QAF LIMITED

Poised for growth

Annual Report 1999

QAF Limited Poised for growth Annual Report 1999

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Chairman's Review

14%
Turnover

The economic situation in South East and East Asia during 1999 showed signs of recovery. The improvement in business conditions is very likely to continue in 2000.

The QAF Group had another year of very good results.

Turnover in 1999 increased by about 14% to $460 million while, even more commendably, net profit after tax increased by about 39% to $15 million over the previous year's.

Profit attributable to shareholders increased even more dramatically by 112% to $19.7 million.

I would like to take this opportunity to congratulate the management team in the Group. This new team, who took over the management of the Group in 1996, has been highly effective in guiding the Group through one of Asia's worst economic crisis during the period 1997 - 1999. Appropriate strategies were formulated and implemented to bring the QAF Group to a new threshold of market leadership and

39%
Net profit after tax

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profitability. I am confident that the QAF Group will continue to grow to new heights in the future.

The Directors are pleased to recommend a first and final dividend 1.6 cents less tax at 25.5% (1998: 1.6 cents less tax at 26%) for the financial year ended 31 December 1999.

However, I deeply regret to announce the passing away of one of our fellow Directors, Dr Ernest Lai. Dr Lai had contributed greatly to the Group with his valuable advice and support of the Board and management over the years. His intellect and warmness of heart will be keenly missed by all in the QAF Group.

We welcome Mr Kelvin Chia who has joined the Board. Mr Chia is a practising lawyer with a wealth of experience and abilities and I believe that he can greatly contribute to the Board.

May I also add, with sincerity, my thanks to all those who have remained loyal and supportive of the Group, especially all stockholders, customers, my fellow Directors, employees, principals, suppliers and business associates. They have also been instrumental in contributing to the success of the Group.

1.6 cents

Final dividend

Didi Dawis

Chairman

31 March 2000

Group Managing Director's Report

460 million
Group turnover

I am very pleased to announce that the QAF Group has achieved an admirable set of financial results for the year ended 31 December 1999. The Group turnover increased by about 14% to $460 million. Profit before tax increased by 24% to $20.1 million while the increase in profit after tax was even more substantial, by about 39%, to $15 million from $10.8 million in 1998.

After extraordinary items, profit attributable to shareholders increased by more than 112% to about $19.7 million.

While the Group saw good growth in 1998 both in terms of turnover and profits, the growth rates were even better in 1999. It should be noted that these achievements were made during a very difficult period, amidst one of the worst recessions experienced by Asia in recent times.

For the last 3 years, the new management team has implemented a systematic programme to streamline

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operations, enhance efficiency and control costs stringently. These efforts were instrumental in producing the Group's good results during a period of challenging economic conditions.

24%

Profit before tax

The Singapore Gardenia bakery continued to produce good results while its competitors were still struggling. This was due to the Company's superior research & development, production and marketing capabilities as well as its effective management. The recruitment of a new team of highly qualified technical and operating personnel enabled Gardenia to be more efficient, competitive and profitable.

A key competitive advantage of Gardenia Singapore lies in the fact that Gardenia's products are always freshly produced in Singapore and, as such, its superior quality is always assured.

This operation will continue to do well although the industry will still face keen competition.

Gardenia Bakeries (KL) Sdn Bhd, the Group's Malaysian bakery operations, made good progress in capturing a larger market share and improving upon its profitability. Demand is growing so rapidly for the Gardenia products that it is now at full capacity. The Company is evaluating several alternatives towards increasing its capacity including the possibility of constructing another plant. New product development will also be a key factor for the future growth of the Company.

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25%

Market share in Thailand

The performance of the international Gardenia operations were encouraging, particularly in the Philippines and Thailand. After slightly more than 2 years of operations, the growth in sales in the Philippines market was better than expected and Gardenia range of bakery products is now well established and distributed to all major supermarkets and other outlets throughout the Metro Manila area. The Gardenia brand has become the leading brand of bakery products and will increasingly dominate the market. The Thailand bakery maintained its position as the second most popular brand in Thailand with a 25% market share and major improvements were made to the operations in the last 2 years to make it more efficient.

Shop N Save, the Group's supermarket arm, achieved good growth in 1999. It currently operates 25 outlets and has secured sites for a further 2.

We hope to open a few more stores in 2000 and position Shop N Save as one of the leading supermarket chains in Singapore.

The joint venture with Delhaize Le Lion, a major supermarket chain in Europe, has benefited Shop N Save.

Results from the distribution companies, Ben Foods (S) Pte Ltd and Ben Trading (M) Sdn Bhd, as well as the cold store rental operations were generally

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good in the midst of improving business conditions. The Ben Food companies, in particular, were successful in generating their own in-house brands and have established themselves as leading distributors of quality food and beverage products to the major supermarkets and shop outlets in both Singapore and Malaysia.

Good financial planning and management have resulted in the generation of healthy operating cash flows. This is reflected in a strong Balance Sheet for the Group. Group borrowings have been reduced to an insignificant amount.

With the improvement in business sentiments, the QAF Group, with its strong Balance Sheet and advantageous market position, is now poised for even better growth in 2000 and beyond.

We will be aggressively seeking acquisition opportunities to add to our Company's growth. I believe that the momentum achieved to-date will carry us forward to new milestones.

Tan Kong King

Group Managing Director

31 March 2000

112%

Profit attributable to shareholders

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Group Structure

as of 31 March 2000

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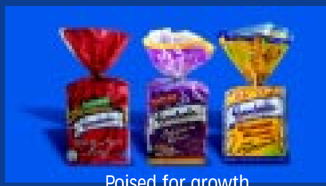
- **100%** Eurofood (Singapore) Pte Ltd
  - **100%** NCS Cold Stores (S) Pte Ltd
    - **51%** QAF Fruits Cold Store Pte Ltd
- **100%** Farmland Central Bakery (S) Pte Ltd
  - **100%** Maple Bakeries (S) Pte Ltd
- **100%** QAF Agencies (S) Pte Ltd
- **100%** OSA Marketing Associates Pte Ltd
- **100%** Singfood Investment Pte Ltd
- **100%** OSA Marketing Associates (M) Sdn Bhd
- **100%** Ben (Malaysia) Holdings Sdn Bhd
- **100%** Ben (Perak) Sdn Bhd
- **65%** Millif Industries Sdn Bhd
- **100%** Ben Foods (East Malaysia) Sdn Bhd
- **100%** Gardenia Hong Kong Ltd
- **100%** Precious Fortune Ltd
  - **10.4%** Luoyang Chundu Industry Ltd

Legend-Others

- British Virgin Island-based
- China-based
- Hong Kong-based
- India-based

N.B. The above Group structure is reflected as at 31 March 2000.
Acquisition / disposals after this date have not been included.



