferred tax liabilities					12,494
Bank borrowings					75,900
Total liabilities per consolidated statement of financial position					244,255

Geographical information

	Revenue		Non-current assets		
	2018 $'000	2017 $'000	31 Dec 2018 $'000	31 Dec 2017 $'000	1 Jan 2017 $'000
Australia	372,187	394,436	136,804	147,755	140,909
Philippines	183,753	171,278	100,524	59,006	47,493
Singapore	168,015	172,538	48,680	46,241	44,542
Malaysia	77,076	70,245	77,007	82,318	74,863
Other countries	13,837	17,307	–	–	26
	814,868	825,804	363,015	335,320	307,833

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

39. Subsidiaries and joint venture

(a) The subsidiaries as at 31 December 2018 are:

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
	Bakery				
(1)	Gardenia Foods (S) Pte Ltd (Singapore)	Bread manufacturer (Singapore)	100	100	100
(1)	Farmland Central Bakery (S) Pte Ltd (Singapore)	Purchasing agent of bread, confectionery and bakery products (Singapore)	100	100	100
(2)	Millif Industries Sdn Bhd (Malaysia)	Manufacture of kaya and related products (Malaysia)	100	100	65
(2)	Gardenia Bakeries (Philippines) Inc (Philippines)	Manufacture and distribution of bread, confectionery and bakery products (Philippines)	100	100	100
(2)	Farmland Bakery (M) Sdn Bhd (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	100	100	100
(2)	Bakers Maison Australia Pty Ltd (Australia)	Manufacture of confectionery and bakery products (Australia)	100	100	100
(2)	Bakers Maison (M) Sdn Bhd (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. Subsidiaries and joint venture (cont'd)

(a) The subsidiaries as at 31 December 2018 are (cont'd):

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
	Bakery (cont'd)				
#	Gardenia Food (Fujian) Co Ltd (People's Republic of China)	Manufacture and sale of bakery products. Became dormant during the year (People's Republic of China)	55	55	55
(2)	Philfoods Fresh-Baked Products Inc (Philippines)	Bread manufacturer (Philippines)	40^	40^	40^
(2)	Phil Foods Properties Inc (Philippines)	Investment holding (Philippines)	40^	40^	40^
(2)	Nutribaked Food Products Inc (Philippines)	Bread manufacturer (Philippines)	100	100	–
(2)	Nutrimax Fresh-Baked Inc (Philippines)	Bread manufacturer (Philippines)	100	100	–
(2)	Vitabread Food Products Inc (Philippines)	Bread manufacturer (Philippines)	100	100	–
	Primary production				
(2)	Rivalea (Australia) Pty Ltd (Australia)	Intensive pig production and wholesaling (Australia)	100	100	100
(2)	Diamond Valley Pork Pty Ltd (Australia)	Pig meat processing and wholesale (Australia)	80	80	80

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39. Subsidiaries and joint venture (cont'd)

(a) The subsidiaries as at 31 December 2018 are (cont'd):

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
	Distribution and warehousing				
(1)	Ben Foods (S) Pte Ltd (Singapore)	Trading and distribution of food and beverage products (Singapore)	100	100	100
(2)	Ben Foods (East Malaysia) Sdn Bhd (Malaysia)	Operation of supermarkets. Became dormant during the year (Malaysia)	100	100	100
(1)	Shinefoods Pte Ltd (Singapore)	Agency and distribution of food and beverage products. Became dormant during the year (Singapore)	100	100	100
(1)	NCS Cold Stores (S) Pte Ltd (Singapore)	Operation of warehousing logistics (Singapore)	100	100	100
(1)	QAF Fruits Cold Store Pte Ltd (Singapore)	Operation of cold storage warehouse (Singapore)	62	62	62
	Investments and others				
(2)	Oxdale Dairy Enterprise Pty Ltd (Australia)	Leasing investment (Australia)	100	100	100
@	QAF Agencies (S) Pte Ltd (Singapore)	Share trading and investment holding (Singapore)	100	100	100
(1)	Oxdale International Pte Ltd (Singapore)	Investment holding (Singapore)	100	100	100

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39. Subsidiaries and joint venture (cont'd)

