

CORPORATE INFORMATION

(AS AT 16 MARCH 2020)

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

FY19 recorded revenue growth in all segments resulting in Group revenue growth of 6% and EBITDA growth of 67%.

Dear Shareholders,

Recent global events such as trade tension between two superpowers, USA and China, and the COVID-19 pandemic have affected economic growth worldwide and these have had ripple effects on economies in which the Group operates.

Amid a slowdown in the region, QAF Group's businesses had a commendable year. There was growth in Bakery segment, Primary Production turned around, while Distribution and Warehousing had a strong year. In 2019, Group EBITDA was \$83 million, higher than the \$50 million in 2018.

Bakery businesses grew 9%, from \$349 million to \$379 million in 2019. With firmer pork prices in Australia, the Primary Production segment returned to profitability in 2019. In 2019, Primary Production segment EBITDA was \$27 million compared to \$1 million in 2018. Despite a challenging

year for the industry, the Distribution and Warehousing segment achieved a record revenue of \$112 million, 5% higher than in 2018 and EBITDA of \$8 million.

The Board recommends a final dividend of four cents per share, making a total of five cents per share for 2019 as one cent interim dividend was paid in 3Q2019. QAF has consistently paid five cents annual dividend since 2011.

I would like to thank shareholders, customers, business partners and more than 10,000 staff who have contributed to another satisfactory year.

Didi Dawis

Chairman
16 March 2020



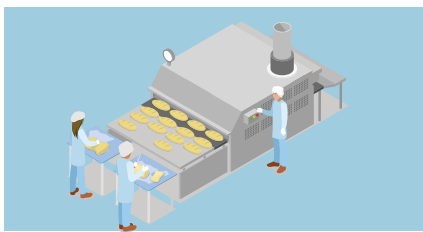
Gardenia Singapore's wide range of bakery products meet consumers' different needs and tastes.

BUSINESS OVERVIEW

REVENUE
\$864m
GBKL² Revenue
\$337m

EBITDA
\$83.4m¹
GBKL² EBITDA
\$36.0m

PAT
\$28.2m
GBKL² PAT
\$12.0m



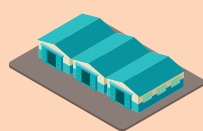
16
Plants

Produced > **1.2 billion**
pieces of bread products
annually

c.58,000
Third party
outlets

c.1,800
routes

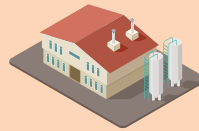
c.1,600
trucks



7

Owned piggery
farms

c.7,600 ha
of agricultural
and commercial
freehold land



18

Contracted piggery
farms

Produced
c.1,000,000
heads annually



2

Processing plants

Processed
c.1,400,000
heads annually

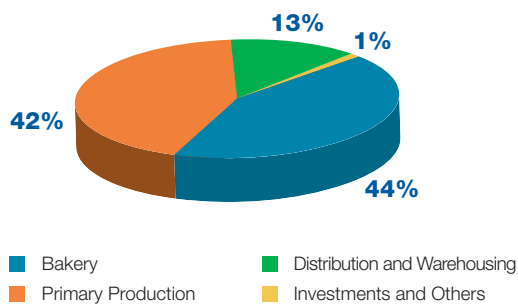


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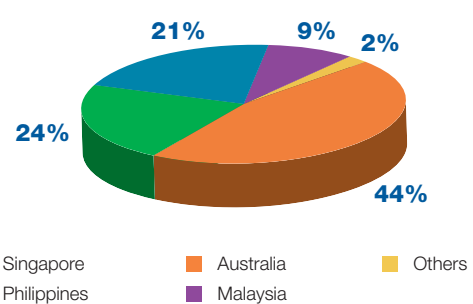
Warehouses

c.19,000 sqm
of gross floor area

Segment Revenue



Geography Revenue



BAKERY

REVENUE 2019
\$379m

EBITDA 2019
\$50.2m

EBITDA MARGIN 2019
13%

PRIMARY PRODUCTION

REVENUE 2019
\$367m

EBITDA 2019
\$26.6m

EBITDA MARGIN 2019
7%

DISTRIBUTION AND WAREHOUSING

REVENUE 2019
\$112m

EBITDA 2019
\$7.9m

EBITDA MARGIN 2019
7%

¹ Includes segment EBITDA of Bakery, Primary Production, Distribution and Warehousing, and Investments 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

REVENUE
\$864m

EBITDA
\$83.4m

PBT
\$33.1m

On behalf of the Board of Directors of QAF Limited, we present the Annual Report for 2019.

	FY2019	FY2018	%
	\$' millions	\$' millions	Change
Revenue	863.9	814.9	6
Earnings before Interest, Tax, Depreciation and Amortisation (" EBITDA ")	83.4	50.0	67
– EBITDA margin (%)	9.7%	6.1%	
Profit before Taxation (" PBT ")	33.1	13.3	149
Profit after Taxation (" PAT ")	28.2	8.7	226
– PAT margin (%)	3.3%	1.1%	
Underlying earnings	23.3	22.3	4
– Underlying earnings margin (%)	2.7%	2.7%	

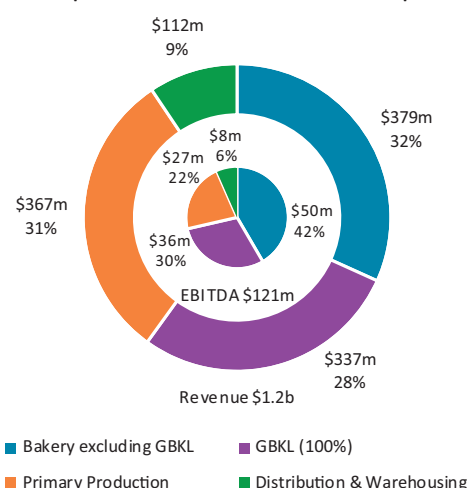
Revenue for financial year ended December 2019 grew by 6% to \$863.9 million compared to \$814.9 million in 2018. There was revenue growth in all three business segments – Bakery was 9% higher, Primary Production (+4%) and Distribution and Warehousing (+5%). In constant currency terms, Bakery was 8% higher while Primary Production increased 10%.

The revenue growth was accompanied by EBITDA of \$83.4 million, 67% higher than the \$50.0 million in 2018. Much of this increase occurred in the last quarter of the year – EBITDA increased by 139% from \$15.1 million to \$36.1 million in 4Q 2019.

The Primary Production segment showed the largest improvement where EBITDA increased multi-fold times, from approximately \$1.2 million to \$26.6 million in 2019. Bakery achieved steady revenue growth, but EBITDA including contribution from GBKL fell from 2018's \$58.4 million to \$56.2 million in 2019. Short-term earnings and EBITDA in Bakery were moderated due to lower contribution from share of profits from GBKL and as the Philippines business invested in new plants, a more extensive distribution network to reach new markets and increased marketing efforts. In the case of GBKL, tax adjustments affected its contribution. Following the reinstatement of its refrigeration systems in 2018, Distribution and Warehousing segment EBITDA was \$7.9 million, higher than the \$2.6 million in 2018.

Including revenue from GBKL, total proforma revenue generated by Group's companies was \$1.2 billion in 2019, 7% higher than in 2018. Proforma EBITDA generated by the Group's companies, including GBKL and before head office expenses, improved from \$85 million in 2018 to \$121 million in 2019. Please see chart below.

FY19 Proforma Revenue & EBITDA from Group companies before head office expenses



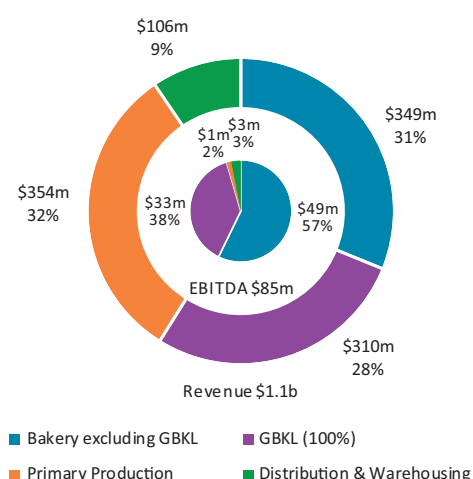
JOINT GROUP MANAGING DIRECTORS' REPORT

PAT
\$28.2m

PAT MARGIN
3.3%

UNDERLYING EARNINGS
\$23.3m

FY18 Proforma Revenue & EBITDA from Group companies before head office expenses



BAKERY

Gardenia maintained its dominance in its key markets of Singapore, the Philippines and West Malaysia as we continue to invest, amongst others, in building our brand equity, distribution networks and product innovation to meet competitive pressures.

With significant plant expansions in Malaysia and the Philippines in recent years, revenue from the Bakery businesses grew from \$348.5 million to \$379.4 million in 2019, an increase of 9% while EBITDA (excluding contribution from GBKL) of \$50.2 million was higher compared to \$48.7 million in 2018. Further upgrading is being planned for the main bread plants in Singapore in conjunction with our newer facilities in Farmland Malaysia plant in Johor.

In the local mature market, Gardenia Singapore continued to innovate and come up with new products to maintain and grow market share. Gardenia's *Purple Wheat Soft Grain Loaf*, *Savoury Turmeric & Corn Panini*, Australian-made croissants, and cheese bread sticks were introduced in 2019 to satisfy more sophisticated demands by consumers for healthier choice and more nutritious value and convenience.

In Malaysia, our joint venture GBKL, reached a milestone; its annual revenue exceeded one billion ringgit in 2019. Apart from loaves and bread rolls, it had started producing *NuMee*, pasteurized yellow noodles, in its Bukit Kemuning plant for the Malaysian market. In addition, *Gardenia Roll-Up Wraps* are being made in Farmland Malaysia's recommissioned tortilla line for both Malaysia and Singapore markets.

Significant plant investments in the Philippines are bearing results with sales increasing by 13% in 2019 over the previous year. With more extensive coverage of provinces further away from main cities, sales and distribution costs were higher with number of delivery trucks and sales routes increasing by 25% over 2018. Although there were new entrants in the competitive bread industry, Gardenia Philippines was able to effectively counter the competition and maintained its market share with clear execution of its business strategy. In 2020, the focus will be to consolidate operations and improve efficiencies.

Bakers Maison Australia had yet another steady year of growth, with revenue being 13% higher than 2018. Food service, supermarket and meal-kit sales saw improvement. Production efficiencies brought quality and output higher, but costs remain an issue, as they operate in a high-cost and mature environment.

PRIMARY PRODUCTION

In 2019, the challenging business cycle turned the corner in Primary Production where the segment achieved sales of \$366.8 million. Taking into account year-end revaluation of livestock, EBITDA of \$26.6 million (compared to \$1.2 million in 2018) was attained along with PBT of \$8.9 million (compared to \$11.7 million loss before tax in 2018). Industry supply had contracted throughout 2019, and this resulted in higher pork prices in the second half of 2019. Branded pork sales continued to improve.

The Company had announced a strategic review of the Primary Production business in 2019 and has decided to pursue a sale of the business. Rabobank Singapore has been appointed as the exclusive financial advisor for the sale process. The Primary Production business is in the animal protein segment, a very different and separate business, and operating in a different geographical region.

JOINT GROUP MANAGING DIRECTORS' REPORT

After investing in new plants in Malaysia, the Philippines and Australia in the recent years and increasing focus on building up brand equity, distribution networks and product innovation to meet competitive pressures, QAF Group is set to consolidate. QAF Group will continue to improve operational efficiencies, focus on organic growth and diversify its food business geographically.

Having owned the Primary Production business since 2001, the business has reached the necessary scale and is now an ideal platform for a new owner with a strong focus on the animal protein segment to bring it to its next growth phase and take the business to the next level.

If a sale materializes, we intend to recycle some of the proceeds into growing the core Bakery and Distribution and Warehousing businesses of Singapore, Malaysia and the Philippines, within the growing 650 million population of ASEAN countries.

DISTRIBUTION AND WAREHOUSING

The Distribution and Warehousing business grew by 5% in 2019, recovering from the ammonia leak incident in 2018. Segment EBITDA was \$7.9 million, higher than the \$2.6 million in 2018. The focus on building up of proprietary branded products is on-going, with *Cowhead's* Made-in-Italy croissants being the latest successful debutant in 2019. In total, proprietary branded products, in particular, *Cowhead* branded products, contributed to over 50% of turnover in Ben Foods business.

Geographically, the Group has started trading of long shelf life products in Myanmar and has established an associate company in Thailand.

In 2019, NCS Cold Stores increased its stake in QAF Fruits Cold Store to 74%. Part of the premises are being used as a supply logistics centre for the Group's range of food products.

CONSOLIDATION FOR FURTHER GROWTH

After investing in new plants in Malaysia, the Philippines and Australia in the recent years and increasing focus on building up brand equity, distribution networks and product innovation to meet competitive pressures, QAF Group is set to consolidate. QAF Group will continue to improve operational efficiencies, focus on organic growth and diversify its food business geographically.

Moving from *Gardenia* sliced loaves to wraps, *Bakers Maison* croissants for Australia and Singapore markets, *Cowhead* milk and cheese to *NuMee* noodles and cheese sticks, the Group aims to be a more comprehensive consumer food business.

From daily fresh-baked bread to long shelf life buns, from key markets of Singapore, Malaysia and the Philippines to the emerging markets of Myanmar and Thailand, from family-sized jumbo loaves to grab-and-go snacks, QAF Group aims to provide greater value and more nutritious staples to premium bites, easily available at supermarkets, convenience stores and mum-and-pop shops.

The COVID-19 pandemic is still unfolding. The knock-on effects on the global economy are expected to be adverse. There is some impact on our operations. For example, in the Philippines and Malaysia, the governments have announced lockdowns. Movement of our Malaysian staff to Singapore and movement of staff within the Philippines are restricted. Supply chain issues have also arisen. This pandemic has resulted in significant strengthening of the US Dollar against local currencies. This may have an impact on raw materials and certain other costs which are linked to the US Dollar. However, the Group has no US Dollar borrowings. Oil prices have also collapsed which will lower our energy costs. Sales in the food service sector have been impacted as airlines, hotels and restaurants reduced their orders. Credit risk, especially for retail food service is expected to increase. However, sales to supermarkets, quick service restaurants and exports have increased. The Group has stepped up its operational readiness and implemented various precautionary measures to mitigate the risks of the pandemic and shutdowns on its operations.

On an overall basis, it is still too early to assess the full impact although to-date, the pandemic has not had material adverse impact on the Group's operations. The Group does not have any specific insurance coverage for disease risk. However, the Group's existing insurance policies for general business interruption provide some indemnity for loss of profit from shutdowns arising from disease outbreak on its premises (although the position may not be clear for the Philippines and Primary Production businesses).

Lin Kejian
Goh Kian Hwee

Joint Group Managing Directors
16 March 2020

FINANCIAL HIGHLIGHTS

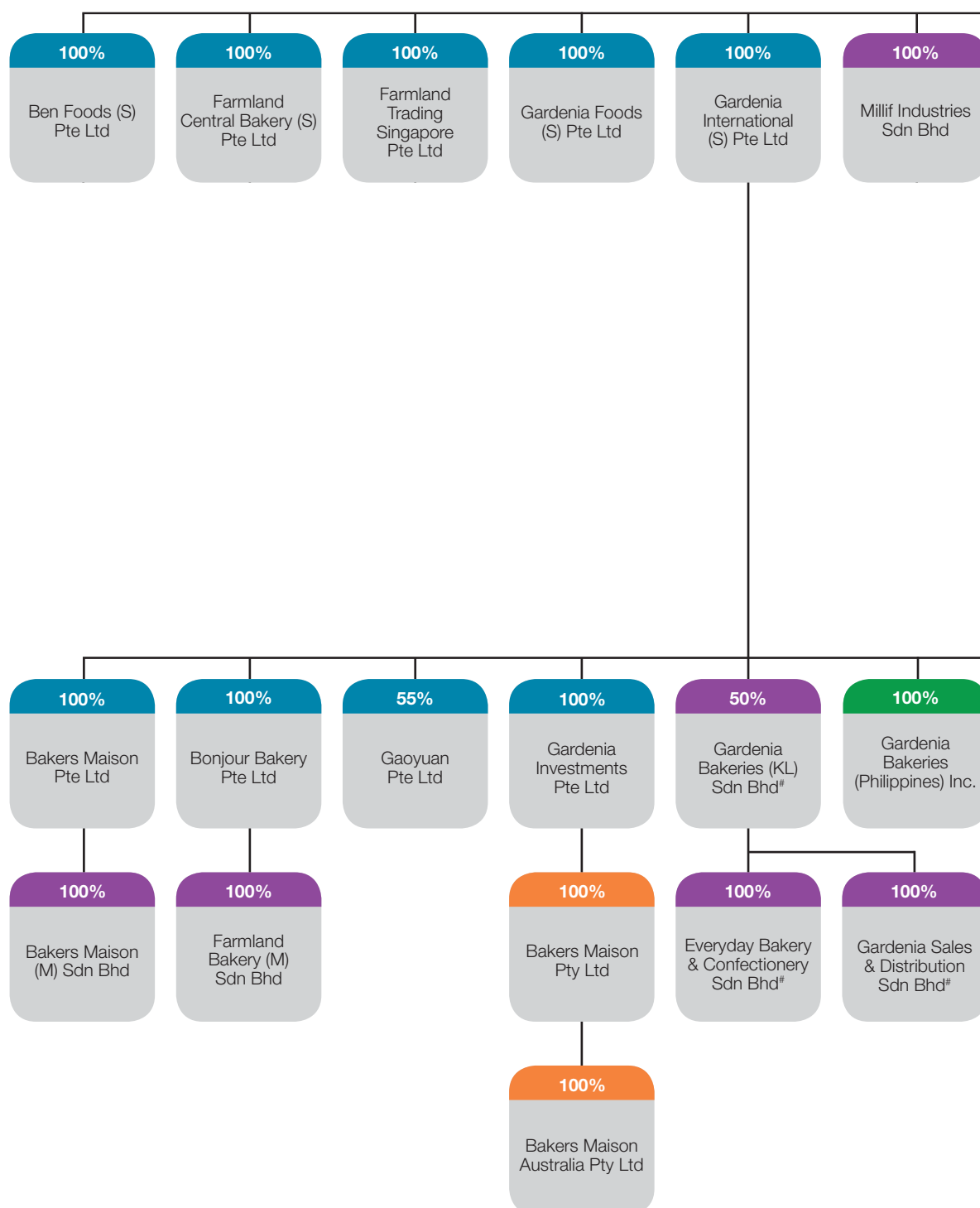
	FY2019	FY2018	FY2017	FY2016	FY2015
INCOME STATEMENT (\$'000)					
Revenue ^(Note 1a)	863,892	814,868	825,804	889,520	998,278
Earnings before interest, tax, depreciation and amortisation (EBITDA) ^(Note 1b)					
– before exceptional items	83,431	50,032	74,437	105,244	105,678
– after exceptional items	83,431	50,032	74,437	164,619	105,678
Profit before taxation ^(Note 1b)					
– before exceptional items	33,078	13,298	40,648	71,240	68,766
– after exceptional items	33,078	13,298	40,648	130,615	68,766
Profit attributable to owners of the Company					
– before exceptional items	27,579	8,129	32,385	61,015	52,536
– after exceptional items	27,579	8,129	32,385	120,390	52,536
STATEMENT OF FINANCIAL POSITION (\$'000)					
Total assets	850,473	783,633	821,459	772,407	718,903
Total liabilities	350,153	278,614	290,898	244,255	271,850
Total equity	500,320	505,019	530,561	528,152	447,053
Equity attributable to owners of the Company	507,585	511,404	536,928	527,067	426,875
PER SHARE DATA (CENTS)					
Earnings					
– before exceptional items	4.8	1.4	5.7	10.9	9.4
– after exceptional items	4.8	1.4	5.7	21.4	9.4
Net asset value ^(Note 2)	88.2	88.9	94.3	93.8	76.1
Net tangible asset ^(Note 3)	88.2	88.9	94.3	93.8	76.0
Total dividends	5.0	5.0	5.0	5.0	5.0
OTHER FINANCIAL INFORMATION					
EBITDA margin (%)					
– before exceptional items	10%	6%	9%	12%	11%
– after exceptional items	10%	6%	9%	19%	11%
Return on average shareholders' equity (%)					
– before exceptional items	5%	2%	6%	13%	13%
– after exceptional items	5%	2%	6%	25%	13%
Return on average assets (%)					
– before exceptional items	3%	1%	4%	8%	7%
– after exceptional items	3%	1%	4%	16%	7%
Dividend payout (%) ^(Note 4)					
– before exceptional items	104%	351%	87%	46%	53%
– after exceptional items	104%	351%	87%	23%	53%
Current ratio (no. of times)	1.5	1.6	1.9	2.2	1.6
Net gearing ratio (no. of times) ^(Note 5)	0.18	0.10	(0.04)	(0.04)	(0.04)
Gross debt (\$'000) ^(Note 6)	165,655	109,969	113,137	86,226	91,643
Total cash and cash equivalents (\$'000)	73,167	60,259	136,454	104,903	109,052
Net debt/(cash) (\$'000)	92,488	49,710	(23,317)	(18,677)	(17,409)
Net debt to EBITDA (no. of times)	1.1	1.0	n.m.	n.m.	n.m.

Notes:

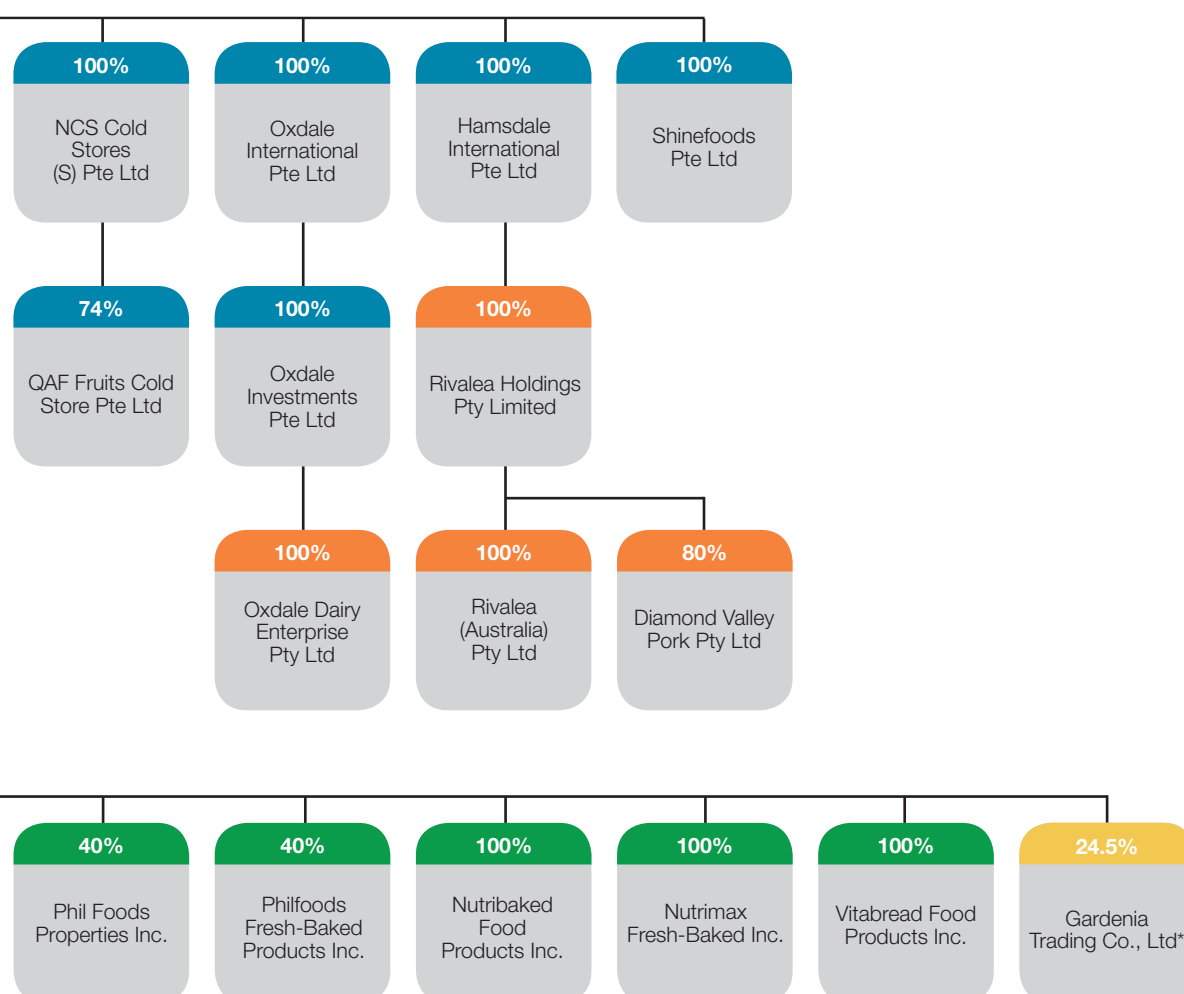
- 1a. Group revenue decreased substantially in 2016 and 2017 after GBKL's revenue was no longer consolidated from April 2016 onwards when QAF reduced its stake in GBKL from 70% to 50%
- 1b. Group's EBITDA and PBT includes 50% share of GBKL's net profit from April 2016 onwards, whereas prior to that, the full EBITDA and PBT are consolidated into Group's results
2. Net asset value per share is computed based on total assets less total liabilities and non-controlling interests
3. Net tangible asset per share is computed based on total assets less total liabilities, non-controlling interests and intangibles
4. Dividend payout is calculated by dividing total dividends against profit attributable to owners of the Company
5. Net gearing ratio is calculated by dividing net debt against equity attributable to owners of the Company
6. Gross debt is calculated as bank borrowings, lease liabilities and loans from non-controlling interests

QAF GROUP

QAF Limited



QAF GROUP



- Singapore
- Malaysia
- Australia
- Philippines
- Thailand

Notes: This chart shows the operating entities of the QAF Group

Joint venture of the QAF Group

* Associated company of the QAF Group

BOARD OF DIRECTORS

DIDI DAWIS, 74

Chairman

Non-executive/Independent Director

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

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

Date of last election:

26 April 2019

Board Committee:

Remuneration Committee (Member)

ANDREE HALIM, 72

Vice-Chairman

Non-executive/Non-independent Director

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

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

Mr Andree Halim is a controlling shareholder of the Company, with a deemed interest of 68.60% in the total issued shares of the Company as at 16 March 2020.

Date of last election:

26 April 2019

Board Committee:

Nominating Committee (Member)
Remuneration Committee (Member)
Executive Committee (Member)

LIN KEJIAN, 41

Joint Group Managing Director

Executive Director

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 48.22% in the total issued shares of the Company as at 16 March 2020.

Date of last election:

Not applicable

Board Committee:

Executive Committee (Member)

BOARD OF DIRECTORS

GOH KIAN HWEE, 65

*Joint Group Managing Director
Executive Director*

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.

Date of last election:

Not applicable

Board Committee:

Executive Committee (Member)

TAN TECK HUAT, 58

*Finance Director
Executive Director*

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.

Date of last election:

26 April 2019

Board Committee:

Executive Committee (Member)

TAN HANG HUAT, 63

*Non-executive/
Non-independent Director*

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).

Mr Tan is proposed to be re-elected at the Annual General Meeting. For information relating to Mr Tan as set out in Appendix 7.4.1 of the SGX-ST Listing Manual, please refer to pages 192 to 194 of this Annual Report.

Date of last election:

24 April 2017

Board Committee:

Nil

BOARD OF DIRECTORS

GIANTO GUNARA, 57

*Non-executive/
Non-independent Director*

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.

Date of last election:

26 April 2018

Board Committee:

Nil

CHOO KOK KIONG, 50

*Non-executive/
Non-independent Director*

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. He has over 20 years of finance experience. Prior to joining Gallant Venture Ltd, he held various management positions in the Sembcorp group including Vice-President of Finance at two Sembcorp group companies.

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).

Mr Choo is proposed to be re-elected at the Annual General Meeting. For information relating to Mr Choo as set out in Appendix 7.4.1 of the SGX-ST Listing Manual, please refer to pages 192 to 194 of this Annual Report.

Directorships in other listed companies:

- Gallant Venture Ltd.

Date of last election:

24 April 2017

Board Committee:

Nil

DAWN PAMELA LUM, 66

*Non-executive/
Independent Director*

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.

Date of last election:

26 April 2019

Board Committee:

**Audit and Risk Committee
(Member)**

Nominating Committee (Chairman)

**Remuneration Committee
(Chairman)**

BOARD OF DIRECTORS

TRIONO J. DAWIS, 38

*Non-executive/
Independent Director*

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

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

Mr Triono Dawis is the Managing Director of Amand Ventures, a venture capitalist outfit targeting promising start-ups in multiple sectors: financial, insurance, education, O2O, robotics and industry 4.0.

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

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

Date of last election:

26 April 2018

Board Committee:

**Audit and Risk Committee
(Member)**

LEE KWONG FOO EDWARD, 72

*Non-executive/
Independent Director*

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

He was Singapore's High Commissioner in Brunei Darussalam (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 (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 holds a Bachelor of Arts (Honours) from the University of Singapore and a Master of Arts from Cornell University. He is the recipient of the Distinguished Alumni Service Award, 2013 and the Distinguished Arts and Social Sciences Alumni Award, 2018 from the National University of Singapore.

Directorships in other listed companies:

- Indofood Agri Resources Ltd

Date of last election:

26 April 2018

Board Committee:

**Audit and Risk Committee
(Member)**

ONG WUI LENG LINDA, 59

*Non-executive/
Independent Director*

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.

Ms Ong is proposed to be re-elected at the Annual General Meeting. For information relating to Ms Ong as set out in Appendix 7.4.1 of the SGX-ST Listing Manual, please refer to pages 192 to 194 of this Annual Report.

Directorships in other listed companies:

- Hwa Hong Corporation Limited
- SiS International Holdings Limited

Date of last election:

24 April 2017

Board Committee:

**Audit and Risk Committee
(Chairman)
Nominating Committee (Member)**

BOARD OF DIRECTORS

RACHEL LIEM YUAN FANG, 24

*Alternate Director to
Mr Andree Halim*

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.

Date of last election:

Nil

Board Committee:

Nominating Committee (Alternate)

Remuneration Committee

(Alternate)

Executive Committee (Alternate)

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 the corporate department of a major Singapore law firm, later joined Rajah & Tann as a partner in 2002 and remained with Rajah & Tann Singapore LLP till the end of 2016. Ms Yeo was a senior member of the firm's corporate practice (capital markets and mergers and acquisitions practice group). She was ranked or recognised in legal guides such as Chambers Asia Pacific, Asia Pacific Legal 500, AsiaLaw Profiles, Best Lawyers International and International Who's Who Legal.

WONG CHIN CHIN

Group Financial Controller

Ms Wong was appointed Group Financial Controller in May 2019 and is responsible for the Group's financial and accounting matters including compliance with financial reporting. Ms Wong has been with the QAF Group since 2005 and was the Group Deputy Financial Controller from January 2018 to April 2019 and Assistant Financial Controller from January 2009 to December 2017. Ms Wong has more than six years of audit experience in providing audit and advisory services to clients in diverse industries and SGX-ST listed companies. Prior to joining the QAF Group, she was a manager (corporate financial services) with Raffles International Limited. Ms Wong is a Chartered Accountant of Singapore and holds a Bachelor degree from the Nanyang Technological University.

OUR KEY BRANDS

BAKERY



OUR KEY BRANDS

PRIMARY PRODUCTION



DISTRIBUTION AND WAREHOUSING



OPERATIONAL REVIEW Bakery

	FY2019	FY2018	Increase/(decrease)	
	\$' millions	\$' millions	\$' millions	%
Revenue	379.4	348.5	30.9	9
Segment EBITDA	50.2	48.7	1.5	3
EBITDA margin (%)	13.2	14.0		
Share of profits and royalty income from joint venture	10.9	14.6	(3.7)	(25)
Segment EBITDA and joint venture contribution	61.1	63.3	(2.2)	(3)



SINGAPORE

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

In a mature market with intense competition and high manpower costs, the Singapore bakery plants will be upgraded to produce higher value premium products. Higher volume breads will be shifted to the newer Farmland Bakery plant.

Against the backdrop of a sluggish Singapore economy in 2019, the retail scene remains highly competitive. The growing prevalence of ready-to-eat meals by food delivery companies further impacted the bakery industry. Despite challenging market conditions coupled with the shifting consumer purchasing patterns, Gardenia Singapore achieved a marginal increase in sales last year compared with FY2018. Gardenia Singapore continued to lead in market share of the bakery industry in 2019.

Consumers' preferences for nutritious and tasty products, healthier loaves and demand for convenient grab-and-go snacks to fit into busy lifestyles, have driven Gardenia Singapore's research and development efforts for premium products.

The wholemeal bread segment in Singapore continued to show significant growth in consumer demand. This trend will persist with a growing aging population as well as the increasing awareness of the importance of a healthy lifestyle for all age groups in Singapore. *Gardenia Purple Wheat Soft Grain Loaf* was launched in March 2019. Without artificial colouring, this wholemeal loaf has a purple hue from anthocyanins, an antioxidant found naturally in purple wheat. The wholemeal loaf is fortified with pasteurized *Lactobacilli paracasei* MCC1849 from Japan, making Gardenia one of the first packaged bread manufacturers in Singapore to produce bread with this special strain of good bacteria that is stable even during the baking process.

To keep consumers engaged with new choices, Gardenia Singapore expanded its existing range of sandwich breads. Knowing traditional Asian flavours in food products are popular with consumers, *Gardenia Pandan Caramel Loaf* was launched in April 2019 to satisfy locals' fondness for the distinctive taste and aroma of pandan.

Gardenia Garlic Bread Classic variant was launched in October 2019 as an extension of the *Gardenia Frozen Garlic Bread* range which consists of the current variants of Garlic Bread Walnut (a nutty loaf packed with walnuts, sunflower seeds and linseeds) and Garlic Bread Multi-Grain (a wholesome loaf with 8 types of grains). The new *Gardenia Garlic Bread Classic* bread is made from soft sourdough bread spread with a blend of garlic and herbs, pre-sliced and frozen for the convenience of consumers.

Gardenia Savoury Turmeric & Corn Panini was added to *Gardenia Country Loaf* range and introduced to the retail market in December 2019. The new product contains a special blend of savoury maize and turmeric mix, together with ingredients such as olive oil, sunflower seeds and dried wheat sourdough. Gardenia Country Loaf range is catered to customers looking for more artisanal style of crusty bread.