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Board of Directors

Standing (left to right): Mr Phua Bah Lee, Mr Derek Cheong Kheng Beng, Mdm Tarn Teh Chuen, Mr Kelvin Chia, Dr Siew Teck Woh.
Seated: Mr Didi Dawis (left) and Mr Tan Kong King

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Corporate Data

Directors	Mr Didi Dawis	*Chairman*
	Mr Tan Kong King	*Group Managing Director*
	Mr Phua Bah Lee	
	Dr Siew Teck Woh	
	Mdm Tarn Teh Chuen	
	Mr Derek Cheong Kheng Beng	
	Mr Kelvin Chia Hoo Khun	
Audit Committee	Mr Phua Bah Lee	*Chairman*
	Mr Kelvin Chia Hoo Khun	
	Mr Derek Cheong Kheng Beng	
Secretary	Ms Lee Woan Ling	
Registrar	Barbinder & Co Pte Ltd 8 Cross Street #11-00 PWC Building Singapore 048424 Tel: 236 3333 Fax: 236 3405	
Auditors	Ernst & Young 10 Collyer Quay #21-01 Ocean Building Singapore 049315 Audit Partner: Mr Daniel Soh	
Principal Banker	Citibank N.A.	
Registered and Corporate Office	150 South Bridge Road #09-04 Fook Hai Building Singapore 058727 Tel: 538 2866 Fax: 538 6866	
Place of Incorporation	Singapore	
Date of Incorporation	3 March 1958	
Company Registration No.	195800035-D	

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Operational Review

FOOD MANUFACTURING

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

1999 was a year which saw aggressive promotions and price discounting on the part of competitors. These include price reductions and regular bread giveaways especially for bread imported by competitors. However, the strong brand image and superior quality of the Gardenia products allowed the Company to withstand the intense competition and produce good sales and profits. A key competitive advantage is that the Company can produce quality home-baked bread that are freshly produced in Singapore and delivered on a daily basis to our customers as opposed to most of our competitors.

Gardenia Foods (S) maintained its track record of formulating and introducing new quality products which cater to the increasingly demanding tastes of our customers.

In response to market demand, the ever popular Fruit and Nut loaf was made available throughout the year, instead of only during the end of year festive period. The Gardenia Banana Walnut and Tropicana loaves were introduced in 1999 and became very popular. Two new ranges of Snack'em buns, Choc Delight and Garlic Cheeze buns, were also introduced.

To welcome the new millennium, Gardenia Foods (S) specially developed and launched an exciting and delicious fruity premium loaf, Gardenia Festive Loaf Special in October 1999. Baked by Gardenia's characteristic American Sponge and Dough method, this 500gm loaf is filled with wholesome and natural

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ingredients - sweet and juicy raspberries, succulent California raisins, crunchy almonds, tangy citrus peel and a hint of cinnamon to give the extra zing. The loaf is baked to perfection with a rounded top and golden-brown crust and is packed in a distinctive, gleaming gold packaging. The texture is deliciously soft and palatable to taste buds of Singaporeans of all ages.

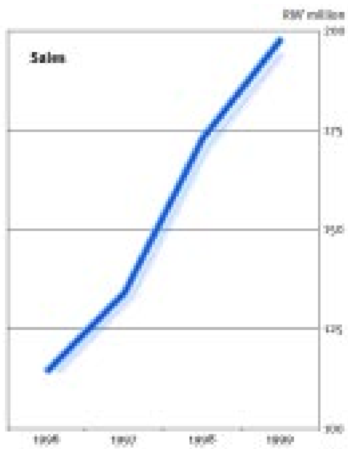
Gardenia Foods reached a new milestone in 1999 when it was accorded the Official Bread Sponsor status for Singapore's 34th National Day Celebration. At this momentous occasion which was promoted as the parade of the millennium, Gardenia Singapore produced 220,000 packs of fruity bread for the spectators and participants at the National Day parades. In addition, the Company gave these specially packaged fruity bread to the needy in some 30 charitable organisations in Singapore.

Gardenia products remain the only branded bread and bakery products in Singapore which are produced from an ISO9002 Quality Certified Factory with a Grade A status for excellence in food hygiene which is awarded by the Ministry of Environment.

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

It was another excellent year for the Malaysian Gardenia operations. GBKL's dominance of the Malaysian market for bakery products was further established during 1999. Gardenia is the leading national brand of bakery products for Malaysia.

The increase in turnover has been dramatic, increasing from RM60 million to about RM198 million within 5 years.

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The turnover of RM198 million in 1999 was a 14% increase over 1998's turnover of RM173 million.

All the 4 plants in GBKL (3 in the Klang Valley and 1 in Johor Bahru) have been operating at full capacities.

Gardenia products are distributed widely throughout West Malaysia with a total of 213 sales routes. There are a total of 14 pick-up points or hubs in various geographical and population centres where the Gardenia products are further distributed to the surrounding localities. GBKL uses more than 290 vehicles to distribute the Gardenia products to more than 12,500 distribution outlets in Peninsular Malaysia.

The well established and wide-ranging distribution network of GBKL not only forms a formidable barrier for potential competitors but is a distinct advantage which the Company can utilise to add on additional complementary products which can contribute to profitability without much additional costs.

Profitability has also been on a consistently upward trend especially in the last 2 years. This was achieved despite the severe economic downturn in Malaysia during the same period.

GBKL can produce up to 165 million bread loaves per annum and up to 131 million pieces of buns and snack cakes per annum. As production is now close to full capacity, the Company is evaluating the feasibility of constructing another new plant.


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New products and increased sales will drive the GBKL Group's profitability to even higher levels. A new product range, the TOAST'em range of premium fruit and grain based breads, was launched in 1999 and was well received by customers. The Group also gained inroads in the snack cakes market by launching a range of Nyonya Treats which come in 2 flavours - Krazy Kaya and Gula Melaka.

The growth of GBKL has reached a point where it may necessitate the reorganisation of the Company's structure to a more appropriate form so as to enhance the investment value of both GBKL and QAF.

Gardenia Foods (Thailand) Ltd ('Gardenia Thailand')

The Thai retail trade environment went through a noticeable structural change with the growth of hypermarket, supermarket and convenience store chains at the expense of the traditional provision shop outlets. Competition was keen with a proliferation of bakery products and heavy expenditure on advertisements.

Despite this, Gardenia Thailand maintained its position as the second largest national brand with a 25% share of the Thai market.

This was achieved by intensifying brand awareness programmes and increasing the efficiency of its sales and marketing. More mini-warehouses were added and existing sales routings revised so as to improve the coverage of the Gardenia products, especially, in the provinces outside Bangkok. Key account specialists were appointed


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to service large supermarket chains.

Five new products - 2 flavours of Pan Bread, Butter Rolls, Chili Paste Sliced Bread and a half loaf wheat sandwich bread were introduced in 1999 to cater to the different market segments. These products were well received.

Total sales grew by about 10% over 1998, due mainly to the high growth rates in the area of variety breads which have better margins. The Company also achieved higher production efficiencies and experienced lower raw material costs, both of which also contribute to higher margins.

Gardenia Thailand is set to improve upon its performance in the coming years.