(a) *The subsidiaries as at 31 December 2018 are (cont'd):*

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
	Investments and others (cont'd)				
(1)	Gardenia International (S) Pte Ltd (Singapore)	Investment holding (Singapore)	100	100	100
(1)	Hamsdale International Pte Ltd (Singapore)	Investment holding (Singapore)	100	100	100
(2)	Rivalea Holdings Pty Ltd (formerly known as Rivalea Limited) (Australia)	Investment holding (Australia)	100	100	100
(1)	Gardenia Investments Pte Ltd (Singapore)	Investment holding (Singapore)	100	100	100
(1)	Oxdale Investments Pte Ltd (Singapore)	Investment holding (Singapore)	100	100	100
(2)	Bakers Maison Pty Ltd (Australia)	Investment holding (Australia)	100	100	100
(1)	Pacfi Pte Ltd (Singapore)	Investment holding (Singapore)	100	100	100
(1)	Bakers Maison Pte Ltd (Singapore)	Investment holding (Singapore)	100	100	100
(1)	Bonjour Bakery Pte Ltd (Singapore)	Investment holding (Singapore)	100	100	100
(1)	Gaoyuan Pte Ltd (Singapore)	Investment holding (Singapore)	55	55	55

39. Subsidiaries and joint venture (cont'd)

(a) The subsidiaries as at 31 December 2018 are (cont'd):

	Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group 31 Dec 2018 %	31 Dec 2017 %	1 Jan 2017 %
	Dormant corporations				
@	Auspeak Holdings Pte Ltd (Singapore)	Dormant	100	100	100
*	Gardenia Hong Kong Limited (Hong Kong)	Dormant	100	100	100
@	Lansdale Holdings Pte Ltd (Singapore)	Dormant	100	100	100
@	Gardenia (China) Holdings Pte. Ltd. (Singapore)	Dormant	100	100	100
#	Benfood International Trade (Shanghai) Co Ltd (People's Republic of China)	Dormant	100	100	100
#	Gardenia Trading (Fujian) Co Ltd (People's Republic of China)	Dormant	55	55	55
(2)	Delicia Sdn Bhd (Malaysia)	Dormant	100	100	100

(b) The joint venture as at 31 December 2018 is:–

(2)	Gardenia Bakeries (KL) Sdn Bhd (Malaysia)	Bread manufacturer (Malaysia)	50	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	50
(2)	Everyday Bakery & Confectionery Sdn Bhd (Malaysia)	Dormant	50	50	50

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

39. Subsidiaries and joint venture (cont'd)

Notes

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

@ In process of being struck off

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

^ Deemed to be a subsidiary by virtue of control

Audited by:

(1) Ernst & Young LLP, Singapore

(2) 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 2018:					
QAF Fruits Cold Store Pte Ltd	Singapore	38	264	2,385	532
Diamond Valley Pork Pty Ltd	Australia	20	185	2,998	136
Gaoyuan Group+	People's Republic of China	45	219	(8,957)	–
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)	–
1 January 2017:					
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.

39. 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 Dec 2018 $'000	As at 31 Dec 2017 $'000	As at 1 Jan 2017 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2017 $'000	As at 1 Jan 2017 $'000	As at 31 Dec 2018 $'000	As at 31 Dec 2017 $'000	As at 1 Jan 2017 $'000
Current									
Assets	909	5,531	4,553	8,690	10,447	10,594	280	2,198	3,349
Liabilities	(576)	(4,836)	(497)	(9,502)	(13,999)	(11,055)	(2,360)	(5,995)	(2,638)
Net current assets/ (liabilities)	333	695	4,056	(812)	(3,552)	(461)	(2,080)	(3,797)	711
Non-current									
Assets	6,248	6,590	6,860	34,508	34,751	33,629	–	–	26
Liabilities	(303)	(303)	(303)	(18,706)	(15,813)	(18,629)	(17,825)	(16,825)	(15,300)
Net non-current assets/(liabilities)	5,945	6,287	6,557	15,802	18,938	15,000	(17,825)	(16,825)	(15,274)
Net assets/(liabilities)	6,278	6,982	10,613	14,990	15,386	14,539	(19,905)	(20,622)	(14,563)