New products were added to the wide array of Gardenia's single-serve snack breads portfolio. They included *Gardenia Cheese Bread Stix* which comes with two new variants, Classic Cheese and Pizza, as well as premium quality,

OPERATIONAL REVIEW Bakery

individually packed *Gardenia Croissants* imported from Bakers Maison Australia. Freshly baked in Singapore, the *Gardenia Croissants* are available in Dark Chocolate and Butter Sugar fillings.

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. With 15 types of healthier choice *Gardenia* wholemeal and multi-grain bread and 10 variants of low-in-sugar loaves, *Gardenia* Singapore continues to promote life-long healthy eating habits through participation in various health promotion events and sponsorships for the year.

In 2019, *Gardenia* Singapore supported Health Promotion Board's "Eat, Drink, Shop Healthy" Challenge as a Gold Partner for the nationwide campaign to motivate

Singaporeans to make healthy choices in their daily diet. Several activities were also conducted with long term corporate partner, Singapore Heart Foundation, to promote preventive measures to reduce cardiovascular disease. To fight against diabetes, *Gardenia* Singapore worked closely with Diabetes Singapore in the annual "World Diabetes Day" event to encourage consumers to eat right and supported the occasion with a \$0.20 nationwide price-off promotion for *Gardenia Low GI Nutri Multi-Grain Loaf* and *Gardenia Low GI Soft Grain Loaf* from mid-October to end November.

Two nationwide consumer promotion campaigns were also conducted in 2019 to motivate more to eat healthier by providing incentives. In line with the government's national initiative to reduce Singaporeans' sugar intake, *Gardenia* launched a "Low in Sugar, Healthier Win!" lucky draw campaign to reward lucky consumers with cash and hotel



New products launched by *Gardenia* Singapore in 2019.

OPERATIONAL REVIEW Bakery

vouchers when they purchase Gardenia's ten low-in-sugar loaves. A "Wholesome Goodness, Healthier Singapore" lucky draw was organised in celebration of Singapore's National Day to motivate consumers to purchase wholemeal and multi-grain loaves by giving away travel vouchers.

As Singapore's leading bakery plant, Gardenia Singapore treats food hygiene and work place safety seriously. The company attained BizSAFE 4 Certification in 2019 by complying with risk management regulations for workplace safety and health through ensuring a safer and healthier work environment for all employees. Gardenia Singapore continued to hold Grade A status for the 25th consecutive year under the Food Safety Excellence Scheme, now administered by Singapore Food Agency.

Gardenia Singapore is committed to provide consumers with high quality, tasty and nutritious bread. Against the onset of a slowing economy, the continuing focus is to maintain market dominance through strategic marketing activities, product innovation to promote healthier eating, and greater operational efficiencies. In addition, the Group remains focused on building and protecting its brand equity geographically, in particular the *Gardenia* brand. Pursuant to an agreement entered into in February 1990 between QAF,

Gardenia Singapore, and the vendors, namely, Gardenia Overseas Pte Ltd and Olive Investments (S) Pte Ltd, and as disclosed in QAF's 1990 annual report, the Group acquired ownership of the *Gardenia* trademark, with the exception of Indonesia, Sabah, Sarawak and Brunei.

Gardenia Singapore utilizes four facilities, three in Singapore and the Farmland Bakery plant in Johor Bahru. In Singapore, there are two production facilities and one logistics centre for bakery products. The logistics centre has commenced operations.

Gardenia Singapore will be undertaking an exercise to upgrade the equipment capability for its production facilities in Singapore. As existing facilities have been in operation for many years, it is necessary to upgrade the facilities. A plan is being drawn up to re-balance utilization of Singapore and Farmland Bakery production facilities. In a mature market with intense competition and high manpower costs, the Singapore bakery plants will be upgraded to produce higher value premium products. Higher volume breads will be shifted to the newer Farmland Bakery plant.



MALAYSIA

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

In 2019, GBKL Group broke through the Billion Ringgit sales mark on the back of a year-on-year sales growth of 10%.

In 2019, GBKL Group broke through the Billion Ringgit sales mark on the back of a year-on-year sales growth of more than 10%. The GBKL Group operates from eight production facilities situated in southern and central region of Peninsular Malaysia including Bakers Maison Malaysia plant in Shah Alam and, partly from the Farmland Bakery plant in Johor Bahru.

In March 2019, GBKL Group launched one more variant of its popular range of cream rolls, *Gardenia Butter Sugar Cream Roll*, which is popular with consumers.

GBKL Group, which had diversified into waffles and spreads more than five years ago, expanded its range of products in May 2019 by introducing *NuMee* yellow noodles. *NuMee* is manufactured in GBKL's state-of-the-art RM23 million production line that was completed in 2018. Located in Bukit Kemuning, the new factory houses two noodle lines with a combined capacity of at least 8,000 packets of *NuMee* per hour. These lines were installed in the new factory in 1Q 2019 and commenced operation in 2Q 2019. *NuMee* is distributed nationwide to chain stores, schools, supermarkets and traditional grocery stores. *NuMee* is being marketed as a healthier option to traditional yellow noodles produced by other manufacturers which is sold mainly in wet markets. Made with quality ingredients and containing no artificial colouring, *NuMee* is the first pasteurized yellow noodle in the Malaysian market.

OPERATIONAL REVIEW Bakery

The launch of *NuMee* has opened up a whole new market segment as the product appeals to consumers who prefer home-cooked food. GBKL Group is also poised to venture into the food service market as yellow noodles are popular in the food service industry. Collaboration with the government on a “Healthy Eating” school program that features *NuMee* has started to bear fruit and will enhance the group’s income in 2020.

An all-new product, *Gardenia Roll-Up Wraps*, that is comparable in taste and quality with wraps sold in the market, was launched by GBKL Group at the end of 2019. *Gardenia Roll-Up Wraps*, which is available in Classic, Wholemeal and Garlic flavours, is manufactured by Farmland Bakery, a contract manufacturer to GBKL and Gardenia Singapore.

Farmland Bakery had re-commissioned its 18,000 wraps per hour “tortilla” line at the end of 2018 and its 8,000 loaves per hour bread line in 2019 for increased throughput to meet higher demand from GBKL and Gardenia Singapore.

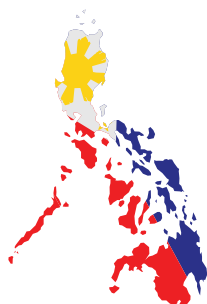
GBKL took home the Putra Brand Platinum Award at the prestigious Putra Brand Awards ceremony in October 2019 where *Gardenia* was voted as the consumers’ most preferred brand in the Foodstuff category. The *Gardenia* brand was inducted to the prestigious Putra Brand’s “Hall of Fame” in recognition of GBKL having won the Putra Brand Gold Medal Award for ten successive years. These accolades re-affirm GBKL as a high-quality bakery and further entrenched *Gardenia* in the minds of consumers as the market leader in packaged bread.

Although the impact of a higher minimum wage being implemented from 2020 would be felt, GBKL Group’s sales and income will continue to grow due to an anticipated increase in domestic consumption. Marketing plans are underway to boost revenue by reaching out to regional markets. To tap into the growing ready-to-eat and on-the-go product segments, GBKL is conducting a study to consider increasing production capacities at its new Bukit Kemuning plant facility, which has the capacity to accommodate new production lines.



New products launched by Gardenia Malaysia in 2019, Putra Platinum Award (Foodstuff Category) and Putra Hall of Fame Award. The Putra Brand Awards 2019 were given to Gardenia for being voted Malaysian consumers' most preferred brand for the 10th consecutive year and attaining top place in its respective category for ten successive years.

OPERATIONAL REVIEW Bakery



THE PHILIPPINES

*Gardenia Bakeries (Philippines), Inc.,
Philfoods Fresh-Baked Products, Inc.,
Philfoods Properties Inc.,
Nutribaked Food Products, Inc.,
Nutrimax Fresh-Baked Inc.,
Vitabread Food Products, Inc.
("Gardenia Philippines")*

The additional plant capacity, improved distribution coverage, consistent marketing campaigns, and new products were instrumental to the continued dominance of Gardenia in the Philippines packaged bread industry.

Gardenia Philippines maintained its market leadership position in the packaged bread market with 13% (in local currency terms) sales growth in 2019. This was contributed by an increase in its local production capacities from its new Mindanao and North Luzon bread plants, complemented by expanded sales and distribution efforts, and increased marketing and advertising campaigns. As part of the strategy to meet competitive pressures, higher initial investment with the new plants, start-up operating costs, distribution and sales operations and increased marketing efforts have impacted Gardenia Philippines' 2019 bottom line. For FY2020, Gardenia Philippines will consolidate its expanded operations in the Philippines with a focus on its bottom line.

The two new fully-automated bread manufacturing plants, Nutrimax and Vitabread, commissioned in the last quarter of 2018, were formally inaugurated and started full commercial operations in March and July 2019 respectively. These manufacturing facilities are capable of producing white & wholemeal loaves, flavoured loaves, snack breads, buns (pandesal) and toasts. Apart from these plants, Gardenia Philippines invested in additional European equipment to upgrade its existing production facilities to produce more flavoured loaves and snack variants.

In addition, Gardenia Philippines invested in its selling and distribution capabilities with a 25% increase in number of trucks and sales routes in 2019. Besides facilitating expansion into new markets, this intensified coverage and servicing of existing territories, especially in metro Manila, where constant heavy traffic arising from ongoing infrastructure development impeded operations. In Mindanao, Gardenia Philippines extended its reach in areas as far as Zamboanga Peninsula and Cotabato provinces while the North Luzon plant supported expanded coverage in Kalinga and mountain provinces, Cagayan and adjacent rural areas.

To further strengthen its leadership position, Gardenia Philippines launched a major multi-media advertising campaign throughout the year. It utilized TV and radio advertising, outdoor media, publicity and public relations activities, digital marketing efforts, on-ground activations, merchandising display and point-of-purchase promotions. It expanded its team of dedicated promoters at supermarkets nationwide, promoting and displaying Gardenia products at the point-of-sale. The integrated marketing communication campaign was complemented with a popular celebrity endorser, Sarah Geronimo.

To expand Filipino bread consumption, particularly within the lower income mass market, marketing and distribution efforts were intensified using our lower priced brand, *NeuBake*. Additional variants of *NeuBake* were introduced in this price-sensitive segment, such as *NeuBake Wheaten Bread* and *NeuBake Pan de Coco Bread Roll*, in addition to Spanish bread and ube or purple yam rolls. The *NeuBake* super-sliced horizontal loaves directly competed at a lower price point with new competitor brands that had similar product presentations. Gardenia Philippines strengthened its *Pocket Sandwich* product line, adding two double-flavoured sandwich products, *White Chocolate & Blueberry* flavour and *Raspberry & Peanut Butter* flavour. To expand its snack offerings, four new variants of clustered buns were introduced: *Cheese Buns*, *Chocolate Chip Brioche Bun*, *Cinnamon Raisin Wheaten Bun* and *Dinner Rolls*.

The additional plant capacity, improved distribution coverage, consistent marketing campaigns, and new products were instrumental to the continued dominance of *Gardenia* in the Philippines packaged bread industry with market dominance in White Bread, Wheat and Health Bread, and Buns segments. Gardenia Philippines was able to maintain its market position despite the entry of major competitors utilizing Japanese baking technology. For the unpackaged bread segment, *Bakers Maison* and *Big Smile* products are being expanded to reach food service institutional accounts including hotel, restaurants and catering services. Some packaged snack variants are being introduced in the general trade, select supermarkets and convenience stores.

Gardenia Philippines' corporate social responsibility programs in partnership with government agencies and non-profit organizations continued in 2019, widening

OPERATIONAL REVIEW Bakery

the reach of its health and wellness advocacy. It extended its efforts to increase the number of beneficiaries and people reached through health and wellness programs in educational institutions, offices, supermarkets and hospitals. Community initiatives, environmental conservation projects and employee welfare and development programs continued as Gardenia Philippines maintains a long-standing commitment to give back to society. During emergencies such as earthquakes, typhoons, flood and fire, Gardenia Philippines was always quick to respond with bread donations in cooperation with the Red Cross, military, civic organizations and relief foundations.

In 2019, the Laguna plant was upgraded to ISO 9001:2015 Quality Management System and received Halal Plant Accreditation from Islamic Da'wah Council of the Philippines (IDCP) with some products obtaining Halal certification.

Gardenia Philippines' Laguna and Mindanao operations were recognized as "Top 4 Outstanding Business Taxpayer" and "No. 10 Top Real Property Taxpayer", respectively in 2019.

The new plants and expanded operations in the Philippines will give consumers fresher, quality bakery products and ensure stock availability and accessibility. Consumers can expect more innovative and exciting bakery products to cater to the ever-changing palates of different market segments. The significant expansion of bakery production capacity in the Philippines coupled with intensified market penetration and efficient distribution activities are key drivers to Gardenia Philippines' robust sales target and sustainable long term growth plans.

Gardenia Philippines currently operates five plants – three in Luzon province and one each in Visayas (Cebu) and Mindanao.



New products launched by Gardenia Philippines in 2019.

OPERATIONAL REVIEW Bakery



AUSTRALIA

*Bakers Maison Australia Pty Ltd
("Bakers Maison Australia")*

To maintain competitiveness, the company intends to reinvest some of the operating cashflow generated in 2020 to increase capacity and improve production efficiency.



Cinnamon scrolls from Bakers Maison Australia.

2019 was another excellent year for Bakers Maison Australia. Sales grew 13% (in A\$ terms) over the previous year with growth achieved across all sales channels. The revenue growth is on top of a 11% increase in 2018. However, Bakers Maison Australia had incurred a small loss in the past two years because of higher operating costs (as it operates in a high-cost and mature environment), depreciation arising from a new croissant line and the operation of the city retail store which has since been closed. EBITDA, however, remains positive at S\$2.1 million in 2019.

Bakers Maison Australia is a specialist manufacturer of authentic par baked and frozen French-style breads, pastries and sweets. Its products are distributed to the food service sector

nationwide through an extensive distribution network. Its food service clients include cafés, restaurants, hotels, food caterers, canteens, airlines, convenience stores, online meal-kit and supermarkets.

During the year, production efficiencies improved throughout the operations, impacting positively on output. The new croissant line saw an increase in volume steadily. A major reorganization of freezer stores led to higher efficiency for order picking and improved management of finished products. Bakers Maison Australia received a recertification from the Coeliac Association and sales for gluten free products have remained steady with two new variants under development.

Keeping cost of goods down continued to be challenging due to increased cost of ingredients, particularly flour which was affected by the drought in Australia and the generally high-cost environment. Insurance premium was significantly higher for the whole market due to incidents in Australia's food manufacturing industry. Utility costs have stabilized after reaching a peak in early 2019.

Bakers Maison Australia achieved an overall 17% sales growth in food service sector, above industry performance which grew by 1%, with strong penetration in New South Wales, Queensland, Victoria and Western Australia. The existing network of 170 distributors around the country contributed to Bakers Maison Australia's stronger performance than industry average.

During the year, Bakers Maison Australia became a preferred supplier with a national contract caterer with over 250 sites nationwide. Two key national retailers contributed to its strong performance, having delivered significant growth over the previous year. Contract manufacturing showed an improvement over last year. Although still relatively young, the meal-kit channel continued to deliver another year of double-digit growth.

Over ten new products were released during the year, including cinnamon scrolls, sour dough round rolls and Luna croissants. These new products are expected to generate excitement in the market. Bakers Maison Australia's Almond Filled Croissant was a finalist in the 2019 Fine Food Australia Best New Product Awards. The Fine Food Australia New Product Award recognises the most exciting and innovative products in the Australian marketplace and is the benchmark for excellence in the food service, hospitality, retail and bakery industries. To maintain competitiveness, the company intends to reinvest some of the operating cashflow generated in 2020 to increase capacity and improve production efficiency.



Luna croissant from Bakers Maison Australia.

OPERATIONAL REVIEW Primary Production



AUSTRALIA

*Rivalea Holdings Pty Limited
Rivalea (Australia) Pty Ltd
Diamond Valley Pork Pty Ltd
Oxdale Dairy Enterprise Pty Ltd
("Rivalea")*

In the initial months of 2019, the Australian pork industry faced many challenging circumstances due to depressed pork prices resulting from an oversupply of pigs continuing from 2018. This was exacerbated by higher costs of animal feed due to the continuing effects of severe drought conditions.

However, Rivalea's trading result for 2019 ultimately exceeded expectations as industry pig supply contracted throughout the year and pork prices increased significantly towards the later part of the year. The final result was an operating profit before tax of S\$8.9 million in 2019 compared with a loss of S\$11.7 million in 2018. In accordance with accounting standards, Rivalea recognized fair value gains in its biological assets of A\$7.7 million (S\$7.3 million) in the year, which was included in the operating profit before tax of S\$8.9 million. Compared to this, Rivalea had recorded a write down of A\$1.7 million (S\$1.7 million) in 2018 due to fair value changes in its biological assets. Without considering such revaluations, operating profit would have been S\$1.6 million in 2019 and a loss of S\$10.0 million in 2018. These revaluations, disclosed in the audited financial statements, are completed at the close of each financial year end.

Rivalea's meat processing division, Diamond Valley Pork, had a record year in 2019 with revenues reaching

	FY2019	FY2018	Increase/(decrease)	
	\$' millions	\$' millions	\$' millions	%
Revenue	366.8	353.8	13.0	4
Segment EBITDA	26.6	1.2	25.4	n.m.
EBITDA margin (%)	7.3	0.3		

A\$52 million and pre-tax profit of A\$4.4 million. The move to a single slaughter shift during 2018, combined with higher processing volumes through both the abattoir and boning operations, greatly underpinned results during the year. An A\$13 million capacity expansion, targeted to be fully completed by the end of 2020, is being done with an additional chiller for carcass and boxed meat products, new slaughter and offal collection areas and a boning facility added to the premises.

As at 31 December 2019, the net asset value of the Primary Production business was A\$152 million (S\$144 million), taking into consideration the existing shareholder loan of A\$46 million from QAF.

Rivalea is Australia's largest pork processor and a leading vertically integrated Australian agri-food company with a significant base in the Riverina region of Australia. Rivalea has extensive agricultural, processing and marketing interests that support high quality pork production for Australian and export markets.

Rivalea's operations span across 25 piggery farms (seven owned by Rivalea and 18 contractor-owned farms), three feed mills and two export-accredited pork processing plants at Corowa and Melbourne. These assets are strategically located near key consumer markets and grain growing regions. Excluding contract farms, Rivalea operates on approximately 7,600 hectares of wholly-owned agriculture and commercial freehold land across New South Wales and Victoria. Rivalea also has valuable water rights which are sufficient for all its operations.

Rivalea processes approximately 1.4 million pigs annually, with an estimated 26% share of processing volumes in Australia. It is also a leading pork producer in Australia with approximately 40,000 breeding sows, achieving more than 1 million piglet births annually with an estimated 15% share of pork production in Australia. Its feed mills can produce more than 300,000 tons of feed annually, supplying all of its internal feed requirements with additional capacity for external sale to independent farmers in New South Wales, Victoria and Tasmania.

Rivalea's key customers include supermarkets, premium butchers, food wholesalers, food service providers, small goods producers and independent farmers. The long-standing retail and wholesale relationships have helped Rivalea to establish a nationwide reach of its pork products. Rivalea has sales offices in Sydney, Melbourne and Albury, sales representatives in Adelaide and Brisbane and has access to distribution networks servicing all major capital cities in Australia.

Rivalea also sells branded pork and animal feed products. Its five pork brands are *Riverview Farms*, *Family Chef*, *Murray Valley Pork*, *St Bernard's Free Range* and *High Country* and its stock feed brands are *Optimilk*, *Veanavite*, *Slingshot*, *Grolean*, *Nutrimax* and *Eggstra*. Rivalea exports pork carcasses, boxed meat products and offals to Singapore, Hong Kong, Japan and New Zealand.

OPERATIONAL REVIEW

Primary Production

In 2019, Rivalea's annual production volumes were lower than that in 2018 due to a prudent decision to focus on operating cash flow when pork prices were low and feed cost was high. Revenues increased by c. 10% (in A\$ terms) year on year in 2019 predominantly due to higher prices for pork carcase and meat.

During the year, managing of costs remained a high priority. High electricity market price was substantially mitigated by internally generated power from the three Corowa biogas facilities. Rivalea had to face rising general and worker related insurance premia, and the high grain costs for animal feed production arising from the drought conditions.

External stock feed sales were lower mainly due to depressed volumes in the dairy business, resulting from the drought which impacted Australia's dairy industry negatively. Stock feed sales to sheep and beef farmers remained steady but were unable to cover the fall in volumes for the dairy business.

Rivalea's Safety First program remains a major management priority. Key enhancements have been adopted during the year as part of the continuous improvement strategy to lower incident rates within the group. For example, Rivalea entered into an enforceable undertaking with SafeWork New South Wales ("NSW") and agreed to spend a further A\$330,000 on activities over the next three years to demonstrate commitment to work health and safety benefits in the workplace, industry and community.

Although lower sales combined with increase in animal feed prices have impacted production costs, Rivalea has undertaken continuous efficiency improvements in farming operations during the year to mitigate the cost increases.

The *Riverview Farms* roast product was launched nationwide in late 2018 and has been well supported through national advertising and promotion



throughout 2019. It has performed satisfactorily through its first full year. This product has been recognised with several national product awards.

Pursuant to Rivalea's strategy of diversification into downstream products, the new product development and marketing teams continue to introduce new branded offerings to a widening customer base, both locally and overseas.

Despite drier conditions persisting throughout the second half of 2019, grain prices have declined and it is expected that feed prices will be lower in 2020. This is expected to positively impact the business with lower production cost. Market prices for pork are expected to remain high in 2020. DVP expects volumes to continue at or above 2019 levels, with further efficiency gains resulting from completion of capacity expansion. The adverse dairy market conditions are likely to continue, and hence external stock feed sales are likely to continue to remain impacted.

The group has various site-specific licences, permits, approvals and consents with relevant environmental authorities, such as Environmental Protection Authority ("EPA"), local councils and shires. These licences and permits regulate a range of environmental matters, monitoring and recording of data, completion of audits and providing annual reports to regulatory authorities. Rivalea has met all operating conditions relative to these licences.

To improve its environmental management practices, Rivalea will invest A\$8 million over three years in a state-of-the-art integrated biofilter system at its Bungowannah farm. These works are subject to various necessary regulatory approvals, which Rivalea is in the process of obtaining.

The African Swine Fever ("ASF") outbreak throughout Asia continues to be a risk for the Australian pork industry, although Australia remains free from ASF for the time being. This risk is mitigated by Australia's strict biosecurity regulations which forbids the sale of uncooked imported pork directly to customers. The Australian government has taken swift actions in tightening border controls.

Rivalea has strict farm biosecurity policies and procedures in place and is in constant dialogue with government officials to enhance preparedness against ASF. It engages with local communities and industry by highlighting to these stakeholders the risks of ASF and preventive steps to be taken.

ASF is a category 3 emergency animal disease and is under the Australian Government and Livestock Industry Cost Sharing Deed in respect of Emergency Animal Disease Responses (EADRA). EADRA is an agreement between Australian Government and various industry bodies which covers management and funding

OPERATIONAL REVIEW

Primary Production

of responses to emergency animal diseases (EAD). Parties to EADRA have agreed to a mechanism for sharing certain costs of an EAD response. Please refer to pages 88 and 89 of the Corporate Governance Report for more information.

The recent unprecedented bush fires in Australia destroyed an area of nearly 19 million hectares. The bush fires did not affect the properties of the Primary Production business, nor did it materially affect its operations.

Over almost 50 years, Rivalea has made significant capital investments, building up strong expertise and track record in a business that needs to meet stringent licensing and environmental regulations. Its current scale of operations, fully integrated platform across the value chain, brand equity, strong corporate governance, strategic locations and geographical diversification are not easy to replicate. As such, Rivalea's competitive position in Australia remains strong. The group has an experienced management team, including two executive directors each having more than 20 years' industry experience.

Rivalea management staff have been appointed to the board of directors of the industry bodies, Australian Pork Limited and Australasian Pork Research Institute Ltd. Rivalea has the largest private research and innovation

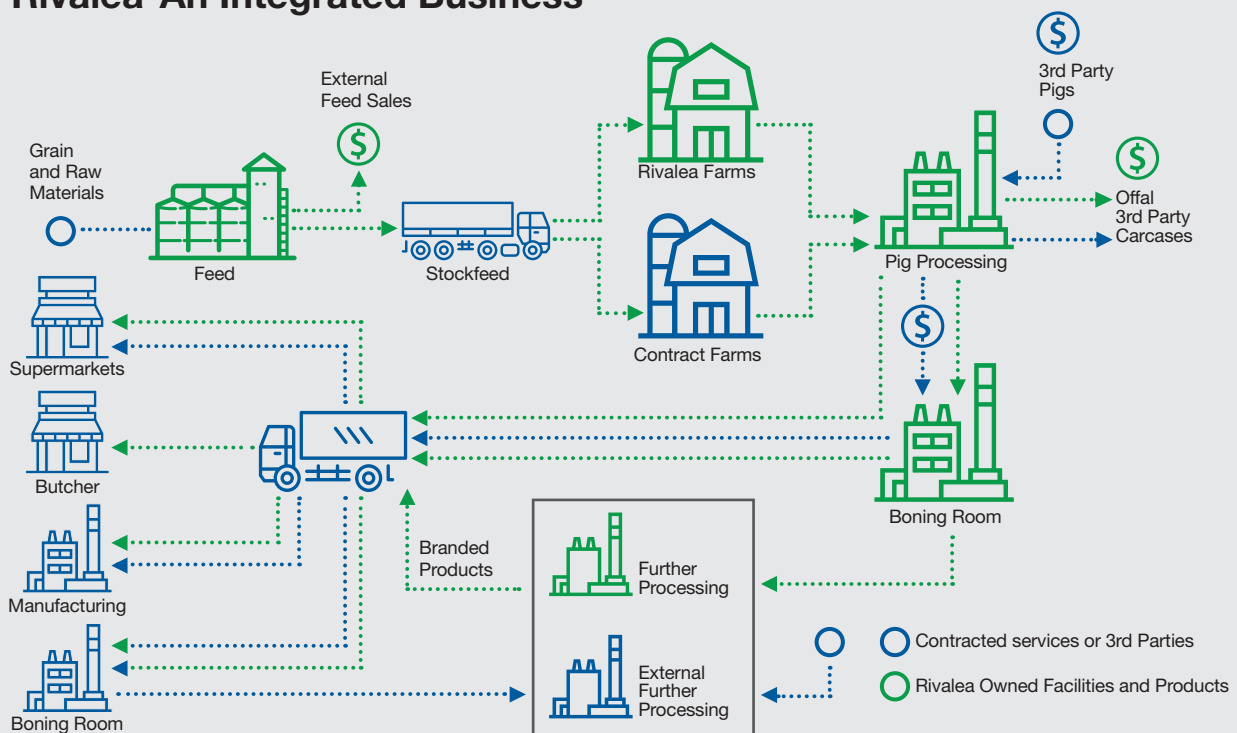
team in Australia's pork industry, employing 24 full-time research staff, including six PhD holders, and operating three innovation hubs focusing on nutrition, farming and processing. It operates its own pig genetic improvement program and produces pig genetics for its own use and sells to third party farmers.

With a high focus on biosecurity, food safety & quality management, the operations are certified under independent programmes including Feedsafe, Australian Livestock Processing Industry Animal Welfare Certification, Australia Pork Industry Quality Assurance Program and HACCP.

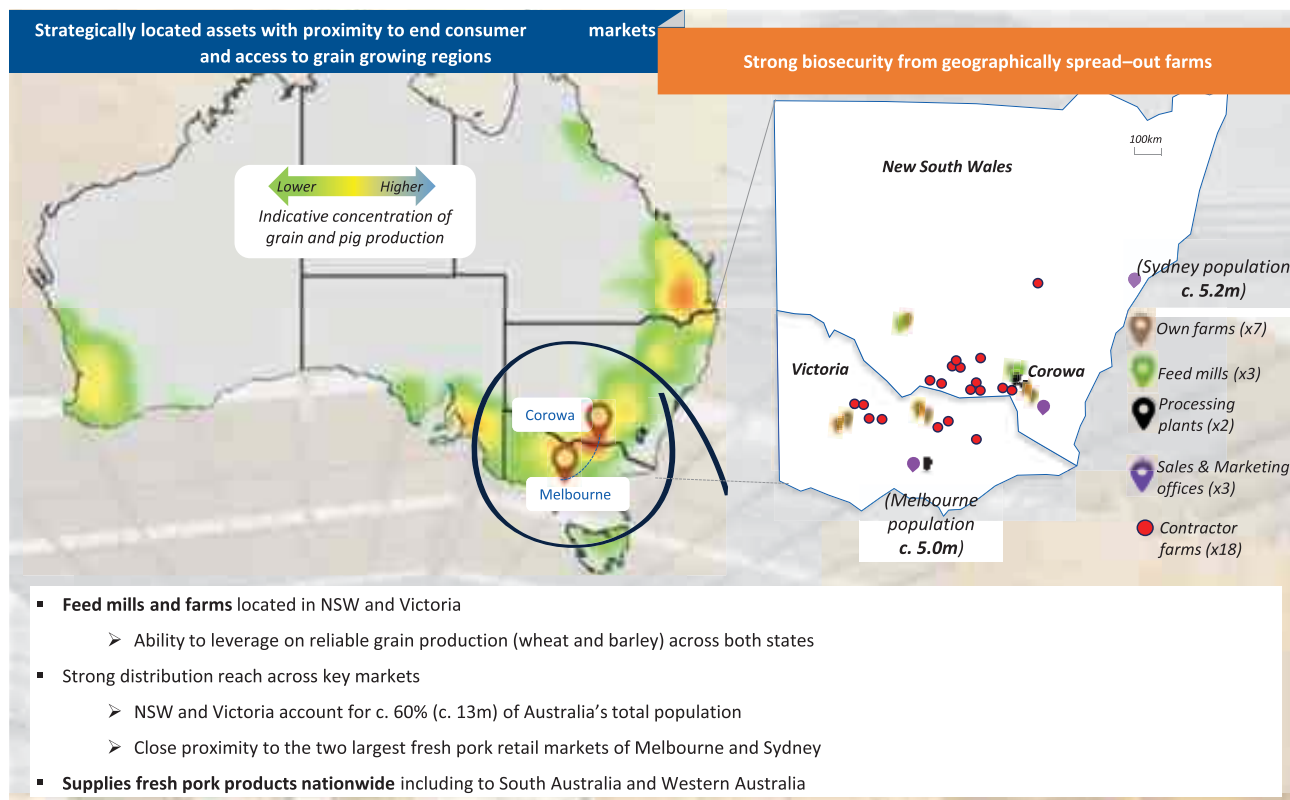
Rivalea is exploring opportunities to scale up operations based on licensed capacities and utilizing existing farming land, especially the farm at Huntly. In Melbourne, the DVP expansion is on-going and on-track for completion later in 2020.

Cost optimization will remain a priority, and Rivalea is focused on strategic purchases of grains to lower feed costs, improving farm productivity benchmarks such as lowering of feed conversion ratio, improving herd health and further automating its operations. To facilitate strategic purchases of grains, plans to expand grain storage capacity are currently being evaluated.

Rivalea-An Integrated Business



OPERATIONAL REVIEW Primary Production



Rivalea will continue to explore export opportunities, including further penetration to existing Asian markets and supporting industry initiatives to gain access to new markets. The import protocols for Australian pork exports to China under the FTA between China and Australia have not yet been agreed and exports to China have yet to be permitted. Within Australia, besides working towards increasing retail sales, Rivalea will also work towards expanding its product offerings in the foodservice channel.

In connection with preparatory work for the sale process for the Primary Production business, Rivalea has projected achieving revenue of A\$419 million and EBITDA of A\$43 million for FY2020, barring unforeseen circumstances and on the basis of various assumptions, including increase in sales volume, lower feed cost and higher labour cost.



Rivalea's meat processing facility at Corowa, NSW.



Rivalea's biogas electricity generators supplied from captured methane, Corowa, NSW.

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")

	FY2019	FY2018	Increase/(decrease)	
	\$' millions	\$' millions	\$' millions	%
Revenue	112.3	106.5	5.8	5
Segment EBITDA	7.9	2.6	5.3	204
EBITDA margin (%)	7.1	2.5		

Despite a challenging year, Ben Foods Group managed to achieve a record sales of \$112 million, 5% higher against 2018. The Ben Foods Group managed to overcome weak market conditions and recovered quickly from a facility closure arising from an ammonia leak in 2018.

The key strategy to develop and grow proprietary branded products both domestically and regionally over the years enabled these brands to exceed half of QAF's total distribution sales. During the year, Ben Foods Group reached another milestone, expanding into the Pacific islands.

To further enhance the *Cowhead* brand in the market, *Cowhead Croissant* was launched both domestically and regionally in 2019 with four different flavours – chocolate, milk cream, apricot and strawberry. Using modern technology, these made-in-Italy products with quality ingredients have a much longer shelf life compared to traditional bread. In order to make an impact in this very competitive bread snack market, Ben Foods Group invested substantial financial support and had to capitalise on its goodwill and extensive distribution network. *Cowhead Croissant* is available in most supermarkets and convenience shops.

In addition, *Cowhead Crispy Crepes* in two flavours were launched successfully to cater to markets which are price sensitive. *Cowhead Durian Oat Butter Cookies*, launched last year, was relaunched as a gift pack with a new festive look catering for the year-end festive and the Chinese New Year period. *Cowhead* banana flavour milk was added to the dairy range to cater to children as a daily morning energy booster or just a pick-up snack. *Farmland Mexicorn Fresh Tortilla* chips, made from pure Spanish all natural corn and available in three flavours were added to the *Farmland* snack range. These new developments in the proprietary branded products enable Ben Foods Group to further enhance its brand value.

NCS Cold Stores is HACCP certified and a member of International Association of Refrigerated Warehouses, USA. It is the largest public cold store in Singapore in terms of land area space with over 27,000 sq metres and has the capacity to store 14,000 pallets at any one time. Its location in Jurong seafood industrial area, which is less than a 5-minute drive from Jurong Port where fishing vessels berth to unload their cargo, makes it an ideal choice for seafood cargo. With most of the refrigeration cooling systems replaced after the ammonia leak incident in 2018, the upgraded building has seen steady growth in cargo brought in by customers.

