QAF Limited

(Company Registration No : 195800035D)

## Full Year Unaudited Financial Statement for the Year Ended 31 December 2009

**1(a) The following statements in the form presented in the group's most recently audited annual financial statements:-**

**(i) An income statement for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year:-**

| **Income Statement** (in Singapore Dollars) | Group | | |
|---|---|---|---|
| | Full year ended | | |
| | 31/12/2009 | 31/12/2008 | + / (-) |
| | S$'000 | S$'000 | % |
| Revenue | 854,982 | 840,069 | 2 |
| Costs and expenses | | | |
| Costs of materials | 445,229 | 517,784 | (14) |
| Staff costs | 168,552 | 157,500 | 7 |
| Amortisation and depreciation | 28,336 | 27,211 | 4 |
| Repairs and maintenance | 26,907 | 23,167 | 16 |
| Distribution and transportation expenses | 16,353 | 15,421 | 6 |
| Other operating expenses | 94,953 | 89,262 | 6 |
| Total costs and expenses | 780,330 | 830,345 | (6) |
| Profit from operating activities | 74,652 | 9,724 | 668 |
| Finance costs | (6,040) | (9,608) | (37) |
| Exceptional items | 928 | 4,135 | (78) |
| Share of (losses)/profits of associated and joint venture companies | (8,911) | (29,272) | (70) |
| Profit/(loss) before taxation | 60,629 | (25,021) | n.m. |
| Taxation | | | |
| - Current period | (2,077) | (5,498) | (62) |
| - Overprovision in prior periods | 746 | 1,336 | (44) |
| | (1,331) | (4,162) | (68) |
| Profit/(loss) after taxation | 59,298 | (29,183) | n.m. |
| Attributable to: | | | |
| Shareholders of the Company | 56,346 | (35,234) | n.m. |
| Minority interests | 2,952 | 6,051 | (51) |
| | 59,298 | (29,183) | n.m. |

n.m. = not meaningful

**(i) Statement of Comprehensive Income**

| | Group | |
|---|---|---|
| | Full year ended | |
| | 31/12/2009 | 31/12/2008 |
| | S$'000 | S$'000 |
| Profit/(loss) for the year | 59,298 | (29,183) |
| Other comprehensive income: | | |
| - Currency translation arising on consolidation | 31,265 | (37,292) |
| - Actuarial gain/(loss) on defined benefit plans | 1,748 | (4,383) |
| - Net fair value changes on cash flow hedges | 755 | (755) |
| - Share of other comprehensive income of associated and joint venture companies | 555 | (740) |
| Other comprehensive income for the year, net of tax | 34,323 | (43,170) |
| Total comprehensive income for the year | 93,621 | (72,353) |
| Attributable to: | | |
| Shareholders of the Company | 89,214 | (75,642) |
| Minority interests | 4,407 | 3,289 |
| | 93,621 | (72,353) |

**Notes to the Income Statement**

Please see section 8 for commentaries on the income statement.

The Group's "Exceptional Items" comprise:

| | Group | |
|---|---|---|
| | Full year ended | |
| | 31/12/2009 | 31/12/2008 |
| | S$'000 | S$'000 |
| Impairment charge on long-term investment | - | (1,558) |
| Gain on dilution of interest in a subsidiary company | - | 3,315 |
| Gain on disposal of subsidiary companies | 697 | 2,378 |
| Negative goodwill on acquisition of a subsidiary company | 231 | - |
| | 928 | 4,135 |

**(ii) The following items, if significant, must be included in the income statement or in the notes to the income statement for current financial period reported on and the corresponding period of the immediately preceding financial year:-**

The Group's profit from operating activities is stated after (charging) / crediting:

| | Group | | |
|---|---|---|---|
| | Full year ended | | + / (-) |
| | 31/12/2009 | 31/12/2008 | % |
| | S$'000 | S$'000 | |
| Investment income | 21 | 32 | (34) |
| Other income including interest income | 6,098 | 13,438 | (55) |
| Allowance for doubtful debts charged | (23,635) | (394) | 5,899 |
| Allowance for inventory obsolescence charged | (2,060) | (589) | 250 |
| Foreign exchange gain/(loss) | 12,548 | (14,445) | n.m. |
| Impairment charge on property, plant & equipment | (606) | - | n.m. |
| Gain on disposal of property, plant & equipment and investment properties | 743 | 1,367 | (46) |