Gardenia Bakeries (Philippines), Inc ('Gardenia Philippines')

The Company has made further inroads into the Philippines market by increasing its sales to supermarkets, petrol stations and mini-marts. Sales grew greatly across all the product ranges from White Bread to specialty bread such as Monggo, Butter Toast and Garlic Toast. A new product, High Fiber Wheat Bread was introduced in 1999 and its reception by consumers was very successful. Better management of the distribution process helped the Company achieved better margins.

Gardenia Philippines has recently completed its expansion programme and a new line has been installed which will begin to produce filled buns for its customers.

The high rates of growth will continue in 2000 and Gardenia is set to be the leading brand of bakery

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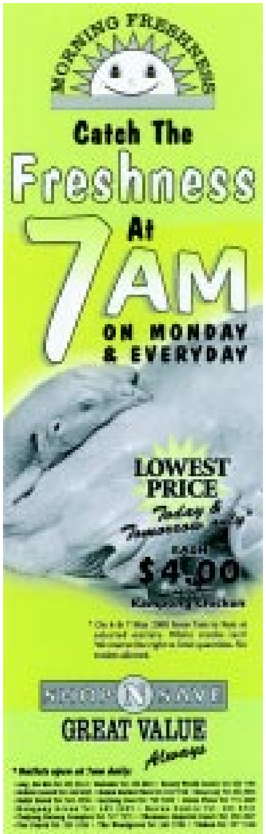
products in the Philippines, a country with a vast potential market.

TRADING, DISTRIBUTION, RETAILING AND COLD STORAGE



Shop N Save Pte Ltd ('Shop N Save')

51% owned Shop N Save's turnover and profitability increased creditably in 1999. The supermarket chain is rapidly establishing itself as one of the leading chains in Singapore. This was achieved despite keen competition in the industry which led in 1999 to a drastic shake-out among competitors.

The Company added 3 additional stores to its chain, bringing the number of its outlets to a total of 25. Several initiatives were introduced in 1999. A Shop N Save website was introduced in January 1999 providing information and advertisements on the internet. A new computerised software package was implemented to enhance operational efficiency and an image-enhancement programme was also introduced to enhance the chain's brand.

In order to provide greater convenience for its customers, Shop N Save has now 13 stores which open earlier at 7 am.

This initiative was well received by its customers. The Company also actively participated in our joint-venture shareholder Delhaize Le Lion's international STORE 2000 promotion campaign in September 1999. This campaign celebrated the Delhaize Group's achievement of having 2000 stores around the world. Throughout the year,

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executives from both Delhaize and Shop n Save have been working hard to improve upon the chain's strategy and operating efficiency.

Ben Foods (S) Pte Ltd ('Ben Foods') And Ben Trading (M) Sdn Bhd ('Ben Trading')

Both Ben Foods and Ben Trading are leading distributors of food and beverage products in Singapore and Malaysia, respectively.

Ben Foods performed well with healthy increases in both turnover and profits. Brand building remains the focus of the Company especially for the proprietary brands of 'Farmland' and "Cowhead'.

The Farmland product lines were expanded in 1999 with the introduction of wedge potatoes, onion rings as well as specialised products to suit local palates. New branded agency lines were added in 1999 especially in the area of chilled juices.

Exports saw steady growth and more Cowhead dairy products are now being distributed into several regional markets. The Company has also entered the retail frozen seafood business by acquiring the Haton brand of seafood products.

The Company is also one of the largest and more successful wine distributors in Singapore. It offers a wide range of high quality wines from Australia, France, Italy, Spain and Chile. Ben Foods is the exclusive distributor of the famous Penfolds wine from Australia. Wines from the Company are distributed

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to supermarkets, wine bars, speciality stores as well as directly to consumers. The 'Grapevine Wine Club' was formed in September 1999 and provides wine education and tasting sessions for consumers. This service is especially popular among young executives.

The wine market is expected to increase by about 10% per annum and the Company expects its market share to also increase. Sales of red wines such as Cabernet Sauvignon, Shiraz and Merlot remain robust, both in the domestic and regional markets. The product range was expanded when Ben Foods was appointed the sole distributor of Vina Abali wines from Spain.

The strategy of maintaining stringent cost and credit controls coupled with the rationalisation of its product ranges bore fruit for Ben Trading. The Company has emerged from the recession stronger and is now more competitive. Profitability has improved.

Ben Trading has also taken on the sole agencies of several leading brands of consumer products for Malaysia.

Ben Fortune Pastry Manufacturing (M) Sdn Bhd ('Ben Fortune')

Turnover grew by a commendable 20% in 1999 as a result of improved export sales and the launch of 2 products, Shanghai Baked Pau and the Oriental Donut.

Despite competition, Ben Fortune has managed to retain its market leader position for Mantous while its line of Pau has gained market share.

Changing lifestyles are resulting in increasing demand for convenience and frozen prepared foods and this augurs well for Ben Fortune's product lines. New product

and market development will be the key drivers of growth.

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

The Company was affected by the downturn in the frozen storage industry which started in 1998 and continued into the first half of 1999. Customers cut back on their frozen inventory and adopted a 'wait and see' attitude. Average rental rates also declined by 15 - 20% during the same period.

NCS used the opportunity afforded by the slowdown in the first half to invest and install new automated equipment so as to improve its long run efficiency and competitiveness.

An existing older crane was replaced by a newer and more efficient fully automated model.

Since the installation of the new crane, there has been much greater efficiency in the inloading and outloading of customers's stocks.

Demand for frozen storage space greatly improved in the second half of 1999.

NCS' frozen space was all taken up and rental prices are rising again. The results of NCS should improve in 2000.

Spices Of The Orient ('SOTO')

SOTO's turnover increased by about 80% and operating expenses were further trimmed.

As a result, performance improved. Growth for SOTO will be developed from the Company's own 'Spices Of The Orient' brands of spices and curry blends which are distributed widely to retail outlets.

Statement of Accounts

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Report of the Directors

The directors have pleasure in presenting their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 December 1999.

Principal activities

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, operation of supermarkets, cold storage warehousing, trading and distribution in food and beverages, herbs and spices and investment holding.

There have been no significant changes in the nature of these activities during the financial year.

Results for the financial year

	Group $'000	Company $'000
Profit before extraordinary items	15,016	4,648
Extraordinary items	4,677	(433)
Profit attributable to shareholders of the Company	19,693	4,215
Dividend, less tax	(3,910)	(3,910)
Profit for the year transferred to revenue reserves	15,783	305

In the opinion of the directors, the results of the operations of the Company and of the Group during the financial year have not been affected by any item, transaction or event of a material and unusual nature other than the extraordinary items disclosed in note 8 to the financial statements.

Material transfers to/(from) reserves and provisions

The following amounts have been credited to:-

	Group	Company
Capital reserve		
- share premium arising from issue of shares by a subsidiary company	3,250	–
Revenue reserve		
- transfer from revaluation reserve	49	–
Foreign currency translation reserve		
- exchange difference arising on consolidation	23	–

There have been no material transfers to or from reserves or provisions apart from the amounts shown above and except for normal amounts set aside for such items as depreciation of fixed assets, provision for doubtful debts, stock obsolescence and income tax as disclosed in the financial statements.