OPERATIONAL REVIEW

Distribution and Warehousing

During the year, NCS Cold Stores increased its stake in QAF Fruits Cold Store to 74%. QAF Fruits Cold Store owns a cold store for storage of fresh fruits and vegetables. Occupancy rate is expected to remain high going forward. Gardenia Singapore has started using it as storage and distribution centre for bakery products.

Gardenia Bakery Trading, the Thai associate company in which QAF Group has a 24.5% shareholding, has been set up for the sale and distribution of bakery and other food products in Thailand. The Distribution and Warehousing segment will continue to expand its export business, especially in Myanmar.



Ben Foods' proprietary branded products.



QAF LIMITED

Sustainability Report 2019



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SUSTAINABILITY REPORT

BOARD STATEMENT

QAF Limited's ("QAF" or "Company") third Sustainability Report sets out the sustainability performance and progress for FY2019 for QAF and its subsidiaries ("Group").

In FY2019 we revisited our materiality assessment, continuing to focus on the needs of our customers, our communities and our environment. We concluded that our five material environmental, social and governance ("ESG") factors, which are set out on page 47 under Report Structure, remain relevant. We aligned our sustainability initiatives with the United Nations Sustainable Development Goals – SDG 3 and SDG 12, as our commitment to supporting the global agenda on environmental and social progress.

Our business evolves and seeks to improve to keep pace with the market and industry developments. We create positive impacts in many ways. By driving innovation, we make concerted efforts to improve the nutrition and quality of our products and develop new products to meet ever changing consumer demands. We successfully developed various new *Gardenia* products, including being one of the first packaged bread manufacturers in Singapore to produce a loaf (*Gardenia Purple Wheat Soft Grain Loaf*) with *Lactobacilli paracasei* MCC1849, a strain of good bacteria from Japan, and enriched with dietary fibre and Vitamins B1, B2 and B3. We are currently collaborating with local start-up, *Alchemy Foodtech*, to expand our range of low GI products. Further, we recognise that even amongst health-conscious consumers, there are differing preferences and needs. We seek to meet the challenge of increasing fibre levels in our products but also deliver on taste. We are also conscious of heightened consumer awareness on digestive health and are using prebiotics in several of our loaves. For our *Bakers Maison* brand, some of its gluten-free products have been endorsed by Coeliac Australia.

We are proud of Rivalea's market leading animal welfare practices. Rivalea is accredited with APIQ®, the Australian Pork Industry Quality Assurance Program for APIQ® Free Range, APIQ® Gestation Stall Free and APIQ® Customer Specifications Verification for Coles Supermarkets Australia.

More than ever, consumers are aligning their personal values with the brands they buy and are attracted to companies with strong sustainability values. Statistics have shown that consumers have increasing interest in consumer brands that have demonstrated commitment to sustainability as compared with brands which have not, and consumers surveyed appear willing to pay a premium for such products. We recognise that there is a link between a consumer brand's reputation and what it stands for in terms of environmental and social responsibility. We recognise the growing importance of climate issues, and the risks they may pose to existing business models. We intend to enhance our understanding of how climate issues impact our business, with a view to achieving a holistic and robust organisational response. We plan to undertake a review of our material ESG factors prior to our next Sustainability Report and enhance our sustainability strategy to better respond to the changing landscape.

As a food group, product safety and hygiene are matters we take very seriously. *Gardenia* Singapore continued to hold Grade A status for the 25th consecutive year under the *Food Safety Excellence Scheme*, now administered by the Singapore Food Agency. We have strong programs to maintain our high standards, and we recognise that continuing efforts on this front are required and there is a need to remain vigilant. For example, African Swine Fever (ASF) is a continuing risk concern to Rivalea with the disease spreading beyond Europe and China to other parts of Asia. Australia remains free of ASF due to its strict biosecurity laws and practices. Rivalea has further tightened its already strict farm biosecurity policies and procedures and is in constant dialogue with government officials to enhance preparedness against ASF. The coronavirus (COVID-19) outbreak led our Group to implement precautionary measures. Please refer to pages 6 and 88 of our Annual Report. We are continuing to monitor the situation closely.

SUSTAINABILITY REPORT

Our Group, together with its joint venture, has made a positive impact on local communities. In Australia, Rivalea undertook relief efforts in support of firefighters and bushfire victims through, amongst others, support and continuation of wages for Rivalea employees who volunteered helping firefighters, funds donations to impacted communities and donations of pork products for distribution to local communities. In addition, the Group, together with its joint venture, is a significant employer, providing employment for more than 10,000 employees in four countries, including developing countries, and support many retailers and suppliers. As a responsible employer, we provide opportunities for training and development, which help upgrade our employees' skillsets. We sponsored overseas training in the USA at AIB International, one of the world's foremost training organizations on food safety to "put science to work for bakers". Our employee attended AIB International's intensive 16-week, premier *Baking Science and Technology* course. Our commitment to education and training is also reflected in Gardenia's ongoing Bursary Programme for students of the National University of Singapore and Nanyang Technological University.

We continue to work on the adoption of practices that show respect for the environment. Rivalea plans, subject to regulatory approval, to upgrade one of its farms to improve its environmental impact by the installation of a state-of-the-art integrated biofilter system at the site, at an investment of approximately A\$8.0 million. The biofilter system would enhance airflow and better manage emissions, augmenting Rivalea's sustainable practices. In 2Q2019, Rivalea completed installing the third biogas powered electricity generator which uses methane produced from its farming operations on its Corowa site.

On the corporate governance front, QAF was recognised for its efforts in upholding high standards.

The Board is committed to overseeing the management and monitoring of ESG issues. Please refer to pages 38 to 41 for an overview of our sustainability progress during the year under review.

The Board of Directors

QAF Limited



QAF was awarded the Best Annual Report 2018 (Silver) in the Singapore Corporate Awards, \$300 million to \$1 billion market capitalization category.

SUSTAINABILITY REPORT

SUPPORTING THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

In FY2019, QAF identified two priority United Nations Sustainable Development Goals (“SDGs”) for which we believe there exist opportunities for us to make positive impacts through our business practices, products and community programs. This is a first step for QAF to develop a plan with a global view which is aligned with our overall business strategy and priorities. QAF aims to contribute to the SDGs through its businesses.



Spotlight on Priority SDGs

**Goal 3 Good Health and Well Being**

As a food manufacturer, QAF recognises the importance of good health and wellbeing as an important part of sustainable development. QAF is committed to encouraging healthy consumption habits among consumers and leading by example in wellness and nutrition education.

Gardenia engages in research, development and innovation in relation to our products with the aim of producing food that have good nutritional value through manufacturing processes that maintain high standards of food safety and quality. We have in-house laboratories that actively develop new products with good health and wellbeing as the main driving factor. Together with our joint venture in Malaysia, Gardenia's laboratories currently employ a total of 27 staff to undertake research and development and compliance responsibilities. Recipes are improved over time to adapt to changing consumer demands and preferences. We are also conscious that products remain affordable and accessible to consumers, leveraging on our extensive distribution channels in the various locations of operations.

Over the years, Gardenia has made concerted efforts to meet consumer demands for healthier and wholesome loaves with the development of healthier bread, including bread enriched with vitamins and minerals, calcium-fortified bread, bread high in dietary fibre such as wholemeal and grains, bread improved with sourdough to promote better digestibility and aid the absorption of micro-nutrients, and breads that have low GI and reduced sugar levels.

In Australia, Rivalea produces a range of meat products that have significantly lower cholesterol levels. The meat comes from livestock that are fed with special feed supplements such as live lactobacillus.

Our Group is supportive of the various health related events and programs held by its health partners. Through our brands, we actively collaborate with government and non-governmental organisations to promote healthy eating and lifestyles. Gardenia has a long-time partnership with the Singapore Health Promotion Board to encourage consumers to shift towards healthier food choices and lifestyles.

Going beyond business operations, our Group also actively contributes to our communities by reaching out to schools and other local communities through various programs such as food sponsorship, nutrition counselling and health and sanitation campaigns. We firmly believe that education is key to realising good health and wellbeing. At *Gardenia* bread plants, free tours are offered to visitors as outreach to the larger community. In 2019, the Gardenia plants received almost 400,000 visitors.

**Goal 12 Responsible Consumption and Production**

Sustainable consumption and production are about promoting resource efficiency. Understanding this, we strive to do more and better with less through our business operations. We work towards this goal through the following areas.

SUSTAINABILITY REPORT



Energy

We are committed to managing and reducing our energy consumption. In Singapore, lighting at Gardenia's corporate office and warehouse have been replaced with LED lights. To improve energy conservation and enhance efficiency, electrical humidifiers have replaced the gas-fired boilers in the final proofer steam system, providing savings of approximately S\$40,000 in FY2019 on water and gas consumption.

Our Bakery plants in Australia and Johor and joint venture plants in Malaysia have adopted energy efficiency measures such as harnessing solar power, installing LED lighting and using wasted heat recovery technology. The installation of LED lights in selected areas at two Malaysian plants has reduced the energy costs of lighting for those areas by approximately 50%. During Bakers Maison's plant extension in Australia in 2017, an additional 1,100m² of solar panels was installed, which together with the existing 1,000m² of solar panels, provides about 15% of electricity requirements. Our Primary Production business has three biogas collection facilities that capture and burn methane generated from its farming operations to produce electricity. Rivalea also supplies Australian Carbon Credits under contract to the Australian government through the Commonwealth Emissions Reduction Fund.



Resources

We strive to source responsibly through our supply chain, for example, assessing suppliers' business practices and preferring locally produced raw materials, where applicable. Gardenia Singapore uses sustainable palm oil from a source that practices a policy of "No Deforestation, No Development on Peat and No Exploitation of People and Local Communities" for selected bakery products. In Australia, *Bakers Maison* primarily sources for local Australian raw materials rather than imported materials.



Effluents

Wastewater is treated to manage impacts on the environment. In Singapore, wastewater is treated by the Public Utilities Board to meet international standards and is safe to be returned to nature. Measures have also been adopted in the Philippines to treat wastewater to meet the water quality standards stipulated by the Department of Environment and Natural Resources. In Rivalea's piggeries, wastewater is treated via its wastewater treatment system to clarify the water and remove suspended matter. The treated water is used to grow crops on its land or on neighbouring properties. The water quality is rigorously monitored by Rivalea's Environmental Team to check for compliance with environmental laws and regulations.



Waste

The Group's Bakery and Primary Production businesses are signatory to the Singapore Packaging Agreement and the Australian Packaging Covenant. The Group seeks to reduce packaging waste such as plastic and cardboard boxes and cripple bread through product development and partnership with vendors. Packaging of unsold bread is recycled into trash bags. Cripple bread and bread that is unsold and returned to Gardenia by retailers such as supermarkets, is sold to third parties for animal and/or fish feed.

SUSTAINABILITY REPORT

In Singapore, a new mandatory packaging reporting framework that comes into effect in 2020 will require producers of packaged products to submit annual reports to the National Environment Agency on the types and amount of packaging that they put on the market, and their plans to reduce, reuse or recycle (3R) packaging waste. The first report is to be submitted in 2021.

Read more on the following pages of this report for contributions through the Group's Bakery business and Primary Production business.



Gardenia Singapore's range of ten "Low in Sugar" bread loaves.

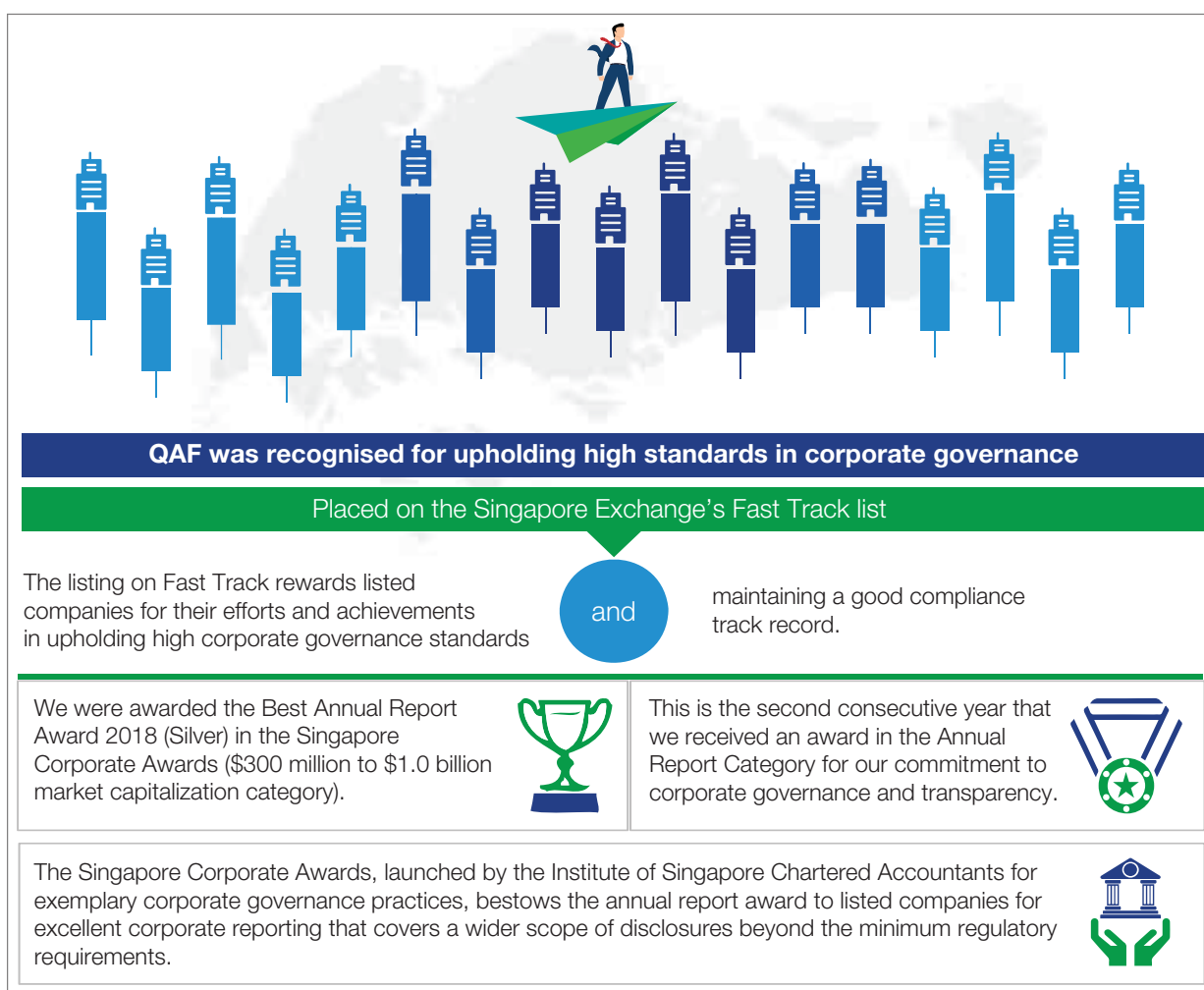
SUSTAINABILITY REPORT

SUSTAINABILITY OVERVIEW



Governance and ethics

- Zero confirmed incidents of corruption based on internal audits conducted.
- Commitment towards upholding corporate governance – donation towards Corporate Governance and Community Investor education programs organized by the Securities Investors Association (Singapore).



Product responsibility

- For the Group's Bakery business (other than Bakers Maison), approximately 67%* of total production volume was manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards. Bakers Maison achieved 100% of total production volume manufactured in such certified sites.
- Gardenia Singapore continued to hold Grade A status for the 25th consecutive year under the *Food Safety Excellence Scheme*, now administered by the Singapore Food Agency.
- 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.

* The percentage was 67% compared to 85% in 2018 as Gardenia Philippines' two new bakery plants at Mindanao and Luzon have not yet been certified, impacting the performance for 2019. The plants are targeted to be certified by 2021.

SUSTAINABILITY REPORT



Promoting healthier 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 the Group's joint venture, Malaysia.
- To meet increased consumer demand for healthier loaves, Gardenia Singapore developed the *Gardenia Purple Wheat Soft Grain Loaf*, the first packaged bread in Singapore made with *Lactobacilli paracasei* MCC1849 bacteria from Japan.
- Gardenia Singapore and Philippines reached out to more than 350,000 people through free educational bread plant tours.

2018

Gardenia Singapore launched

Gardenia Low GI Soft Grain Loaf

and

Gardenia Brown Rice & Oat Soft Grain Loaf



The *Gardenia Low GI Soft Grain Loaf* has a **low GI** value **below 55** and is also low in sugar, containing less than **5g sugar per 100g bread**.



The *Gardenia Brown Rice & Oat Soft Grain Loaf* is made with finely milled unpolished brown rice, is packed with nutrients, and has a higher fibre content compared to white rice.

2019

The *Gardenia Purple Wheat Soft Grain Loaf*

is fortified with pasteurised *Lactobacilli paracasei* MCC1849, a special strain of good bacteria that is stable even during the baking process, and enriched with **dietary fibre** and

Vitamins B1, B2 and B3. The loaf has a natural purple hue which is attributable to **anthocyanins, an antioxidant** found in purple wheat.

Introduction of the **wholesome *Gardenia Savoury Turmeric & Corn Panini***

which has a blend of savoury maize and turmeric and contains olive oil, sunflower seeds and dried wheat sourdough.



Collaboration with Alchemy Foodtech, a local start-up, to expand the range of **low GI products**.



SUSTAINABILITY REPORT

Apart from its **10 Low in Sugar loaves** and **2 Low GI loaves**, **15** types of **Gardenia wholegrain bread** products have been endorsed with the “**Healthier Choice Symbol**” by the **Health Promotion Board (“HPB”)**. The “Healthier Choice Symbol” is awarded to food products that meet HPB’s nutritional criteria.



Most of *Bakers Maison* products contain

no added fat

no preservatives

no added sugar or artificial flavours

and use only natural ingredients. Some of the products are also high in fibre and a number of its gluten free products have been endorsed by Coeliac Australia.



Protecting the environment

- 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.
- Rivalea’s third biogas-powered electricity generator facility was commissioned in 2Q2019. Up to 75% of the power consumed at Rivalea’s major site is sourced through biogas generation.
- Gardenia Singapore completed the replacement of gas-fired boilers in the final proofer steam system with electrical humidifiers resulting in savings of \$40,000 in FY2019 on water and gas consumption.



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.



Enriching communities

- QAF donated to the *Hello Dawson! Relocation Programme* to assist low-income, elderly and underprivileged residents in the Tanglin Halt, Singapore, area to relocate to new homes in Dawson.
- QAF donated to the *Philip Yeo Initiative Endowment Fund* for the development of people and talent under the *Philip Yeo Initiative* programs.
- Gardenia Philippines donated more than 650,000 units of bakery items to the less fortunate and victims of calamities under its *Daily Bread* program, *Nutrition Assistance Program* and *Quick Response* relief effort.
- Rivalea employees took part in fund raising to support cancer services, raising over A\$7,000 in support of the Albury Wodonga Regional Cancer Centre.
- Rivalea supported the Bangerang Park redevelopment program in Corowa, contributed to *Food Share* (meals for the disadvantaged) and sponsored the upgrade of a local children’s Scout hall.
- Rivalea completed its first intern placement of 3 years through the Industry Placement Program Partnership with APRIL (Australasian Pork Research Institute Ltd) and hired the participant as a permanent employee.

SUSTAINABILITY REPORT



Our people

- QAF sponsored overseas training for an employee to attend AIB International's renowned premier Baking Science and Technology course in the USA.
- Gardenia Singapore developed and implemented workplace learning systems in conjunction with the National Centre of Excellence for Workplace Learning, Nanyang Polytechnic and SkillsFuture Singapore, bringing structured training to its plants. Two of its production co-ordinators are participants in the Nanyang Polytechnic SkillsFuture Earn and Learn Programme.
- Gardenia Philippines sponsored 6 employees for advanced education and professional certification programs and sent some 221 personnel for internal, external and supplier-sponsored training and seminars to further enhance their skills and knowledge in their respective areas of work.
- Rivalea supported 5 employees with bachelor and post-graduate studies, and 20 employees with nationally accredited qualifications.
- Gardenia Malaysia sponsored 2 employees for a 6-week intensive Baking Science and Technology Course at the UFM Baking and Cooking School in Bangkok.

OUR AWARDS

QAF was recognised again for its excellence in corporate governance and transparency

QAF was awarded the Best Annual Report Award 2018 (Silver) in the Singapore Corporate Awards (\$300 million to \$1.0 billion market capitalisation category).



QAF was placed on the Singapore Exchange's Fast Track list in recognition of its high corporate governance standards and good compliance track record.

Gardenia

- In 2019, *Gardenia* continued to lead the Singapore bread industry in market share in both the total bread category and wholemeal bread segment.
- During the year, Gardenia Bakeries Philippines Inc. and Nutrimax Fresh-Baked Inc. were recognised for conducting their businesses with honesty and integrity when they were awarded "*Top 4 Outstanding Business Taxpayer*", City of Binan and "*No. 10 Top Real Property Taxpayer*", Misamis Oriental, respectively.
- Under our Group's joint venture in Malaysia, Gardenia was voted Malaysian consumers' most preferred brand for the 10th consecutive year and given two awards at the Putra Brand Awards 2019, namely, the *Putra Platinum Award (Foodstuff Category)* and the *Putra Hall of Fame Award*, accorded to brands that have won top place in their respective categories for ten successive years. The Putra Brand Awards is the premier brand award in Malaysia. It is the only brand award endorsed by MATRADE (Malaysia External Trade Development Corporation) and supported by the Branding Association of Malaysia, the Malaysian Advertisers Association and the Media Specialists Association.

SUSTAINABILITY REPORT

Bakers Maison

Bakers Maison's *Almond Filled Croissant* was a finalist in the 2019 Fine Food Australia Best New Product Awards. The Fine Food Australia New Product Awards recognises the most exciting and innovative products in the Australian marketplace and is the benchmark for excellence in the foodservice, hospitality, retail and bakery industries.

Rivalea

'Riverview Farms Hot Roast Pork with Crackle' was honoured with three awards at the 2019 Australian Food Awards, Australia's leading national fine food awards program that recognises the best Australian food producers across ten major categories. The awards are *Champion Australia Convenience Food*, *Gold Medal Winner 2019 in the Convenience Meal Category*, and *Best in Class Winner 2019 in the Convenience Main Meal Category*.



Rivalea's 'Riverview Farms Hot Roast Pork with Crackle' won three awards at the 2019 Australian Food Awards, Australia's leading national fine food awards program.

WHO WE ARE

Creating Quality Products for Our Customers through Our Brands

QAF is a leading multi-industry food company and has an extensive food-related operations and/or distribution network across the Asia Pacific region, including Singapore, Malaysia, the Philippines, Australia, Myanmar, Thailand, Cambodia, Hong Kong, Taiwan, Macau and Brunei. The business, together with our joint venture in Malaysia, currently employs over 10,000 employees. We are listed on the Singapore Exchange Securities Trading Limited.

Our Vision

We are committed to enhancing shareholder value by pursuing a strategy of long-term sustainable growth and value creation. In this respect, we engage with the communities in which we operate and seek to, amongst others, strengthen our market position and brand equity, and expand the operations of our core businesses and distribution networks.

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 leading packaged bread brand in Singapore, the Philippines and Malaysia. The brand is commonly associated with qualities such as good taste, freshness, nutritional value, trust and reliability. All these are crucial to the brand's continued success in the competitive packaged bread industry.

Bakers Maison

Bakers Maison is a French-style bread specialist manufacturer in Australia that produces par and full-baked frozen bread, pastries and sweets. The products are sold to the foodservice sector across Australia. Most *Bakers Maison* products contain no added fat, no preservatives, no added sugar or artificial flavours, and use only natural ingredients. A number of *Bakers Maison* products have been endorsed as gluten free by Coeliac Australia since 2018.

Rivalea

Rivalea is one of Australia's leading vertically integrated industrial pork companies. Rivalea group's notable brands include *Family Chef*, *Murray Valley Pork*, *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*.

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This report provides an overview of our approach towards sustainability in our business operations, including our FY2019 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). The GRI standards is adopted as our reporting framework as we believe it provides robust guidance and is widely accepted as a global standard for sustainability reporting. Along with the Food Processing Sector Disclosures, the GRI standards will enable QAF to prepare a Sustainability Report that is focused on its material ESG factors based on the GRI Reporting Principles.

Report Scope

This report covers the Group's Bakery businesses in Singapore, the Philippines and Australia under the *Gardenia* and *Bakers Maison* brands, and the Group's Primary Production business in Australia. The reporting period is 2019.

We have also included some additional information relating to the Group's joint venture bakery operations in Malaysia, although not strictly part of the report scope.

Feedback

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

Sustainability Governance

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

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

Our stakeholders are important to our business operations and strategies. Through interaction and engagement with our stakeholders, we are better able to understand their expectations, interests and concerns. This is important for managing our risks and considering improvements for our operations.

Key Stakeholders	Key Topics and 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	• Quarterly “Wellness Week” event at Gardenia Philippines
		• Discussion of performance and achievements	• Annual ‘R U OK Rivalea’ Week
		• Social and team building activities	• Annual performance reviews are held
		• Engagement with applicable trade unions	• Periodically during the year
Shareholders	• Business and financial performance, strategy and outlook	• Livelihood training for employee dependents at Gardenia Philippines	• As and when required
		• Release of financial results and other announcements and other relevant disclosures through SGXNet and QAF’s website	• Periodically during the year
Customers	• Quality of products	• Publish Annual Report	• Quarterly results announcements
		• Annual General Meeting	• An Annual General Meeting is held once a year
	• Nutritional content of products	• Extraordinary General Meeting, where necessary	• 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
	• Use of trans-fat and GMO products	• Participation in interactive roadshows held in conjunction with health promotion campaigns or initiatives	• Periodically during the year
Customers	• Availability/accessibility of products	• Customer satisfaction surveys	• Quarterly
	• Customer and business partner relationships	• Advertisements, and marketing and sales promotion activities	• Regular interaction throughout the year
	• Consumer and community ethical concerns, market insight, market conditions, company development	• Interaction between brands and customers via websites and social media platforms	• Periodically during the year
		• Customer surveys	• Periodically during the year
		• Bakers Maison conducts business reviews and updates with key customers	• Periodically during the year
		• Rivalea interacts with customers via formal and informal meetings and presentations	• Periodically during the year

SUSTAINABILITY REPORT

Key Stakeholders	Key Topics and Concerns	Engagement Methods	Frequency of Engagement
Suppliers and Business Partners	<ul style="list-style-type: none"> • Supplier and business partner relationships • Quality of materials supplied • On-time delivery of products 	<ul style="list-style-type: none"> • Supplier meetings • Regular audits of production facilities 	<ul style="list-style-type: none"> • Periodically during the year
Government and Regulators	<ul style="list-style-type: none"> • Compliance with relevant rules and regulations 	<ul style="list-style-type: none"> • Routine and ongoing communication and collaboration • Compliance with mandatory reporting requirements 	<ul style="list-style-type: none"> • As and when required
	<ul style="list-style-type: none"> • Submissions regarding policy impacts and changes in laws affecting Rivalea's business activities 	<ul style="list-style-type: none"> • Representations to government departments 	<ul style="list-style-type: none"> • As and when required
Local Communities	<ul style="list-style-type: none"> • Promote healthier lifestyles and raise awareness for food nutrition 	<ul style="list-style-type: none"> • Participation in interactive roadshows held in conjunction with health promotion campaigns or initiatives • School health outreach activities • Educational tours of bread production facilities • Gardenia Philippines' "Corporate Wellness Movement" and "Supermarket Wellness Camp" programs 	<ul style="list-style-type: none"> • Periodically during the year
	<ul style="list-style-type: none"> • Help improve the livelihoods and living quality of the local community 	<ul style="list-style-type: none"> • Activities to support various philanthropic, community and charitable causes • Rivalea's employee community volunteering program 	<ul style="list-style-type: none"> • Periodically during the year
Industry Bodies	<ul style="list-style-type: none"> • Short and long-term interests of the industry body groups 	<ul style="list-style-type: none"> • Co-operation and/or collaboration with industry bodies and industry distribution channels such as Australian Pork Limited 	<ul style="list-style-type: none"> • Periodically during the year
Animal Welfare Groups	<ul style="list-style-type: none"> • Ethical treatment of animals 	<ul style="list-style-type: none"> • Work with recognised animal welfare groups such as the Animal Welfare Science Centre to determine animal welfare program research strategies and direction 	<ul style="list-style-type: none"> • Periodically during the year

SUSTAINABILITY REPORT

Memberships and Associations

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

Membership and Involvement

Singapore

- GS1 Singapore Council
- Singapore Manufacturers' Federation
- Singapore Business Federation
- Singapore Food Manufacturers' Association
- Singapore Bakery & Confectionary Trade Association

Philippines

- 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

Australia

- Australian Pork Limited
- Animal Welfare Science Centre
- Australian Food and Grocery Council
- Australasian Pork Research Institute Ltd

External Initiatives

Singapore

- Singapore Packaging Agreement

Australia

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

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

Guided by the GRI Materiality Principle, we have conducted another materiality review session to determine the continued relevance of the material ESG factors to our business and key stakeholders. The review was conducted with the management and personnel of the relevant business units. Through the session, we concluded that the five material ESG factors continue to remain relevant and aligned with our business direction. We intend to carry 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 416: 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 G4: Healthy and Affordable Food
Animal Welfare	Our commitment to the respectful and humane treatment of animals throughout their life cycle	GR G4I: Animal Welfare
Protecting the Environment	More environmentally sustainable operations	GRI 306: Effluents and Waste GRI 302: Energy* GRI 305: 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 413: Local Communities*
Our People	Investing in developing skills and capabilities of our workforce	GRI 404: Training and Education*

*Non-material ESG Topics

REPORT STRUCTURE

This report has been organised to depict how the five ESG topics are relevant to each of the businesses which form part of our 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*	✓	✓

*Non-material ESG Topics

1. Bakery business covers the Gardenia (Singapore and Philippines) and Bakers Maison (Australia) brands

2. Primary Production business covers the Rivalea-owned brands

SUSTAINABILITY REPORT

GOVERNANCE AND ETHICS

Conducting Our Business Ethically to Build Trust in Our Brands


To build and maintain trust in our brands and business reputation, it is important to uphold good corporate governance. We are encouraged that our efforts in upholding high corporate governance standards have been recognised and will continue to work on this aspect. In 2019:

- QAF was included in the Singapore Exchange's Fast Track list, for upholding high corporate governance standards and maintaining a good compliance track record. Fast Track companies can expect prioritized clearance for corporate action submissions to the regulator, such as for circulars and requests for waivers from relevant listing rules.
- QAF received the Best Annual Report Award 2018 (Silver) in the Singapore Corporate Awards (\$300 million to \$1.0 billion market capitalization category). This is the second consecutive year we have received this award.

- Two of the Group's Philippines subsidiaries, Gardenia Bakeries Philippines Inc. and Nutrimax Fresh-Baked Inc., were honoured for conducting their businesses with honesty and integrity when they were awarded "Top 4 Outstanding Business Taxpayer", City of Binan and "No. 10 Top Real Property Taxpayer", Misamis Oriental, respectively.

The Group has put in place a Whistleblowing Policy that provides an avenue for its employees and officers to raise, in confidence, any 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. The Audit and Risk Committee will consider whistleblowers who are anonymous on the merits of the case (as is the case for with non-anonymous whistleblowers). Concerns expressed anonymously may however hinder investigations and do not facilitate the enquiry process, for example where there is a need to seek clarification or further information. Our corporate governance is guided by the Singapore Code of Corporate Governance and further information can be found in our Corporate Governance Report on pages 75 to 96.

Anti-Corruption

Material Factor	FY2019 Achievements	FY2020 Target
Anti-corruption 	Zero confirmed incidents of corruption based on internal audits conducted	Continue to maintain zero confirmed incidents of corruption

The Group has adopted a Code of Business Conduct which emphasises 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 and negatively impact the Group's reputation and the confidence of material stakeholders. In addition to the Code, some of our Group members have implemented policies specific to their operations and jurisdictions.

In Singapore, Gardenia requires employees to maintain high standards of integrity and to adhere to its Employee Code of Conduct, which covers, *inter alia*, proper conduct and behaviour and food hygiene.

In the Philippines, Gardenia established an Employee Code of Conduct that sets out expectations in relation to issues such as fraud and bribery. To ensure compliance, spot

audits are carried out on departments within the company. Gardenia is also a signatory to the Philippine Integrity Initiative program for the promotion of common ethical and acceptable integrity standards in the business community.

In Australia, Bakers Maison has put in place an Ethics Code, an Anti-corruption and Fraud Policy and Code of Conduct Policy. The fraud policy is applicable to all employees and contractors of the Company. Bakers Maison also conducted a training needs analysis where appropriate employees were selected to be trained on the importance of compliance.

Rivalea adopted the Group's Code of Business Ethics policy in 2019. In Australia, whistleblower reforms came into effect, requiring the mandatory adoption of a compliant whistleblower policy by 1 January 2020. Rivalea adopted a Whistleblower policy compliant with Australian legislation in 2019. Rivalea is also working on a data breach policy.

SUSTAINABILITY REPORT

BAKERY

The Group is committed to integrating sustainability within its business operations and its bakery business continues to make progress on its sustainability performance and contribute positively to the environment and community. Through its *Gardenia* and *Bakers Maison* brands, the Group manages and improves its sustainability performance through ongoing brand-specific initiatives.