**1(b)(i) A statement of financial position for the company and group, together with a comparative statement as at the end of the immediately preceding financial year:-**

| **Statement of Financial Position** (in Singapore Dollars) | **Group** | | **Company** | |
|---|---|---|---|---|
| | 31/12/2009 S$'000 | 31/12/2008 S$'000 | 31/12/2009 S$'000 | 31/12/2008 S$'000 |
| Current assets | | | | |
| Biological assets | 64,105 | 45,152 | - | - |
| Inventories | 79,635 | 70,106 | - | - |
| Trade receivables | 80,940 | 78,603 | - | - |
| Other receivables | 16,947 | 45,809 | 62,138 | 85,460 |
| Tax recoverable | 196 | 367 | - | - |
| Short-term investments | - | 218 | - | - |
| Cash and deposits | 64,112 | 48,255 | 13,350 | 11,345 |
| Assets classified as held for sale | 2,052 | 7,596 | - | - |
| | 307,987 | 296,106 | 75,488 | 96,805 |
| Non-current assets | | | | |
| Property, plant & equipment | 266,960 | 207,050 | 2,361 | 2,454 |
| Investment properties | 19,547 | 20,801 | - | - |
| Subsidiary companies | - | - | 104,350 | 107,948 |
| Advances to subsidiary companies | - | - | 85,622 | 115,143 |
| Associated and joint venture companies | 1,887 | 3,604 | - | - |
| Advances to associated and joint venture companies | 3,090 | 3,919 | - | - |
| Long-term investments | 311 | - | - | - |
| Intangibles | 20 | 861 | 2,846 | 3,172 |
| Deferred tax assets | 15,039 | 1,337 | - | - |
| | 306,854 | 237,572 | 195,179 | 228,717 |
| Total assets | 614,841 | 533,678 | 270,667 | 325,522 |
| Current liabilities | | | | |
| Trade payables | 68,024 | 68,269 | 4 | 147 |
| Other payables | 51,974 | 49,381 | 9,816 | 14,499 |
| Short-term borrowings | 64,485 | 96,386 | - | 50,368 |
| Long-term loans and finance leases - current portion | 23,021 | 24,417 | 9,728 | 19,000 |
| Provision for taxation | 6,300 | 4,303 | 1,153 | 518 |
| | 213,804 | 242,756 | 20,701 | 84,532 |
| Non-current liabilities | | | | |
| Other payables | 22,845 | 8,952 | 10,000 | - |
| Pension liabilities | 918 | 4,206 | - | - |
| Long-term loans and finance leases | 44,914 | 36,230 | 17,321 | 30,000 |
| Deferred tax liabilities | 9,949 | 8,732 | 440 | 440 |
| | 78,626 | 58,120 | 27,761 | 30,440 |
| Total liabilities | 292,430 | 300,876 | 48,462 | 114,972 |
| Net assets | 322,411 | 232,802 | 222,205 | 210,550 |
| Capital and reserves | | | | |
| Share capital | 202,692 | 195,123 | 202,692 | 195,123 |
| Reserves | 91,349 | 11,231 | 19,513 | 15,427 |
| Interest of shareholders of the Company | 294,041 | 206,354 | 222,205 | 210,550 |
| Minority Interests | 28,370 | 26,448 | - | - |
| Total equity | 322,411 | 232,802 | 222,205 | 210,550 |

**1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-**

***(a) Amount repayable within one year including those on demand***

| As at 31/12/2009 | | As at 31/12/2008 | |
|---|---|---|---|
| Secured | Unsecured | Secured | Unsecured |
| $'000 | $'000 | $'000 | $'000 |
| 29,088 | 58,418 | 32,940 | 87,863 |

***(b) Amount repayable after one year***

| As at 31/12/2009 | | As at 31/12/2008 | |
|---|---|---|---|
| Secured | Unsecured | Secured | Unsecured |
| $'000 | $'000 | $'000 | $'000 |
| 7,503 | 37,411 | 1,950 | 34,280 |

***(c) Details of any collaterals***

At the end of the financial year, property, plant & equipment and certain current assets with total net book values of $51,822,000 (as at 31/12/2008: $33,718,000) were pledged to secure certain credit facilities for the Group.