Dividends

During the financial year, the Company paid a first and final dividend of 4% (1.6 cents per stock unit) less tax amounting to $3,817,481 in respect of the previous financial year as proposed in the report of the directors of that year.

The directors now propose a first and final dividend of 4% less tax (1.6 cents per stock unit) amounting to $3,909,872 be paid in respect of the financial year ended 31 December 1999.

Share capital and debentures

(a) During the financial year, the issued share capital of the Company was increased to $130,403,750 by the issue of new ordinary shares of $0.40 each in the Company converted immediately into the following new stock units of $0.40 each by way of:-

	Number of stock units issued	Representing	
		Paid-up capital $'000	Share premium $'000
Exercise of Warrants 2003 to subscribe for new shares at the exercise price of $0.50 per share	8,000,000	3,200	800
Exercise of Executives' Share Option Scheme to subscribe for new shares at the exercise price of $0.59 per share	587,000	235	112

The new stock units rank pari passu in all respects with the existing stock units.

(b) During the financial year, the following shares were issued by a subsidiary company:-

Name of subsidiary	Description of shares issued	Purpose, consideration and terms
Shop N Save Pte Ltd	4,400,000 ordinary shares of $1.00 each	Issued for a total consideration of $10,773,400 for the 4,400,000 ordinary shares of $1 each pursuant to the Sales/Purchase and Shareholders Agreement between the Company, Delhaize "The Lion" Nederland B.V. and Shop N Save Pte Ltd

Acquisition and disposal of subsidiary companies

Disposal:

Name of company	Interest disposed of %	Net assets on date of disposal $'000	Consideration $'000
Shop N Save Pte Ltd	49	1,630	12,502

There was no acquisition of subsidiary company during the year.

Directors of the company

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

Didi Dawis	*(Chairman)*
Tan Kong King	*(Group Managing Director)*
Phua Bah Lee	
Dr Siew Teck Woh	
Mdm Tarn Teh Chuen	
Derek Cheong Kheng Beng	
Kelvin Chia Hoo Khun	*(appointed on 25.1.2000)*

The following directors who held office at the end of the financial year had, according to the register required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in the stock units of the Company, as stated below:-

Name of director	Direct interest At beginning of the year	Direct interest At end of the year	Deemed interest At beginning of the year	Deemed interest At end of the year
Number of stock units of $0.40 each				
Didi Dawis	–	–	45,820,712	45,820,712
(the late) Dr Ernest Lai	200,000	200,000	–	–
Phua Bah Lee	–	–	25,000	25,000
Dr Siew Teck Woh	20,000	20,000	–	–
Number of Executives' 1990 Share Options to subscribe for shares in the Company				
Tan Kong King	300,000	600,000	–	–
Dr Siew Teck Woh	–	230,000	–	–
Mdm Tarn Teh Chuen	–	230,000	–	–

There was no change in any of the abovementioned interests between the end of the financial year and 21 January 2000.

No director who held office at the end of the financial year had an interest in shares or debentures of the Company's subsidiary companies.

Since the end of the previous financial year, no director has received or has become entitled to receive benefits under contracts required to be disclosed by Section 201(8) of the Companies Act, Cap. 50 except those disclosed in note 4 to the financial statements.

Except for the Executives' 1990 Share Options as disclosed above, neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements, to which the Company is a party, whereby directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Share options and warrants to subscribe for ordinary shares

(a) Share Options under the QAF Executives' 1990 Share Option Scheme (the "Option Scheme")

(i) The Option Scheme was approved by the members of the Company at an Extraordinary General Meeting held on 2 February 1990. Particulars of the options granted in the previous years under the Option Scheme have been set out in the report of the directors for the respective years.

(ii) On 3 May 1999, options to subscribe for 910,000 ordinary shares of $0.40 each in the Company were granted pursuant to the Option Scheme to eligible employees at an exercise price of $0.780 per share.

(iii) On 4 September 1999, options to subscribe for 760,000 ordinary shares of $0.40 each in the Company were granted pursuant to the Option Scheme to executive directors at an exercise price of $0.892 per share.

(b) During the financial year 587,000 stock units of the Company were issued to option holders of the Executives' 1990 Share Option and 20,000 options were not exercisable due to resignation of employee before exercise date.

(c) During the financial year 8,000,000 stock units of the Company were issued to warrant-holder of the Warrants 2003, the details of which are described under the Caption "Share capital and debentures".

(d) Unissued ordinary shares under warrants and options at 31 December 1999 comprise:

	Ordinary shares of $0.40 each	Exercise price per $0.40 share	Exercise period
Warrants 2003	23,700,000	$0.500	22 December 1998 to 21 December 2003
Executives' 1990 Share Option	197,000	$0.590	13 May 1999 to 12 May 2003
Executives' 1990 Share Option	300,000	$0.400	28 August 1999 to 27 August 2003
Executives' 1990 Share Option	910,000	$0.780	3 May 2000 to 2 May 2004
Executives' 1990 Share Option	760,000	$0.892	4 September 2000 to 3 September 2004

The holders of the Warrants 2003 and Executives' Share Options have no right to participate by virtue of these options in any share issue of any other company in the Group.

Asset values

Before the profit and loss account and balance sheet of the Company were made out, the directors took reasonable steps to ascertain that:

(a) action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(b) any current assets which were unlikely to realise their book value in the ordinary course of business had been written down to their estimated realisable values or adequate provision had been made for the difference between those values.

At the date of this report, the directors are not aware of any circumstances which would render:

(a) any amount written off or provided for bad and doubtful debts in the Group inadequate to any substantial extent; and

(b) the values attributed to current assets in the consolidated financial statements misleading.

Charges and contingent liabilities

Since the end of the financial year no charge on the assets of the Company or any company in the Group has arisen which secures the liabilities of any other person.

Since the end of the financial year no contingent liability of the Company or any company in the Group has arisen.

No contingent or other liability of the Company or any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company and of the Group to meet their obligations as and when they fall due.

Other circumstances affecting the financial statements

At the date of this report the directors are not aware of any circumstances not otherwise dealt with in this report or the consolidated financial statements which would render any amount stated in the financial statements of the Company and the consolidated financial statements misleading.

Unusual items after the financial year

In the opinion of the directors other than the items disclosed in Note 34, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would affect substantially the results of the operations of the Company or of the Group for the financial year in which this report is made.

Audit committee

The audit committee comprises three members, all of whom are non-executive directors. The members of the audit committee at the date of this report are:

Phua Bah Lee *(Chairman)*
Kelvin Chia Hoo Khun
Derek Cheong Kheng Beng

Mr Phua Bah Lee and Kelvin Chia Hoo Khun are considered independent in accordance with the provisions of the Singapore Exchange Listing Manual.

The committee meets periodically with management, internal and external auditors of the Company to discuss and review:

(a) the audit plans of the internal and external auditors of the Company and the results of their examination and evaluation of the Company's systems of internal accounting controls;

(b) scope and results of internal audit procedures;

(c) the Company's financial and operating results and accounting policies;

(d) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board of directors and the auditor's report on those financial statements;

(e) the assistance given by management to the internal and external auditors;

(f) nomination of an external auditor; and

(g) interested person transactions of Chapter 9A of the Singapore Exchange Listing Manual.