Material Factors	FY2019 Achievements	FY2020 Target
Product responsibility 	<p>Percentage of total Bakery production volume was manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards:</p> <p>Group (other than Bakers Maison) – 67% The percentage was 67% compared to 85% in 2018 as Gardenia Philippines' two new bakery plants at Mindanao and Luzon have not yet been certified, impacting the performance for 2019. The plants are targeted to be certified by 2021.</p> <p>Baker's Maison – 100%</p>	<p>For the Group's Bakery business, to at least maintain the FY2019 percentage of total production volume manufactured in sites certified by an independent third party according to internationally recognised food safety management standards.</p>
Promoting healthy eating and lifestyles 	<p>Gardenia Singapore developed the <i>Gardenia Purple Wheat Soft Grain Loaf</i> and conducted various health events and retail promotions for its wholemeal products to promote healthier eating.</p> <p>Gardenia Philippines conducted educational plant tours at its new Mindanao plant and held health and nutrition training programs for its employees.</p>	<p>Gardenia Singapore aims to continue 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.</p> <p>Gardenia Philippines intends to innovate more healthy snacks and loaf bread products that cater to different market segments. It will conduct educational plant tours at its North Luzon plant to promote healthy eating and lifestyles, and step up health and wellness promotions in schools, hospitals, supermarkets and offices. It will also develop and further enhance the knowledge and skills of research and development personnel through seminars and training programs.</p>
Protecting the environment 	<p>No incidents of non-compliance with the applicable regulations and wastewater requirements of the local authorities in respect to the water quality discharge.</p>	<p>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.</p>

SUSTAINABILITY REPORT

GARDENIA

Product Responsibility

Our Commitment to Food Safety and Quality

Gardenia is committed to producing food that meet all applicable food safety standards and are consistently high quality and nutritious. Gardenia maintains a stringent set of standard operating procedures to ensure that products and production processes are safe, hygienic and comply with the relevant regulations and quality standards.

Our bakery operations in Singapore comply with Good Manufacturing Practice (“**GMP**”) hazard management procedures to ensure that products are produced consistently and controlled according to quality standards. They also fulfil the stringent requirements of the Hazard Analysis and Critical Control Point (“**HACCP**”) certification, an internationally recognised food safety management system.

Gardenia Singapore continued to hold Grade A status for the 25th consecutive year under the *Food Safety Excellence Scheme*, now administered by the Singapore Food Agency. It is accredited with BizSAFE Level 4 by the Safety and Health Council. It has also attained ISO 22000:2005 certification for both its bakery plants since 2018. Both its plants and all its products are also Halal certified. Gardenia adheres to Singapore Food Agency legislation with the implementation of comprehensive programs to ensure food safety and quality control. It has mechanisms within its sourcing practices to only source from suppliers that meet its stringent supplier screening requirements. Gardenia engages with about 200 suppliers both locally and internationally.



The Group's bakery plant in Johor upgraded its food safety system to FSSC 22000 v4.1 in February 2020. FSSC 22000 is based on existing ISO standards and consists of ISO 22000:2015, ISO TS/22002-1:2009 and additional FSSC 22000 requirements (version 4.1). The plant has also attained Halal certification for all its products.

Gardenia Philippines has maintained its HACCP and ISO certifications since 2003. The *Gardenia* plant at Laguna was upgraded to ISO 9001:2015 Quality Management System in 2018. The plant has obtained Halal Plant Accreditation from the Islamic Da'wah Council of the Philippines (IDCP). A number of Gardenia Philippines' products have also obtained Halal certification. All the Philippine operations comply with strict GMP procedures to ensure that products are manufactured with consistency and meet high quality standards.

Internal Quality Audits (“**IQA**”) are performed regularly as a control practice to ensure performance in compliance with quality management systems, food safety and Halal standards. With a view to ensuring quality consistency, Gardenia Philippines has also established a stringent standard procedure for its supplier accreditation process. As part of the stringent screening, it conducts supplier audits and site visits to check that suppliers are compliant with the company's requirements, product specifications and standards. Environmental and product microbial analyses are conducted by external laboratories accredited by Food and Drug Administration (FDA) Philippines.

The Group's joint venture Gardenia operations in Malaysia are HACCP-certified by the Ministry of Health of Malaysia. Gardenia Malaysia is in the process of upgrading its Food Management System to ISO22000:2018 and aims to attain certification in early 2020. Gardenia Malaysia's production plants and products have received Halal certification from the Department of Islamic Development Malaysia (JAKIM) and is included in JAKIM's White List.

Innovating and Developing Products High in Nutrition

Gardenia engages in regular reviews of its product range and innovates and develops new products to satisfy the changing tastes and demands of consumers. The Group's in-house laboratories handle the development of new products, including nutritional values, shelf-life, compliance of new products and ingredients with local food legislation, labelling requirements, and initiating the Halal certification process. Together with its joint venture in Malaysia, the Group's laboratories currently employ a total of 27 staff to undertake research and development and compliance responsibilities for Gardenia. These staff comprise 9 professional staff, 5 laboratory technicians, 9 baking technologists and 4 support staff.

SUSTAINABILITY REPORT







Singapore

As a brand that cares for the community and prides itself on producing safe, wholesome and healthy food, since the early 2000s, all *Gardenia* products do not contain partially hydrogenated oils (PHOs), an ingredient which is a major source of artificial trans fat. According to the World Health Organization, artificial trans fats increase the risk of heart disease. In March 2019, the Singapore Ministry of Health announced that it will be banning the use of PHOs as an ingredient in all foods, including fats, oils and pre-packaged foods sold in Singapore from both local manufacturers and imported products, with effect from June 2021. *Gardenia's* PHO-free message was featured in various media features and TV interviews and shared on social media and e-commerce platforms such as Redmart.

In light of the rising prevalence of diabetes among the Singapore population and the demand for healthier low GI products, *Gardenia* is collaborating with *Alchemy Foodtech* to expand its range of low GI products.

To encourage consumers to reduce their sugar intake, *Gardenia* displays the “*Low in Sugar*” and “*Low GI*” logos on the product packaging of selected healthier loaves. The prominent logos enable consumers looking for low sugar and low GI bread on the retail shelves to easily identify these products. Products featuring the “*Low in Sugar*” logo contain less than 5g sugar per 100g of bread. The total sugar value is also declared on the nutritional panels of the low in sugar products. For Low GI products, each loaf has a GI value below 55. *Gardenia* offers ten *Low in Sugar* white bread and wholemeal loaves, and two Low GI loaves to cater to consumers seeking healthier bread choices.

New products released by *Gardenia* in FY2019, including our healthier choice and wholesome loaves, are set out below.

New Products Released in 2019	Highlights
 Gardenia Purple Wheat Soft Grain Loaf	No added artificial colouring, the wholemeal loaf has a purple hue attributable to anthocyanins, an antioxidant found naturally in purple wheat. The wholesome loaf is fortified with pasteurised <i>Lactobacilli paracasei</i> MCC1849 from Japan. Enriched with dietary fibre and Vitamins B1, B2 and B3. Endorsed with the “Higher in Whole-Grains” <i>Healthier Choice Symbol</i> by Health Promotion Board (HPB).
 Gardenia Savoury Turmeric & Corn Panini	An extension of the wholesome <i>Country Loaf</i> range, a special blend of savoury maize and turmeric mix, together with ingredients such as olive oil, sunflower seeds and dried wheat sourdough. Best served lightly toasted.
 Gardenia Garlic Bread Classic	Made from soft sourdough bread spread with a blend of garlic and herbs, is pre-sliced and frozen for the convenience of consumers.
 Gardenia Cheese Bread Stix in Classic Cheese and Pizza flavours	Generous in size and can be eaten for breakfast or enjoyed as a snack.
 Gardenia Pandan Caramel Loaf	Distinctive taste and aroma of pandan enhanced with delicious caramel bits, giving the indulgence loaf a unique, modern twist.
 Gardenia Croissants in Dark Chocolate Waves and Butter Sugar Crunch flavours	Premium quality croissants, filled with chocolate and butter sugar cream, are imported from Australia and freshly baked in Singapore.

SUSTAINABILITY REPORT

Philippines

Gardenia launched more flavours of its *Pocket Sandwich* range to cater to consumers looking for convenient on-the-go snacks. The *Gardenia Pocket Sandwich* is enriched with Vitamins A, B1, and B2, as well as minerals such as iron. Gardenia Philippines' *Wheat Bread* offerings and *Wheat Raisin Loaf* selections are options for increasing fibre-nutrition among consumers. The loaves are enriched with folic acid and Vitamin A that meet the minimum requirements set by the Philippines FDA.

Malaysia

The Group's joint venture operations in Malaysia reformulated its *Gardenia Wholemeal Bread* and *Gardenia Canadian Purple Wheat 100% WholeGrain* breads with reduced sodium and sugar levels to meet the stringent

criteria of the "Healthier Choice" logo set by the Malaysian Ministry of Health. It also promoted a wholegrain and high-fibre diet through its range of fibre-meal bread products. The range comprises four products of varying fibre levels to cater to the different tastes and needs of customers.

Gardenia Malaysia has entered into a collaboration with the National Sports Council (NSC) and Universiti Kebangsaan Malaysia (UKM) to study the effects of glycemic index (GI) on athletic performance. For the study, a low GI diet program using carbohydrate-based foods supplied by Gardenia was designed for selected national athletes. The athletes' performance under the program was monitored by NSC, and workshops and lectures to promote knowledge sharing and the experiences of a low GI lifestyle were organised by UKM. Gardenia Malaysia intends to extend its research and awareness programs on glycemic index to benefit a wider group of athletes in the future.

Promoting Healthy Eating and Lifestyles

Making Our Products Accessible

With 16 plants located in four countries, Singapore, Philippines, Malaysia and Australia, the Group's network of extensive distribution channels includes supermarkets, hypermarkets, convenience stores, mini marts, petrol kiosks, caterers, restaurants, hotels, hospitals, airlines and schools.

Singapore



Retail

- *Gardenia* bread is delivered fresh daily by our fleet of trucks to more than 3,000 distribution outlets around the island.
- More than 290 *Gardenia* bread vending machines placed in selected high-density residential areas, corporations and schools, also provide customers with greater convenience and accessibility.
- *Gardenia* was the first bakery to introduce loaf bread vending machines in Singapore. The loaves and buns in the vending machines are replenished every day to maintain their quality and freshness.



Online

- Products are sold online through the Redmart, Amazon, FairPrice and Alibaba e-commerce websites.
- Intend to continue exploring the use of more platforms to provide convenience to today's tech-savvy consumers in Singapore and overseas, for example, collaborating with appropriate agencies and social media influencers.

Philippines

In the Philippines, Gardenia has further extended the accessibility of its products with new bakery plants in Pampanga and Cagayan de Oro. The new *Gardenia* plant in Pampanga brings *Gardenia* bakery products into the mountainous areas of Luzon as well as to Benguet, Ifugao, Mountain Province, Isabela, Kalinga, and as far as Cagayan.

The new bread manufacturing facility in Cagayan de Oro serves Bohol and the Mindanao markets all the way to Surigao, Zamboanga del Norte, Butuan and Kidapawan. It also serves as a backup for the bread needs of major provincial areas in the Visayas. The existing Laguna plant serves the Manila, South Luzon and provincial north markets while its Cebu plant handles the bread distribution in the Visayas region.

SUSTAINABILITY REPORT

Empowering our Customers

As an industry leader, Gardenia has dedicated its resources to empowering consumers through initiatives that encourage an active lifestyle and healthier food choices. Gardenia has proactively engaged in health promotion activities in Singapore, the Philippines and Malaysia, striving to integrate nutrition, a balanced diet and healthy lifestyles into consumers' daily lives.

Singapore

Gardenia actively promotes healthy eating habits by encouraging Singapore consumers to increase their daily consumption of whole grains. Currently, Gardenia has 15 types of wholemeal and multi-grain loaves and buns certified as a "Healthier Choice" by the HPB. This includes all Gardenia wholemeal and multi-grain breads. The "Healthier Choice Symbol" motivates consumers to opt for healthier food choices. Gardenia products displaying the "Healthier Choice Symbol" contain no trans-fat and at least 25% of wholegrains per loaf.

Strategic Partnerships to Promote the Consumption of Wholegrains

To promote awareness of the health benefits of its products, Gardenia collaborated with healthcare organisations such as HPB, the Singapore Heart Foundation, Diabetes Singapore, Singapore Cancer Society, National Kidney Foundation, Osteoporosis Society (Singapore), SingHealth Polyclinics and numerous corporate and community partners on health promotion initiatives and events to encourage the public to increase their intake of dietary fibre.

- During the year, Gardenia continued its long-time support of HPB's health promotion initiatives and was a Gold Partner for HPB's nation-wide campaign – "Eat, Drink, Shop Healthy" Challenge, running from September to November. The campaign motivated Singaporeans to make healthy food choices by providing rewards and incentives. It also promoted the nutritional benefits of the *Gardenia Purple Wheat Soft Grain Loaf*, *Gardenia Brown Rice & Oat Soft Grain Loaf* and *Gardenia Low GI Soft Grain Loaf*. As a Gold Partner, Gardenia participated in 8 interactive roadshows at various heartland supermarkets and shopping malls to educate consumers on selecting products with the "Healthier Choice Symbol". Gardenia has been a supportive partner of the HPB in various nationwide health promotion initiatives in Singapore since 1992.

- In support of World Heart Day and National Heart Week, Gardenia collaborated with its long-term corporate partner, the Singapore Heart Foundation to promote the importance of good heart health. A heart health carnival was held in September at the Kampung Admiralty Community Plaza. The carnival promoted the taking of preventive measures to reduce the risk of cardiovascular disease and motivate Singaporeans to take responsibility for their own heart health. In support of the event, Gardenia featured the campaign message, "Take Simple Steps for a Healthier Heart. Start by Eating Right!" on the overband of the *Gardenia Fine Grain Wholemeal Bread*. Gardenia promoted its range of healthier choice wholemeal bread at the Carnival's event booth and sponsored 400 loaves of *Gardenia Purple Wheat Soft Grain Loaf* as event prizes, and 150 loaves of *Gardenia Low GI Soft Grain Loaf* at the health check point.

Raising Awareness to Reduce Diabetes Risk

Singapore

- In support of World Diabetes Day, Gardenia Singapore participated in the World Diabetes Day 2019 event organised by Diabetes Singapore at the Ng Teng Fong General Hospital in November. Product samplings of the *Gardenia Low GI Nutri Multi-Grain Loaf* and *Gardenia Low GI Soft Grain Loaf* were held. Gardenia also supported World Diabetes Day by placing full-page product advertisements in the October issue of the *Diabetes Singapore* magazine, featuring *Gardenia Low GI loaves* and recipes using *Gardenia Low GI bread*.
- To support the fight against diabetes in Singapore, Gardenia conducted a 20-cent nationwide price-off promotion for both its low GI loaves, the *Gardenia Low GI Nutri Multi-Grain Loaf* and *Gardenia Low GI Soft Grain Loaf*. To encourage healthier eating, promotional overbands carrying the campaign message, "Eat Right & Adopt a Healthier Lifestyle" were also featured on the bread packaging. Gardenia also worked closely with Diabetes Singapore to promote the importance of preventing diabetes through a healthier diet and lifestyle. During the World Diabetes Day 2019 event held in November, the two *Gardenia Low GI loaves* were promoted at Gardenia's booth at the event. Visitors to the health screening booths were also given *Gardenia Low GI loaves* and *Gardenia healthier choice cream rolls*. To encourage consumers to purchase *Gardenia wholemeal breads*, visitors at the Gardenia booth were given *Gardenia Low GI leaflets* in the four major languages and discount vouchers valid for the purchase of *Gardenia wholemeal bread* at FairPrice supermarkets in the month of November.

SUSTAINABILITY REPORT

Retail Campaigns to Promote Healthy Eating

Singapore

- In line with the government's national initiative to reduce sugar intake, Gardenia launched an island-wide "*Low in Sugar, Healthier Win!*" lucky draw campaign to promote its ten *Low in Sugar* loaves, the *Gardenia Enriched White Bread*, and several wholemeal loaves. The campaign encouraged consumers to make healthier choices by choosing bread with the "*Low in Sugar*" logo on the packaging. The campaign ran for two months from mid-January and offered cash and hotel vouchers worth over \$36,000 as prizes.
- Gardenia takes pride that Singapore consumers have made its range of wholesome and quality wholemeal and multi-grain loaves the leader in the wholemeal bread segment in terms of market share. In celebration of Singapore's National Day, and to strengthen brand recognition for the *Gardenia* range of wholemeal

and multi-grain bread, a nation-wide lucky draw was launched. The slogan, “*Wholesome Goodness, Healthier Singapore*”, encouraged consumers to purchase healthier choice wholemeal and multi-grain loaves to stand a chance of winning travel vouchers worth \$30,000.

Reaching Out to Diverse Segments of the Community

Singapore

- To celebrate the joys of healthy living as a family, Gardenia promoted its Healthier Choice range of bread out to some 10,000 participants at the *Family Funival 2019* event organised by HPB in January at the Singapore Sports Hub. The event was publicised by Mediacorp with guest performances by popular Suria and Vasantham artistes and Radio DJs from Warna 94.2FM, Oli 96.8FM and Ria 89.7FM.



Choose Gardenia's Wholemeal Bread For A Healthier You!

LOW GI



Made with wholemeal barley flour & rolled oats for a soft texture

LOW GI



Baked with 12 grains & seeds



Baked with specially milled brown rice flour for a soft texture



Baked with Lactobacilli from Japan and contains Bifidobacterium found naturally in purple wheat

100% Wholemeal



High fibre loaf for wholemeal lovers

100% Wholemeal



Baked with 100% extra fine wholemeal flour

50% Wholemeal



Goodness of wholegrain with softness of white bread



High in dietary fibre & low in sugar



Baked with wholemeal flour & filled with delicious banana & walnuts







FRIENDS OF GARDENIA
Join us on Facebook www.facebook.com/friendsofgardenia



EAT, DRINK, SHOP HEALTHY CHALLENGE
1 SEP - 30 NOV 2019



1 CHOOSE HEALTHY



2 SCAN QR CODE



3 REDEEM REWARDS

gardenia.sg/healthyliving

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Gardenia Singapore is a Gold Partner of the Health Promotion Board in the nation-wide "Eat, Drink, Shop Healthy" Challenge to motivate Singaporeans to make healthy food choices.






EAT RIGHT & ADOPT A HEALTHIER LIFESTYLE!

- ✓ Super soft texture
- ✓ Made with 90% Wholemeal, Barley Flour & Rolled Oats
- ✓ Low in Sugar



- ✓ Baked with 12 finest grains & seeds
- ✓ Source of complex carbohydrates & dietary fibre
- ✓ Low in Sugar

OFFER

\$3.00

USUAL \$3.20



OFFER

\$2.80

USUAL \$3.00

• **LOW GI (GLYCEMIC INDEX)**

• **LOW IN SUGAR**

Why is Low GI important?

- Provides slow release of glucose into the blood stream
- Better control of blood sugar level and lower risk of diabetes in the long run
- Provides sustained energy and prolongs the feeling of fullness

Healthy Eating & An Active Lifestyle Can Reduce The Risk of Diabetes

PROMOTION PERIOD 17 OCT – 30 NOV 2019



FRIENDS OF GARDENIA

Like us on Facebook or FriendsOfGardenia

In support of World Diabetes Day, Gardenia Singapore encouraged consumers to make low GI choices in the "Eat Right & Adopt a Healthier Lifestyle" campaign.

SUSTAINABILITY REPORT

- To spread awareness of the role of low GI foods in reducing the risk of diabetes, Gardenia sponsored the *Gardenia Low GI Soft Grain Loaf* and distributed information leaflets on Low GI foods in four languages at the Health Festival event organized by the Hindu Endowment Board. Gardenia also sponsored loaves and buns to various events such as the *Harmony Iftar 2019* event organised by Kampong Ubi Community Centre, *Break of Fast* event by the Indian Muslim Social Service Association (IMSSA) and *Active Muslimah Day* organised by the Muhajirin Mosque.
- As part of the annual World Bread Day celebrations, Gardenia collaborated with the Singapore Police Force for the first time, by participating at the Road Safety Carnival for Seniors held in October. The aim of the carnival was to educate the elderly on road safety in their daily commute. Gardenia promoted its range of Healthier Choice *Gardenia* wholemeal and multi-grain loaves to some 1,100 seniors from the Pioneer and Merdeka generations at the event.

Making Nutrition Affordable

Singapore

To promote the affordability of its products, Gardenia offers a diverse range of products through a multi-brand approach that includes a lower-priced range of bread under the *Super Value* brand. Gardenia also held various promotions throughout the year at retail chains, during which certain of its products were sold at discounted prices. These promotions were also extended to corporations and institutions during the festive period where the *Gardenia Fruit & Nut Loaf* and *Gardenia Pandan Caramel Loaf* were sold at a special bulk price.

- As part of Gardenia's efforts to promote the consumption of healthier choice bread, a 30-cent price-off promotion on the *Gardenia Purple Wheat Soft Grain Loaf* and *Gardenia Brown Rice & Oat Soft Grain Loaf* was held island-wide in August

and September 2019. The discount was advertised on promotional overbands on the packaging of the two functional breads. To better engage customers, bread samplings of these breads were conducted by promoters at selected retail outlets. A popular food art influencer, *Little Miss Bento*, was also engaged to create boxes of sandwiches using *Gardenia* wholemeal bread that were distributed to media editors and social media influencers.

- To encourage Singapore consumers to increase their fibre consumption, Gardenia collaborated with FairPrice in a 4-month promotion to give consumers a 30-cent discount off the prices of four wholemeal loaves in the form of a 30-cent savings voucher. A total of 26,000 savings vouchers were distributed to tour visitors to Gardenia's plant and to the general public at various *Gardenia* roadshows and events.

Philippines

- To make bread affordable for the price sensitive, lower income mass market, Gardenia Philippines offers a lower-priced brand, *NeuBake*.
- During the year, Gardenia conducted "*Corporate Wellness Movement*" and "*Supermarket Wellness Camp*" programs for office workers, households and market shoppers. Under these programs, Gardenia's Nutrition and Wellness team provided free nutrition counselling on health and wellness, diet prescriptions and bread samples to more than 180,000 office workers and households in 2019.
- Gardenia also conducted hospital drives to promote healthy eating and proper nutrition to patients and hospital visitors. During the year, Gardenia visited some 30 hospitals and medical clinics and catered to about 13,000 beneficiaries.
- Going forward, Gardenia Philippines aims to step up its health and wellness promotions in schools, hospitals, supermarkets, and offices.

SUSTAINABILITY REPORT

Malaysia

- During the year, our joint venture, Gardenia Malaysia partnered with the Nutrition Society of Malaysia, Malaysian Dietitians' Association and the Malaysian Association for the Study of Obesity to co-sponsor a health educational program, "Nutrition Month Malaysia 2019". The theme of the program was, 'Make Time for Healthy Eating and Active Living (HE-AL)' and it advocated the importance of making time to adopt a healthy diet and an active lifestyle.
- Gardenia believes that healthy eating habits should be cultivated from a young age. To help inculcate the habit of consuming wholegrains in the young, Gardenia collaborated with the Steering Committee Members of Nutrition Month Malaysia to publish a book entitled, 'Saya Suka Bijirin Penuh'. The book was designed for children from ages 10 to 12 and presented easy-to-remember facts on the benefits of wholegrains as a natural source of fibre through catchy illustrations. To reinforce learning through interaction, there were word games, puzzles, simple recipe ideas, and a song, 'Jom Makan Bijirin Penuh' (Let's Eat Wholegrains) with catchy lyrics, based on the tune from a popular children's song. The song encouraged the consumption of wholegrains in a fun and memorable way.
- To spread the message of the health benefits of adopting a Low GI diet, Gardenia Malaysia sponsored its Gardenia Canadian Purple Wheat 100% WholeGrain bread for activities organised throughout the year by the government, private hospitals and health clinics to encourage fibre intake amongst Malaysians. It also participated in programs to help children with Type 1 diabetes to take control of their diet and distributed wholegrain bread in conjunction with World Diabetes Day.

Reaching Out to Schools

Philippines

- In 2019, Gardenia collaborated with the Philippine Red Cross and the Department of Education in a nutrition and sanitation campaign to promote proper hand washing and healthy eating habits to schoolchildren. The campaign, "Nutrisyon at Kalinisan para sa Maayos na Kinabukasan" (Nutrition and Proper Hygiene for a Better Future) aims to reach out to about 34,000 Grades 1-3 elementary students from 137 public schools in Laguna during the 2019-2020 School Year.

- Gardenia's School Nutri-Tour program is a health and wellness program for private and public schools in the Philippines. The one-day activity comprising of a nutrition lecture, sandwich recipe demonstration, mascot appearance and bread sampling benefitted about 148,000 schoolchildren in 230 schools in 2019.



Gardenia Malaysia and the Steering Committee Members of Nutrition Month Malaysia published a children's book, 'Saya Suka Bijirin Penuh' to teach children the benefits of eating wholegrains.



Gardenia Philippines' School Nutri-Tour program teaches nutrition and wellness to schoolchildren through a nutrition lecture, sandwich-making demonstration and bread sampling.

SUSTAINABILITY REPORT

Educating Through Bread Plant Tours

As part of its outreach to the larger community, Gardenia opens its plants for free daily educational bakery tours. The tours provide an insight into Gardenia's automated bread-making processes and enables visitors to attend talks on nutrition and sample *Gardenia* products. Visitors are also taught the importance of eating whole grains as part of a healthy diet. Visitors include students, youths and the elderly.



Singapore

- Tour re-opened to the public at the end of July 2019 with a newly-renovated auditorium with new seating, improved sound system and different zones to better engage with the public.
- A television screen at the reception area shows visitors different ways of creating nutritious sandwiches with *Gardenia* products, and a new "photowall" encouraged visitors to take photographs with interesting props and tag #FunwithGardenia on social media.
- To enhance interaction with *Gardenia* consumers on social media, Gardenia currently uses a #FunwithGardenia hashtag to index engaging contents such as recipe videos and interactive contests on its Facebook and Instagram pages.
- Gardenia also runs frequent #FunwithGardenia monthly Instagram contests to encourage consumers to share their #FunwithGardenia moments with *Gardenia* products. Winners are awarded *Gardenia* premiums or vouchers.



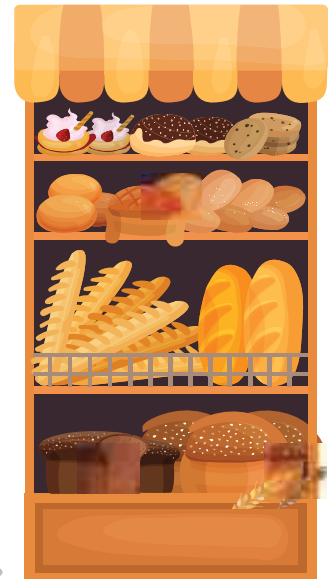
Philippines

- Free tours are offered at Gardenia's plants in Laguna, Cebu and Cagayan de Oro.
- In 2019, more than 350,000 visitors toured Gardenia's state-of-the-art baking facilities and listened to talks on health, nutrition and wellness, hygienic practices and values enhancement.
- The new plant at North Luzon commenced its free educational plant tours in early 2020.



Malaysia

- Welcomed more than 40,000 visitors to its plant tours in 2019.
- Visitors learned how bread, cream rolls and waffles are hygienically produced in state-of-the-art production lines.
- Visitors included special needs children and staff from government Ministries.



SUSTAINABILITY REPORT

Protecting the Environment

Managing Our Effluents

As Gardenia's two production plants in Singapore are located in a designated Food Zone, all wastewater discharge is handled by the Public Utilities Board ("**PUB**"). The wastewater is discharged into the sewer network that is connected to water reclamation plants managed by the PUB. The wastewater is treated to meet international standards and 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 remainder is channelled to the sea. Gardenia Singapore conducts periodic checks to monitor the volume of effluent and waste produced, recycled and disposed.

At the Johor bakery plant, wastewater discharge from production is treated to Standard A of the Environmental Quality Act 1974, the highest standard required by the Department of Environment ("**DOE**") for the discharge of industrial effluent. Wastewater analysis is performed weekly and reports are submitted to the DOE on a monthly basis.

In the Philippines, wastewater discharge from the *Gardenia* plants are treated at Wastewater Facilities before being discharged into the sewers. In compliance with the requirements of the Department of Environment and Natural Resources, Gardenia conducts monthly testing and regular monitoring of standard effluent parameters like pH value, discharge temperature, oil and grease, Biological Oxygen Demand, and Total Suspended Solids to ensure that the effluents meet water quality standards. Gardenia also submits Self-Monitoring Reports and Compliance Monitoring Reports on a quarterly and semi-annually basis to the relevant authorities.

Managing Our Energy and Resources

Towards its efforts to protect the environment, Gardenia Singapore currently uses sustainable palm oil from a source that practices a policy of "*No Deforestation, No Development on Peat and No Exploitation of People and Local Communities*" for selected bakery products.

To reduce negative impacts on the environment, the *Gardenia* operations in Singapore and the Philippines use liquefied petroleum gas for the main ovens for the baking processes. Delivery trucks also undergo regular maintenance to ensure the trucks are running in good condition and are fuel efficient to reduce air pollution and greenhouse gas emissions.

During the year, lighting at Gardenia's corporate office and warehouse in Singapore were replaced with LED lights to reduce energy consumption. To improve energy conservation and enhance efficiency, Gardenia installed electrical humidifiers to replace the gas-fired boilers in the final proofer steam system. The installation was completed in 2019 and the electrical humidifiers enhanced efficiency with savings of approximately S\$40,000 on water and gas consumption that year. The new humidifiers also reduced manpower requirements and enabled two workers to be re-deployed to other areas of production.

As part of its energy saving program, the Group's joint venture in Malaysia replaced the lighting in selected areas at two of its plants with LED lights. This initiative reduced the energy costs of lighting for those areas by approximately 50%.

Managing Our Waste

As a signatory to the Singapore Packaging Agreement, Gardenia Singapore reduces its packaging wastes through product development, working with its packaging vendor(s) to optimise the micron size of the packaging whilst ensuring that the quality of its bread is not compromised. As part of its recycling practices, unsold and returned bread as well as cripple bread are sold as animal feed and the packaging is sold to a plastic recycling centre to be recycled into trash bags. Gardenia Philippines also donates bread to charitable institutions and foundations under its *Daily Bread* program. Gardenia is working with its vendors to ascertain if the micron size of the packaging can be further reduced and if the *kwik loks* can be made with less plastic or with recyclable materials.

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

To reduce paper consumption, Gardenia's operations in Singapore use the B2B Electronic Data Exchange, Paperless Mobility Solution, an eco-friendly solution developed by Gardenia in 2017 to eliminate the need for hard copy paper invoices. At the Johor bakery plant, waste disposal is undertaken by a licensed collector authorised by the DOE. In the Philippines, Gardenia strictly implements waste segregation and recycling for all of its plant operations.

SUSTAINABILITY REPORT



Gardenia Philippines distributed some 50,000 bread loaves to the evacuees of the Taal Volcano eruption in January 2020.

Enriching Communities

Growing Together with our Communities

Singapore

The Group contributes to society through its support of a range of philanthropic, community and charitable causes.

- **Commitment to upholding corporate governance**
QAF demonstrated its commitment to upholding corporate governance with a donation to The Securities Investors Association (Singapore) towards the costs of organizing Corporate Governance and Community Investor education programs;
- **Reaching out to the elderly and less privileged**
In support of the elderly and less privileged, QAF donated to The *Hello Dawson! Relocation Programme* to assist low-income, elderly and underprivileged residents in Tanglin Halt to relocate to their new homes in Dawson. The relocation is part of the HDB's Selective Enbloc Redevelopment Scheme involving some 3,000 households living along Tanglin Halt Road and Commonwealth Drive; and

- **Investing in the future by developing people and talent**

QAF made a donation to the *Philip Yeo Initiative Endowment Fund* in support of the *Philip Yeo Initiative (PYI)*, an initiative to develop people and talent through two programs – the *Philip Yeo Innovation Fellows Programme*, which supports PYI Fellows and Associates with funding, mentorship and guidance for their projects, and the *Philip Yeo Grant*, which provides bursaries to students on the NUS Overseas Colleges program.

Gardenia is a well-known household name and it capitalises on its reputation and high brand visibility to actively support community initiatives that foster a kind and caring society.

- In celebration of Singapore's 54th National Day, *Gardenia* pledged a total of 19,000 pieces of *Gardenia* wholemeal cream rolls to community centres, schools, tertiary institutions and several non-profit organisations.
- To mark Singapore's Bicentennial, *Gardenia* sponsored bakery products to HDB heartlanders during events held in the South East CDC zone, as well as to various community centres. *Gardenia's* participation at these grassroots events enhanced the *Gardenia* brand as an active and responsible supporter of community initiatives.

SUSTAINABILITY REPORT

- During the World Bread Day celebrations, Gardenia reached out to the needy in the “*Gift from the Heart*” initiative organised by the National Trades Union Congress by sponsoring 2,000 pieces of *Healthier Choice Gardenia* wholemeal cream rolls and discount vouchers to some 2,000 lower-income union members in the food, chemical and hospitality industries.
- It also sponsored *Gardenia* cream rolls at the launch of *Food Pantry 2.0*, and in conjunction with World Bread Day, promoted a 3-day special offer of \$1 each for selected *Gardenia* bread products to the community. *Food Pantry 2.0* is a collaboration between The Food Bank Singapore and Creamier Ice Cream to offer food items free of charge, or at a lower price to families-in-need.
- As a gesture of support and appreciation to the medical team at Tan Tock Seng Hospital, Singapore for their hard work, Gardenia staff volunteers distributed *Gardenia Brown Rice & Oat Soft Grain Loaves* and *Gardenia* cream rolls to the medical team and pharmacists at the ‘*Pharmacy Week 2019*’ event in October.
- To reach out to the younger generation, Gardenia sponsored two students from the Singapore Institute of Technical Education (“*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 study program 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 Coordinators for an 18-month on-the-job training stint to nurture and develop their skills and knowledge of the consumer food industry.
- During the year-end festive period, Gardenia partnered the Singapore Kindness Movement to promote community bonding and support the Kindness message, “*Sharing Goodness, Spreading Joy*”. The community message was printed on festively decorated overbands on the packaging of the *Gardenia Fruit & Nut Loaf* and *Gardenia Pandan Caramel Loaf*. Gardenia also offered discounts on purchases of the *Gardenia Fruit & Nut Loaf*, *Gardenia Pandan Caramel Loaf*, *Gardenia Wraps* and *Gardenia Cheese Bread Stix* during November and December.
- During the year, Gardenia continued its collaboration with the Rotary Club of Singapore North to distribute heavily subsidized white and wholemeal bread loaves to less fortunate families living in the Teck Ghee area, on a weekly basis.
- Gardenia 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. In 2019, the bursary amounts were disbursed to the award recipients.

Philippines

- In the Philippines, Gardenia is at the forefront of efforts to curb malnutrition and improve the nutritional condition of underprivileged Filipinos through regular donations to selected charitable institutions under its “*Daily Bread*” program. In 2019, the company supported more than 60 charitable organizations with regular bread donations of some 14,000 loaves weekly.