**1(c) A statement of cash flows for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year:-**

| | Group | |
|---|---|---|
| | Full year ended | |
| **Statement of Cash Flows** | 31/12/2009 | 31/12/2008 |
| (in Singapore Dollars) | $'000 | $'000 |
| Cash flows from operating activities: | | |
| Profit/(loss) before taxation | 60,629 | (25,021) |
| Adjustments for: | | |
| Amortisation and depreciation | 28,336 | 27,211 |
| Gain on disposal of property, plant & equipment and investment properties | (743) | (1,367) |
| Share of losses/(profits) of associated and joint venture companies | 8,911 | 29,272 |
| Gain on disposal of subsidiary companies | (697) | (2,378) |
| Gain on dilution of interest in a subsidiary company | - | (3,315) |
| Negative goodwill on acquisition of a subsidiary company | (231) | - |
| Fair value changes on derivative financial instruments | (968) | 1,546 |
| Fair value changes on biological assets | (3,154) | (420) |
| Intangibles written off | 812 | - |
| Impairment charge on long-term investment | - | 1,558 |
| Impairment charge on property, plant & equipment | 606 | - |
| Interest expense | 6,040 | 9,608 |
| Dividend and interest income | (1,247) | (5,318) |
| Exchange differences | (4,902) | 10,577 |
| Operating profit before working capital changes | 93,392 | 41,953 |
| Decrease in receivables | 25,577 | 53,748 |
| (Increase)/decrease in inventories and biological assets | (2,237) | 3,118 |
| (Decrease)/increase in payables | (10,655) | 16,501 |
| Cash from operations | 106,077 | 115,320 |
| Interest paid, net | (4,908) | (5,471) |
| Income tax paid | (11,773) | (6,955) |
| **Net cash from operating activities** | **89,396** | **102,894** |
| Cash flows from investing activities: | | |
| Purchase of property, plant & equipment and investment properties | (37,572) | (40,410) |
| Proceeds from disposal of property, plant & equipment and investment properties | 2,448 | 3,159 |
| Purchase of investments | (33) | (59) |
| Decrease/(increase) in advances to associated and joint venture companies | 275 | (1,168) |
| Purchase of additional shares in an associated company | (1,471) | - |
| Acquisition of a subsidiary company, net of cash acquired (Note A) | (2,674) | - |
| Net proceeds from disposal of subsidiary companies (Note B) | 1,086 | 3,186 |
| Net cash outflow from dilution of interest in a subsidiary company | - | (3,560) |
| Dividends received from investments | 21 | 32 |
| **Net cash used in investing activities** | **(37,920)** | **(38,820)** |
| Cash flows from financing activities: | | |
| Proceeds from issuance of exchangeable bonds | 10,000 | - |
| Proceeds from issuance of share capital | 598 | - |
| Dividends paid during the year | (2,048) | (9,019) |
| Dividends paid to minority shareholders of subsidiary companies | (4,611) | (3,623) |
| Proceeds from/(repayment of) long-term borrowings | 1,082 | (33,331) |
| Repayment of short-term borrowings | (45,779) | (21,069) |
| **Net cash used in financing activities** | **(40,758)** | **(67,042)** |
| Net increase/(decrease) in cash and cash equivalents | 10,718 | (2,968) |
| Cash and cash equivalents at beginning of year | 44,450 | 52,072 |
| Effect of exchange rate changes on cash and cash equivalents | 3,782 | (4,654) |
| **Cash and cash equivalents at end of year (Note C)** | **58,950** | **44,450** |

**1(c)** Note A : Analysis of acquisition of a subsidiary company

| | $'000 |
|---|---|
| Property, plant & equipment | 15,409 |
| Inventories | 1,006 |
| Receivables | 2,899 |
| Payables | (5,056) |
| Bank borrowings | (5,316) |
| Deferred taxation | (268) |
| Bank overdrafts | (549) |
| Minority share of net assets of subsidiary company | (1,625) |
| Less: Carrying value of joint venture company | (4,144) |
| Net assets acquired | 2,356 |
| Negative goodwill arising on acquisition | (231) |
| Cash paid | 2,125 |
| Bank overdrafts acquired | 549 |
| Net cash outflow on acquisition of a subsidiary company | 2,674 |

Note B : Analysis of disposal of a subsidiary company

| | $'000 |
|---|---|
| Property, plant & equipment | 401 |
| Inventories | 117 |
| Receivables | 269 |
| Cash and cash equivalents | 3 |
| Payables | (324) |
| Tax recoverable | 3 |
| Net assets disposed | 469 |
| Gain on disposal | 697 |
| Release of reserves upon disposal of a subsidiary company | (77) |
| Consideration | 1,089 |
| Cash and cash equivalents disposed | (3) |
| Net cash inflow on disposal of a subsidiary company | 1,086 |

Note C : Cash and cash equivalents

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

| | Group | |
|---|---|---|
| | 31/12/2009 | 31/12/2008 |
| | $'000 | $'000 |
| Cash and deposits | 64,112 | 48,255 |
| Less : Bank overdrafts | (5,162) | (3,805) |
| | 58,950 | 44,450 |

**1(d)(i) A statement for the company and group showing all changes in equity, together with a comparative statement for the corresponding period of the immediately preceding financial year:-**