Summarised statement of comprehensive income

	QAF Fruits Cold Store Pte Ltd		Diamond Valley Pork Pty Ltd		Gaoyuan Group+	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue	2,681	2,626	46,974	48,971	66	6,474
Profit/(loss) before tax	846	807	1,331	1,313	486	(6,119)
Income tax expense	(150)	(138)	(405)	(400)	–	–
Profit/(loss) after tax	696	669	926	913	486	(6,119)
Other comprehensive income	–	–	(1,186)	(56)	231	60
Total comprehensive income	696	669	(260)	857	717	(6,059)

\+ 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 2018

39. 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Net cash flows (used in)/from operating activities	1,046	1,054	1,889	4,497	(1,912)	(1,968)
Acquisition of significant property, plant and equipment and investment properties	30	82	5,097	3,586	–	–

40. 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. There were no changes to the Group's approach to capital management during the year.

	Group	
	2018 $'000	2017 $'000
Net debt	49,710	(23,317)
Shareholders' funds	511,404	536,928
Net debt-to-equity ratio	0.10 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.

41. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the directors on 15 March 2019.

MAJOR **PROPERTIES**

The major properties of the Company and its principal subsidiaries as at 31 December 2018 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 2018 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
(c) Property in Malaysia		
No. 35, Persiaran Sabak Bernam, Seksyen 26, Shah Alam, Selangor Darul Ehsan, Malaysia	Bakery premises	Freehold

STATISTICS OF **SHAREHOLDINGS**

AS AT 15 MARCH 2019

Class of Shares	:	Ordinary Shares
Number of Ordinary Shares	:	575,268,440
Number of Ordinary Shareholders	:	6,145
Number of Treasury Shares	:	Nil
Number of Subsidiary Holdings	:	Nil
Voting Rights	:	One vote per share for poll voting

Analysis of Shareholders by Size of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	311	5.06	9,104	0.00
100 – 1,000	885	14.40	657,165	0.11
1,001 – 10,000	3,233	52.61	15,575,346	2.71
10,001 – 1,000,000	1,696	27.60	69,749,402	12.13
1,000,001 and above	20	0.33	489,277,423	85.05
	6,145	100.00	575,268,440	100.00

Based on information available to the Company as at 15 March 2019, approximately 30.9% 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) Limited	281,481,729	48.93
2.	Citibank Nominees Singapore Pte Ltd	143,737,878	24.99
3.	DBS Nominees Pte Ltd	16,744,872	2.91
4.	CGS-CIMB Securities (Singapore) Pte Ltd	8,628,184	1.50
5.	Tan Kong King	4,589,417	0.80
6.	Toh Tiong Wah	4,281,139	0.74
7.	DB Nominees (Singapore) Pte Ltd	4,015,317	0.70
8.	OCBC Securities Private Ltd	3,731,970	0.65
9.	United Overseas Bank Nominees Pte Ltd	3,723,339	0.65
10.	OCBC Nominees Singapore Pte Ltd	3,180,026	0.55
11.	Lee Fook Khuen	2,935,451	0.51
12.	Phillip Securities Pte Ltd	2,353,169	0.41
13.	Teh Kiu Cheong @Teong Cheng @ Cheng Chiu Chang	2,031,485	0.35
14.	Lim Leng Chye	1,387,396	0.24
15.	Maybank Kim Eng Securities Pte. Ltd.	1,162,808	0.20
16.	DBSN Services Pte Ltd	1,150,138	0.20
17.	DBS Vickers Securities (Singapore) Pte Ltd	1,057,063	0.18
18.	Chong Siew Lee Michele (Zhang Shuli Michele)	1,055,526	0.18
19.	UOB Kay Hian Pte Ltd	1,029,229	0.18
20.	HSBC (Singapore) Nominees Pte Ltd	1,001,287	0.17
		489,277,423	85.04