The audit committee recommends the re-appointment of Ernst & Young as auditors of the Company.

Auditors

The auditors, Ernst & Young, Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board,

Didi Dawis
Director

Tan Kong King
Director

Singapore
31 March 2000

Report on Corporate Governance

The Company is committed to maintaining a high standard of corporate governance within the Group. Good corporate governance establishes and maintains a legal and ethical environment in the Group which strives to preserve the interests of all stockholders.

Board of Directors

The Board oversees the business affairs of the Group, approves the financial objectives and the strategies to be implemented by management and monitors standards of performance and issues of policy, both directly and through its committees.

The Board comprises 7 directors, 3 of whom hold executive positions:

Non-executive directors:

Didi Dawis	*(Chairman)*
Phua Bah Lee	
Kelvin Chia Hoo Khun	
Derek Cheong Kheng Beng	

Executive directors:

Tan Kong King	*(Group Managing Director)*
Siew Teck Woh	
Tarn Teh Chuen	

The Board holds meetings periodically each year to consider and resolve the major financial and business matters concerning the Group; it also reviews the Group's financial performance and evaluates the performance of the Group year to year.

In between Board meetings, important matters concerning the Group are put to the Board for its decision by way of circulating resolutions-in-writing for the directors' approval together with supporting memorandum (where relevant) enabling the directors to make informed decisions.

To enable the Board to carry out its functions more effectively, the following sub-committees were formed:

Audit Committee

The details of the members and functions of the audit committee are stated in the report of the directors.

The committee has full access to and co-operation by the Company's management and the internal auditors and has full discretion to invite any director or executive officer to attend its meetings. The Group Financial Controller attends meetings of the committee regularly. The external auditors have unrestricted access to the audit committee.

The audit committee may examine whatever aspects it deems appropriate of the Group's financial affairs, including but not limited to the Group's internal and external audits and its exposure to risks of a regulatory or legal nature and the effectiveness of the Group's system of accounting and internal financial controls. The audit committee has reasonable resources to enable it to discharge its functions properly.

Executives' Share Option 1990 Scheme Committee

There were three members in the Executives' Share Option 1990 Scheme Committee until the demise of Dr Ernest Lai, which left the Committee with two members, both are independent of management:

Didi Dawis
Phua Bah Lee

The committee resolves and approves the allocations of share options and is responsible for the administration of the said Option Scheme in the Company. Members of the committee do not participate in the said Option Scheme.

The said Option Scheme had expired on 31 December 1999.

Securities Transactions

The Company has issued an Internal Compliance Code to directors and key employees of the Group, to emphasise the importance when dealing in the shares of the Company, of observing the recommendations of the Best Practice Guide issued by the Singapore Exchange. In addition, a memorandum is issued before the start of each "closed period" to remind executives to refrain from dealing in the Company's shares during the month prior to release of the announcement of the Group's financial results.

Policy of Dissemination of Public Information

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Accordingly, the Company adopts a policy of giving full disclosure in all public announcements, press releases, circulars to shareholders, interim reports and annual reports.

On Behalf of the Directors

Didi Dawis
Director

Tan Kong King
Director

Singapore
31 March 2000

Statement by Directors

Pursuant to Section 201(15)

We, Didi Dawis and Tan Kong King, being two of the directors of QAF Limited, do hereby state that, in the opinion of the directors:

(i) the balance sheets, profit and loss accounts and consolidated statement of cash flows together with the notes thereto, set out on pages 32 to 61 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1999, the results of the Company and the Group and the 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.

On behalf of the Board,

Didi Dawis
Director

Tan Kong King
Director

Singapore
31 March 2000

Auditors' Report
to the Members of QAF Limited

We have audited the financial statements of QAF Limited set out on pages 36 to 61. These financial statements comprise the balance sheets of the Company and the Group as at 31 December 1999, and the profit and loss accounts of the Company and the Group and the statement of cash flows of the Group for the year then ended. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

(a) the financial statements and consolidated financial statements are properly drawn up in accordance with the provisions of the Companies Act and Statements of Accounting Standard and so as to give a true and fair view of:

  (i) the state of affairs of the Company and of the Group as at 31 December 1999, the results of the Company and of the Group and the cash flows of the Group for the year then ended; and

  (ii) the other matters required by Section 201 of the Act to be dealt with in the financial statements and consolidated financial statements;

(b) the accounting and other records, and the registers required by the Act to be kept by the Company and by those subsidiary companies incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

We have considered the financial statements and auditors' reports of all subsidiary companies of which we have not acted as auditors, being financial statements included in the consolidated financial statements. The names of those subsidiary companies audited by member firms of Ernst & Young International are stated in Note 31.

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations as required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification and in respect of subsidiary companies incorporated in Singapore did not include any comment made under Section 207(3) of the Act.

ERNST & YOUNG
Certified Public Accountants

Singapore
31 March 2000

Profit and Loss Accounts

for the year ended 31 December 1999

	Note	Group 1999 $'000	Group 1998 $'000	Company 1999 $'000	Company 1998 $'000
Turnover	3	460,012	404,040	7,068	6,795
Operating profit	4	20,779	17,138	2,386	1,514
Interest and investment income	5	1,014	1,207	5,737	35,804
Interest expense	6	(1,650)	(2,137)	(1,310)	(1,480)
		(636)	(930)	4,427	34,324
Profit before taxation		20,143	16,208	6,813	35,838
Taxation	7	(3,904)	(5,228)	(2,165)	(9,580)
Profit after taxation		16,239	10,980	4,648	26,258
Minority interests		(1,223)	(182)	–	–
Profit before extraordinary items		15,016	10,798	4,648	26,258
Extraordinary items	8	4,677	(1,529)	(433)	(1,529)
Profit attributable to the shareholders of the company		19,693	9,269	4,215	24,729
Dividends	9	(3,910)	(3,817)	(3,910)	(3,817)
Profit for the year transferred to revenue reserves	25	15,783	5,452	305	20,912
Earnings per ordinary share of $0.40:	10				
(i) for profit before extraordinary items					
– Basic		4.6 cents	3.4 cents		
– Diluted		4.5 cents	3.4 cents		
(ii) for profit after extraordinary items					
– Basic		6.1 cents	2.9 cents		
– Diluted		5.9 cents	2.9 cents		

The accompanying notes form an integral part of the financial statements.