**Statement of Changes in Equity**
(In Singapore Dollars)

| Group | Share capital $'000 | Revaluation reserve $'000 | Capital reserve $'000 | Hedging reserve $'000 | Revenue reserve $'000 | Foreign currency translation reserve $'000 | Minority interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2009 | 195,123 | 2,214 | 19,005 | (755) | 18,865 | (28,098) | 26,448 | 232,802 |
| Net profit for the year | - | - | - | - | 56,346 | - | 2,952 | 59,298 |
| Other comprehensive income for the year | - | 195 | - | 755 | 1,797 | 30,121 | 1,455 | 34,323 |
| Total comprehensive income for the year | - | 195 | - | 755 | 58,143 | 30,121 | 4,407 | 93,621 |
| Effect of changes in group structure | - | - | - | - | - | (77) | 1,625 | 1,548 |
| Issuance of ordinary shares from exercise of warrants | 598 | - | - | - | - | - | - | 598 |
| Issuance of ordinary shares in lieu of cash dividends | 6,971 | - | - | - | - | - | - | 6,971 |
| Dividends | - | - | - | - | (9,019) | - | (4,110) | (13,129) |
| Balance at 31 December 2009 | 202,692 | 2,409 | 19,005 | - | 67,989 | 1,946 | 28,370 | 322,411 |
| Balance at 1 January 2008 | 195,123 | 2,263 | 19,108 | - | 67,452 | 7,023 | 50,501 | 341,470 |
| Net (loss)/profit for the year | - | - | - | - | (35,234) | - | 6,051 | (29,183) |
| Other comprehensive income for the year | - | (49) | - | (755) | (4,334) | (35,270) | (2,762) | (43,170) |
| Total comprehensive income for the year | - | (49) | - | (755) | (39,568) | (35,270) | 3,289 | (72,353) |
| Effect of changes in group structure | - | - | (103) | - | - | 149 | (23,719) | (23,673) |
| Dividends | - | - | - | - | (9,019) | - | (3,623) | (12,642) |
| Balance at 31 December 2008 | 195,123 | 2,214 | 19,005 | (755) | 18,865 | (28,098) | 26,448 | 232,802 |

**1(d)(i)**

| Company | Share capital $'000 | Capital reserve $'000 | Revenue reserve $'000 | Total equity $'000 |
|---|---|---|---|---|
| Balance at 1 January 2009 | 195,123 | 1,705 | 13,722 | 210,550 |
| Net profit for the year | - | - | 13,105 | 13,105 |
| Total comprehensive income for the year | - | - | 13,105 | 13,105 |
| Issuance of ordinary shares from exercise of warrants | 598 | - | - | 598 |
| Issuance of ordinary shares in lieu of cash dividends | 6,971 | - | - | 6,971 |
| Dividends | - | - | (9,019) | (9,019) |
| Balance at 31 December 2009 | 202,692 | 1,705 | 17,808 | 222,205 |
| Balance at 1 January 2008 | 195,123 | 1,705 | 14,118 | 210,946 |
| Net profit for the year | - | - | 8,623 | 8,623 |
| Total comprehensive income for the year | - | - | 8,623 | 8,623 |
| Dividends | - | - | (9,019) | (9,019) |
| Balance at 31 December 2008 | 195,123 | 1,705 | 13,722 | 210,550 |

**1(d)(ii) Details of any changes in the company's issued share capital.**

For the year ended 31 December 2009, the issued and paid-up share capital of the Company was increased from 450,974,216 shares to 477,245,971 shares due to the allotment and issue of 25,075,155 shares arising from the application of QAF Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2008, as well as the allotment and issue of 1,196,600 shares arising from the exercise by warrant holders.

The number of shares that may be issued on conversion of all outstanding warrants and options were as follows:

| | As at 31/12/2009 | As at 31/12/2008 |
|---|---|---|
| Outstanding warrants | Nil | 77,876,343 |
| Outstanding options | 14,384,000 | 14,409,000 |

The Warrants had expired on 16 November 2009.

**1(d)(iii) Total number of issued shares excluding treasury shares.**

| | As at 31/12/2009 | As at 31/12/2008 |
|---|---|---|
| Total number of issued shares (excluding treasury shares) | 477,245,971 | 450,974,216 |

**1(d)(iv) Statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There are no treasury shares held by the Company during the year under review.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

N.A.

**4. Whether the same accounting policies and methods of computation as in the company's most recently audited financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the previous year ended 31 December 2008. However, the Group adopted the new and revised FRS and INT FRS that are mandatory for financial years beginning on or after 1 January 2009. The adoption of these FRS and INT FRS has no significant impact on the financial statements, except for FRS 1 and FRS 108 as indicated in Note 5 below.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

FRS 1 Presentation of Financial Statements – Revised Presentation
The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all non-owner changes in equity, either in one single statement, or in two linked statements. The Group is presenting the statement of comprehensive income in two linked statements.

FRS 108 Operating Segments
FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. As this is a disclosure standard, it will have no impact on the financial position and results of the Group.

**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year:**

| | Full year ended | |
|---|---|---|
| | 31/12/2009 | 31/12/2008 |
| Based on weighted average number of ordinary shares | 12.1 cents | (7.8) cents |
| Based on a fully diluted basis | 12.1 cents | (7.8) cents |

**7. Net asset value for the company and group per ordinary share based on issued share capital of the company at the end of the period reported on:**

| | | As at 31/12/2009 | As at 31/12/2008 |
|---|---|---|---|
| (a) | Group | 61.6 cents | 45.8 cents |
| (b) | QAF Limited | 46.6 cents | 46.7 cents |

**8. Review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**Income statement**

Group net revenue improved by 2% to $855.0 million for the financial year ended 31 December 2009 ("FY2009") from $840.1 million for the financial year ended 31 December 2008 ("FY2008"), despite lower revenue contribution from the Trading & Logistics business segment which resulted from a lower volume of trading activities in FY2009.