Gardenia Singapore celebrated ‘Pharmacy Week 2019’ at Tan Tock Seng Hospital by distributing *Gardenia Brown Rice & Oat Soft Grain Loaves* and *Gardenia* cream rolls to the medical team and pharmacists as a gesture of appreciation.



Gardenia Philippines’ Nutrition Assistance Program is a regular feeding program for undernourished public elementary schoolchildren.

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- Gardenia's *Nutrition Assistance Program* is a regular feeding program that seeks to elevate the nutritional condition of undernourished public elementary students to improve their performance in class. In 2019, the program catered to more than 1,600 elementary schoolchildren from 10 schools in the City of Binan, Laguna, during the 2019-2020 School Year.
- Working in partnership with government agencies and non-government organizations (NGOs), Gardenia is able to respond to victims of calamities and natural disasters by providing speedy relief efforts. In 2019, Gardenia donated some 7,000 loaves to victims of 20 fires, and approximately 15,000 loaves and snacks to Filipinos affected by typhoons and earthquakes under its *Quick Response* relief effort.



Gardenia Philippines and NGO partners distributed bread to the Aeta Community in Porac, Pampanga after an earthquake in April 2019.

- During the year, Gardenia sponsored a Medical and Surgical Mission to Mabalacat, Pampanga, in collaboration with the Association of Philippine Physicians of New York, Inc. and the RP Health Craft Carrier Hospital on Wheels. The 3-day mission provided assistance to more than 600 residents in the area.
- Gardenia conducted an outreach activity for underprivileged students of Sitio Pulong Mindanao, Sta. Maria, Laguna. Volunteers brought bread donations, raincoats and basic supplies, crossing nine rivers to reach the school, which was located in a remote area. Some 70 children enjoyed the activities prepared by the Gardenia team. Gardenia also visited the *Elsie Gaches Village*, bringing joy to some 50 mentally challenged residents.
- Gardenia reached out to the elderly and less fortunate, visiting Elsie Gaches, a home for abandoned and neglected children with special needs, *Golden Reception and Action Center for the Elderly and other Special Cases (GRACES)*, a village for the elderly, and *Haven for Children*, a centre for street children. Gardenia volunteers entertained some 150 residents in these communities with games, mascot appearances, feeding activities and donations of basic needs items.
- Gardenia celebrated World Bread Month with a donation of some 17,000 loaves to the *SOS Children's Village* in Bataan, *Chosen Children's Village* in Cavite and *Christ for Asian International, Inc.* under its annual '*I Shared Bread*' charity campaign. The donated loaves represented twice the number of loaves purchased by plant tour visitors to Gardenia's in-house bread stores at the Laguna and Cebu bread plants.



Employees of Gardenia Philippines volunteered to bring basic supplies and bread donations to underprivileged children at a school located in a remote area of Sitio Pulong Mindanao, Sta. Maria, Laguna.

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- In January 2020, Gardenia donated approximately 50,000 bread loaves to the evacuees of the Taal Volcano eruption. The loaves were distributed in different cities and municipalities in the most affected areas of the provinces of Batangas, Laguna, and Cavite. Gardenia partnered with various organizations such as Philippine Red Cross, Philippine Army, local government units, private groups and individuals in the relief operations.

Malaysia

- In 2019, 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. Gardenia has been donating bread to charity homes since 1992, when it started with 8 charity homes. Gardenia also supported various charitable causes with product donations throughout the year.
- Gardenia collaborated with Yayasan Food Bank Malaysia to commemorate World Bread Day by donating more than RM80,000 worth of bakery products to 5 universities benefitting some 2,500 students under the *Food Bank Siswa* program. The products were delivered to the universities by Gardenia's own team with a view to ensuring freshness of the products. The *Food Bank Siswa* program provides food to students from the low-income group.
- Gardenia donated 1,000 individually packed *Toast'em Butter Raisin* and *Delicia Raspberry Milk & Cranberries* bread at the launch of the *Food Bank Siswa* program at Universiti Malaysia Pahang, Kuantan. The launch was officiated by the Minister of Domestic Trade and Consumer Affairs, Datuk Seri Saifuddin Nasution Ismail.
- To help alleviate hunger in schoolchildren, Gardenia continued to provide breakfast to 350 under-privileged students in several schools in Kuala Lumpur and Selangor.
- Gardenia's annual "*Bag-to-School*" school bag distribution program also benefitted more than 1,000 children from underprivileged families. The school bags are distributed through the Malaysia Consumer Protection Association (Johor), The Social Welfare Department (Selangor) and Development and Welfare Hope Selangor Association to five schools and children from selected low-cost housing areas.



In conjunction with World Bread Day, Minister of Domestic Trade and Consumer Affairs, Datuk Seri Saifuddin Nasution Ismail presented products sponsored by Gardenia Malaysia during the launch of the Food Bank Siswa program at Universiti Malaysia Pahang.



Gardenia Malaysia celebrated Hari Raya with the community from Kampung Bukit Naga Seksyen 32.

- To nurture the close relationship between Gardenia employees and the community where production facilities are located, Gardenia Malaysia organised a *Hari Raya* gathering to celebrate the festival. This initiative has established open communications between Gardenia and the community, strengthened bonds and reinforced Gardenia's reputation as a socially responsible company.

SUSTAINABILITY REPORT

Our People

Investing in Our People to Strengthen Our Workforce

Gardenia believes in empowering its employees with the right skills and relevant work experience. In a fast-paced environment, a competent and dynamic workforce enables Gardenia to enhance its competitive edge and market leadership within the region.

Training and Education

- During the year, we sponsored training for an employee to attend the intensive 16-week *Baking Science and Technology* course in the USA. The course is offered by AIB International, one of the world's foremost training organizations on food safety and consisted of six major components: Baking Science, Bread and Roll Production, Cake and Sweet Goods, Operations, Food Safety and Bakers Math. The curriculum emphasized the fundamentals of baking science, formulations and procedures and approaches to solving commercial industrial-scale production problems.
- Gardenia Singapore offers various career development programs that enable employees to enhance their skills and capabilities to meet the changing needs of the business and to upgrade their skills through local training.
- With a view to ensuring that 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, employees are regularly sent for training courses in food safety and work place health and safety management programs, especially for courses related to ISO 22000 certification.
- To deepen workplace learning, Gardenia Singapore worked with the National Centre of Excellence for Workplace Learning (NACE) to develop structured training plans. Senior Minister of State for Ministry of Education, Mr Chee Hong Tat and guests from the Ministry of Education, SkillsFuture Singapore and Nanyang Polytechnic visited the *Gardenia* plant in February. During the visit, Gardenia's involvement in the workplace learning systems and the *Earn and Learn Programme* as part of SkillsFuture were discussed. Two Gardenia employees (participants in the *Nanyang Polytechnic SkillsFuture Earn and Learn Programme*) shared their learning journey as production coordinators.



Senior Minister of State for Ministry of Education, Mr Chee Hong Tat and guests from the Ministry of Education, SkillsFuture Singapore and Nanyang Polytechnic visited the *Gardenia* Singapore plant to discuss *Gardenia*'s involvement in the workplace learning systems and the *Earn and Learn Programme*.

- Gardenia's efforts in building business transformation through workers' skills upgrading were noted during the FY2019 Committee of Supply Debate in Parliament by the Senior Minister of State for Ministry of Education. The working hours of employees make attendance at external training challenging and *Gardenia* Singapore is working with NACE to develop a workplace learning blueprint to bring training to employees within its plants. *Gardenia* Singapore has also implemented structured training for its production coordinators under the work-learn programmes.
- In compliance with regulatory requirements, employees at the Johor bakery plant are sent for training as Health and Safety Officer, Authorised Entrant for confined space, food handlers, and Competent Person in handling physical chemical processes of the industrial effluent treatment system.

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- In the Philippines, Gardenia conducts Quality Management Systems, Food Safety, Halal and Internal Quality Audit training for new employees to ensure competence in their respective fields of work. It also sent some 221 personnel for internal, external and supplier-sponsored training and seminars to further enhance their skills and knowledge. The courses and seminars included training in Food Safety, ISO, HACCP and HALAL Awareness, Sensory Evaluation and Baking Training. During the year, Gardenia also sponsored six employees for advanced education and professional certification programs.
- As part of its efforts to upgrade employees' skillsets, our joint venture, Gardenia Malaysia sent two employees from the QA and Production teams for a 6-week intensive *Baking Science and Technology* course at the UFM Baking and Cooking School in Bangkok. The course, which included lectures and laboratory work, provides advanced training for professional bakers and persons directly involved in the baking industry. Each student was awarded a certificate of completion after passing a written examination and meeting the course requirements.

Health & Safety and Wellbeing

Singapore

- In Singapore, employees of QAF participated in the *National Steps Challenge: Corporate Challenge 2019* organised by the HPB to encourage the workforce to be more active and walk more. The campaign ran for four months and QAF was awarded a Platinum Supporter award (for workforce size less than 200) for its participation.
- Gardenia provides complimentary transportation, meals, and a loaf of fresh bread daily to all employees to help to defray the costs of living. On special occasions, special loaves such as the premium *Gardenia Fruit & Nut* loaves or mini hampers are distributed to employees.
- At the Johor plant, noise exposure monitoring tests were conducted to determine the noise levels in the plant and employees working in areas with high noise levels were provided with earplugs. Chemical health risk assessments were also conducted to assess the level of chemical exposure and appropriate personal protective equipment was issued to employees to reduce or eliminate the risk of chemical exposure.

- Following the outbreak of the novel coronavirus (COVID-19), QAF Group implemented precautionary measures where appropriate to mitigate the risk of virus transmission among employees. In particular, Gardenia Singapore implemented measures aligned with the Ministry of Health and measures put in place include temperature surveillance and health and travel declarations, provision of masks and sanitisers to employees, restrictions on access to certain designated areas and restriction protocols on interaction, for example between different production shifts.

Philippines

- Gardenia intensified its programs and activities to enhance employee welfare. Every quarter, a "*Wellness Week*" is conducted as part of its health promotion efforts for Gardenia employees. "*Wellness Week*" is a week-long event that includes various activities such as product sampling from medical sponsors, lectures on different health-related topics, free body massage, vaccination and blood donation are planned. There are also regular free Zumba sessions for employees to participate.
- Gardenia continued its efforts to engage employees' dependents and strengthen family relationships through the Family Plant Visit program. A plant tour activity held every quarter enables the family members of newly hired Gardenia employees to acquaint themselves with the work environment of their loved ones.
- Gardenia also celebrates the successes of employees whose immediate family members graduate from elementary, high school or college. The graduates are presented with bread tokens and congratulatory cards. Employees' dependents who are qualified tertiary students are invited to undertake an on-the-job training program. To build camaraderie and sportsmanship amongst employees, Gardenia held a company-wide sports fest during the year.

SUSTAINABILITY REPORT

BAKERS MAISON

Product Responsibility

Our Commitment to Food Safety and Quality

Bakers Maison is committed to delivering safe and high-quality products and has attained both HACCP and Safe Quality Food ("SQF") Version 8, certified to the highest available level. The operations also apply the GMP hazard management procedures.

Bakers Maison has obtained Halal certification for most of its products by the Australian Federation of Islamic Councils Incorporated, Australia's National Islamic Organisation.

Through its Quality Assurance Team, Bakers Maison practices stringent internal quality control and regular product checks to ensure that its high standards are maintained. The company also undergoes annual audits by the certifying bodies of SQF and HACCP, and by key customers.

During the year, 100% of total production volume was manufactured in sites certified by an independent third party according to internationally recognised food safety management system standards.

Innovating and Developing Nutritious Products

Most *Bakers Maison* products contain no added fat, no preservatives, no added sugar or artificial flavours and use only natural ingredients. To support the local community, over 90% of the ingredients used in the products are locally sourced and produced. A selection of the products is also high in fibre and gluten free. In 2019, the bakery's gluten free certification was renewed by the Coeliac Association. Bakers Maison conducts daily swabs of its gluten free manufacturing section to ensure that it is free from any gluten contamination.

Promoting Healthy Eating and Lifestyles

Making Our Products Accessible

In Australia, Bakers Maison products are distributed as far as Tasmania, Western Australia and the Northern Territories using third party transport companies. The products are delivered frozen, enabling them to remain fresh and retain their quality and taste for longer periods of time before they are freshly baked for consumption by customers. Frozen products also reduce the need for frequent deliveries thereby reducing environmental impact.

Protecting the Environment

Bakers Maison's environmental policy reinforces its commitment to continually review and improve its environmental performance by setting targets to reduce the use of resources and minimise its impact on the environment. The environmental action plan acts as a prompt when identifying environmental aspects and impacts on the site. Bakers Maison's policy and processes are subject to annual review to ensure that they continue to reflect the aims of the company and promote continuous environmental improvement.

Managing Our Effluents

Bakers Maison's wastewater discharge complies with the Sydney Water Board regulations. Wastewater is discharged through grease traps before going into the sewer. The company undertakes the inspection and cleaning of grease traps every quarter and a quarterly review is carried out by its Maintenance Manager, approved contractors and service providers. The outcomes of the review are discussed with senior management.

Managing our Energy and Resources

Bakers Maison continues to monitor its carbon footprint and has reduced its energy costs by approximately 12% in FY2019. A full solar panel system and LED lighting has been installed at the production facility and as much as possible, the company tries to use natural gas in its ovens rather than electricity. The new extension to Baker Maison's production facility was designed to be highly energy efficient and 'green rated'. It has 1,100m² of solar panels that generate 200kVA of energy. The entire solar panel system of 2,100m² generates enough power to cover about 15% of Bakers Maison's electricity requirements. In addition, a 5,000-litre water tank collects rainwater to be reused on site and sensor-activated LED lighting automatically switches off lights when there is no activity.

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

The company also educates its employees on environmental issues, resource conservation, proper recycling practices and pollution prevention through company newsletters, training programs and staff meeting discussions.

During the year, Bakers Maison organised a contest where employees submitted ideas for minimising their eco footprint, both at work and at home. The ideas were posted on a colourful board placed near the communal break room and the top three contributors were presented with an

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eco-friendly prize of a Microgreens Window Sill Kit at the company's year-end party. The winning ideas were the reuse of bath water in the backyard, using a bucket to capture clean water during a shower, and making tree-planting a family bonding activity.

To further integrate environmental practices in the company, Bakers Maison is in the process of moving to a paperless system and reduces paper waste through recycling. It has introduced the "Document Management Solution" Paperless System to manage business information at various stages of the document life cycle. Phase 1 of the system, Accounts Payable processing, has been implemented. Two additional phases, Human Resources, and QA and Production will be implemented in 2020.

The company also adopts a preference for environmentally friendly products. The office and toilet paper purchased contain 35% – 100% recycled content or tree free paper. Employees are provided with corporate pens made from 100% recyclable materials. The pens feature a distinctive recycled paper barrel made from unbleached cardboard with its 'plastic' trim feature made from corn starch.

Managing our Waste

Bakers Maison disposes all production waste in accordance with local environmental laws and regulations. As part of its ongoing waste management initiative, the company continues to support local farmers with regular donations of edible waste from production, which are then mixed with grains and recycled into animal feed. It also tries to reduce cardboard waste during bulk packaging of its products.

In 2019, Bakers Maison sent its used printer cartridges and other plastic waste for recycling at *Close the Loop*, diverting approximately 6.98kg of plastic waste from landfills. *Close the Loop* is an international resource recovery and sustainability solutions provider that recycles plastic waste into material used for building roads.



Bakers Maison employees participated in the Canterbury Bankstown 'Tug-O-War' event in support of White Ribbon Australia's campaign to end violence against women.



Bakers Maison provides employees with corporate pens made from 100% recyclable materials like unbleached cardboard and corn starch.

Enriching Communities

Growing Together with Our Communities

Bakers Maison seeks to contribute positively to the community in which it operates. In May, Bakers Maison hosted the "Biggest Morning Tea", an annual event in Australia where colleagues, friends, family and community groups come together for morning tea, while raising funds for the Cancer Council. At the event, Bakers Maison employees and members of the public purchased donated items in a "2 for \$1" drive to raise a total of A\$500 for the Cancer Council.



SUSTAINABILITY REPORT

In support of World Polio Day, Bakers Maison donated baked goods in aid of a fund-raising campaign by The Rotary Club of Padstow to eliminate polio. Rail commuters at Revesby station who made a \$5 donation were given a specially baked pastry from *Bakers Maison*. Bakers Maison received a Certificate of Appreciation from the Rotary Club of Padstow Inc for its support.

For the third year in a row, Bakers Maison supported White Ribbon Australia's campaign to end men's violence against women. Staff of Bakers Maison participated in the Canterbury Bankstown *Tug-O-War* event in November and were awarded the "Pull Your Weight" Shield.

Our People

Investing in Our People to Strengthen Our Workforce

Employees are key to the business's long-term success and Bakers Maison invests in its employees to strengthen and upskill its workforce.

Training and Education

Employees across multiple departments, including Customer Experience, Sales and Quality participated in the introduction to Microsoft Excel 2010 training and were awarded with certificates of participation.

Health & Safety and Wellbeing

- To enhance health and safety measures at the workplace, Bakers Maison undertook a major review and implemented a new and improved Work Health & Safety ("WHS") system. The new WHS saw a revision of the company's emergency management plans and risk management processes. All Bakers Maison's managers attended the WHS reporting and responsibilities training where they were updated on the new WHS policies, easy-to-use injury and hazard identification reporting documents and Recovery at Work Policy for injured workers.
- During the year, Bakers Maison continued its practice of providing influenza vaccinations to all employees. This was performed by a medical practitioner who came on site to provide information to employees and give the vaccinations. Employees were also given information flyers with tips on how to stay healthy to reduce their chances of catching the flu.
- As part of Bakers Maison's initiative to foster an inclusive workplace culture, the company held its annual *Harmony Day* celebrations in March. *Harmony Day* celebrates cultural diversity and aims

to promote harmony and social cohesion. As part of the celebrations, employees brought dishes from their native countries to share with colleagues and played a Cultural Quiz game.

- Bakers Maison employees also participated in team-building activities which included a public speaking segment where Managers gave a presentation on their Department's projects that they had worked on and proposed innovative projects that they would like to work on during the year.

Employees participated in team games such as archery and laser clay pigeon shooting. The activities gave employees from different departments the opportunity to interact with one another, and with colleagues whom they may not always communicate with on a daily basis.

- Bakers Maison organised its first Spring BBQ Lunch to thank staff for their hard work and dedication. The Spring BBQ Lunch was organised by the Sales & Marketing team and the Social Committee and enabled office staff and Production and Warehouse staff to socialise outdoors and enjoy a healthy meal. The Spring BBQ Lunch is expected to become an annual event.



Bakers Maison employees enjoying themselves during the archery and laser clay pigeon shooting team games.




SUSTAINABILITY REPORT

- To provide an exciting and interactive approach to workplace health and wellbeing and encourage employees to review their eating and exercise habits, October was designated 'Health is Wealth' month. Employees were encouraged to participate in daily challenges that were posted on a large calendar in the staff common area. Challenges such as 'Try a new veggie', 'Eat mindfully' and 'Focus on posture' were

accompanied by daily emails from the HR Department with tips and advice how the challenges could be incorporated into daily life, both at work and at home. A number of employees packed healthy, homemade meals for lunch that month, instead of buying fast food and snacks.

PRIMARY PRODUCTION

The Group's Primary Production business under Rivalea, has been working on several programs to target animal welfare as well as energy management. Rivalea is also committed to being a responsible corporate citizen to drive positive impacts for the community.

Material Factors	FY2019 Achievements	FY2020 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 FY2019 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 FY2019 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* <small>* Applicable to the wastewater treatment plant at Victoria</small>	Maintain FY2019 performance

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 soybean meal.

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 possesses Export Registered Establishment, SQF Food Safety Code for Manufacturing, The Animal Welfare Certification Program for Livestock Processing Establishments, Australian Pork Industry Quality Assurance Program, HACCP and GMP certification under the internationally recognised Global Food Safety Initiative (GSFI) Management System and FeedSafe accreditations. Rivalea is also accredited with many of Australia's leading supermarket chains.

SUSTAINABILITY REPORT

Rivalea has a team of 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.

The Feedmill, Farming Operations and Meat Processing sites undergo internal audits by the Quality Assurance teams to check compliance with relevant laws and standards. The sites are also audited by external third parties, who are nationally and internationally recognized institutions, to ensure compliance with relevant laws, standards and customer requirements.

In 2019, Rivalea maintained 100% of its production volume manufactured in certified sites.

Innovating and Developing Products High in Nutrition

Rivalea's research and development efforts are focused on improving the nutrition and quality of its products. As part of its successful programme of producing premium, high quality meat products for an increasingly discerning consumer market, Rivalea has successfully produced and distributed meat products from some of its livestock which are fed with special feed supplements such as live lactobacillus. These premium products have significantly lower cholesterol levels. The products have been distributed to a major supermarket chain.

Staying Vigilant

Australia remains free of African Swine Fever (ASF). ASF continues to devastate pig production in China and parts of South-east Asia, with further spread being recorded to countries including the Philippines and Indonesia. Timor Leste and Bali remain concerns for the Australian pork industry as they are closest in terms of distance from Australia amongst jurisdictions where ASF has been reported. Timor Leste is more than 650 km and Bali is more than 1,700 km away from Australia. Australia maintains strict biosecurity laws and practices and is continuing to update and operationalise the policies under which Australia would respond to an outbreak.

Rivalea has further tightened its strict farm biosecurity policies and procedures. It has strict employee and visitor quarantine policies regarding entry into its farms, biosecurity protocols prior to entering farms and farms located in areas of high risk of feral pigs have had investment to upgrade perimeter fencing. The biosecurity policies and procedures extend to all its contract farms as well as contract farmers, livestock and feed transport providers, construction staff and essential visitors. Non-essential visitors are barred entry to its farms. 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 all contract farms and Rivalea sites including feedmill sites.

Rivalea works closely with the Australian pork industry association, APL, and is in constant dialogue with government officials to enhance preparedness against ASF. It has taken market leading steps in proactively engaging with the community and industry by highlighting to these stakeholders the risks of ASF and preventive steps to be taken. Advertisements have been placed by Rivalea in community newspapers to educate the community on the need to work together and on the "dos" and "don'ts" to keep Australia ASF-free. Currently, the farming operations of the Primary Production segment are spread over 25 piggery farms in New South Wales and Victoria, 7 of which are self-owned farms and the balance are owned by contract farmers. The geographical diversification of the farming operations assists in mitigating the spread of disease. On the issue whether Rivalea has insurance coverage for disease risks, please refer to our Corporate Governance Report at pages 88 to 89.

There were devastating bushfires in south-eastern Australia in late 2019 and early 2020. These bushfires did not affect the properties of the primary production business, or materially affected its operations. Rivalea's sites are covered by insurance policies for the bushfire risk including for its property, livestock and business interruption. Rivalea undertook relief efforts in support of firefighters and bushfire victims through, amongst others, support and continuation of wages for Rivalea employees who were on the ground as volunteers helping firefighters, donations of funds to impacted communities and donations of pork products for distribution to local communities.

SUSTAINABILITY REPORT

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), APRIL (Australasian Pork Research Institute Ltd) and the Victorian and New South Wales Farmers Federations.

Rivalea continued its best practice and leadership in animal welfare in 2019, including:

- Rivalea is 100% Gestation Stall Free as 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.
- Rivalea is accredited under the Australian Pork Industry Quality Assurance Program (APIQ®, APIQ® Free Range, APIQ® Gestation Stall Free and APIQ® Customer Specifications Verification for Coles Supermarkets Australia Pty Ltd).
- All Rivalea sites handling livestock are accredited under the Australian Pork Industry Quality Program (APIQ) or The Animal Welfare Certification Program for Livestock Processing Establishments. This includes auditing for compliance to the program’s animal welfare Standard that is externally audited by AUSMEAT.
- 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 CO₂ stunning.
- Developed low confinement sow, loose farrowing pen systems and implemented a commercial trial shed of 100 loose farrowing systems.
- Implemented a commercial farm of 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 and for nest building pre-farrowing. Welfare at the sites is overseen by overarching Quality Assurance programs that are internally and externally audited to ensure that existing procedures and processes are correctly managed.
- Supported a “*Treat Program*” at the Corowa Research and Innovation facility which uses small edible cubes as “*treats*” to further foster positive interactions between Rivalea stockpeople and visitors 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 the largest private research and innovation group in the Australian pork 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.

In 2018, Rivalea awarded two employees as winners of the *Animal Welfare Champions* and two additional winners for an *Animal Welfare Award* under the *Welfare Awards Program* which is in line with its ‘Guiding Principles for Animal Welfare’ which was revised in 2019. The *Animal Welfare Champions* are announced every two years and the *Animal Welfare Award* winners are announced every quarter. The program is intended to recognise achievements of employees who display empathy and actively support continuous improvement animal welfare. The updated the ‘Guiding Principles for Animal Welfare’ document is accessible to all employees and made available on Rivalea’s website.

SUSTAINABILITY REPORT



Rivalea's biogas collection facility at Corowa, NSW.

Protecting the Environment

Managing our Effluents

To meet its environmental and sustainability objectives, Rivalea recovers nutrients and water from its farming operations. Across many of its farming sites treated wastewater is used to grow crops, on its own land, or on neighbouring properties. Compost is used on our properties as a nutrient supplement or sold to other agricultural enterprises.

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.

Wastewater samples are taken at regular scheduled intervals at various points through the treatment process from raw effluent through to treated water used for irrigation. Schedules of sampling are determined based on regulatory requirements, relative risk of reuse of treated wastewater in local environmental context. Samples are analysed by

NATA accredited labs and results are reviewed by the Environmental team and referred to external consultants for review where required by licence conditions or identified need.

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 stored in tertiary storage ponds to allow disposal by irrigation onto agricultural land (either owned by Rivalea or third parties).

At the processing plant in Laverton, Melbourne, 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. The remaining wastewater is then pumped from the site and discharged to the sewer in line with the Trade Waste agreement with the local water authority.

Managing our Energy

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

SUSTAINABILITY REPORT

Rivalea has three biogas collection facilities that capture and burn methane generated from its farming operations. Rivalea has contractual arrangements with the Australian Government to deliver Australian carbon credit units from the three facilities.

Biogas from the two Corowa collection facilities supply fuel for three 500KW power units (generators) that supply power to the site, offsetting the demand from grid supplied energy. The three generators will provide up to 75% of the power requirements of the Corowa processing, farm and administration sites.

Subject to regulatory approval, Rivalea plans to upgrade one of its farms to improve its environmental impact by the installation of a state-of-the-art integrated biofilter system at the site, at a cost of approximately A\$8.0 million. The biofilter system will enhance airflow and better manage emissions, augmenting Rivalea's sustainable practices. An external Project Manager has been appointed. All necessary permits and approval for variations to the existing EPA (Environment Protection Authority) licence are expected to be completed by mid-2020.

Managing our Waste

Rivalea is a signatory to the Australian Packaging Covenant. Rivalea uses data records contained in its ERP (Enterprise Resource Planning) database to aid decision making related to the types of packaging it uses. Rivalea is exploring the use of sustainable packaging materials with its major tier 1 packaging suppliers and major customers. Rivalea has developed several action plans to reduce package reduction over the next few years:

- Improve recoverability and consumer education for recycling of packaging (re-use, recycle, recover);
- To have 50% of total solid waste recovery tonnage recycled by offsite collection vendors by December 2021 and to have 100% of solid waste suitable for recycling or re-use by 2025;
- To have 100% of all packaging material used in livestock feed products sourced from recycled materials by December 2020;
- To have 100% of livestock feed sold in bags carry ARL (Australasian Recycling Label) approved logo advising how consumers can recycle used bags by December 2020, 50% of shelf ready retail meat products under Rivalea branding carry ARL approved logo by December 2021 and 100% by December 2022;
- To increase the proportion of products produced for Woolworths dispatched from Rivalea sites in re-usable plastic crates from 50% to 75%.

Enriching Communities

Rivalea recognises the importance of playing an active role in the community to foster close relationships and stronger ties. It has developed a company policy that actively supports 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.

Rivalea was a major funding partner in the redevelopment of the Bangerang Park Playground in Corowa. Redevelopment work included the installation of a new all-abilities play system in the children's playground, sculptural pieces and musical items, new plantings of riparian foliage inspired by the theme 'Life by the River', storm water and electrical infrastructure upgrades, and the construction of new public toilets. The playground was officially opened in December 2019 and has provided the local community with a vibrant and fun recreational park space.



Rivalea was a major funding partner in the redevelopment of the Bangerang Park Playground, which opened to the public in December 2019.



SUSTAINABILITY REPORT

Rivalea also contributed to *Food Share* (meals for the disadvantaged), sponsored the upgrade of a local children's Scout hall, and provided support to two local agricultural groups.

During the year, Rivalea employees raised over A\$7,000 in support of the Albury Wodonga Regional Cancer Centre by taking part in the 20km *Sunshine Walk* or making a cash donation. The fundraising event proved a great success with more than A\$220,000 raised.

Rivalea also collaborated with the students of Lowesdale Public School on "*The Pigasso Project*", an art in public spaces initiative where large gaily decorated plastic pigs painted by the schoolchildren were put on display at various sites throughout Rivalea for several weeks before being returned to the school.

Rivalea offers opportunities to local high school and university students to gain work experience in its 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 university agricultural graduates to experience different areas of the business. The program helps to develop a cross-skilled, knowledgeable workforce.

Rivalea is a member of APRIL and is a key participant in APRIL's Industry Placement Programme (IPP). The IPP offers university science graduates industry placement which provides hands-on experience, with specialist mentors on-farm and in production. The graduates are interned for three years which fast tracks their development and benefits employers to undertake much needed projects whilst bringing fresh ideas. Rivalea's first intern under this programme completed their three years in late 2019 and remains with the company. Rivalea is pleased to have interned a second placement earlier this year and expects to continue with this highly valuable arrangement.

Our People

Investing in Our People to Strengthen Our Workforce

Rivalea understands that employees drive the success and achievements of the business. This is a strong impetus for Rivalea to support the professional and personal development of their employees through various initiatives.

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.

In 2019, Rivalea supported five employees with bachelor and post-graduate studies, and 20 employees with nationally accredited qualifications. It also conducted many workshops, training sessions and courses. Rivalea supports employees who are studying, not only with financial assistance, but also by providing resources and access to its internal learning and development personnel, who are able to offer mentoring and advice.

Health & Safety and Wellbeing

During the year Rivalea continued its focus on education and training programs related to Workplace Health & Safety for employees at all levels and all sites.

Rivalea continued with the implementation of the third year of its comprehensive Workplace Health & Safety strategy, "*Safety First*". The strategy is centred on systems and processes; ownership and engagement; key risks and compliance; and health and well-being. The key deliverables of the strategy to date have included a range of procedures, tools and resources with the delivery of associated training to employees, along with the establishment of a number of new systems to improve the management of incidents, hazards, claims and contractors.

The focus for 2019 has been on the continued implementation of the Strategy across the business with a specific focus on leadership development, employee engagement, audits and assessments. Rivalea continued to provide free influenza vaccinations to employees and has an on-site physiotherapist to facilitate proactive management of injuries.

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 also includes Company hosted events and resources for employees which provide information on how and where to access mental health help and support. Rivalea also funds an Employee Assistance Program that provides confidential and free support and counselling on a wide range of personal matters for employees and their family members.



CORPORATE GOVERNANCE REPORT

(AS AT 16 MARCH 2020)

In this Corporate Governance Report, QAF Limited (“**QAF**” or the “**Company**”) describes its corporate governance practices for the financial year ended 31 December 2019 (“**FY2019**”) 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 10 to 14 and our sustainability approach on pages 31 to 73. 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 31 to 73 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 Conduct.

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 Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and any matter which the Executive Committee considers to be material for deliberation by the Board. Please refer to page 86 of this report (Principle 9 “Provisions 9.1 and 9.2”) for more information on matters where decisions require Board approval. During FY2019, the Executive Committee reported 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 81 to 83 of this report under Principle 5 “Provisions 5.1 and 5.2” and Principle 7 “Provisions 7.1 and 7.3”.

CORPORATE GOVERNANCE REPORT

(AS AT 16 MARCH 2020)

During FY2019, the Board conducted regularly scheduled meetings on a quarterly basis. The Company's practice is to hold additional board meetings 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 FY2019 attendance and participation of the Directors at Board and Committee meetings as well as the Company's Annual General Meeting in April 2019 ("**AGM**"), is set out below:

Number of meetings held in FY2019	Board	Audit & Risk Committee	Nominating Committee	Remuneration Committee	AGM
	4	4	1	1	1
Name of Director	Number of meetings attended in FY2019				
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	3	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 pages 80 to 81 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, relevant 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.

CORPORATE GOVERNANCE REPORT

(AS AT 16 MARCH 2020)

(3) Provisions 1.6 and 1.7

The Management provides Directors with periodic management financial information relating to the Group and during FY2019 quarterly updates were 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.

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 in the Board's judgment 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 FY2019, the Nominating Committee took into account, amongst others, each independent Director's confirmation of his or her independence based on the applicable provisions of the SGX-ST Listing Manual and the Code. Under the Listing Manual, a director is not independent if (a) he is or has, in the last three financial years, been employed by the company or any of its related corporations or (b) he has an immediate family member who is or has, in the last three financial years, been employed by the company or any of its related corporations, and whose remuneration is or was determined by the remuneration committee. These disqualifying provisions do not apply to our five Independent Directors. The new Rule 210(5)(d)(i) of the Listing Manual affecting the independence of directors who have served for more than nine years will only apply from 1 January 2022. The Nominating Committee and Board are cognizant of the need for progressive refreshing of the Board and will be looking into the composition of the Board as a whole, especially in light of the nine-year rule.

The principle-based definition of "independence" in the Code is set out in Provision 2.1, which states that an independent director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company. Applying this definition as well as taking into consideration the relevant

CORPORATE GOVERNANCE REPORT

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practice guidance in the Code, the Nominating Committee, with which the Board concurred, was of the view that Mr Didi Dawis' long tenure on the Board did not interfere with the exercise of his independent business judgement in the best interests of the Company and that he and his son, Mr Triono J. Dawis, may each continue to be regarded as independent. Mr Didi Dawis ceased to be a substantial shareholder in April 2019. He has 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 Mr Triono J. Dawis, contributes 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 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 41) and Mr Triono J. Dawis (age 38). 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 2018, Mr Andree Halim appointed Ms Rachel Liem Yuan Fang, aged 24, as his alternate Director with a view to nurturing her for future leadership role. Further information on our Directors is found in the section of this Annual Report entitled "Board of Directors" at pages 10 to 14.