STATISTICS OF SHAREHOLDINGS

AS AT 15 MARCH 2019

Substantial Shareholders

Name of Substantial Shareholder	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Andree Halim	–	–	346,752,055[1]	60.28	346,752,055	60.28
Lin Kejian	–	–	276,434,071[2]	48.05	276,434,071	48.05
Tian Wan Enterprises Company Limited	128,480,224	22.33	–	–	128,480,224	22.33
Tian Wan Equities Company Limited	97,459,807	16.94	–	–	97,459,807	16.94
Tian Wan Holdings Group Limited	41,044,656	7.13	79,767,368[3]	13.87	120,812,024	21.00
Tian Wan Capital Limited	58,594,391	10.19	–	–	58,594,391	10.19
Denonshire Group Limited	47,877,758[5]	8.32	–	–	47,877,758	8.32
Didi Dawis	–	–	47,877,758[4]	8.32	47,877,758	8.32
Tower Ridge Limited	–	–	47,877,758[5]	8.32	47,877,758	8.32

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 2019 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 2018 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 2018. **(Resolution 2)**

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

4. To re-elect Mr Andree Halim retiring under Regulation 102 of the Company's Constitution. **(Resolution 4)**

5. To re-elect Mr Tan Teck Huat retiring under Regulation 102 of the Company's Constitution. **(Resolution 5)**

6. To re-elect Ms Dawn Pamela Lum retiring under Regulation 102 of the Company's Constitution. **(Resolution 6)**

7. To approve Directors' fees of up to $345,000 for the financial year ended 31 December 2018 (FY2017: $437,726). **(Resolution 7)**

8. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 8)**

Special Business

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modification:

General mandate to issue shares

9. That authority be and is hereby given to the Directors of the Company to:

   (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively "**instruments**") that might or would require shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF **ANNUAL GENERAL MEETING**

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while this Resolution was in force,

Provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (2) below), and provided further that where shareholders of the Company are not given the opportunity to participate in the same on a *pro rata* basis, then the shares to be issued (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent (20%) of the total number of issued shares of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued shares excluding treasury shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time this Resolution is passed, after adjusting for:

   (i) new shares arising from the conversion or exercise of any convertible securities;

   (ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and

   (iii) any subsequent bonus issue, consolidation or subdivision of shares; and

(3) (unless revoked or varied by the Company in General Meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. **(Resolution 9)**

NOTICE OF **ANNUAL GENERAL MEETING**

Authority to issue shares under the QAF Limited Scrip Dividend Scheme

10. 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 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 10)**

Renewal of Interested Person Transactions Mandate

11. 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 2019 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 Resolution. **(Resolution 11)**

By Order of the Board

Serene Yeo Li-Wen
Company Secretary

Singapore, 26 March 2019

NOTICE OF
ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Ordinary Resolutions 3 to 6 are to re-elect Mr Didi Dawis, Mr Andree Halim, Mr Tan Teck Huat and Ms Dawn Pamela Lum, 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 7. Please refer to the section entitled "Corporate Governance Report – Remuneration Matters – Principle 8, Provisions 8.1 and 8.3" of the Annual Report for information on the proposed fees for non-executive Directors for FY2018.

(iii) **Special Business**: Ordinary Resolution 9, 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 9 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 10, if passed, will authorise the Directors to issue shares in the capital of 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 10 is in addition to the general authority to issue shares sought under Ordinary Resolution 9.

(v) **Special Business**: Ordinary Resolution 11 relates to the renewal of the IPT Mandate, which was last renewed at the annual general meeting of the Company on 26 April 2018, 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, information of which is set out in the Appendix to the Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

By attending, or 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 including code of corporate governance, 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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QAF Limited

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APPENDIX TO ANNUAL REPORT 2018 DATED 26 MARCH 2019

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 for FY2018. 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 2019 at 11.00 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

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:

"2018 AGM"	:	Annual general meeting of the Company held on 26 April 2018
"2019 AGM"	:	Annual general meeting of the Company to be held on 26 April 2019
"Annual Report"	:	Annual report of the Company for FY2018
"Appendix"	:	This appendix dated 26 March 2019 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 voting rights 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 2019, 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
"Notice of Annual General Meeting"	:	The Notice of Annual General Meeting dated 26 March 2019 convening the 2019 AGM

"NTA"	:	Net tangible assets
"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

Didi Dawis *(Chairman and Non-executive, Independent Director)*
Andree Halim *(Vice-Chairman and Non-executive, Non-independent Director)*
Lin Kejian *(Joint Group Managing Director, Executive Director)*
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)*

Registered Office

150 South Bridge Road
#09-03 Fook Hai Building
Singapore 058727

26 March 2019

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 11 set out in the notice convening the 2019 AGM to be held on 26 April 2019.