The Group's Bakery, Primary Production and Food Manufacturing operations were the main contributors to the increased sales in FY2009. All the Gardenia bakery operations in Singapore, Malaysia and the Philippines achieved increases in sales. Both Rivalea (Australia) Pty Ltd ("Rivalea"), the Group's fully integrated producer of meat located in Australia, and Challenge Australian Dairy Pty Ltd ('Challenge'), the Group's subsidiary which manufactures and sells a range of milk and dairy products in Australia, also managed to increase sales.

Group Profit from Operating Activities for FY2009 was a substantial $74.7 million when compared to $9.7 million for FY2008. After deducting Finance Costs (interest expense) and adjusting for Exceptional Items and Share of Losses of Associated and Joint Venture Companies, Group Profit Before Taxation was $60.6 million for FY2009 compared to a Group Loss Before Taxation of $25.0 million for FY2008.

The major contributor to the substantial improvement in Group profitability is Rivalea. The latter achieved a creditable turnaround by attaining a Profit Before Taxation of $28.6 million for FY2009 compared to a Loss Before Taxation of $31.3 million for FY2008. The company has achieved lower feed and production costs and, at the same time, also developed and successfully implemented new marketing strategies including product differentiation initiatives such as the creation of brands so as to achieve higher and more stable margins.

Increases in profits were also achieved by the Group's bakery operations through higher sales, successful launches of new products and improved profitability. However, Challenge incurred losses in FY2009 due to depressed selling prices which are in line with difficult worldwide industry conditions.

Costs of Materials declined by 14% to $445.2 million for FY2009 and this is mainly attributable to the reduction of grain and feed costs for Rivalea. Repairs and Maintenance increased by 16% to $26.9 million for FY2009 and this is attributable to higher repair and maintenance expenses for the bakery and Rivalea's production facilities.

Included in Other Operating Expenses is a Foreign Exchange Gain of $12.5 million in FY2009, which is mainly attributable to the appreciation of the Group's Australian dollar denominated assets against the Singapore dollar, as compared to a Foreign Exchange Loss of about $14.4 million in FY2008.

The Group has made an Allowance for Doubtful Debts of $23.1 million for debts owed by Shaanxi Hengxing Fruit Juice Co. Ltd ("Shaanxi Hengxing"), an associated company which manufactures fruit juices in China. Shaanxi Hengxing continues to operate in difficult worldwide industry conditions and as such, the Group is making a prudent decision to make a provision for debts owing from Shaanxi Hengxing.

Other Income Including Interest Income fell by 55% to $6.1 million in FY2009 due to reduced loans extended to associated companies as well as reduced miscellaneous income from Rivalea.

Group Finance Costs (interest expense) declined by 37% to $6.0 million in FY2009 compared to $9.6 million in FY2008. This is mainly due to a general reduction of interest rates as well as repayment of loans.

**8. Review of the performance of the group (cont'd)**

The Group has a Share of Losses of Associated and Joint Venture Companies of about $8.9 million for FY2009 as compared to Share of Losses of about $29.3 million in FY2008.

Group Taxation fell by 68% to $1.3 million in FY2009 as compared to $4.2 million in FY2008. Rivalea does not need to pay taxes on its current year's profit because of unutilised tax losses. In addition, Rivalea has recognised a tax credit of A$16.2 million (equivalent of $18.7 million) which arose from a timing difference of tax payable due to a revaluation of its livestock. As a result of the above, the Group has a low effective tax rate of 2% for FY2009.

Group Profit After Taxation for FY2009 was $59.3 million. This is a substantial improvement in profitability when compared to a Group Loss After Taxation of $29.2 million for FY2008.

Profit Attributable to Shareholders of the Company was $56.3 million for FY2009 and this is also a substantial improvement in profitability when compared to a Loss Attributable to Shareholders of $35.2 million for FY2008.

**Statement of Financial Position**

Biological Assets and Inventories have increased by 42% to $64.1 million and 14% to $79.6 million respectively, as at the end of FY2009 from $45.2 million and $70.1 million respectively, as at the end of FY2008. The increases are mainly caused by the translation of Rivalea's Australian dollar denominated biological assets and inventories into Singapore dollars as the Australian dollar had appreciated against the Singapore dollar at the end of FY2009 as compared to the end of FY2008. There was also an increase in numbers in Rivalea's animal inventory in FY2009 due to the company's re-stocking programme.

Other Receivables declined by 63% to $16.9 million as at the end of FY2009 as there was a reduced amount of loans extended to associated companies.

Property, Plant and Equipment increased by 29% to $267.0 million as at the end of FY2009 and this is mainly attributable to the consolidation of the Property, Plant and Equipment of a former joint-venture company, Diamond Valley Pork Pty Ltd ('Diamond Valley'), an abattoir facility located in Melbourne, Australia. Diamond Valley became a subsidiary of the Group when the Group increased its stake to 80% of the total shareholdings in the company in May 2009. There were also further investments made to upgrade and expand the Group's bakery production facilities and equipment and these also contributed to the increase in the Group's Property, Plant and Equipment as at the end of FY2009.