Balance Sheets

as at 31 December 1999

	Note	Group 1999 $'000	Group 1998 $'000	Company 1999 $'000	Company 1998 $'000
Fixed assets	11	146,387	151,877	321	175
Subsidiary companies	12	–	–	119,581	108,064
Associated companies	13	4,537	4,578	–	–
Investments	14	17,707	28,706	998	123
Intangibles and other assets	15	2,103	2,461	1,609	1,755
Current assets					
Inventories	16	37,704	35,777	–	–
Trade debtors	17	28,992	32,467	–	–
Other debtors	18	5,884	7,935	3,519	13,318
Tax recoverable		318	873	191	653
Fixed deposits with financial institutions	19	15,824	10,966	10,377	7,702
Cash and bank balances		10,710	6,561	205	149
		99,432	94,579	14,292	21,822
Deduct: Current liabilities					
Trade creditors		45,923	43,885	2	9
Other creditors	20	13,977	12,394	740	616
Due to bankers	21	22,306	1,100	–	–
Long-term loans - current portion	22	217	9,186	–	–
Taxation		3,121	8,495	–	–
Proposed dividend		3,910	3,817	3,910	3,817
		89,454	78,877	4,652	4,442
Net current assets		9,978	15,702	9,640	17,380
Non-current liabilities					
Long term loans	22	–	56,060	–	–
Deferred taxation	23	6,129	6,319	–	–
		(6,129)	(62,379)	–	–
		174,583	140,945	132,149	127,497
Capital and reserves					
Share capital	24	130,404	126,969	130,404	126,969
Reserves	25	31,420	9,829	1,745	528
		161,824	136,798	132,149	127,497
Minority interests		12,759	4,147	–	–
		174,583	140,945	132,149	127,497

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 1999

	1999 $'000	1998 $'000
Cash flows from operating activities:		
Net profit before taxation and extraordinary item	20,143	16,208
Adjustments for:		
Depreciation	17,541	15,998
Amortisation of intangibles	356	594
Write off of intangibles	4	16
Loss/(profit) from sale of fixed assets, net	72	(34)
Exchange difference	43	506
Interest expense	1,650	2,137
Interest and investment income	(1,014)	(1,207)
Discount on redemption of loan stock	–	8
(Gain)/Loss on sale of investments	(7)	56
Gain on disposal of subsidiary	–	(19)
Operating profit before working capital changes	38,788	34,263
Increase in inventories	(1,927)	(2,430)
Decrease/(increase) in debtors	5,146	(2,708)
Increase in creditors	3,019	5,073
Cash generated from operations	45,026	34,198
Interest income	1,010	1,184
Interest expense	(1,650)	(2,137)
Income taxes paid, net	(8,919)	(2,087)
Net cash provided by operating activities	35,467	31,158
Cash flows from investing activities:		
Proceeds from sale of fixed assets	889	484
Dividend received from quoted investment	4	23
Decrease/(increase) in advances to associated companies	41	(331)
Proceeds arising from partial divestment of a subsidiary company, net	12,474	–
Proceeds arising from sale of an investment, net	6,966	–
Purchases of fixed assets	(13,106)	(15,509)
Additions to intangibles	(7)	(152)
Net effect of acquisition/disposal of subsidiaries	–	45
Additions to investments, net	(1,097)	–
Net cash used in investing activities	6,164	(15,440)

	1999 $'000	1998 $'000
Cash flows from financing activities:		
(Repayment)/proceeds of long-term loans, net	(42,909)	56,029
Dividends paid	(3,817)	(3,758)
Proceeds from issuance of share capital by a subsidiary company	10,773	–
Proceeds from issuance of share capital	4,347	64
Dividends paid to minority shareholders	(104)	–
Redemption of loan stocks	–	(62,482)
Net cash used in financing activities	(31,710)	(10,147)
Net increase in cash and cash equivalents	9,921	5,571
Cash and cash equivalents at beginning of year (Note 26)	16,427	10,856
Cash and cash equivalents at end of year (Note 26)	26,348	16,427

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

31 December 1999

1. Significant accounting policies

(a) Basis of accounting

The financial statements of the Company and of the Group have been prepared under the historical cost convention, modified by revaluation of certain fixed assets.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The results of subsidiaries acquired or disposed of during the period are included in or excluded from the consolidated profit and loss account from the date of their acquisition or disposal. Intercompany balances and transactions and resulting unrealised profits are eliminated in full on consolidation.

(c) Foreign currencies

Transactions arising in foreign currencies during the year are converted at rates closely approximating those ruling on the transaction dates. Foreign currency monetary assets and liabilities are translated into local currency at exchange rates ruling at the balance sheet date. All exchange differences arising from conversion are included in the profit and loss account.

For inclusion in the consolidated financial statements, all assets and liabilities of foreign subsidiary companies and associated companies are translated into Singapore dollars at the exchange rates ruling at the balance sheet date and the results of foreign subsidiary companies and associated companies are translated into Singapore dollars at the average exchange rates. Exchange differences due to such currency translations are included in foreign currency translation reserve.

(d) Associated companies

The Group treats as associated companies those companies in which a long term equity interest of between 20 and 50 percent is held and over whose financial and operating policy decisions it has significant influence.

Associated companies are accounted for under the equity method whereby the Group's share of profits less losses of associated companies is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves of the associated companies is included in the investments in the consolidated balance sheet. These amounts are taken from the latest audited financial statements of the companies concerned, made up to the end of the financial period of the Group. Where the accounting policies of associated companies do not conform with those of the Group, adjustments are made on consolidation where the amounts involved are considered significant to the Group.

(e) Goodwill

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets of subsidiary companies and associated companies when acquired. Goodwill is written off against reserves at the point of its acquisition.

(f) Fixed assets

Fixed assets are stated at cost or valuation less accumulated depreciation. 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 charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

(g) Depreciation

No depreciation is provided on freehold land 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 fixed assets, including those held under finance leases, on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

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

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

(h) Investments

Long term investments, including investments in subsidiaries and associated companies in the financial statements of the Company, are stated at cost and provision is made for any diminution in value, which is other than temporary, determined on an individual basis.

Dividend income is recorded gross in the profit and loss accounts in the accounting period in which a dividend is declared payable by the investee company or in the case of subsidiary companies, in respect of which it is proposed. Interest income is accrued on a day to day basis. Profits or losses on disposal of investments are taken to the profit and loss account.

(i) Inventories

Inventories 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 subsidiary companies, 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. Provision is made where necessary for obsolete, slow-moving and defective inventories.

1. Significant accounting policies (cont'd)

(j) Revenue recognition

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

Dividend income is recorded gross in the profit and loss accounts in the accounting period in which a dividend is declared payable by the investee company or in the case of subsidiary companies, in respect of which it is proposed. Interest income is accrued on a day to day basis. Profits or losses on disposal of investments are taken to the profit and loss account.

(k) Taxation

Tax expense is determined on the basis of tax effect accounting using the liability method. Deferred taxation is provided on significant timing differences arising from the different treatments in accounting and taxation of relevant items except where it can be demonstrated with reasonable probability that the tax deferral will continue for the foreseeable future. In accounting for timing differences, deferred tax benefits are not accounted for unless there is reasonable expectation of their realisation.

(l) Intangibles

Intangibles are stated at cost less amounts amortised to the profit and loss accounts.

(i) Pre-operating expenses are written off in equal amounts over a period of 5 years.

(ii) Trademarks are amortised in equal amounts over a period of 20 years.