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

At the 2018 AGM, the Shareholders had approved the renewal of the IPT Mandate to authorise the entry by the Company and its entities at risk (as defined in Rule 904(2) of the Listing Manual) into any of the transactions falling within certain types of interested person transactions as set out in the IPT Mandate. Particulars of the IPT Mandate were set out in the appendix circulated to Shareholders together with the annual report of the Company for FY2017.

The IPT Mandate was expressed to take effect until the conclusion of the then next AGM of the Company, namely, the 2019 AGM which is scheduled to be held on 26 April 2019. Accordingly, Shareholders' approval is being sought for the renewal of the IPT Mandate at the 2019 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 FY2018, 3% and 5% of the latest audited consolidated NTA of the Group would be approximately S$15.3 million and S$25.6 million, respectively. This is based on the latest audited consolidated NTA of the Group of approximately S$511.3 million as at 31 December 2018.

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:

(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;

(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 distribution and warehousing. For its bakery business, the Group, including its joint venture(s), 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 includes pig farming, pork processing and feed milling. For its distribution and warehousing 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 distribution and warehousing.

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 60.28% 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 48.05% 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 FY2018, 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 FY2018 pursuant to the existing IPT Mandate amounted to approximately S$983,000. The Group also purchased raw materials and products, including flour and instant noodles, from the Salim Group in FY2018 and the aggregate value of such transactions in FY2018 pursuant to the existing IPT Mandate amounted to approximately S$14 million.

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.

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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 vertically 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.

2.5 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, and finished products such as instant noodles 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)

	Value of Interested Person Transaction(s)	Approving Authorities *(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(2)	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 FY2018, 3% of the latest audited consolidated NTA of the Group would be approximately S$15.3 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 2019 AGM, the renewed IPT Mandate will take effect from the passing of the ordinary resolution relating thereto at the 2019 AGM (Resolution 11 in the Notice of 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 2019 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)]	8.32%
Andree Halim	–	–	346,752,055[(3)]	60.28%
Lin Kejian	–	–	276,434,071[(4)]	48.05%
Goh Kian Hwee	–	–	–	–
Tan Teck Huat	–	–	–	–
Tan Hang Huat	5,709	0%	–	–
Gianto Gunara	–	–	–	–
Choo Kok Kiong	–	–	–	–
Dawn Pamela Lum	–	–	–	–
Triono J. Dawis	–	–	–	–
Lee Kwong Foo Edward	–	–	–	–
Ong Wui Leng Linda	–	–	–	–
Rachel Liem Yuan Fang	11,900	0%	–	–
Substantial Shareholders (other than Directors)				
Tian Wan Enterprises Company Limited	128,480,224	22.33%	–	–
Tian Wan Equities Company Limited	97,459,807	16.94%	–	–
Tian Wan Holdings Group Limited	41,044,656	7.13%	79,767,368[(5)]	13.87%
Tian Wan Capital Limited	58,594,391	10.19%	–	–
Denonshire Group Limited	47,877,758[(6)]	8.32%	–	–
Tower Ridge Limited	–	–	47,877,758[(6)]	8.32%

Notes:

(1) Based on 575,268,440 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 2018 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 the Directors referred to below), 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 the Directors referred to below) recommend that Shareholders **vote in favour** of the ordinary resolution in respect of the proposed renewal of the IPT Mandate at the 2019 AGM.

Mr Andree Halim and Mr Lin Kejian (being the Interested Persons) abstain from making any recommendation. In addition, Mr Tan Hang Huat, Mr Gianto Gunara and Mr Choo Kok Kiong, who are directors of certain entities within the Salim Group, voluntarily abstain from making any recommendation.

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 2019 AGM (Resolution 11 in the Notice of 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.

In addition, Mr Tan Hang Huat, Mr Gianto Gunara and Mr Choo Kok Kiong intend to voluntarily abstain from voting on Resolution 11 in respect of their Shares (if any).

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 2019 AGM:

(a) the Constitution of the Company; and

(b) the Annual Report of the Company for FY2018.

Yours faithfully,
For and on behalf of the Board of Directors of
QAF Limited

Goh Kian Hwee
Joint Group Managing Director