Investments in Associated and Joint Venture Companies declined by 48% to $1.9 million as at the end of FY2009 and this is mainly the result of Diamond Valley ceasing to be a joint-venture company of the Group and becoming a subsidiary of the Group.

Group Deferred Tax Assets increased to $15.0 million in FY2009 from $1.3 million in FY2008. This increase resulted mainly from Rivalea's recognition of a tax credit of $18.7 million which arose from a timing difference of tax payable due to a revaluation of its livestock.

Provision for Taxation increased by 46% to $6.3 million as at the end of FY2009 due to higher provision for taxes on increased profits in certain operating subsidiaries.

Short-Term Borrowings fell by 33% to $64.5 million as at the end of FY2009 due to loan repayments. Long-Term Loans and Finance Leases increased by 24% to $44.9 million at the end of FY2009 due to an increase in long term financing undertaken by the Group and its subsidiaries.

Non-Current Other Payables increased by 155% to $22.8 million as at the end of FY2009 and this is attributable mainly to an issuance by QAF in 3Q 2009 of a $10.0 million zero-coupon Mandatory Exchangeable Bond due in 2011.

**8. Review of the performance of the group (cont'd)**

**The performance review of the Group's business segments is as follows:**

**FOOD MANUFACTURING**

| | 2009 | 2008 | Increase/(decrease) | |
|---|---|---|---|---|
| | $'million | $'million | $'million | % |
| Segment revenue | 98.1 | 91.0 | 7.1 | 8 |
| Segment results | (36.9) | 2.9 | (39.8) | n.m. |

Revenue for the Food Manufacturing segment increased by 8% to $98.1 million for FY2009 as compared to $91.0 million for FY2008 from Challenge's increased sale of its products in FY2009 as compared to FY2008.

The segment incurred an operating loss of $36.9 million in FY2009. This included the Group's allowance of $23.1 million for advances made to Shaanxi Hengxing. Shaanxi Hengxing and Challenge both incurred operating losses as a result of depressed selling prices which are in line with difficult worldwide industry conditions.

**BAKERY**

| | 2009 | 2008 | Increase/(decrease) | |
|---|---|---|---|---|
| | $'million | $'million | $'million | % |
| Segment revenue | 389.2 | 359.1 | 30.1 | 8 |
| Segment results | 55.4 | 42.2 | 13.2 | 31 |

The Bakery segment achieved a 8% overall increase in revenue to $389.2 million for FY2009 as compared to $359.1 million for FY2008. The Group's entire bakery operations in Singapore, Malaysia and the Philippines achieved increased sales. The said operations have continued to increase their respective market shares.

Operating profits rose by 31% to $55.4 million in FY2009 as compared to $42.2 million in FY2008. The Gardenia operations in Singapore, Malaysia and the Philippines achieved higher profits due to increased sales volume, successful launches of new products and gains from increased efficiencies.

**PRIMARY PRODUCTION**

| | 2009 | 2008 | Increase/(decrease) | |
|---|---|---|---|---|
| | $'million | $'million | $'million | % |
| Segment revenue | 290.0 | 287.3 | 2.7 | 1 |
| Segment results | 33.9 | (23.4) | 57.3 | n.m. |

The Group's Primary Production segment comprises Rivalea, a fully integrated meat production business in Australia which is involved in stockfeed milling, livestock farming and production, slaughterhouse operations, meat cutting and deboning as well as distribution.

Sales improved by 1% to $290.0 million for FY2009 as compared to $287.3 million for FY2008. Although Rivalea achieved a 5% increase in Australian dollar denominated sales in FY2009 as compared to FY2008, translation of its sales into Singapore dollars led to an increase of only 1% in terms of Singapore dollars in FY2009 compared to that of FY2008, as the Australian dollar had a lower average rate of exchange against the Singapore dollar in FY2009 when compared to FY2008.

The segment achieved operating profits of $33.9 million for FY2009 as compared to an operating loss of $23.4 million in FY2008. The company has achieved lower feed and production costs and, at the same time, also developed and successfully implemented new marketing strategies including product differentiation initiatives such as the creation of brands so as to achieve higher and more stable margins.

**TRADING & LOGISTICS**

| | 2009 | 2008 | Increase/(decrease) | |
|---|---|---|---|---|
| | $'million | $'million | $'million | % |
| Segment revenue | 74.6 | 94.5 | (19.9) | (21) |
| Segment results | 0.8 | 1.3 | (0.5) | (38) |

Sales revenue from the Group's Trading & Logistics segment decreased by 21% to $74.6 million in FY2009 from $94.5 million in FY2008. Operating profits declined by 38% to $0.8 million in FY2009 as compared to $1.3 million in FY2008. The decline was mainly attributable to the reduction of some trading activities within the segment.