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 2019* published by the Singapore Institute of Directors states that 39% of listed companies which responded to the survey have no female directors and, for mid-cap companies (S\$300 million to S\$1 billion) who responded to the survey, only 13% have two or more female directors. 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*

The Company has a Lead Independent Director whose role encompasses that of spokesman and providing leadership among the Directors in a way that enhances the objectivity and independence of the Board. Our Lead Independent Director, Ms Dawn Pamela Lum, 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.

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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.

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 FY2019, please refer to the section dealing with Principle 2 "Provisions 2.1, 2.2, 2.3 and 2.4" on pages 77 to 78 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".

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The Directors' board representations (if any) on other listed companies and other principal commitments are set out on pages 10 to 14 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 of the Board 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 pursuit of strategy of long-term sustainable growth (in terms of revenue, EBITDA and profitability) and value creation to enhance shareholder value, the financial performance of the Group including by reference to revenue growth, EBITDA and profitability; financial position and returns to shareholders; 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 FY2019, 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, strategy, performance and training. 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 Nominating Committee, 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.*

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(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 remuneration, 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 FY2019.

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.

(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) are undertaken with objective of ensuring that their remuneration is competitive and sufficient to attract, retain and motivate persons of the required caliber, skills and integrity to provide good stewardship and run the Company and the Group successfully, as well as motivate competent, committed and loyal key executives. For FY2019, 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 matters such as 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 an annual dividend of 5 cents per share for FY2019 amounting to approximately S\$29.0 million although the Group’s earnings attributable to shareholders for such financial year amounted to approximately S\$27.9 million. Consideration was given, amongst others, to promotion of the culture of teamwork and cohesiveness amongst senior management of the Group and within the Executive Committee; focus on strategic issues and key business, regulatory and risk management issues, including succession planning; promotion of better transparency of Group’s strengths and weaknesses with the objective of assisting the Company’s shareholders to make informed decisions and articulation to shareholders, as well as to the Group’s business units, of the Board’s longer-term view for sustainable growth; improvement of management processes and analyses (including financial analyses and stress testing) of the Group; promotion of culture of learning/awareness to keep up and improve professional knowledge all with a view to enhancing quality of work, deliverables and for risk management purposes (for example, with respect to transactional due diligence process and promoting continuing professional education and training for employees of the Company and business units); enhancement of protection of Group’s intellectual property and educating the business units of the importance of intellectual property protection; and emphasizing product innovation for, in particular, the mature Singapore bakery market; and the extensive scale of the Group’s operations (including Gardenia Bakeries (KL) Sdn Bhd, the Group’s Malaysian joint venture) which span several countries and generated in excess of S\$1 billion of revenue in FY2019.

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For FY2019, 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 FY2019 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 FY2019 is set out in the sub-section below under "*Provisions 8.1 and 8.3*".

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(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 importance of maintaining the cohesion, spirit of team work and morale prevailing among senior management executives of the Group, the competitive industry conditions and the sensitive and confidential nature of employees' remuneration. 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 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 annual reports for FY2016, FY2017 and FY2018, 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. It is noted that the *Singapore Directorship Report 2019* discloses that one of the highlights of the findings of the survey was that "Key challenges to business growth in Singapore are unchanged from 2017: intense competition, manpower constraints and limited domestic market continue to be cited as the top three factors."

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 FY2019 remuneration of its five key management personnel (including the executive Directors). It has also disclosed the FY2019 remuneration of such key management personnel in band(s) as set out below. The total FY2019 remuneration of QAF's five key management personnel (including the executive Directors) was S\$4.94 million (versus S\$4.59 million for FY2018). 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	70%	29%	1%	100%
S\$500,000 to S\$750,000				
Tan Teck Huat	84%	11%	5%	100%

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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

The fees payable to the non-executive Directors of the Company who served in FY2019, 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 FY2019. 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. Generally, under the Listing Manual, major transactions are acquisitions or disposals of assets or the provision of financial assistance 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. Based on our Enterprise Risk Management framework, the key categories of risks faced by the Group, which are not listed in the order of significance, as at 31 December 2019 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	<p>Food safety risks in relation to the Primary Production, Bakery and Distribution & Warehousing 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.</p>
Health, safety and security	<p>Lack of or inadequate maintenance or health, safety and security measures on the Group's facilities including its older facilities or during or in connection with operational activities, can lead to disruption of operations and injuries to employees and the public, and may lead to lower productivity, higher cost, enforcement actions and sanctions by regulators such as penalties, prosecutions and suspension of operations. The Group's plants, facilities and IT infrastructure are also at risk of shutdown from natural disasters, breakdowns, epidemics and cyber attacks.</p> <ul style="list-style-type: none"> The Covid-19 pandemic is still unfolding. The knock-on effects on the global economy are expected to be adverse. There is some impact on our operations. For example, in the Philippines and Malaysia, the governments have announced lockdowns. Movement of our Malaysian staff to Singapore and movement of staff within the Philippines are restricted. Supply chain issues have also arisen. This pandemic has resulted in significant strengthening of the US Dollar against local currencies. This may have an impact on raw materials and certain other costs which are linked to the US Dollar. However, the Group has no US Dollar borrowings. Oil prices have also collapsed which will lower our energy costs. Sales in the food service sector have been impacted as airlines, hotels and restaurants reduced their orders. Credit risk, especially for retail food service, is expected to increase. However, sales to supermarkets, quick service restaurants and exports have increased. The Group has stepped up its operational readiness and implemented various precautionary measures to mitigate the risks of the pandemic and shutdowns on its operations. <p>On an overall basis, it is still too early to assess the full impact although to-date, the pandemic has not had material adverse impact on the Group's operations. The Group does not have any specific insurance coverage for disease risk. However, the Group's existing insurance policies for general business interruption provide some indemnity for loss of profit from shutdowns arising from disease outbreak on its premises (although the position may not be clear for the Philippines and Primary Production businesses).</p> <ul style="list-style-type: none"> The Rivalea Group does not have insurance coverage for disease risks as previous review for coverage indicated limited coverage and prohibitive premium cost. <p><i>Costs of an Emergency Animal Disease response</i></p> <p>African Swine Fever (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)¹. The EADRA is an agreement between Australian Government and various industry bodies which covers the management and funding of responses to emergency animal diseases (EAD). The EADRA was developed to facilitate rapid responses to, and control and eradication or containment of, certain EADs. Parties to the EADRA have agreed to a mechanism for sharing certain costs of an EAD response</p>

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Risk	
	<p>(which include the costs of the statutory compensation schemes where compensation might be paid to the owner of any livestock or property that is destroyed for the purpose of eradication or prevention of the spread of the EAD, and livestock that has died of the EAD (this needs to be certified)), the proportions of which depend on the disease category. In the case of ASF, the proportion of costs between the Australian Government and Pork Industry is 50/50. Australian Pork Limited (APL), the Pork Industry body, is a party to the EADRA and the Rivalea Group is a member of APL. It is not known how APL might fund any contribution it is obliged to make to the costs-sharing exercise.</p> <p><i>Potential Compensation</i></p> <p>To the extent that the Rivalea Group suffer loss by reason of an ASF outbreak, there is a statutory entitlement under the various State legislation for producers to apply for compensation for certain losses. These losses tend to be limited to the value of any animals or property that have been lost to ASF or destroyed in accordance with an emergency order. There is also potential for further compensation to be paid, including for the loss of animals destroyed on welfare grounds and a top up amount if the cost of the re-stocking exercise is greater than the compensation paid for the animal destroyed. The draft EAD response plan for ASF is yet to be released so the extent of any compensation that might be available beyond the statutory regime is unknown. Concerns have also been raised about the valuation formulae for compensation and the absence of a link between any additional compensation provisions that might exist in the ASF EAD response plan and a producer's entitlement to access that compensation (particularly in respect of New South Wales and Victoria). In any event, it is unlikely that any compensation will be available for any loss of profits, any loss occasioned by a breach of contract or any consequential loss.</p> <p>¹ Information obtained from www.animalhealthaustralia.com.au, the website of Animal Health Australia (AHA), AHA manages the EADRA and has members from the Australian Government, state and territory governments, and Livestock Industries.</p> <ul style="list-style-type: none"> • There are ongoing issues relating to older facilities. Please refer to page 20 of this Annual Report. Gardenia Singapore will be undertaking an exercise to upgrade the equipment capability for its production facilities in Singapore. As existing facilities have been in operation for many years, it is necessary to upgrade the facilities.
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.

CORPORATE GOVERNANCE REPORT

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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 FY2019 were presented to the Audit & Risk Committee for discussion. The following key audit matters in respect of FY2019 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
Fair value measurement of biological assets	<ul style="list-style-type: none"> 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 an area of focus for E&Y. This item was included as a key audit matter in its audit report for FY2019. Please refer to pages 101 to 102 of this Annual Report.
Recoverability of investment in joint venture	<ul style="list-style-type: none"> 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 FY2019. Please refer to page 102 of this Annual Report.

The review of the Group's internal controls and risk management systems is a continuing process. The internal controls (including in respect of the financial, operational, compliance and information technology controls) and risk management systems as adopted by the Group are designed to manage rather than eliminate the risk of failure to achieve key business objectives. Part of the Group's business is located in regional countries which are challenging with different control environments to operate in and where laws, practices and cultures differ from those in Singapore. The internal controls and risk management systems are designed to provide reasonable, but not absolute, assurance as to material financial, operational, compliance and information technology 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 and/or Management 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 internal controls and risk management systems established and maintained by the Group, the work performed by the internal and external auditors and consultant(s), reviews performed by Management and relevant Board Committees, the assurances of the senior management of the various business units 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 FY2019:

- (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 (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2019 to address the financial, operational, compliance and information technology 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.

CORPORATE GOVERNANCE REPORT

(AS AT 16 MARCH 2020)

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 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

CORPORATE GOVERNANCE REPORT

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- 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) *Provisions 10.4 and 10.5*

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 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 Audit & Risk Committee's terms of reference provide for it to review and approve 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 FY2019 amounted to approximately S\$834,000 and S\$33,000, 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 FY2020 (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 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, the competitive landscape and the key factors affecting the Group's performance, information of which has been provided at pages 3 to 6 and 18 to 30 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;
- 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.

CORPORATE GOVERNANCE REPORT

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(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.

(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. 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 more than 35 market days after the relevant record 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 results and other announcements and its annual report, and its practice is consistent with the intent of Principle 11.

CORPORATE GOVERNANCE REPORT

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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, info@qaf.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 has a Lead Independent Director whose role includes attending 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, info@qaf.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 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 31 to 73 discloses its strategy and key areas of focus in relation to the management of stakeholder relationships during FY2019.

(3) *Provision 13.3*

The Company maintains a current corporate website (www.qaf.com.sg) to communicate and engage with its stakeholders.

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Interested Person Transactions for FY2019

Name of Interested Person	Nature of Relationship	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 – Sale of unsold and returned bread	See Note (1)	N.A.	986
Tiong Lian Food Pte Ltd – Sale of products (pork products)	See Note (2)	N. A.	608
Austral Dairy Group Sdn. Bhd. – Sale of products (cheese)	Entity in which Mr Andree Halim has an interest	N.A.	575
Salim Group – Purchase of raw materials including flour	See Note (1)	N.A.	14,001
Salim Group – Purchase of finished products (milk, noodles)	See Note (1)	N.A.	5,721
Austral Dairy Group Sdn. Bhd. – Purchase of finished products (processed cheese)	Entity in which Mr Andree Halim has an interest	N.A.	707
TOTAL		N.A.	22,598

Notes:

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

(2) Entity in which the Salim Group has shareholding interest.

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 FY2019, or if not then subsisting, entered into since the end of FY2018.

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 one month prior to the release of each of the half-yearly and full year financial results of the Group.

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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 2019.

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 2019 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	(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:

Names of directors	Direct interest			Deemed interest		
	At 1.1.2019	At 31.12.2019	At 21.1.2020	At 1.1.2019	At 31.12.2019	At 21.1.2020
Number of shares in						
QAF Limited						
Didi Dawis	–	–	–	47,877,758	–	–
Andree Halim	–	–	–	346,752,055	394,629,813	394,629,813
Lin Kejian	–	–	–	276,434,071	277,369,871	277,369,871
Tan Hang Huat	5,709	5,709	5,709	–	–	–
Rachel Liem Yuan Fang	11,900	32,900	32,900	–	–	–

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 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 2019.

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
16 March 2020

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 2019, the consolidated statement of changes in equity, the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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

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 \$58.6 million as of 31 December 2019.

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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 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 \$79.7 million as of 31 December 2019. Note 21 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.

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 and discount rate. 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 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 21 to the financial statements.

Other information

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Other information (cont'd)

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.

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

16 March 2020

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$'000	2018 \$'000
Revenue	3	863,892	814,868
Costs and expenses			
Costs of materials		461,820	443,123
Staff costs	4	192,383	192,656
Amortisation and depreciation	5	45,313	34,670
Repairs and maintenance		24,202	23,930
Utilities		26,004	27,042
Advertising and promotion		11,595	11,235
Other operating expenses		69,676	75,281
Total costs and expenses		<u>(830,993)</u>	<u>(807,937)</u>
Profit from operating activities	6	32,899	6,931
Finance costs	7	(5,841)	(3,370)
Share of profits of joint venture		6,020	9,737
Profit before tax		33,078	13,298
Income tax expense	8	<u>(4,840)</u>	<u>(4,639)</u>
Profit after tax		<u>28,238</u>	<u>8,659</u>
Attributable to:			
Owners of the parent		27,579	8,129
Non-controlling interests		<u>659</u>	<u>530</u>
		<u>28,238</u>	<u>8,659</u>
Earnings per ordinary share:	9		
– Basic and diluted		4.8 cents	1.4 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 \$'000	2018 \$'000
Profit after tax	28,238	8,659
Other comprehensive income:		
<u>Items that will not be reclassified subsequently to profit or loss:</u>		
Actuarial (loss)/gain on defined benefit plans	(804)	981
<u>Items that may be reclassified subsequently to profit or loss:</u>		
Currency translation arising on consolidation	(371)	(10,607)
Net fair value loss on investment securities at fair value through other comprehensive income	(167)	(251)
Share of other comprehensive income of joint venture	(243)	(57)
Other comprehensive income for the year, net of tax	(1,585)	(9,934)
Total comprehensive income for the year	26,653	(1,275)
Total comprehensive income attributable to:		
Owners of the parent	25,935	(1,974)
Non-controlling interests	718	699
	26,653	(1,275)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
ASSETS					
Current assets					
Biological assets	10	58,573	52,121	–	–
Inventories	11	75,745	67,481	–	–
Trade receivables	12	106,847	105,037	–	–
Other receivables	13	30,479	28,538	46,468	52,772
Tax recoverable		3,054	1,999	–	–
Short-term investments	14	–	4,676	–	4,676
Cash and cash equivalents	15	73,167	60,259	22,186	19,647
		347,865	320,111	68,654	77,095
Non-current assets					
Property, plant and equipment	16	355,550	356,675	3,770	3,983
Right-of-use assets	17	41,328	–	354	–
Investment properties	18	–	6,215	–	–
Investment in subsidiaries	19	–	–	100,132	100,132
Advances to subsidiaries	20	–	–	152,091	149,383
Investment in joint venture and associate	21	79,814	80,483	–	–
Pension assets	22	2,795	2,338	–	–
Long-term investments	23	1,618	1,801	1,618	1,776
Intangibles	24	109	125	942	1,130
Deferred tax assets	25	21,394	15,885	–	–
		502,608	463,522	258,907	256,404
Total assets		850,473	783,633	327,561	333,499

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
LIABILITIES					
Current liabilities					
Trade payables	26	88,855	75,510	173	209
Other payables	27	65,398	66,725	4,359	3,903
Short-term borrowings	28	58,522	52,551	–	–
Long-term borrowings - current portion	29	6,679	4,269	–	–
Lease liabilities - current portion	17	8,629	599	94	–
Income tax payable		3,652	2,990	708	967
		231,735	202,644	5,334	5,079
Non-current liabilities					
Other payables	27	15,009	12,988	4,826	5,744
Long-term borrowings	29	57,577	51,564	–	–
Lease liabilities	17	34,248	986	266	–
Deferred tax liabilities	25	11,584	10,432	1,164	1,356
		118,418	75,970	6,256	7,100
Total liabilities		350,153	278,614	11,590	12,179
Net assets		500,320	505,019	315,971	321,320
CAPITAL AND RESERVES					
Share capital	30	277,043	277,043	277,043	277,043
Reserves	31	230,542	234,361	38,928	44,277
Equity attributable to owners of the parent		507,585	511,404	315,971	321,320
Non-controlling interests		(7,265)	(6,385)	–	–
Total equity		500,320	505,019	315,971	321,320

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 2019

Note	Attributable to owners of the parent						Total \$'000	Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Revaluation reserve \$'000	Capital reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Foreign currency translation reserve \$'000			
Balance at 1 January 2019	277,043	244	(2,410)	146	247,429	(11,048)	511,404	(6,385)	505,019
Total comprehensive income for the year									
Net profit for the year	–	–	–	–	27,579	–	27,579	659	28,238
Other comprehensive income for the year:									
– Currency translation arising on consolidation	–	–	–	–	–	(511)	(511)	140	(371)
– Net fair value loss on investment securities at fair value through other comprehensive income	–	–	–	(167)	–	–	(167)	–	(167)
– Actuarial loss on defined benefit plans	–	–	–	–	(723)	–	(723)	(81)	(804)
– Share of other comprehensive income of joint venture	–	–	–	–	–	(243)	(243)	–	(243)
Other comprehensive income for the year, net of tax	–	–	–	(167)	(723)	(754)	(1,644)	59	(1,585)
Total comprehensive income for the year	–	–	–	(167)	26,856	(754)	25,935	718	26,653
Transactions with owners in their capacity as owners									
Contributions by and distributions to owners									
Transfer to other payables	–	–	–	–	–	–	–	(530)	(530)
Dividends	–	–	–	–	(28,858)	–	(28,858)	(284)	(29,142)
Total contributions by and distributions to owners	–	–	–	–	(28,858)	–	(28,858)	(814)	(29,672)
Change in ownership interest in subsidiary									
Acquisition of non-controlling interests without a change in control	–	–	(896)	–	–	–	(896)	(784)	(1,680)
Total change in ownership interests in subsidiary	–	–	(896)	–	–	–	(896)	(784)	(1,680)
Total transactions with owners in their capacity as owners	–	–	(896)	–	(28,858)	–	(29,754)	(1,598)	(31,352)
Balance at 31 December 2019	277,043	244	(3,306)	(21)	245,427	(11,802)	507,585	(7,265)	500,320

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 2019

Note	Attributable to owners of the parent						Total \$'000	Non-controlling interests \$'000	Total equity \$'000
	Share capital \$'000	Revaluation reserve \$'000	Capital reserve \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Foreign currency translation reserve \$'000			
Balance at 1 January 2018	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	30	5,034	–	–	–	–	5,034	–	5,034
Transfer to other payables	–	–	–	–	–	–	–	(158)	(158)
Dividends	32	–	–	–	(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 CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 \$'000	2018 \$'000
Cash flows from operating activities:		
Profit before tax	33,078	13,298
Adjustments for:		
Amortisation and depreciation	45,313	34,670
Loss on disposal of property, plant and equipment and investment properties	541	930
Fair value changes on biological assets	(7,304)	1,694
Interest expense	5,841	3,370
Share of profits of joint venture	(6,020)	(9,737)
Impairment loss on investment securities	21	162
Gain on disposal of investment securities	(34)	–
Loss allowance for receivables charged and bad debts written off, net	883	679
Interest income	(801)	(1,306)
Exchange differences	995	4,692
Operating profit before working capital changes	72,513	48,452
Increase in trade and other receivables	(5,997)	(17,275)
Increase in inventories and biological assets	(9,124)	(2,045)
Increase in trade and other payables	16,262	3,935
Cash from operations	73,654	33,067
Interest paid	(5,815)	(3,170)
Interest received	801	1,306
Income tax paid	(9,260)	(10,271)
Net cash from operating activities	59,380	20,932
Cash flows from investing activities:		
Purchase of property, plant and equipment and investment properties	(35,472)	(74,384)
Proceeds from disposal of property, plant and equipment and investment properties	1,103	450
Purchase of intangibles	–	(150)
Investment in associate	(140)	–
Proceeds from redemption of investment securities	4,706	–
Dividends received from joint venture	8,196	5,018
Net cash used in investing activities	(21,607)	(69,066)
Cash flows from financing activities:		
Dividends paid during the year	(28,763)	(23,441)
Dividends paid to non-controlling interests	(379)	(2,166)
Proceeds from borrowings	23,227	34,540
Repayment of borrowings	(8,421)	(32,516)
Repayment of lease liabilities	(8,809)	(557)
Proceeds from long-term loans from non-controlling interests	71	450
Acquisition of non-controlling interest share in a subsidiary	(1,680)	–
Payment of remaining consideration for acquisition of non-controlling interest share in a subsidiary	–	(590)
Net cash used in financing activities	(24,754)	(24,280)
Net increase/(decrease) in cash and cash equivalents	13,019	(72,414)
Cash and cash equivalents at beginning of year	60,259	136,454
Effect of exchange rate changes on cash and cash equivalents	(111)	(3,781)
Cash and cash equivalents at end of year (Note 15)	73,167	60,259

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 2019

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)).

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

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

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019. Except for the adoption of SFRS(I) 16 *Leases* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 does not have an impact for leases where the Group is the lessor.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

SFRS(I) 16 Leases (cont'd)

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The Group has lease contracts for office premises, factories, warehousing/trading/farm facilities and vehicles. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.7 Leases for the accounting policy prior to 1 January 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.7 Leases for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 January 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Changes in accounting policies (cont'd)

SFRS(I) 16 Leases (cont'd)

Leases previously accounted for as operating leases (cont'd)

Based on the above, as at 1 January 2019, the Group recognised a right-of-use assets of \$38,954,000.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	Group \$'000
Operating lease commitments at 31 December 2018	43,905
Weighted average incremental borrowing rate at 1 January 2019	4.07%
Discounted operating lease commitments as at 1 January 2019	33,132
Less:	
Commitments relating to short-term leases	(935)
Commitments relating to leases of low-value assets	–
Add:	
Commitments relating to leases previously classified as finance leases	1,585
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	6,757
Lease liabilities recognised at 1 January 2019	40,539

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3 <i>Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 <i>Definition of Material</i>	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to SFRS(I) 10 & SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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) 9 *Financial Instruments* either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another 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 2.14. 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) 9. 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. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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.

2.7 *Leases*

Policy applicable beginning 1 January 2019

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Leases (cont'd)

Group as a lessee (cont'd)

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The principal annual rates used for this purpose are:

		%
Leasehold land and buildings	–	3 $\frac{1}{3}$ – 50
Plant and machinery	–	20 – 50
Office equipment	–	20 – 50
Motor vehicles	–	12 $\frac{1}{2}$ – 50

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to section 2.17 *Impairment of non-financial assets*.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the remaining lease payments to be made. The lease payments include fixed payments less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Leases (cont'd)

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Policy applicable prior to 1 January 2019

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.

2.8 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 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 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, 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 $\frac{1}{3}$
Freehold buildings	–	2 – 2 $\frac{1}{2}$
Leasehold properties	–	1 $\frac{2}{3}$ – 6
Leasehold improvements	–	2 – 20
Plant and machinery	–	5 – 33 $\frac{1}{3}$
Furniture, fittings and office equipment	–	7 $\frac{1}{2}$ – 40
Motor vehicles	–	10 – 33 $\frac{1}{3}$

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. They are adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

2.10 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.

2.11 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Investment in associates and joint ventures (cont'd)*

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Distributions received from associate or joint venture reduce the carrying amount of the investment. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

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

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within 'Share of profits of joint venture and associate' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.12 *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 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 *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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 *Financial assets (cont'd)*

Subsequent measurement (cont'd)

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.

2.14 *Intangibles*

(i) *Goodwill*

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

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

(ii) *Trademarks*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 *Intangibles (cont'd)*

(iii) *Other intangible assets*

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

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

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

2.15 *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 to adjust the carrying value of inventories to the lower of cost and net realisable value.

2.16 *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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Impairment of non-financial assets

Goodwill

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

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

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

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

Other assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. 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. The reversal is recorded in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 *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.

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.

2.19 *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Provisions

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

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

2.21 Cash and cash equivalents

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

2.22 Revenue recognition

Revenue is 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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Revenue recognition (cont'd)

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.

2.23 Income taxes

Current tax

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

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

Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 *Income taxes (cont'd)*

Deferred tax (cont'd)

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

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

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

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

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

Sales tax

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

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

2.24 *Borrowing costs*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Employee benefits

(i) Defined contribution plans

As required by law, the Group's companies in Singapore make contributions to the state pension scheme, the Central Provident Fund ("CPF"). Certain of the Group's companies outside Singapore make contributions to their respective countries' pension scheme. Such contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

(ii) Defined benefit plan

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

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

Defined benefit costs comprise the following:

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 *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.

2.26 *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 39, including the factors used to identify the reportable segments and the measurement basis of segment information.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Significant accounting estimates and judgements (cont'd)

Judgements made in applying accounting policies

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

Key sources of estimation uncertainty

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

(i) 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 2019 is \$106,847,000 (2018: \$105,037,000).

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Significant accounting estimates and judgements (cont'd)

(iii) Recoverability of investment in joint venture (cont'd)

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.

The carrying amount of the investment in joint venture as at 31 December 2019 is \$79,674,000 (2018: \$80,483,000).

(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 2019 was \$708,000 (2018: \$967,000) and \$3,652,000 (2018: \$2,990,000) respectively. The carrying amount of the Group's tax recoverable as at 31 December 2019 was \$3,054,000 (2018: \$1,999,000). The carrying amount of the Company's deferred tax liabilities as at 31 December 2019 was \$1,164,000 (2018: \$1,356,000). The Group's deferred tax assets and deferred tax liabilities as at 31 December 2019 was \$21,394,000 (2018: \$15,885,000) and \$11,584,000 (2018: \$10,432,000) respectively.

(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 2019 was \$3,770,000 (2018: \$3,983,000) and \$355,550,000 (2018: \$356,675,000) respectively. The carrying amount of the Group's investment properties as at 31 December 2018 was \$6,215,000. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.28 Significant accounting estimates and judgements (cont'd)

(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	
	2019 \$'000	2018 \$'000
Sale of goods	848,097	800,795
Rental income from storage and warehousing facilities	5,643	4,831
Royalty income	4,877	4,938
Interest income from:		
– Fixed deposits with financial institutions	371	809
– Others	430	497
Other income	4,474	2,998
	<u>863,892</u>	<u>814,868</u>

The Group has determined that disaggregation of revenue using operating segments and geographical markets meets the disclosure objective in SFRS(I) 15.114. Information regarding operating segments is disclosed in Note 39.

4. STAFF COSTS

	Group	
	2019 \$'000	2018 \$'000
Staff costs (including Executive Directors):		
– salaries, wages and other related costs	180,143	180,326
– contributions to defined contribution plans	5,481	5,653
– superannuation contributions to defined benefit plan	6,759	6,677
	<u>192,383</u>	<u>192,656</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. AMORTISATION AND DEPRECIATION

	Note	Group	
		2019 \$'000	2018 \$'000
Depreciation of property, plant and equipment	16	36,701	33,154
Depreciation of right-of-use assets	17	8,259	–
Depreciation of investment properties	18	339	1,501
Amortisation of intangibles	24	14	15
		<u>45,313</u>	<u>34,670</u>

6. PROFIT FROM OPERATING ACTIVITIES

	Note	Group	
		2019	2018
		\$'000	\$'000
Profit from operating activities is stated after charging/(crediting):			
Auditors' remuneration:			
– Auditor of the Company		450	451
– Member firms of the auditor of the Company		384	391
Professional fees paid to:			
– Auditor of the Company		–	30
– Member firms of the auditor of the Company		33	15
Fees and remuneration for the directors of the Company:			
– fees and remuneration		4,030	3,886
– CPF contribution		28	29
Provision for long service leave charged/(written back)	27(a)	198	(98)
Provision for retirement benefits charged	27(d)	812	748
Distribution and transportation expense		10,425	10,447
Other professional fees		4,002	3,068
Operating lease rental expense		12,910	16,347
Research and development expense		2,735	2,856
Foreign currency translation loss		1,448	4,120
Fair value changes on biological assets	10	(7,304)	1,694
Loss allowance for inventories charged and inventories written off, net		872	208
Loss allowance for trade receivables charged	12	359	472
Loss allowance for other receivables charged	13	482	134
Bad debts written off		42	73
Loss/(gain) on disposal of property, plant and equipment and investment properties		541	930
Impairment loss on short-term investment securities carried at FVOCI	14	–	15
Impairment loss on long-term investment securities carried at FVOCI	23	21	147
Rental income from investment properties		(2,291)	(2,521)
Direct operating expenses arising from investment properties that generate rental income		1,347	1,523

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. FINANCE COSTS

	Group	
	2019 \$'000	2018 \$'000
Interest expense on borrowings	4,186	3,370
Interest expense on lease liabilities	1,655	–
	<u>5,841</u>	<u>3,370</u>

8. INCOME TAX EXPENSE

	Note	Group	
		2019 \$'000	2018 \$'000
Income tax expense on the profit for the year:			
– current tax		9,449	9,214
– deferred tax		(4,900)	(4,065)
		<u>4,549</u>	<u>5,149</u>
(Over)/under provision in respect of prior years:			
– current tax		(506)	(484)
– deferred tax		797	(26)
		<u>291</u>	<u>(510)</u>
Tax expense		<u>4,840</u>	<u>4,639</u>
Deferred tax related to other comprehensive income:			
– actuarial (loss)/gain on defined benefit plans	25	<u>(344)</u>	<u>420</u>

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% (2018: 17%) to the profit before tax due to the following factors:

	Group	
	2019 \$'000	2018 \$'000
Profit before tax	33,078	13,298
Tax expense at statutory tax rate of 17% (2018: 17%)	5,623	2,261
Adjustments:		
Income not subject to tax	(1,196)	(1,795)
Expenses not deductible for tax purposes	583	304
Tax reliefs, rebates and incentives	(274)	(390)
Utilisation of tax benefits not recognised in prior years	(3,233)	–
Deferred tax assets not recognised	407	4,038
Effect of different tax rates in foreign jurisdictions	2,645	798
Under/(over) provision in respect of prior years, net	291	(510)
Others	(6)	(67)
Income tax expense	<u>4,840</u>	<u>4,639</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. INCOME TAX EXPENSE (CONT'D)

The Group has unutilised tax losses and unabsorbed capital allowances of approximately \$4,984,000 (2018: \$12,491,000) and \$35,000 (2018: \$1,277,000) respectively, which subject to the provisions of relevant local tax legislation and agreement with the relevant tax authorities, can be carried forward and utilised to set off against future taxable profits. The potential tax benefit arising from such unutilised tax losses and 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	
	2019 \$'000	2018 \$'000
Group's earnings used for the calculation of EPS:		
Earnings for the financial year attributable to owners of the Company	27,579	8,129
	2019 '000	2018 '000
Number of shares used for the calculation of:		
Basic and diluted EPS		
Weighted average number of ordinary shares in issue	575,268	570,938

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	
	2019	2018
Physical quantity of pigs:		
– Number of progeny	342,551	367,960
– Number of breeders	45,404	42,663
	387,955	410,623

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. BIOLOGICAL ASSETS (CONT'D)

Reconciliation of changes in the carrying amount:

	Group	
	2019 \$'000	2018 \$'000
Balance at 1 January	52,121	57,245
Currency realignment	(1,119)	(4,246)
Breeding costs in the period	176,136	176,921
Gain/(loss) on revaluation	11,060	(7,013)
Decrease due to harvest/processing	(179,625)	(170,786)
Balance at 31 December	58,573	52,121

Biological assets closing inventory balance includes a fair value adjustment of \$9,052,000 (2018: \$1,821,000). The net positive impact to the consolidated income statement amounting to \$7,304,000 (2018: negative \$1,694,000) is classified as part of cost of materials.

11. INVENTORIES

	Group	
	2019 \$'000	2018 \$'000
Raw materials	43,670	40,962
Finished goods	16,248	14,090
Spare parts and consumables	6,965	6,529
Work-in-progress	10	–
Goods-in-transit	8,852	5,900
Total inventories at lower of cost and net realisable value	75,745	67,481

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

	Group	
	2019 \$'000	2018 \$'000
First-in-first-out	49,504	45,947
Weighted average	26,241	21,534
	75,745	67,481
Inventories are stated after deducting allowance of	2,434	2,291

Raw materials of the Group as at 31 December 2019 amounting to \$21,511,000 (2018: \$23,209,000) have been pledged to a bank in connection with credit facilities granted to a subsidiary.

Excluding the fair value changes on biological assets disclosed in Note 6, inventories recognised as expense during the year approximates the cost of materials shown in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12. TRADE RECEIVABLES

	Group	
	2019 \$'000	2018 \$'000
Trade receivables		
– third parties	96,504	93,670
– joint venture	12,374	13,177
	108,878	106,847
Less: Loss allowance – third parties	(2,031)	(1,810)
	106,847	105,037

At the end of the reporting period, approximately 17% (2018: 20%) of the Group's trade receivables are secured by deposits received, credit insurances and letters of credit or bank guarantees issued by banks in countries where the customers are based.