2. General

The financial statements of the Company and the consolidated financial statements of the Group are expressed in Singapore dollars.

The principal activities of the Company, incorporated in Singapore, 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, operation of supermarkets, cold storage warehousing, trading and distribution in food and beverages, herbs and spices and investment holding.

Details of the subsidiary and associated companies are set out in notes 12, 13 and 31 to the financial statements.

3. Turnover

Turnover, which in the Group's profit and loss account represents the invoiced value of goods and services supplied, less goods and services tax and excludes management fees, royalties and sales between Group companies. Turnover for the Company represents management fee and royalty income.

4. Operating profit

	Group		Company	
	1999 $'000	1998 $'000	1999 $'000	1998 $'000
Operating profit is stated after charging/(crediting):				
Amortisation of intangibles	356	594	153	357
Auditors' remuneration:				
Auditors of the Company				
– current year	207	237	54	61
– (over)/under provision in previous year	(18)	(3)	(7)	6
Other auditors				
– current year	97	91	–	–
– under/(over)provision in previous year	12	(4)	–	–
Bad trade debts written off	43	341	–	–
Depreciation of fixed assets	17,541	15,998	43	82
Foreign exchange (gain)/loss:				
– unrealised	1,171	331	(8)	(33)
– realised	(976)	(1,039)	(96)	(94)
Gain on disposal of subsidiary	–	(19)	–	–
Loss/(gain) on disposal of fixed assets	72	(34)	1	(38)
(Gain)/loss on disposal of investments	(7)	56	–	-
Management fees received from an investee company	(33)	(155)	(33)	(155)
Management fees received from subsidiary companies	–	–	(1,050)	(995)
Provision for doubtful debts	1,648	896	–	–
Remuneration of the directors of the Company	1,184	1,412	1,184	1,412
Write off of intangibles	4	16	–	–
Discount on redemption of loan stock	–	(8)	–	(8)
Fees payable for non-audit services rendered by the auditors of the Company	10	6	10	5

4. **Operating profit** (cont'd)

Directors' remuneration of the Company pursuant to the Singapore Exchange Listing rules is as follows:

Number of directors in remuneration bands

	1999	1998
$500,000 and above	1	1
$250,000 to $499,999	1	1
Below $250,000	5	5
Total	7	7
Executive directors	3	3
Non-executive directors	4	4
Total	7	7

5. **Interest and investment income**

	Group		Company	
	1999 $'000	1998 $'000	1999 $'000	1998 $'000
Interest income from:				
Fixed deposits with financial institutions	487	749	325	166
Advances to subsidiary companies	–	–	1,495	3,026
Advances to associates	471	403	–	–
Others	52	32	–	–
	1,010	1,184	1,820	3,192
Gross dividends from:				
Quoted equity investments	4	23	–	–
Unquoted equity investments in subsidiary companies	–	–	3,917	32,612
	4	23	3,917	32,612
	1,014	1,207	5,737	35,804

6. Interest expense

	Group		Company	
	1999 $'000	1998 $'000	1999 $'000	1998 $'000
Interest expenses on:				
Fixed term loans	1,538	903	–	–
Bank overdrafts	26	142	–	–
Others	86	7	–	–
Advances from subsidiary companies	–	–	1,310	395
2% loan stock due 1998	–	1,085	–	1,085
	1,650	2,137	1,310	1,480

7. Taxation

	Group		Company	
	1999 $'000	1998 $'000	1999 $'000	1998 $'000
Provision for taxation in respect of profit for the year:				
– Current Singapore tax	3,956	3,618	657	6,939
– Deferred taxation	(196)	480	–	–
	3,760	4,098	657	6,939
Overseas taxation	21	1,813	1,508	2,641
	3,781	5,911	2,165	9,580
Under/(over) provision in respect of prior years:				
– Singapore	35	(67)	–	–
– Overseas	88	(616)	–	–
	3,904	5,228	2,165	9,580

The tax charge for the Group differs from the amount determined by applying the Singapore tax rate of 26% (1998: 26%) primarily due to tax on chargeable income earned in 1999 has been waived by legislation in the country of operation of certain overseas subsidiary companies.

At 31 December 1999, the Group has unutilised tax losses and capital allowances of approximately $12,654,000 (1998: $12,543,000) and $4,596,000 (1998: $3,093,000) respectively which can, subject to the provisions of relevant local tax legislations and subject to the agreement with the relevant tax authorities, be carried forward and utilised to set off against future taxable profits.

The retained profits of overseas subsidiary companies, before adjusting for tax credits available for offset, amounting to $34,956,000 (1998: $22,528,000) would be subject to further Singapore taxation if they are remitted to Singapore as dividends.

The tax charge for the Company is higher than the amount determined by applying the Singapore tax rate of 26% to profit before taxation primarily due to certain expenses that are not deductible for tax purposes.

8. Extraordinary items

	Group 1999 $'000	Group 1998 $'000	Company 1999 $'000	Company 1998 $'000
Gain on partial divestment of a subsidiary company	10,872	–	7,373	–
Provision for amounts due from a subsidiary company	–	–	(6,925)	–
Provision for diminution in value of subsidiary company	–	–	(378)	–
Provision for diminution in value of long term investments	(5,213)	–	(123)	
Provision for costs (net) on potential closure of a subsidiary company and other related costs	(982)	–	(380)	–
Write off of expenses relating to a proposed acquisition	–	(1,529)	–	(1,529)
	4,677	(1,529)	(433)	(1,529)

9. Dividends

	Group and Company 1999 $'000	Group and Company 1998 $'000
Proposed final dividend of 1.6 cents (1998: 1.6 cents) per stock unit less tax at 25.5% (1998: 26%)	3,910	3,817

10. Earnings per ordinary share

The calculation of earnings per ordinary share of $0.40 each is based on the following figures:

	1999 $'000	1998 $'000
Group earnings used for the calculation of EPS:		
Profit before extraordinary items attributable to shareholders	15,016	10,798
Profit after extraordinary items attributable to shareholders	19,693	9,269

	'000	'000
Number of shares used for the calculation of:		
(i) *Basic EPS*		
Weighted average number of ordinary shares in issue	323,533	317,370
(ii) *Diluted EPS*		
Weighted average number of ordinary shares in issue	323,533	317,370
Warrants 2003	9,423	604
Share options	230	32
Adjusted weighted average number of ordinary shares	333,186	318,006

Basic earnings per share is calculated on the Group profit attributable to shareholders before extraordinary items and Group profit attributable to shareholders after extraordinary items divided by the weighted average number of shares in issue during the year.

Diluted earnings per share is calculated on the same basis as Basic earnings per share except that the weighted average number of ordinary shares outstanding during the year have been adjusted for the effects of all dilutive potential ordinary shares.