**9. Where a forecast or a prospect statement has been previously disclosed to the shareholders, any variance between it and the actual results.**

The directors regard the Group's FY2009 revenue and profits are in line with prior announcements.

**10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group expects the Bakery operations to continue to achieve growth in both sales and profitability. Rivalea is also expected to remain profitable and perform satisfactorily in the financial year ending 31 December 2010 ("FY2010").

On an overall basis, the Group expects to achieve an encouraging level of profitability for FY2010.

**11. Dividends**

***(a) Current financial period reported on***

Any dividend declared? Yes

| | First & Final | Bonus Dividend | Total Final Dividend |
|---|---|---|---|
| Dividend type | Cash or scrip | Cash or scrip | Cash or scrip |
| Dividend rate | 2 cents | 1 cent | 3 cents |
| Tax rate | Exempt 1 tier | Exempt 1 tier | Exempt 1 tier |

No interim dividend has been declared since the previous financial year.

In view of the outstanding performance of the Group for FY2009, the directors have resolved to recommend a bonus dividend of 1 cent per share in addition to the first & final dividend of 2 cents per share for FY2009, which aggregate to a total proposed final dividend of 3 cents per share for FY2009 ("Total FY2009 Final Dividend).

***(b) Corresponding period of immediate financial year***

Any dividend declared? Yes

| | |
|---|---|
| Dividend type | First & final – Cash or scrip |
| Dividend rate | 2 cents per ordinary share |
| Tax rate | Exempt 1-tier |

***(c) Scrip dividend elective***

The QAF Limited Scrip Dividend Scheme (as adopted at the extraordinary general meeting of the Company held on 28 April 2006) under which shareholders may elect to receive dividends in the form of scrip in lieu of cash is proposed to be applicable to the Total FY2009 Final Dividend.

***(d) Books closing and payment date***

Subject to the approval of the shareholders having been obtained for the Total FY2009 Final Dividend at the forthcoming Annual General Meeting of the Company to be held in April 2010, the books closure and payment dates in respect of the proposed dividend will be announced on a later date.

**12. If no dividend has been declared or recommended, a statement to the effect.**

N.A.

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the company's most recently audited financial statements, with comparative information for the immediately preceding year.**

**Segment Information**

(In Singapore Dollars)

| | Food manufacturing | Bakery | Primary production | Trading & Logistics | Investments & others | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Revenue and expenses 2009** | | | | | | | |
| Revenue from external customers | 97,709 | 386,975 | 284,230 | 74,508 | 2,782 | - | 846,204 |
| Other revenue from external customers | 365 | 2,168 | 4,935 | 51 | 394 | - | 7,913 |
| Inter-segment revenue | 6 | 21 | 869 | 50 | 18,892 | (19,838) | - |
| | 98,080 | 389,164 | 290,034 | 74,609 | 22,068 | (19,838) | 854,117 |
| Unallocated revenue | | | | | | | 865 |
| Total revenue | | | | | | | 854,982 |
| Segment results | (36,859) | 55,402 | 33,943 | 789 | 19,345 | - | 72,620 |
| Unallocated revenue | | | | | | | 865 |
| Unallocated expenses | | | | | | | 1,167 |
| Profit from operating activities | | | | | | | 74,652 |
| Finance costs | | | | | | | (6,040) |
| Exceptional items | | | | | | | 928 |
| Share of (losses)/profits of associated and joint venture companies | (9,357) | 37 | 409 | - | - | - | (8,911) |
| Profit before taxation | | | | | | | 60,629 |
| Taxation | | | | | | | (1,331) |
| Profit after taxation | | | | | | | 59,298 |
| **Revenue and expenses 2008** | | | | | | | |
| Revenue from external customers | 89,902 | 357,097 | 277,054 | 94,422 | 4,965 | - | 823,440 |
| Other revenue from external customers | 464 | 2,047 | 8,511 | 44 | 2,169 | - | 13,235 |
| Inter-segment revenue | 623 | 4 | 1,759 | 72 | 17,586 | (20,044) | - |
| | 90,989 | 359,148 | 287,324 | 94,538 | 24,720 | (20,044) | 836,675 |
| Unallocated revenue | | | | | | | 3,394 |
| Total revenue | | | | | | | 840,069 |
| Segment results | 2,880 | 42,239 | (23,356) | 1,262 | 2,289 | - | 25,314 |
| Unallocated revenue | | | | | | | 3,394 |
| Unallocated expenses | | | | | | | (18,984) |
| Profit from operating activities | | | | | | | 9,724 |
| Finance costs | | | | | | | (9,608) |
| Exceptional items | | | | | | | 4,135 |
| Share of (losses)/profits of associated and joint venture companies | (29,105) | 29 | (196) | - | - | - | (29,272) |
| Loss before taxation | | | | | | | (25,021) |
| Taxation | | | | | | | (4,162) |
| Loss after taxation | | | | | | | (29,183) |