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

	Group	
	2019 \$'000	2018 \$'000
Less than 3 months	22,918	21,225
3 months to 6 months	2,349	2,257
6 months to 12 months	1,528	1,242
More than 12 months	1,502	279
	28,297	25,003
Receivables that are impaired:		
Gross amount	2,031	1,810
Less: Loss allowance	(2,031)	(1,810)
	–	–

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	
	2019 \$'000	2018 \$'000
At 1 January	1,810	1,267
Measured at lifetime ECL (Note 6)	359	472
Written-off against allowance	(232)	(44)
Currency realignment	94	115
At 31 December	2,031	1,810

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. OTHER RECEIVABLES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-financial assets				
Prepayments	12,154	8,322	75	78
Sales tax receivables	10,571	10,503	18	22
	<u>22,725</u>	<u>18,825</u>	<u>93</u>	<u>100</u>
Financial assets				
Sundry deposits	1,528	1,389	33	25
Staff advances and loans	2	4	–	–
Amount due from joint venture – non-interest bearing	<u>3,291</u>	<u>4,951</u>	<u>–</u>	<u>–</u>
	4,821	6,344	33	25
Sundry debtors	4,339	4,306	–	–
Less: Loss allowance	<u>(1,406)</u>	<u>(937)</u>	<u>–</u>	<u>–</u>
	2,933	3,369	–	–
Amounts due from subsidiaries				
– interest bearing	–	–	4,248	–
– non-interest bearing	–	–	44,043	54,596
Less: Loss allowance	<u>–</u>	<u>–</u>	<u>(1,949)</u>	<u>(1,949)</u>
	–	–	46,342	52,647
	<u>7,754</u>	<u>9,713</u>	<u>46,375</u>	<u>52,672</u>
	<u>30,479</u>	<u>28,538</u>	<u>46,468</u>	<u>52,772</u>
Receivables that are impaired:				
Gross amount	1,406	937	1,949	1,949
Less: Loss allowance	<u>(1,406)</u>	<u>(937)</u>	<u>(1,949)</u>	<u>(1,949)</u>
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Movements in the loss allowance are as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 January	937	826	1,949	1,913
Measured at 12-month ECL (Note 6)	482	134	–	36
Written-off against allowance	(111)	–	–	–
Currency realignment	98	(23)	–	–
At 31 December	<u>1,406</u>	<u>937</u>	<u>1,949</u>	<u>1,949</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. OTHER RECEIVABLES (CONT'D)

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 \$3,290,000 (2018: \$4,950,000) is receivable from the joint venture.

The non-interest bearing amounts due from subsidiaries are unsecured and repayable upon demand. The interest bearing amounts due from subsidiaries are unsecured, interest bearing at rates ranging from 1.75% to 2.50% (2018: Nil) per annum and are repayable upon demand. The amounts due from subsidiaries are to be settled in cash.

14. SHORT-TERM INVESTMENTS

	Group and Company	
	2019 \$'000	2018 \$'000
<i>At fair value through other comprehensive income</i>		
Quoted debt securities	–	4,676

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	63
Charge for the year (Note 6)	15
At 31 December 2018 and 1 January 2019	78
Written-off against allowance	(78)
At 31 December 2019	–

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash and bank balances	46,802	35,887	3,414	3,146
Fixed deposits with financial institutions	26,365	24,372	18,772	16,501
	73,167	60,259	22,186	19,647

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 2019 for the Group and the Company were 1.59% and 1.34% (2018: 1.98% and 1.79%) per annum respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Freehold buildings \$'000	Leasehold properties \$'000
Group			
Cost:			
At 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 and 1.1.2019	31,552	133,635	92,478
Currency realignment	(204)	(2,728)	539
Additions	14	62	1,471
Disposals	–	(390)	(316)
Transfer from investment properties	–	–	9,327
Transfers between categories	–	1,854	6,985
At 31.12.2019	31,362	132,433	110,484
Accumulated depreciation and impairment loss:			
At 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 and 1.1.2019	–	73,855	38,258
Currency realignment	–	(1,538)	62
Charge for the year (Note 5)	–	3,073	2,114
Disposals	–	(123)	(243)
Transfer from investment properties	–	–	4,870
At 31.12.2019	–	75,267	45,061
Net carrying amount:			
At 31.12.2019	31,362	57,166	65,423
At 31.12.2018	31,552	59,780	54,220

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Leasehold improvements \$'000	Plant and machinery \$'000	Furniture, fittings and office equipment \$'000	Motor vehicles \$'000	Construction-in-progress \$'000	Total \$'000
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
(12)	(1,341)	(174)	171	283	(3,466)
2,773	11,825	1,917	2,818	10,611	31,491
(25)	(4,274)	(567)	(2,021)	–	(7,593)
311	3,858	–	–	–	13,496
309	26,948	180	268	(36,544)	–
40,592	428,530	29,313	34,103	7,350	814,167
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
76	(1,742)	(152)	80	–	(3,214)
2,665	23,503	2,424	2,922	–	36,701
(21)	(3,198)	(549)	(1,920)	–	(6,054)
170	2,580	–	–	–	7,620
18,287	274,120	22,853	23,029	–	458,617
22,305	154,410	6,460	11,074	7,350	355,550
21,839	138,537	6,827	10,920	33,000	356,675

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 1.1.2018	4,921	867	709	6,497
Additions	–	73	–	73
Disposals	–	(20)	–	(20)
At 31.12.2018 and 1.1.2019	4,921	920	709	6,550
Additions	–	6	–	6
At 31.12.2019	4,921	926	709	6,556
Accumulated depreciation:				
At 1.1.2018	1,213	676	461	2,350
Charge for the year	110	59	68	237
Disposals	–	(20)	–	(20)
At 31.12.2018 and 1.1.2019	1,323	715	529	2,567
Charge for the year	106	54	59	219
At 31.12.2019	1,429	769	588	2,786
Net carrying amount:				
At 31.12.2019	3,492	157	121	3,770
At 31.12.2018	3,598	205	180	3,983

- (a) In 2018, the Group acquired plant and machinery with an aggregate cost of \$207,000 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.
- (b) At the end of the financial year, property, plant and equipment with net carrying amounts of \$18,116,000 (2018: \$11,980,000) were mortgaged/pledged to financial institutions to secure credit facilities (Note 29).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. RIGHT-OF-USE ASSETS

Group as a lessee

The Group has lease contracts for certain office premises, factories, warehousing/trading/farm facilities and motor vehicles used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Leasehold land and building \$'000	Plant and machinery \$'000	Office equipment \$'000	Motor vehicles \$'000	Total \$'000
Group					
At 1.1.2019	32,620	2,015	132	4,187	38,954
Additions	3,103	2,698	–	6,223	12,024
Charge for the year (Note 5)	(5,608)	(721)	(37)	(1,893)	(8,259)
Disposal	(347)	(537)	–	–	(884)
Currency realignment	(498)	(48)	–	39	(507)
At 31.12.2019	29,270	3,407	95	8,556	41,328
			Leasehold land and building \$'000	Office equipment \$'000	Total \$'000
Company					
At 1.1.2019			247	40	287
Additions			166	–	166
Charge for the year			(87)	(12)	(99)
At 31.12.2019			326	28	354

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. RIGHT-OF-USE ASSETS (CONT'D)

Group as a lessee (cont'd)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 January				
– As previously reported	1,585	2,075	–	–
– Effects of adopting SFRS(I) 16	38,954	–	287	–
As restated	40,539	2,075	287	–
Additions	12,024	207	166	–
Accretion of interest	1,655	–	9	–
Payments	(10,464)	(557)	(102)	–
Disposals	(403)	–	–	–
Currency realignment	(474)	(140)	–	–
At 31 December	42,877	1,585	360	–
Current	8,629	599	94	–
Non-current	34,248	986	266	–
At 31 December	42,877	1,585	360	–

The maturity analysis of lease liabilities are disclosed in Note 36(b).

The following are the amounts recognised in profit or loss:

	Group
	2019 \$'000
Depreciation of right-of-use assets	8,259
Interest expense on lease liabilities	1,655
Expense relating to short-term leases and cancellable leases (included in other operating expenses)	12,910
Total amount recognised in profit or loss	22,824

The Group had total cash outflow for leases of \$23,374,000 in 2019.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18. INVESTMENT PROPERTIES

	Group \$'000
Cost:	
At 1 January 2018	49,262
Additions	5,403
Disposals	(5,548)
Transfer to property, plant and equipment	(35,619)
At 31 December 2018 and 1 January 2019	13,498
Additions	105
Disposals	(107)
Transfer to property, plant and equipment	(13,496)
At 31 December 2019	–
Accumulated depreciation and impairment loss:	
At 1 January 2018	31,390
Charge for the year (Note 5)	1,501
Disposals	(4,420)
Transfer to property, plant and equipment	(21,188)
At 31 December 2018 and 1 January 2019	7,283
Charge for the year (Note 5)	339
Disposals	(2)
Transfer to property, plant and equipment	(7,620)
At 31 December 2019	–
Net carrying amount:	
At 31 December 2019	–
At 31 December 2018	6,215

The fair value of investment properties amounted to \$13,146,000 as at 31 December 2018.

In 2018, 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, and long-term revenue growth rate of 2.00% per annum.

In 2018 and 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 \$'000	2018 \$'000
Unquoted equity shares, at cost	104,134	104,134
Less: Impairment loss	(4,002)	(4,002)
	<u>100,132</u>	<u>100,132</u>

Movements in impairment loss are as follows:

	2019 \$'000	2018 \$'000
Balance at beginning and end of year	<u>4,002</u>	<u>4,002</u>

Details of subsidiaries are set out in Note 40(a).

Acquisition of non-controlling interests

In July 2019, the Group acquired an additional 12% equity interest in QAF Fruits Cold Store Pte Ltd ("QAF Fruits") from its non-controlling interests for a cash consideration of \$1,680,000. As a result of this acquisition, the Group's shareholding interest in QAF Fruits increased from 62% to 74%.

20. 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 \$39,176,000 (2018: \$44,344,000) which is interest-bearing at effective rates ranging from 1.75% to 2.50% (2018: 2.50%) per annum. These advances have no fixed terms of repayment and no repayments are expected within the next 12 months.

21. INVESTMENT IN JOINT VENTURE AND ASSOCIATE

	Note	Group	
		2019 \$'000	2018 \$'000
Investment in joint venture	21(a)	79,674	80,483
Investment in associate	21(b)	<u>140</u>	<u>–</u>
		<u>79,814</u>	<u>80,483</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. INVESTMENT IN JOINT VENTURE AND ASSOCIATE (CONT'D)

(a) *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 40(b).

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

Summarised balance sheet

	2019 \$'000	2018 \$'000
Inventories	15,874	14,085
Trade and other receivables	34,382	31,325
Cash and cash equivalents	18,209	11,691
Current assets	68,465	57,101
Property, plant and equipment	106,799	98,200
Total assets	175,264	155,301
Current liabilities	(95,700)	(91,553)
Deferred tax liabilities	(4,397)	(754)
Other non-current liabilities	(16,013)	(6,674)
Total liabilities	(116,110)	(98,981)
Net assets	59,154	56,320
Proportion of the Group's ownership	50%	50%
Group's share of net assets	29,577	28,160
Net fair value uplift on identifiable assets	24,524	26,672
Goodwill on acquisition	25,573	25,651
Carrying amount of the investment	79,674	80,483

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. INVESTMENT IN JOINT VENTURE AND ASSOCIATE (CONT'D)

(a) *Investment in joint venture (cont'd)*

Summarised statement of comprehensive income

	2019 \$'000	2018 \$'000
Revenue	336,869	310,255
Interest income	282	347
Depreciation and amortisation	(16,789)	(13,999)
Operating expenses	(300,823)	(277,703)
Interest expense	(1,706)	(566)
Profit before tax	17,833	18,334
Income tax (expense)/credit	(5,794)	1,140
Profit after tax	12,039	19,474
Other comprehensive income	(486)	(114)
Total comprehensive income	11,553	19,360

Dividends of \$6,586,000 were declared by GBKL to the Group during the year (2018: \$5,010,000).

(b) *Investment in associate*

In 2019, the Group invested in 24.5% of the issued capital of a newly-incorporated Thai company, Gardenia Bakery Trading Co., Ltd ("GBT"). The aggregate investment, in cash, amounting to approximately \$562,000 (Thai Baht 12,250,000) will be contributed in tranches, with first tranche of \$140,000 contribution made during the year. The remaining shareholders of GBT are unrelated parties. GBTs principal activity will be the sale and distribution of bakery and other food products in Thailand and has not commenced operations.

Details of the associate are set out in Note 40(c).

22. PENSION ASSETS

One of the Group's subsidiary 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. PENSION ASSETS (CONT'D)

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	
	2019 \$'000	2018 \$'000
Benefit asset		
Fair value of plan assets	14,374	15,735
Present value of benefit obligation	(11,579)	(13,397)
Net benefit asset	2,795	2,338

	Group	
	2019 \$'000	2018 \$'000
Changes in the fair value of plan assets are as follows:		
At 1 January	15,735	17,683
Interest income	295	311
Actual return on plan assets less interest income	1,528	108
Employer contributions	108	136
Contributions by plan participants	86	107
Benefits paid	(2,898)	(1,113)
Taxes, premiums and expenses paid	(167)	(206)
Currency realignment	(313)	(1,291)
At 31 December	14,374	15,735

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

At 1 January	13,397	15,063
Interest cost	233	250
Current service cost	368	434
Contributions by plan participants	86	107
Benefits paid	(2,898)	(1,113)
Actuarial losses/(gains) arising from changes in financial assumptions	227	(244)
Actuarial losses arising from liability experience	598	211
Taxes, premiums and expenses paid	(167)	(206)
Currency realignment	(265)	(1,105)
At 31 December	11,579	13,397

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. PENSION ASSETS (CONT'D)

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

	Group	
	2019 %	2018 %
Australian equities	18	21
Overseas equities	20	14
Fixed interest securities	46	49
Property	5	4
Other	11	12
	<u>100</u>	<u>100</u>

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

	Group	
	2019 %	2018 %
Discount rate	1.4	2.6
Salary increase rate	<u>3.0</u>	<u>3.0</u>

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

	Group	
	2019 \$'000	2018 \$'000
Net benefit expense (recognised within staff costs):		
Current service cost	368	434
Net interest cost	<u>(62)</u>	<u>(61)</u>
	<u>306</u>	<u>373</u>

The Group expects to contribute \$118,000 (2018: \$138,000) to its defined benefit pension plan in 2020.

The average duration of the defined benefit obligation at the end of the reporting period is 2.0 years (2018: 2.0 years).

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22. PENSION ASSETS (CONT'D)

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

	Increase/ (decrease) in basis points	Effect on present value of benefit obligation \$'000
2019		
Discount rate	+25	(48)
	-25	49
Salary increase rate	+25	39
	-25	(39)
2018		
Discount rate	+25	(58)
	-25	58
Salary increase rate	+25	48
	-25	(48)

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

23. LONG-TERM INVESTMENTS

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>At fair value through other comprehensive income</i>				
Unquoted equity security	–	25	–	–
Quoted debt securities	1,618	1,776	1,618	1,776
	<u>1,618</u>	<u>1,801</u>	<u>1,618</u>	<u>1,776</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23. LONG-TERM INVESTMENTS (CONT'D)

The quoted debt securities carry interest at rates of 4.00% to 4.40% (2018: 4.00% to 4.40%) 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	444
Charge for the year (Note 6)	147
At 31 December 2018 and 1 January 2019	591
Charge for the year (Note 6)	21
At 31 December 2019	612

24. INTANGIBLES

	Group			Company
	Trademark \$'000	Intellectual property \$'000	Total \$'000	Trademark \$'000
Cost:				
At 1.1.2018	2,750	–	2,750	7,150
Additions during the year	–	150	150	–
Currency realignment	–	(11)	(11)	–
At 1.1.2019	2,750	139	2,889	7,150
Currency realignment	–	(3)	(3)	–
At 31.12.2019	2,750	136	2,886	7,150
Accumulated amortisation and impairment loss:				
At 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 and 1.1.2019	2,750	14	2,764	6,020
Amortisation for the year (Note 5)	–	14	14	188
Currency realignment	–	(1)	(1)	–
At 31.12.2019	2,750	27	2,777	6,208
Net carrying amount:				
At 31.12.2019	–	109	109	942
At 31.12.2018	–	125	125	1,130

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. DEFERRED TAXATION

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 January	(5,453)	(2,599)	1,356	1,545
Recognised in profit or loss	(4,103)	(4,091)	(192)	(189)
Recognised in other comprehensive income (Note 8)	(344)	420	–	–
Currency realignment	90	817	–	–
At 31 December	(9,810)	(5,453)	1,164	1,356

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Represented by:				
– Deferred tax assets	(21,394)	(15,885)	–	–
– Deferred tax liabilities	11,584	10,432	1,164	1,356
	(9,810)	(5,453)	1,164	1,356

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 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 and 1 January 2019	6,243	6,367	766	2,509	15,885
Recognised in profit or loss	1,173	215	1,060	2,675	5,123
Recognised in other comprehensive income	–	555	–	–	555
Currency realignment	(126)	(42)	(21)	20	(169)
At 31 December 2019	7,290	7,095	1,805	5,204	21,394

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25. DEFERRED TAXATION (CONT'D)

	Property, plant and equipment \$'000	Employee benefits \$'000	Deferred income \$'000	Others \$'000	Total \$'000
Deferred tax liabilities					
At 1 January 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 and 1 January 2019	7,044	745	1,133	1,510	10,432
Recognised in profit or loss	1,053	158	(156)	(35)	1,020
Recognised in other comprehensive income	–	211	–	–	211
Currency realignment	(25)	(16)	–	(38)	(79)
At 31 December 2019	8,072	1,098	977	1,437	11,584

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 2018	1,290	255	1,545
Recognised in profit or loss	(157)	(32)	(189)
At 31 December 2018 and 1 January 2019	1,133	223	1,356
Recognised in profit or loss	(156)	(36)	(192)
At 31 December 2019	977	187	1,164

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2018: \$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 \$48,885,000 (2018: \$45,049,000). The deferred tax liability is estimated to be \$7,333,000 (2018: \$6,757,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. TRADE PAYABLES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Trade payables:				
– third parties	88,687	75,426	173	209
– joint venture	168	84	–	–
	<u>88,855</u>	<u>75,510</u>	<u>173</u>	<u>209</u>

27. OTHER PAYABLES

	Note	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(a) Other payables					
<i>Payable within one year:</i>					
Staff related expenses		19,945	19,014	2,540	2,306
Accrued operating expenses		17,361	17,079	581	378
Provision for long service leave		5,721	5,936	–	–
Sundry creditors		12,779	16,703	310	285
Sales tax payable		3,492	1,965	1	1
Amounts due to subsidiaries		–	–	8	14
Amounts due to joint venture		40	440	–	–
Derivative financial liabilities	27(b)	41	–	–	–
Deferred income		935	934	919	919
Put option liability	27(c)	<u>5,084</u>	<u>4,654</u>	<u>–</u>	<u>–</u>
		<u>65,398</u>	<u>66,725</u>	<u>4,359</u>	<u>3,903</u>
<i>Payable after one year:</i>					
Provision for long service leave		2,892	2,659	–	–
Provision for retirement benefits	27(d)	7,057	4,302	–	–
Deferred income		<u>5,060</u>	<u>6,027</u>	<u>4,826</u>	<u>5,744</u>
		<u>15,009</u>	<u>12,988</u>	<u>4,826</u>	<u>5,744</u>

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 mainly relates to royalty income received in advance due to the renewal of the licensing agreement between the Company and its joint venture in 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. OTHER PAYABLES (CONT'D)

(a) Other payables (cont'd)

Movements in deferred income are as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at beginning of year	6,961	7,916	6,663	7,584
Currency realignment	(8)	29	–	–
Credited to profit or loss	(958)	(984)	(918)	(921)
Balance at end of year	5,995	6,961	5,745	6,663

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Represented by:				
– payable within one year	935	934	919	919
– payable after one year	5,060	6,027	4,826	5,744
Balance at end of year	5,995	6,961	5,745	6,663

Movements in provision for long service leave is as follows:

	Group	
	2019 \$'000	2018 \$'000
Balance at beginning of year	8,595	9,637
Currency realignment	(180)	(707)
Provision charged/(written back) during the year (Note 6)	198	(98)
Utilised during the year	–	(237)
Balance at end of year	8,613	8,595

(b) Derivative financial liabilities

	2019		2018	
	Contract notional amount \$'000	Fair value \$'000	Contract notional amount \$'000	Fair value \$'000
Group				
Foreign currency contracts				
– Not designated as hedges	1,229	41	1,419	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. OTHER PAYABLES (CONT'D)

(b) *Derivative financial liabilities (cont'd)*

At 31 December 2019, the settlement dates on outstanding foreign currency contracts ranged between 1 to 10 months for the following notional amounts:

	Group	
	2019 \$'000	2018 \$'000
Contracts to deliver Japanese Yen and receive Australian Dollars	1,229	1,294
Contracts to deliver United States dollars and receive Australian Dollars	–	125
	<u>1,229</u>	<u>1,419</u>

(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.

(d) *Provision for retirement benefits*

Some of the Group's subsidiaries in the Philippines maintain unfunded, non-contributory defined benefit plan covering all regular full-time employees. The benefits are based on the years of service and compensation of the employees. The manner of payment is lump sum, payable on retirement.

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

	Note	Group	
		2019 \$'000	2018 \$'000
Balance at beginning of year		4,302	4,984
Provision charged during the year	6	812	748
Actuarial (gains)/losses due to:			
Changes in financial assumptions		(1)	(345)
Changes in demographic assumptions		1,314	(993)
Experience adjustments		538	78
Benefits paid		(36)	(31)
Currency realignment		128	(139)
Balance at end of year		<u>7,057</u>	<u>4,302</u>

The retirement benefits liability is equal to the present value of defined benefits obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27. OTHER PAYABLES (CONT'D)

(d) Provision for retirement benefits (cont'd)

The following table summarises the components of retirement benefits cost recognised in profit or loss:

	Group	
	2019 \$'000	2018 \$'000
Current service cost	431	508
Interest cost	103	240
Past service cost	278	–
	<u>812</u>	<u>748</u>

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuation.

The principal actuarial assumptions used in determining retirement benefit cost and obligation are shown below:

	Group	
	2019 %	2018 %
Discount rate	4.94 – 4.99	7.46 – 7.86
Salary increase rate	<u>5.00 – 10.00</u>	<u>5.00 – 7.50</u>

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
2019		
Discount rate	+25	(158)
	-25	189
Salary increase rate	+25	48
	-25	(43)
2018		
Discount rate	+25	(81)
	-25	96
Salary increase rate	+25	103
	-25	(89)

The Group expects to contribute \$1,932,000 (2018: \$1,267,000) to the defined benefit plans in 2020.

The average duration of the defined benefit obligation at the end of the reporting period is 20.7 years (2018: 21.0 years).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. SHORT-TERM BORROWINGS

	Group	
	2019 \$'000	2018 \$'000
Short-term bank loans:		
– unsecured	39,163	31,663
– secured	19,359	20,888
	<u>58,522</u>	<u>52,551</u>

The Group's short-term bank loans are interest bearing at rates ranging from 1.43% to 3.10% (2018: 1.55% to 3.69%) per annum. The secured portion of the borrowings is secured by a charge over certain inventories of the Group.

29. LONG-TERM BORROWINGS

	Effective interest rate per annum %	Maturities	Group	
			2019 \$'000	2018 \$'000
Loans from banks:				
– Loan A	3.70 – 6.47	2026	40,386	29,109
– Loan B	4.92	2021	51	5,463
– Loan C	2.82 – 5.10	2026	14,257	11,739
			<u>54,694</u>	<u>46,311</u>
Loans from non-controlling interests				
– Loan D	7.00	2021	1,470	1,501
– Loan E	Nil	Nil	8,092	8,021
			<u>9,562</u>	<u>9,522</u>
			<u>64,256</u>	<u>55,833</u>
Less: Current portion			<u>(6,679)</u>	<u>(4,269)</u>
Non-current portion of loans			<u>57,577</u>	<u>51,564</u>

Loan A, denominated in Philippine Peso, is unsecured, bears floating interest rate ranging from 3.70% to 6.47% (2018: 2.90% to 6.09%) per annum and is repayable in instalments till 2026.

Loan B, denominated in Malaysian Ringgit, with interest rate of 4.92% (2018: 4.68% to 4.78%) per annum, is unsecured and is expected to be fully repaid by July 2021.

Loan C, denominated in Australian Dollars, with interest rates between 2.82% to 5.10% (2018: 3.84% to 3.99%) 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 D, denominated in Australian Dollars, is unsecured and bears interest at 7.00% (2018: 7.00%) per annum. The loan is expected to be repaid in April 2021.

Loan E, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

29. LONG-TERM BORROWINGS (CONT'D)

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

	1 Jan 2019 (Restated) \$'000	Cash flows \$'000	Non-cash changes		31 Dec 2019 \$'000
			Acquisition \$'000	Foreign exchange movement and others \$'000	
Short-term borrowings	52,551	7,096	–	(1,125)	58,522
Loans from banks	46,311	7,710	–	673	54,694
Loans from non-controlling interests	9,522	71	–	(31)	9,562
Lease liabilities	40,539	(8,809)	12,024	(877)	42,877
Total	148,923	6,068	12,024	(1,360)	165,655

	1 Jan 2018 \$'000	Cash flows \$'000	Acquisition \$'000	Non-cash changes		31 Dec 2018 \$'000
				Foreign exchange movement \$'000	Reclassification from other payables \$'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
Lease liabilities	2,075	(557)	207	(140)	–	1,585
Total	113,137	1,917	207	(5,428)	136	109,969

30. SHARE CAPITAL

	Group and Company			
	2019		2018	
	No. of shares	\$'000	No. of shares	\$'000
Issued and fully paid:				
At 1 January	575,268,440	277,043	569,216,421	272,009
Issued during the year	–	–	6,052,019	5,034
At 31 December	575,268,440	277,043	575,268,440	277,043

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.

In 2018, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. RESERVES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revaluation reserve	244	244	–	–
Capital reserve	(3,306)	(2,410)	–	–
Fair value reserve	(21)	146	(21)	146
Revenue reserve	245,427	247,429	38,949	44,131
Foreign currency translation reserve	(11,802)	(11,048)	–	–
	<u>230,542</u>	<u>234,361</u>	<u>38,928</u>	<u>44,277</u>

	Company	
	2019 \$'000	2018 \$'000

Analysis of movement in the reserves of the Company:

Fair value reserve

At 1 January	146	397
Net fair value loss on investment securities at fair value through other comprehensive income	(167)	(251)
At 31 December	<u>(21)</u>	<u>146</u>

Revenue reserve

At 1 January	44,131	56,931
Net profit for the year	23,581	15,675
Dividends	(28,763)	(28,475)
At 31 December	<u>38,949</u>	<u>44,131</u>
Total	<u>38,928</u>	<u>44,277</u>

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:

	Group	
	2019 \$'000	2018 \$'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 subsidiaries	(1,511)	(615)
	<u>(3,306)</u>	<u>(2,410)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. RESERVES (CONT'D)

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.

32. DIVIDENDS

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Interim tax-exempt (one-tier) dividend of 1 cent per share in respect of the financial year ended 31 December 2019	5,753	–	5,753	–
Final tax-exempt (one-tier) dividend of 4 cents per share in respect of the financial year ended 31 December 2018	23,010	–	23,010	–
Share of a subsidiary's dividends paid to a non-controlling interest in respect of the financial year ended 31 December 2019	95	–	–	–
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
Share of a subsidiary's dividends paid to a non-controlling interest in respect of the financial year ended 31 December 2018	–	109	–	–
	<u>28,858</u>	<u>28,584</u>	<u>28,763</u>	<u>28,475</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. DIVIDENDS (CONT'D)

The directors have proposed that a final tax-exempt (one-tier) dividend of 4 cents per share, amounting to approximately \$23,010,000, be paid in respect of the financial year ended 31 December 2019. 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 (2018: \$nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

33. COMMITMENTS

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Expenditure contracted in respect of property, plant and equipment and investment properties	4,489	6,132	–	–
Share of joint venture's capital commitments in relation to property, plant and equipment	809	1,196	–	–
Share subscription in associate	413	–	–	–
	<u>5,711</u>	<u>7,328</u>	<u>–</u>	<u>–</u>

- (b) Commitments to purchase bulk supplies of raw materials

	<u>36,934</u>	<u>41,410</u>	<u>–</u>	<u>–</u>
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- (c) Operating lease commitments – as lessee

As at 31 December 2018, the future minimum rental payable under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	Group 2018 \$'000	Company 2018 \$'000
Within one year	6,723	106
Between one and five years	16,444	32
After five years	20,738	–
	<u>43,905</u>	<u>138</u>

The Group leased office premises, factories, warehousing/trading/farm facilities and vehicles under operating lease. 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 for reflect market rentals.

As disclosed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 December 2019, except for short-term leases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. COMMITMENTS (CONT'D)

- (d) Finance lease commitments – as lessee

As at 31 December 2018, the future minimum lease payments under finance leases and their present value are as follows:

	Group	
	Minimum lease payments 2018 \$'000	Present value of payments 2018 \$'000
Within one year	659	599
Between one and five years	1,034	986
Total minimum lease payments	1,693	1,585
Less: Amount representing finance charges	(108)	–
Present value of minimum lease payments	1,585	1,585

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.2.

- (e) 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.

34. CONTINGENT LIABILITIES (UNSECURED)

	Company	
	2019 \$'000	2018 \$'000
(a) Guarantees issued for bank facilities granted to subsidiaries	129,147	130,910
Amounts utilised by subsidiaries as at end of the reporting period	53,867	53,825

	Group	
	2019 \$'000	2018 \$'000
(b) Claims by a subsidiary's tenant	–	148

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

NOTES TO THE FINANCIAL STATEMENTS

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35. RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Management fee income from subsidiaries	–	–	632	1,478
Royalty income from subsidiaries	–	–	13,767	12,426
Royalty income from joint venture	3,958	4,017	3,958	4,017
Interest income from advances to subsidiaries	–	–	950	1,189
Dividend income from subsidiaries	–	–	19,110	17,028
Purchase of goods from joint venture	1,478	773	–	–
Sale of goods to joint venture	71,572	69,470	–	–
Dividend income from joint venture	6,586	5,010	–	–

- (b) Compensation of key management personnel

	Group	
	2019 \$'000	2018 \$'000
Short-term employee benefits	4,866	4,512
CPF contribution	79	78

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

It is, and has been throughout the current and previous financial year, the Group's 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the statements of financial position; and
- A nominal amount of \$129,147,000 (2018: \$130,910,000) 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 \$53,867,000 (2018: \$53,825,000).

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			
	2019		2018	
	\$'000	% of total	\$'000	% of total
By industry:				
Bakery	64,679	61	59,359	57
Primary production	21,777	20	24,653	23
Distribution and warehousing	20,391	19	21,025	20
	<u>106,847</u>	<u>100</u>	<u>105,037</u>	<u>100</u>
By country:				
Singapore	34,352	32	32,472	31
Australia	25,163	24	27,332	26
Philippines	33,326	31	29,407	28
Malaysia	12,832	12	13,530	13
Other countries	1,174	1	2,296	2
	<u>106,847</u>	<u>100</u>	<u>105,037</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and have an adequate amount of committed credit facilities.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2019				2018			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Group								
Financial assets:								
Trade and other receivables	114,601	–	–	114,601	114,750	–	–	114,750
Investment securities	88	1,660	–	1,748	4,884	1,983	–	6,867
Cash and cash equivalents	73,193	–	–	73,193	60,275	–	–	60,275
Total undiscounted financial assets	187,882	1,660	–	189,542	179,909	1,983	–	181,892
Financial liabilities:								
Trade and other payables	144,105	–	–	144,105	133,400	–	–	133,400
Borrowings	69,015	56,520	8,034	133,569	60,228	53,682	7,790	121,700
Lease liabilities	9,430	22,149	22,371	53,950	–	–	–	–
Total undiscounted financial liabilities	222,550	78,669	30,405	331,624	193,628	53,682	7,790	255,100
Total net undiscounted financial (liabilities)/assets	(34,668)	(77,009)	(30,405)	(142,082)	(13,719)	(51,699)	(7,790)	(73,208)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

	2019			2018		
	1 year or less \$'000	Over 1 year \$'000	Total \$'000	1 year or less \$'000	Over 1 year \$'000	Total \$'000
Company						
Financial assets:						
Investment securities	88	1,660	1,748	4,884	1,958	6,842
Other receivables	46,375	–	46,375	52,672	–	52,672
Cash and cash equivalents	22,198	–	22,198	19,657	–	19,657
Advances to subsidiaries	–	152,091	152,091	–	149,383	149,383
Total undiscounted financial assets	<u>68,661</u>	<u>153,751</u>	<u>222,412</u>	<u>77,213</u>	<u>151,341</u>	<u>228,554</u>
Financial liabilities:						
Trade and other payables	<u>3,612</u>	<u>–</u>	<u>3,612</u>	<u>3,192</u>	<u>–</u>	<u>3,192</u>
Total undiscounted financial liabilities	<u>3,612</u>	<u>–</u>	<u>3,612</u>	<u>3,192</u>	<u>–</u>	<u>3,192</u>
Total net undiscounted financial assets	<u>65,049</u>	<u>153,751</u>	<u>218,800</u>	<u>74,021</u>	<u>151,341</u>	<u>225,362</u>

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	<u>53,867</u>	<u>–</u>	<u>53,867</u>	<u>53,825</u>	<u>–</u>	<u>53,825</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

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

Loans denominated in	Increase/ decrease in basis points	Effect on profit after tax	
		2019 \$'000	2018 \$'000
Australian Dollar	+50	(314)	(297)
Australian Dollar	-50	314	297

(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 (MYR), 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 \$57,913,000 (2018: \$59,218,000).

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 MYR, Peso, AUD and RMB are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the AUD and MYR exchange rates (against SGD), with all other variables held constant, of the Group's profit after tax and equity.

			2019		2018	
			Profit after tax \$'000	Equity \$'000	Profit after tax \$'000	Equity \$'000
AUD	– strengthened 1% (2018: 1%)		582	–	605	–
	– weakened 1% (2018: 1%)		(582)	–	(605)	–
MYR	– strengthened 1% (2018: 1%)		(1,274)	739	(23)	677
	– weakened 1% (2018: 1%)		1,289	(754)	36	(690)

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Loans and receivables</i>				
Trade receivables	106,847	105,037	–	–
Other receivables	7,754	9,713	46,375	52,672
Cash and cash equivalents	73,167	60,259	22,186	19,647
Advances to subsidiaries	–	–	152,091	149,383
	<u>187,768</u>	<u>175,009</u>	<u>220,652</u>	<u>221,702</u>
<i>Financial liabilities measured at amortised cost</i>				
Trade payables	88,855	75,510	173	209
Other payables	50,125	53,236	3,439	2,983
Short-term borrowings	58,522	52,551	–	–
Long-term borrowings	64,256	55,833	–	–
Lease liabilities	42,877	1,585	360	–
	<u>304,635</u>	<u>238,715</u>	<u>3,972</u>	<u>3,192</u>
<i>Fair value through other comprehensive income</i>				
Short-term investments	–	4,676	–	4,676
Long-term investments	1,618	1,801	1,618	1,776
Other payables	(5,084)	(4,654)	–	–
	<u>(3,466)</u>	<u>1,823</u>	<u>1,618</u>	<u>6,452</u>
<i>Fair value through profit or loss</i>				
Forward currency contracts	<u>(41)</u>	<u>–</u>	<u>–</u>	<u>–</u>

38. FAIR VALUE OF ASSETS AND LIABILITIES

A. Fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

38. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

B. Assets and liabilities carried at fair value

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

Recurring fair value measurements	Group 2019			Total \$'000
	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	
Financial assets				
Long-term investments (Note 23)	1,618	–	–	1,618
Non-financial assets				
Biological assets (Note 10)	–	–	58,573	58,573
Financial liabilities				
Forward currency contracts (Note 27(b))	–	41	–	41
Put option liability (Note 27(c))	–	–	5,084	5,084
	–	41	5,084	5,125

Recurring fair value measurements	Group 2018			Total \$'000
	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	
Financial assets				
Short-term investments (Note 14)	4,676	–	–	4,676
Long-term investments (Note 23)	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 27(c))	–	–	4,654	4,654

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

38. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

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.