## 13. Segment Information (cont'd)

(In Singapore Dollars)

| | Food manufacturing | Bakery | Primary production | Trading & Logistics | Investments & others | Consolidated |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Assets and liabilities 31 December 2009** | | | | | | |
| Segment assets | 34,239 | 214,668 | 265,747 | 52,413 | 27,562 | 594,629 |
| Associated companies | - | 4,977 | - | - | - | 4,977 |
| Total assets | 34,239 | 219,645 | 265,747 | 52,413 | 27,562 | 599,606 |
| Deferred tax assets | | | | | | 15,039 |
| Tax recoverable | | | | | | 196 |
| **Total assets per consolidated financial position** | | | | | | 614,841 |
| Segment liabilities | 19,287 | 56,627 | 45,951 | 11,025 | 2,586 | 135,476 |
| Provision for taxation | | | | | | 6,300 |
| Deferred tax liabilities | | | | | | 9,949 |
| Other payables | | | | | | 10,000 |
| Bank borrowings | | | | | | 130,705 |
| **Total liabilities per consolidated financial position** | | | | | | 292,430 |
| **Assets and liabilities 31 December 2008** | | | | | | |
| Segment assets | 46,832 | 188,545 | 190,569 | 54,484 | 44,021 | 524,451 |
| Associated and joint venture companies | - | 3,747 | 3,776 | - | - | 7,523 |
| Total assets | 46,832 | 192,292 | 194,345 | 54,484 | 44,021 | 531,974 |
| Deferred tax assets | | | | | | 1,337 |
| Tax recoverable | | | | | | 367 |
| **Total assets per consolidated financial position** | | | | | | 533,678 |
| Segment liabilities | 12,365 | 62,277 | 44,314 | 10,052 | 5,390 | 134,398 |
| Provision for taxation | | | | | | 4,303 |
| Deferred tax liabilities | | | | | | 8,732 |
| Bank borrowings | | | | | | 153,443 |
| **Total liabilities per consolidated financial position** | | | | | | 300,876 |
| **Other segment information 2009** | | | | | | |
| Expenditure for non-current assets | 1,616 | 28,021 | 7,695 | 569 | 39 | 37,940 |
| Amortisation and depreciation | 1,620 | 16,292 | 8,091 | 1,863 | 470 | 28,336 |
| Impairment loss | 606 | - | - | - | - | 606 |
| Allowance for inventory obsolescence charged | 1,197 | 93 | 218 | 552 | - | 2,060 |
| Allowance for doubtful debts charged | 23,095 | 339 | 131 | 68 | 2 | 23,635 |
| **Other segment information 2008** | | | | | | |
| Expenditure for non-current assets | 1,876 | 35,722 | 2,494 | 1,083 | 177 | 41,352 |
| Amortisation and depreciation | 1,659 | 15,093 | 7,745 | 1,758 | 956 | 27,211 |
| Impairment loss | - | - | - | - | 1,558 | 1,558 |
| Allowance for inventory obsolescence charged/(written-back) | 223 | 143 | (314) | 537 | - | 589 |
| Allowance for doubtful debts (written-back)/charged | (43) | 288 | 32 | 115 | 2 | 394 |

**13. Geographical Information (cont'd)**

(In Singapore Dollars)

| | *Revenue* | | *Non-current assets* | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $'000 | $'000 | $'000 | $'000 |
| Singapore | 177,929 | 191,479 | 28,851 | 30,380 |
| Malaysia | 239,011 | 209,931 | 75,415 | 73,103 |
| Australia | 351,822 | 349,524 | 155,445 | 105,851 |
| Philippines | 74,170 | 77,409 | 26,816 | 19,378 |
| Others | 12,050 | 11,726 | - | - |
| | 854,982 | 840,069 | 286,527 | 228,712 |

Non-current assets information presented above consist of Property, Plant and Equipment, Investment Properties and Intangible Assets as presented in the consolidated financial position.

**14. In the review of performance, the factors leasing to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to paragraph 8.

**15. A breakdown of sales as follows:**

| | Group | | |
|---|---|---|---|
| | 2009 | 2008 | + / (-) |
| | $'000 | $'000 | % |
| Revenue reported for first half year | 403,628 | 431,328 | (6) |
| Profit after tax before deducting minority interests for the first half year | 31,456 | 4,750 | 562 |
| Revenue reported for second half year | 451,354 | 408,741 | 10 |
| Profit/(loss) after tax before deducting minority interests for the second half year | 27,842 | (33,933) | n.m. |

**16. A breakdown of the total annual dividend for the company's latest full year and its previous full year as follows:-**

| | Full Year 2009 $'000 | Full Year 2008 $'000 |
|---|---|---|
| Ordinary dividend | 9,019 | 9,019 |
| Preference dividend | - | - |
| Total | 9,019 | 9,019 |

**BY ORDER OF THE BOARD**

Ms Lee Woan Ling
Company Secretary
24/02/2010