Forward currency contracts

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

D. Level 3 fair value measurements

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 \$2.9 million and a decrease of \$2.9 million respectively.

Fair value of put option liability is determined as described in Note 27(c). The key assumption in determining fair value is the expected market EBITDA multiple. A reasonable change in the expected market EBITDA multiple of +5% or -5% would affect the put option liability valuation by an estimated change of an increase in \$0.3 million and a decrease of \$0.3 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 lease liabilities 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.

39. SEGMENTAL REPORTING

For management purposes, the Group is currently organised into business units based on their products and services, and has four reportable segments as follows:

(i)	Bakery	–	Manufacture and distribution of bread, confectionery and bakery products
(ii)	Primary production	–	Production, processing and marketing of meat; feedmilling and sale of animal feeds and related ingredients
(iii)	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. SEGMENTAL REPORTING (CONT'D)

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.

	Bakery \$'000	Primary production \$'000	Distribution and warehousing \$'000	Investments and others \$'000	Eliminations \$'000	Consolidated \$'000
2019						
Revenue and expenses						
Revenue from external customers	375,847	364,262	110,848	4,877	–	855,834
Other revenue from external customers	3,495	2,516	1,224	22	–	7,257
Inter-segment revenue	65	–	204	14,400	(14,669)	–
	379,407	366,778	112,276	19,299	(14,669)	863,091
Unallocated revenue						801
Total revenue						863,892
Segment EBITDA	50,228	26,612	7,932	5,130	–	89,902
Amortisation and depreciation	(27,614)	(13,973)	(3,407)	(319)	–	(45,313)
Segment EBIT	22,614	12,639	4,525	4,811	–	44,589
Unallocated revenue						801
Unallocated expenses						(12,491)
Profit from operating activities						32,899
Finance costs						(5,841)
Share of profits of joint venture	6,020	–	–	–	–	6,020
Profit before tax						33,078
Income tax expense						(4,840)
Profit after tax						28,238
Timing of transfer of goods or services						
At a point in time	379,318	366,706	106,523	24	–	852,571
Over time	264	148	5,552	5,357	–	11,321
	379,582	366,854	112,075	5,381	–	863,892

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. SEGMENTAL REPORTING (CONT'D)

	Bakery \$'000	Primary production \$'000	Distribution and warehousing \$'000	Investments and others \$'000	Eliminations \$'000	Consolidated \$'000
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)	–
	<u>348,518</u>	<u>353,760</u>	<u>106,451</u>	<u>18,861</u>	<u>(14,028)</u>	<u>813,562</u>
Unallocated revenue						1,306
Total revenue						<u>814,868</u>
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	<u>26,102</u>	<u>(8,185)</u>	<u>151</u>	<u>4,877</u>	<u>–</u>	<u>22,945</u>
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						<u>8,659</u>
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
	<u>348,774</u>	<u>353,916</u>	<u>106,401</u>	<u>5,777</u>	<u>–</u>	<u>814,868</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. SEGMENTAL REPORTING (CONT'D)

	Bakery \$'000	Primary production \$'000	Distribution and warehousing \$'000	Investments and others \$'000	Consolidated \$'000
2019					
Assets and liabilities					
Segment assets	360,743	273,263	80,272	31,933	746,211
Investment in joint venture and associate	79,814	–	–	–	79,814
Total assets	440,557	273,263	80,272	31,933	826,025
Deferred tax assets					21,394
Tax recoverable					3,054
Total assets per consolidated statement of financial position					850,473
Segment liabilities	109,643	71,736	30,586	9,736	221,701
Income tax payable					3,652
Deferred tax liabilities					11,584
Bank borrowings					113,216
Total liabilities per consolidated statement of financial position					350,153
Other segment information					
Expenditure for non-current assets	19,949	10,173	1,468	6	31,596
Impairment loss	–	–	–	21	21
Loss allowance for inventories charged and inventories written off, net	128	–	744	–	872
Loss allowance for receivables charged/ (written-back) and bad debts written off, net	851	(27)	59	–	883

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. SEGMENTAL REPORTING (CONT'D)

	Bakery \$'000	Primary production \$'000	Distribution and warehousing \$'000	Investments and others \$'000	Consolidated \$'000
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
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39. SEGMENTAL REPORTING (CONT'D)

Geographical information

	Revenue		Non-current assets	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Australia	380,248	372,187	145,540	136,804
Philippines	208,883	183,753	108,099	100,524
Singapore	179,885	168,015	71,285	48,680
Malaysia	79,504	77,076	72,063	77,007
Other countries	15,372	13,837	–	–
	<u>863,892</u>	<u>814,868</u>	<u>396,987</u>	<u>363,015</u>

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

40. SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE

(a) The subsidiaries as at 31 December 2019 are:

		Percentage of equity held by the Group	
Name of company (Country of incorporation)	Principal activities (place of business)	2019 %	2018 %
Bakery			
⁽¹⁾ Gardenia Foods (S) Pte Ltd (Singapore)	Bread manufacturer (Singapore)	100	100
⁽¹⁾ Farmland Central Bakery (S) Pte Ltd (Singapore)	Purchasing agent of bread, confectionery and bakery products (Singapore)	100	100
⁽¹⁾ Farmland Trading Singapore Pte Ltd (Singapore)	Purchasing agent of food products (Singapore)	100	—
⁽²⁾ Millif Industries Sdn Bhd (Malaysia)	Manufacture of kaya and related products (Malaysia)	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

40. SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE (CONT'D)

(a) *The subsidiaries as at 31 December 2019 are (cont'd):*

			Percentage of equity held by the Group	
Name of company (Country of incorporation)		Principal activities (place of business)	2019 %	2018 %
Bakery (cont'd)				
⁽²⁾	Gardenia Bakeries (Philippines) Inc (Philippines)	Manufacture and distribution of bread, confectionery and bakery products (Philippines)	100	100
⁽²⁾	Farmland Bakery (M) Sdn Bhd (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	100	100
⁽²⁾	Bakers Maison Australia Pty Ltd (Australia)	Manufacture of confectionery and bakery products (Australia)	100	100
⁽²⁾	Bakers Maison (M) Sdn Bhd (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	100	100
⁽²⁾	Philfoods Fresh-Baked Products Inc (Philippines)	Bread manufacturer (Philippines)	40^	40^
⁽²⁾	Phil Foods Properties Inc (Philippines)	Investment holding (Philippines)	40^	40^
⁽²⁾	Nutribaked Food Products Inc (Philippines)	Bread manufacturer (Philippines)	100	100
⁽²⁾	Nutrimax Fresh-Baked Inc (Philippines)	Bread manufacturer (Philippines)	100	100
⁽²⁾	Vitabread Food Products Inc (Philippines)	Bread manufacturer (Philippines)	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

40. SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE (CONT'D)

(a) *The subsidiaries as at 31 December 2019 are (cont'd):*

		Percentage of equity held by the Group	
Name of company (Country of incorporation)	Principal activities (place of business)	2019 %	2018 %
Primary production			
⁽²⁾ Rivalea (Australia) Pty Ltd (Australia)	Intensive pig production and wholesaling (Australia)	100	100
⁽²⁾ Diamond Valley Pork Pty Ltd (Australia)	Pig meat processing and wholesale (Australia)	80	80
Distribution and warehousing			
⁽¹⁾ Ben Foods (S) Pte Ltd (Singapore)	Trading and distribution of food and beverage products (Singapore)	100	100
⁽¹⁾ Shinefoods Pte Ltd (Singapore)	Agency and distribution of food and beverage products. Became active during the year (Singapore)	100	100
⁽¹⁾ NCS Cold Stores (S) Pte Ltd (Singapore)	Operation of warehousing logistics (Singapore)	100	100
⁽¹⁾ QAF Fruits Cold Store Pte Ltd (Singapore)	Operation of cold storage warehouse (Singapore)	74	62
Investments and others			
⁽²⁾ Oxdale Dairy Enterprise Pty Ltd (Australia)	Leasing investment (Australia)	100	100
⁽¹⁾ Oxdale International Pte Ltd (Singapore)	Investment holding (Singapore)	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

40. SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE (CONT'D)

(a) *The subsidiaries as at 31 December 2019 are (cont'd):*

			Percentage of equity held by the Group	
	Name of company (Country of incorporation)	Principal activities (place of business)	2019 %	2018 %
	<i>Investments and others (cont'd)</i>			
(1)	Gardenia International (S) Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Hamsdale International Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(2)	Rivalea Holdings Pty Ltd (Australia)	Investment holding (Australia)	100	100
(1)	Gardenia Investments Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Oxdale Investments Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(2)	Bakers Maison Pty Ltd (Australia)	Investment holding (Australia)	100	100
@	Pacfi Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Bakers Maison Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Bonjour Bakery Pte Ltd (Singapore)	Investment holding (Singapore)	100	100
(1)	Gaoyuan Pte Ltd (Singapore)	Investment holding (Singapore)	55	55

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

40. SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE (CONT'D)

(a) *The subsidiaries as at 31 December 2019 are (cont'd):*

		Percentage of equity held by the Group	
Name of company (Country of incorporation)	Principal activities (place of business)	2019 %	2018 %
<i>Dormant corporations</i>			
* Gardenia Hong Kong Limited (Hong Kong)	Dormant	100	100
# Benfood International Trade (Shanghai) Co Ltd (People's Republic of China)	Dormant	100	100
# Gardenia Trading (Fujian) Co Ltd (People's Republic of China)	Dormant	55	55
# Gardenia Food (Fujian) Co Ltd (People's Republic of China)	Dormant	55	55
⁽²⁾ Delicia Sdn Bhd (Malaysia)	Dormant	100	100
[@] Ben Foods (East Malaysia) Sdn Bhd (Malaysia)	Dormant	100	100

(b) *The joint venture as at 31 December 2019 is:*

(2) Gardenia Bakeries (KL) Sdn Bhd (Malaysia)	Bread manufacturer (Malaysia)	50	50
<i>Held by Gardenia Bakeries (KL) Sdn Bhd</i>			
(2) Gardenia Sales & Distribution Sdn Bhd (Malaysia)	Marketing and distribution of bakery products (Malaysia)	50	50
(2) Everyday Bakery & Confectionery Sdn Bhd (Malaysia)	Dormant	50	50

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40. SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE (CONT'D)

(c) The associate as at 31 December 2019 is:

Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the Group	
		2019 %	2018 %
# Gardenia Bakery Trading Co. Ltd. (Thailand)	Proposed sale and distribution of bakery and other food products (Thailand)	24.5	–

Notes

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

@ In process of being struck off/ liquidated

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

(d) 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 2019:					
QAF Fruits Cold Store Pte Ltd	Singapore	26	162	1,503	260
Diamond Valley Pork Pty Ltd	Australia	20	553	3,463	119
Gaoyuan Group ⁺	People's Republic of China	45	(176)	(9,027)	–
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)	–

+ 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 2019

40. SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE (CONT'D)

(e) 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 ⁺	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current						
Assets	676	909	9,439	8,690	104	280
Liabilities	(567)	(576)	(9,613)	(9,502)	(2,269)	(2,360)
Net current assets/ (liabilities)	109	333	(174)	(812)	(2,165)	(2,080)
Non-current						
Assets	11,281	6,248	41,382	34,508	–	–
Liabilities	(5,609)	(303)	(23,893)	(18,706)	(17,896)	(17,825)
Net non-current assets/ (liabilities)	5,672	5,945	17,489	15,802	(17,896)	(17,825)
Net assets/(liabilities)	5,781	6,278	17,315	14,990	(20,061)	(19,905)

Summarised statement of comprehensive income

	QAF Fruits Cold Store Pte Ltd		Diamond Valley Pork Pty Ltd		Gaoyuan Group ⁺	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue	2,593	2,681	49,402	46,974	1	66
Profit/(loss) before tax	603	846	4,164	1,331	(390)	486
Income tax expense	(100)	(150)	(1,397)	(405)	–	–
Profit/(loss) after tax	503	696	2,767	926	(390)	486
Other comprehensive income	–	–	(323)	(1,186)	234	231
Total comprehensive income	503	696	2,444	(260)	(156)	717

+ 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 2019

40. SUBSIDIARIES, JOINT VENTURE AND ASSOCIATE (CONT'D)

(e) 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Net cash flows from/ (used in) operating activities	847	1,046	5,132	1,889	(248)	(1,912)
Acquisition of significant property, plant and equipment and investment properties	119	30	7,225	5,097	–	–

41. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing or net debt-to-equity ratio. The net debt-to-equity ratio is calculated as net debt divided by shareholders' funds. Net debt is calculated as bank borrowings, lease liabilities 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	
	2019 \$'000	2018 \$'000
Net debt	92,488	49,710
Shareholders' funds	507,585	511,404
Net debt-to-equity ratio	0.18 times	0.10 times

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

42. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 16 March 2020.

MAJOR PROPERTIES

The major properties of the Company and its principal subsidiaries as at 31 December 2019 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 2019 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

SHAREHOLDING STATISTICS

AS AT 16 MARCH 2020

Class of Shares	:	Ordinary Shares
Number of Ordinary Shares	:	575,268,440
Number of Ordinary Shareholders	:	6,082
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	341	5.61	10,269	0.00
100 – 1,000	883	14.52	647,107	0.11
1,001 – 10,000	3,140	51.63	15,204,738	2.65
10,001 – 1,000,000	1,703	28.00	77,436,620	13.46
1,000,001 and above	15	0.24	481,969,706	83.78
	<u>6,082</u>	<u>100.00</u>	<u>575,268,440</u>	<u>100.00</u>

Based on information available to the Company as at 16 March 2020, approximately 30.7% 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

Name of Shareholder	No. of Shares	%
1. Raffles Nominees (Pte) Limited	303,744,420	52.80
2. Citibank Nominees Singapore Pte Ltd	119,596,339	20.79
3. DBS Nominees Pte Ltd	16,756,056	2.91
4. CGS-CIMB Securities (Singapore) Pte Ltd	7,904,613	1.37
5. Tan Kong King	4,510,000	0.78
6. Toh Tiong Wah	4,281,139	0.74
7. OCBC Securities Private Ltd	3,891,068	0.68
8. United Overseas Bank Nominees (Private) Limited	3,823,084	0.66
9. DB Nominees (Singapore) Pte Ltd	3,801,762	0.66
10. OCBC Nominees Singapore Pte Ltd	3,660,542	0.64
11. Lee Fook Khuen	2,935,451	0.51
12. Phillip Securities Pte Ltd	2,387,603	0.42
13. Teh Kiu Cheong @Teong Cheng @ Cheng Chiu Chang	2,031,485	0.35
14. Lim Leng Chye	1,387,396	0.24
15. UOB Kay Hian Pte Ltd	1,258,748	0.22
16. Chong Siew Lee Michele (Zhang Shuli Michele)	975,326	0.17
17. Maybank Kim Eng Securities Pte. Ltd	934,253	0.16
18. Teo Soo Beng	900,589	0.16
19. HSBC (Singapore) Nominees Pte Ltd	822,593	0.14
20. Liu Wenying	810,000	0.14
	<u>486,412,467</u>	<u>84.54</u>

SHAREHOLDING STATISTICS

AS AT 16 MARCH 2020

Substantial Shareholders

Name of Substantial Shareholder	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Andree Halim	–	–	394,629,813 ⁽²⁾	68.60	394,629,813	68.60
Lin Kejian	–	–	277,369,871 ⁽³⁾	48.22	277,369,871	48.22
Tian Wan Enterprises Company Limited	128,480,224	22.33	–	–	128,480,224	22.33
Tian Wan Equities Company Limited	145,337,565	25.26	–	–	145,337,565	25.26
Tian Wan Holdings Group Limited	41,044,656	7.13	79,767,368 ⁽⁴⁾	13.87	120,812,024	21.00
Tian Wan Capital Limited	58,594,391	10.19	–	–	58,594,391	10.19

Notes:

(1) Based on 575,268,440 Shares as at 16 March 2020.

(2) 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.

(3) 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.

(4) 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.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

(APPENDIX 7.4.1, SGX-ST LISTING MANUAL)

Name	Mr Tan Hang Huat	Mr Choo Kok Kiong	Ms Ong Wui Leng Linda
Job Title	Non-executive, Non-independent Director	Non-executive, Non-independent Director	Non-executive, Independent Director Audit & Risk Committee (Chairman) Nominating Committee (Member)
Age	63	50	59
Country of Principal residence	Singapore	Singapore	Singapore
Date of Appointment	17 July 2014	17 July 2014	1 January 2017
Date of Last Re-Appointment (if applicable)	24 April 2017	24 April 2017	24 April 2017
Board's comments on re-election (including rationale, selection criteria, and the search and nomination process)	<p>Upon the recommendation of the Nominating Committee, the Board of Directors has approved the re-election of these Directors, taking into account the following, amongst others:</p> <ul style="list-style-type: none"> • In the case of Mr Tan Hang Huat: his extensive experience, including management roles, industry knowledge and business network, in particular the primary production and food industries and in regional markets and his contribution to Board discussions • In the case of Mr Choo Kok Kiong: his skillsets and extensive experience in finance (over 20 years) and management role in relation to listed groups • In the case of Ms Ong Wui Leng Linda: her skillsets and extensive experience in corporate finance, professional knowledge including on accounting, regulatory and governance matters, her contributions to effectiveness of the Board through her roles in the Audit & Risk Committee (Chairman) and Nominating Committee <p>For information on the evaluation undertaken by the Nominating Committee, please refer to Principle 4: Board Membership and Principle 5: Board Performance on pages 79 to 81 of the Corporate Governance Report.</p>		
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive	Non-executive

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

(APPENDIX 7.4.1, SGX-ST LISTING MANUAL)

Professional Qualifications	<ul style="list-style-type: none"> • Bachelor of Commerce, University of Newcastle (Australia) • Master of Business Administration, University of Newcastle (Australia) 	<ul style="list-style-type: none"> • Master of Business Administration, University of Wales (UK)/Manchester Business School (UK) • Chartered Institute of Management Accountants (CIMA, UK) • Association of Chartered Certified Accountants (ACCA, UK) 	<ul style="list-style-type: none"> • Bachelor of Science (Economics) in Management Studies, University of London, UK • Master of Practising Accounting, Monash University (Australia)
Working experience and occupation(s) during the last 10 years	<ul style="list-style-type: none"> • Group Managing Director, KMP Private Ltd. 	<ul style="list-style-type: none"> • Group Chief Financial Officer, Gallant Venture Ltd. • Executive Director of Gallant Venture Ltd. (from 2014) 	<ul style="list-style-type: none"> • Director, BlackInk Corporate Partners Pte. Ltd.
Shareholding interest in the Company and its subsidiaries	5,709 shares in the Company	–	–
Relationship (including immediate family relationships) with an existing director, existing executive officer, the Company and/or substantial shareholder of the Company or of any of its principal subsidiaries	–	–	–
Conflict of interest (including any competing business)	–	–	–
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company?	Yes	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

(APPENDIX 7.4.1, SGX-ST LISTING MANUAL)

Other Principal Commitments including directorships:			
For the past 5 years	See below under “Present”	See below under “Present”	<ul style="list-style-type: none"> • Sincap Group Limited (Director); and • Please see below under “Present”
Present	<ul style="list-style-type: none"> • Group Managing Director, KMP Private Ltd. 	<ul style="list-style-type: none"> • Executive Director of Gallant Venture Ltd. • Group Chief Financial Officer, Gallant Venture Ltd. 	<ul style="list-style-type: none"> • Director, BlackInk Corporate Partners Pte. Ltd. • Director, Hwa Hong Corporation Limited • Director, SiS International Holdings Limited
Responses to questions (a) to (k) under Appendix 7.4.1 of the SGX Listing Manual	Negative confirmation	Negative confirmation	Negative confirmation

Note:

Information in this section is as of 16 March 2020

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 COLLECTION Pickering, 3 Upper Pickering Street, Singapore 058289 on 24 April 2020 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 2019 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 2019. **(Resolution 2)**
3. To re-elect Mr Tan Hang Huat retiring under Regulation 102 of the Company's Constitution. **(Resolution 3)**
4. To re-elect Mr Choo Kok Kiong retiring under Regulation 102 of the Company's Constitution. **(Resolution 4)**
5. To re-elect Ms Ong Wui Leng Linda retiring under Regulation 102 of the Company's Constitution. **(Resolution 5)**
6. To approve Directors' fees of up to \$345,000 for the financial year ended 31 December 2019 (FY2018: \$345,000). **(Resolution 6)**
7. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

Special Business

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modification:

General mandate to issue shares

8. That authority be and is hereby given to the Directors of the Company to:
 - (a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively "**instruments**") that might or would require shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

Provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of 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 and subsidiary holdings (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 and subsidiary holdings (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 of the Company excluding treasury shares and subsidiary holdings shall be based on the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings 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, 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,

Provided further that adjustments in accordance with sub-paragraphs (2)(i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution; and

- (3) (unless revoked or varied by the Company in General Meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

(Resolution 8)

Authority to issue shares under the QAF Limited Scrip Dividend Scheme

9. That the Directors of the Company be and are hereby authorised to allot and issue from time to time such number of new ordinary shares in the Company as may be required to be allotted and issued under the QAF Limited Scrip Dividend Scheme, on such terms and conditions as may be determined by the Directors and to do all acts and things which they may in their absolute discretion deem necessary or desirable to carry the same into effect.

(Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING

Renewal of Interested Person Transactions Mandate

10. That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST (“**Chapter 9**”), for the Company and its subsidiaries and associated companies which are considered to be “entities at risk” under Chapter 9, or any of them, to enter into any of the transactions falling within the types of interested person transactions as set out in the Appendix dated 26 March 2020 to the Annual Report (the “**Appendix**”), provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions as set out in the Appendix (the “**IPT Mandate**”);
- (b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and
- (c) the Directors of the Company be and are hereby authorised to do all acts and things as they may in their discretion deem necessary, desirable or expedient in the interests of the Company to give effect to the renewal of the IPT Mandate and/or this Ordinary Resolution.

(Resolution 10)

By Order of the Board

Serene Yeo Li-Wen
Company Secretary

Singapore, 26 March 2020

Explanatory Notes:

- (i) Ordinary Resolutions 3, 4 and 5 are to re-elect Mr Tan Hang Huat, Mr Choo Kok Kiong, and Ms Ong Wui Leng Linda, 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” and “Additional Information on Directors Seeking Re-Election” of the Annual Report.

- (ii) Ordinary Resolution 6. 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 FY2019.

- (iii) **Special Business:** Ordinary Resolution 8, if passed, will empower the Directors to, *inter alia*, issue shares and/or make or grant instruments, and issue shares in pursuance of such instruments. The aggregate number of shares that may be issued (including shares issued in pursuance of instruments) will be subject to a limit of 50% of the total number of issued shares of the Company excluding treasury shares and subsidiary holdings, 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 and subsidiary holdings at the time Ordinary Resolution 8 is passed, after adjusting for, *inter alia*, new shares arising from the conversion or exercise of any convertible securities and any subsequent consolidation or subdivision of shares. The authority will continue until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier (unless such authority is revoked at a general meeting).

NOTICE OF ANNUAL GENERAL MEETING

- (iv) **Special Business:** Ordinary Resolution 9, 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 9 is in addition to the general authority to issue shares sought under Ordinary Resolution 8.
- (v) **Special Business:** Ordinary Resolution 10 relates to the renewal of the IPT Mandate, which was last renewed at the annual general meeting of the Company on 26 April 2019, 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.

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.
 5. This Notice of AGM is to be read in conjunction with the Company’s Annual Report FY2019.

IMPORTANT NOTICE

This Annual Report has been prepared without regard to the objectives, financial situation and/or needs of any specific persons. For the avoidance of doubt, it does not constitute or form any part of any offer, recommendation, invitation, inducement or solicitation to enter into any transaction including to buy or subscribe for any securities in the Company. Where there are any forward-looking statements as to future matters including projections, if any, on the Group's anticipated future performance, please note that actual future performance, outcomes and results may differ materially from those expressed or implied in such forward-looking statements (if any) as a result of, *inter alia*, known and unknown risks, uncertainties, bases and assumptions including matters beyond the Group's control. Forward-looking statements are typically identified by words such as "may", "could", "believes", "estimates", "anticipates", "expects", "intends", "considers" and other similar words. Undue reliance should not be placed on any such forward-looking statements, which are based on current view on, amongst others, future events, trends and developments. There can be no assurance that such statements will be realised or prove to be correct. It is highlighted, in particular, that the FY2020 projection in respect of the Primary Production business on page 28 in the Operational Review section of this Annual Report is a forward-looking statement, which was produced for the purpose of the sale process being undertaken for the Primary Production business. The FY2020 projection has been set out in this Annual Report solely for reasons of disclosure. The actual future performance, outcome and results of the Primary Production business may differ materially from the FY2020 projection as a result of, *inter alia*, known and unknown risks, uncertainties, bases and assumptions including matters beyond the Group's control. Reliance should accordingly not be placed on the FY2020 projection, which is based on current view of the Rivalea management on, amongst others, future events, trends and developments. There can be no assurance that the FY2020 projection will be realised or prove to be correct.

The Company has by its letter of 26 March 2020, notified Shareholders, amongst others, that those who are unwell are encouraged to appoint proxies to attend and vote on their behalf at the Company's Annual General Meeting. The Company, Group, their officers and employees shall have no liability whatsoever to Shareholders, their proxies, corporate representatives or any other party arising out of or in connection with any of them being infected or suspected of being infected with COVID-19 or suffering any losses arising out of or in connection with attendance at the Company's Annual General Meeting and/or the Company taking precautionary measures at the Company's discretion in response to the COVID-19 pandemic.

Where in doubt on any of the above matters, please seek independent professional advice.

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APPENDIX TO ANNUAL REPORT 2019 DATED 26 MARCH 2020

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 FY2019. 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 24 April 2020 at 11.00 a.m. at William Pickering Ballroom, Level 2, PARKROYAL COLLECTION 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:

“2019 AGM”	:	Annual general meeting of the Company held on 26 April 2019
“2020 AGM”	:	Annual general meeting of the Company to be held on 24 April 2020
“Annual Report”	:	Annual report of the Company for FY2019
“Appendix”	:	This appendix dated 26 March 2020 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”	:	<p>(a) In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:</p> <p>(i) his immediate family (that is, the person’s spouse, child, adopted-child, step-child, sibling and parent);</p> <p>(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</p> <p>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and</p> <p>(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</p>
“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”	:	<p>A person who:</p> <p>(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</p> <p>(b) in fact exercises control over a company</p>
“Directors”	:	The directors of the Company for the time being
“entity at risk”	:	<p>(a) The listed company;</p> <p>(b) A subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange; or</p> <p>(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</p>
“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”	:	16 March 2020, 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 2020 convening the 2020 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: <ul style="list-style-type: none"> (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 2020

To: The Shareholders of **QAF Limited**

Dear Shareholders

1. INTRODUCTION

The purpose of this Appendix is to provide Shareholders with information relating to the proposed renewal of the IPT Mandate, which is referred to in Ordinary Resolution 10 set out in the notice convening the 2020 AGM to be held on 24 April 2020.

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 2019 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 FY2018.

The IPT Mandate was expressed to take effect until the conclusion of the then next AGM of the Company, namely, the 2020 AGM which is scheduled to be held on 24 April 2020. Accordingly, Shareholders' approval is being sought for the renewal of the IPT Mandate at the 2020 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.

In the event the latest audited consolidated NTA of the listed company and its subsidiaries is negative, the listed company is required to consult the SGX-ST on the appropriate benchmark to calculate the relevant thresholds, which may be based on its market capitalisation.

Based on the 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. However, while transactions below S\$100,000 are not normally aggregated under the relevant provisions of the Listing Manual, the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one transaction.

Based on the Group's audited consolidated financial statements for FY2019, 3% and 5% of the latest audited consolidated NTA of the Group would be approximately **S\$15.2 million** and **S\$25.4 million**, respectively. This is based on the latest audited consolidated NTA of the Group of approximately **S\$507.6 million** as at 31 December 2019.

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. The SGX-ST may deem any person or entity to be an interested person if the person or entity has entered into, or proposes to enter into,
 - (a) a transaction with an entity at risk, and
 - (b) an agreement or arrangement with an interested person in connection with that transaction;
- (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 goods or 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 stock feed milling. For its distribution and warehousing business, the Group undertakes wholesale distribution of a range of third-party and proprietary-branded processed food and beverage products, 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 68.60% 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 48.22% 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 FY2019, the Group sold unsold and returned bread to the Salim Group¹ and, under its primary production business, pork products to an entity in which the Salim Group has a shareholding interest. The Salim Group is an Interested Person as Mr Anthoni Salim is the brother of Mr Andree Halim. The aggregate value of the unsold and returned bread sales and the pork product sales amounted to approximately S\$0.99 million and S\$0.61 million, respectively (each being less than 3% of the audited consolidated NTA of the Group for

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.

FY2019). In FY2019, pursuant to the existing IPT Mandate, the Group purchased from the Salim Group (a) raw materials including flour, and the aggregate value of such transactions amounted to approximately S\$14.0 million and (b) finished products such as milk and instant noodles, and the aggregate value of such transactions amounted to approximately S\$5.72 million, (each being less than 3% of the audited consolidated NTA of the Group for FY2019).

In FY2019, the Group also sold cheese to and purchased processed cheese from an entity in which Mr Andree Halim has an interest. The aggregate value of such transactions in FY2019 pursuant to the existing IPT Mandate amounted to approximately S\$1.28 million.

Please also refer to the Annual Report, the section entitled “Interested Person Transactions for FY2019” at page 96.

2.4 Rationale for and Benefits of the Renewal of the IPT Mandate

The Group envisages that the Interested Person Transactions will occur with some degree of frequency and could arise at any time and from time to time. Such transactions are recurring transactions and are part of the day-to-day operations of the Group.

The renewal of the IPT Mandate, if approved by the Shareholders, will enable the Group, in the ordinary course of business, to undertake such transactions in a more expeditious manner. It will also enhance the Group’s ability to pursue business opportunities which may be time-sensitive and frequent in nature and will allow the Group to conduct its business efficiently by eliminating the need to convene separate general meetings from time to time to seek Shareholders’ approval as and when potential Interested Person Transactions arise. The IPT Mandate will reduce the expenses involved with the convening of general meetings on an *ad hoc* basis and allow manpower resources and time to be channeled towards attaining other corporate objectives.

2.5 Classes of Interested Persons

The IPT Mandate will apply to the Interested Persons in relation to the types of transactions set out in Section 2.6 below. The associates of the Interested Persons who will have dealings under the IPT Mandate include the Salim Group, such as KMP Food Industries Pte Ltd, which is controlled by Mr Anthoni Salim, who is Mr Andree Halim’s brother.

2.6 Types of Transactions under the IPT Mandate

The types of transactions contemplated under the IPT Mandate are as follows:

- (a) the purchase of products and raw materials; and
- (b) the sale of products.

The types of products and/or raw materials covered under the IPT Mandate will be those which are transacted by the Group in its ordinary course of business with the Interested Persons in connection with the latter’s ordinary course of business. Such transactions include for example, the sale by the Group of unsold and returned bread to the Salim Group as animal feed, and the purchase of flour and wheat-related raw materials, such as wheat bran and wheat germ, 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 <i>(each having no interest, direct or indirect, in the Interested Person Transaction)</i>
1.	An Interested Person Transaction the value of which is equal to or exceeds S\$100,000, ⁽¹⁾ but less than 3% of the latest audited consolidated NTA of the Group from time to time ⁽²⁾	Executive Director or such senior executive of the Group as may be designated by the Audit & Risk Committee from time to time If an Executive Director or relevant senior executive of the Group is himself interested in an Interested Person Transaction, the Interested Person Transaction will be reviewed and approved by another Executive Director or senior executive (each having no interest, direct or indirect, in the Interested Person Transaction)
2.	<div>(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</div> <div>(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⁾</div>	<div>Audit & Risk Committee</div> <div>Audit & Risk Committee</div>

Notes:

(1) Based on the existing provisions of the Listing Manual.

(2) Based on the Group's audited consolidated financial statements for FY2019, 3% of the latest audited consolidated NTA of the Group would be approximately S\$15.2 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 provisions of Chapter 9 of the Listing Manual provide that any such transaction is to be disregarded although the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one transaction.

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 2020 AGM, the renewed IPT Mandate will take effect from the passing of the ordinary resolution relating thereto at the 2020 AGM (Resolution 10 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 2020 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⁾
<u>Directors</u>				
Didi Dawis	—	—	—	—
Andree Halim	—	—	394,629,813 ⁽²⁾	68.60%
Lin Kejian	—	—	277,369,871 ⁽³⁾	48.22%
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	32,900	0.01%	—	—
<u>Substantial Shareholders (other than Directors)</u>				
Tian Wan Enterprises Company Limited	128,480,224	22.33%	—	—
Tian Wan Equities Company Limited	145,337,565	25.26%	—	—
Tian Wan Holdings Group Limited	41,044,656	7.13%	79,767,368 ⁽⁴⁾	13.87%
Tian Wan Capital Limited	58,594,391	10.19%	—	—

Notes:

- (1) Based on 575,268,440 Shares as at the Latest Practicable Date.
- (2) 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.
- (3) 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.
- (4) 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.

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 2019 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 2020 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 2020 AGM (Resolution 10 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 10 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 2020 AGM:

- (a) the Constitution of the Company; and
- (b) the Annual Report of the Company for FY2019.

Yours faithfully,
For and on behalf of the Board of Directors of
QAF Limited

Goh Kian Hwee
Joint Group Managing Director



Company Registration No: 195800035D

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