11. Fixed assets

	Freehold land $'000	Leasehold land and buildings $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Group							
Cost/valuation:							
At 1.1.1999	3,802	91,142	16,476	77,478	22,971	18,967	230,836
Currency realignment	17	86	(126)	(117)	(29)	(38)	(207)
Additions	–	43	1,981	7,293	4,059	2,121	15,497
Disposals	–	–	(221)	(2,548)	(2,667)	(1,276)	(6,712)
Reclassification	–	(2,755)	2,755	–	–	–	–
At 31.12.1999	3,819	88,516	20,865	82,106	24,334	19,774	239,414
Accumulated depreciation:							
At 1.1.1999	–	15,822	4,820	37,414	10,777	12,978	81,811
Currency realignment	–	(4)	(12)	(55)	(12)	(30)	(113)
Charge for the year	–	2,294	1,828	7,954	3,265	2,200	17,541
Disposals	–	–	(213)	(2,074)	(2,212)	(1,252)	(5,751)
Reclassification	–	(1,228)	1,228	–	–	–	–
At 31.12.1999	–	16,884	7,651	43,239	11,818	13,896	93,488
Charge for 1998	–	2,233	1,473	7,312	2,735	2,245	15,998
Net book value:							
At 31.12.1999	3,819	71,632	13,214	38,867	12,516	5,878	145,926
Construction in progress							461
							146,387
At 31.12.1998	3,802	75,320	11,656	40,064	12,194	5,989	149,025
Construction in progress							2,852
							151,877

11. **Fixed assets** (cont'd)

Analysis of cost and valuation

	Cost $'000	Assets at valuation $'000	Total $'000
Freehold land	3,819	–	3,819
Leasehold land and buildings	75,974	12,542	88,516
Leasehold improvements	20,865	–	20,865
Plant and machinery	82,106	–	82,106
Furniture, fittings and office equipment	24,334	–	24,334
Motor vehicles	19,774	–	19,774
	226,872	12,542	239,414

	Leasehold improvements $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost:				
At 1.1.1999	163	570	183	916
Additions	36	147	8	191
Disposals	(163)	–	(85)	(248)
At 31.12.1999	36	717	106	859
Accumulated depreciation:				
At 1.1.1999	163	396	182	741
Charge for the year	–	42	1	43
Disposals	(163)	–	(83)	(246)
At 31.12.1999	–	438	100	538
Charge for 1998	7	56	19	82
Net book value				
At 31.12.1999	36	279	6	321
At 31.12.1998	–	174	1	175

(a) Leasehold land and buildings owned by an overseas subsidiary company was required to be revalued by the authorities. The valuation was made by the directors based on professional appraisals by Colliers Jordan Lee and Jaafar Sdn Bhd, a Chartered Valuation Surveyor, in May 1998. The valuation was made on the basis of open market value on an existing use basis.

(b) The net book value of leasehold land and buildings had it been carried at cost is $67,620,000 (1998: $71,259,000).

(c) The Group's major properties as at 31 December 1999 are set out in note 32.

12. Subsidiary companies

	Company 1999 $'000	Company 1998 $'000
Unquoted equity shares, at cost	59,154	64,260
Less: Provision for diminution in value	(10,061)	(9,683)
	49,093	54,577
Advances to subsidiary companies	85,449	126,083
Less: Provision for possible non-recoverability	(14,876)	(7,951)
	70,573	118,132
	119,666	172,709
Non-trade amounts owing to subsidiary companies	(85)	(4,645)
Loan from a subsidiary company	–	(60,000)
	119,581	108,064

Movement in the provision for diminution in value are as follows:

	1999 $'000	1998 $'000
Balance at beginning of year	9,683	9,683
Provision during the year	378	–
Balance at end of year	10,061	9,683

Movements in the provisions for possible non-recoverability are as follows:

	1999 $'000	1998 $'000
Balance at beginning of year	7,951	7,951
Provision during the year	6,925	–
Balance at end of year	14,876	7,951

The amounts owing by/to subsidiary companies are unsecured and interest free other than as detailed below. There are no fixed terms of repayment and no repayments are expected within the next 12 months.

Interest approximating to the cost of funds at the rate of 7% (1998: 6%) per annum is receivable on advances to subsidiary companies amounting to $18,054,393 (1998: $49,098,479).

Details of subsidiary companies are set out in note 31.

Poised for growth

13. Associated companies

	Group 1999 $'000	Group 1998 $'000
Share of net tangible assets of associated companies:		
Net tangible assets at date of acquisition	688	688
Group's share of post-acquisition accumulated losses	(63)	(63)
Currency realignment	20	20
	645	645
Advances to associated companies, net	3,892	3,933
	4,537	4,578

The Group's investments in associated companies represent unquoted equity shares in associated companies held by subsidiary companies.

The advances to associated companies are unsecured, with no fixed terms of repayment and are not expected to be repaid within the next twelve months. Interest approximating to the cost of funds at the values of between 6% to 11.5% (1998: 6% to 11.5%) per annum is receivable on advances amounting to $3,758,754 (1998: $4,337,177) due from associated companies.

Details of associated companies are set out in note 31.

14. Investments

	Group 1999 $'000	Group 1998 $'000	Company 1999 $'000	Company 1998 $'000
Quoted equity shares in corporations at cost	6,363	6,257	–	–
Quoted bond at cost	998	–	998	–
Unquoted equity shares in corporations				
At cost	15,364	22,330	–	–
Less: Provision	(5,000)	–	–	–
	10,364	22,330	–	–
Other investments				
At cost	303	303	123	123
Less: Provision	(303)	(90)	(123)	–
	–	213	–	123
Currency realignment	(18)	(94)	–	–
	17,707	28,706	998	123
Market value as at end of year:				
Quoted equity shares in corporations	5,189	2,353	–	–
Quoted bonds in corporations	985	–	985	–
	6,174	2,353	985	–
Market value as at latest practicable date				
Quoted equity shares in corporations	5,395	2,097	–	–
Quoted bonds	990	–	990	–

	Group 1999 $'000	Group 1998 $'000	Company 1999 $'000	Company 1998 $'000
Movements in provision for diminution in value of unquoted equity shares in corporations are as follows:				
Balance at beginning of year	–	–	–	–
Provision made during the year	5,000	–	–	–
Balance at end of year	5,000	–	–	–
Movements in provision for diminution in value of other investments are as follows:				
Balance at beginning of year	90	90	–	–
Provision made during the year	213	–	123	–
Balance at end of year	303	–	123	–

No provision for diminution in value has been provided for the quoted equity shares in corporations and quoted bonds as the directors are of the opinion that the shortfall in market value is not permanent.

Included in unquoted equity shares in corporations is an investment in Luoyang Chundu Industry Company Ltd ("LCIC").

On 28 October 1998, a subsidiary company entered into a Sale and Purchase Agreement ("SPA") together with co-investors to dispose of its investment of approximately $11,800,000 in the unquoted equity shares of LCIC. Pursuant to the SPA, the net proceeds on sale of approximately $12,900,000 is receivable in three instalments, with the last instalment receivable no later than June 2000. The transfer of the shares held by the subsidiary company is conditional upon the receipt of the final instalment of the proceeds on sale. In the event that the purchaser cannot fulfil the conditions under the SPA, the purchaser will transfer its shareholding in LCIC to the subsidiary company and its co-investors respectively, as liquidated damages. The sale and profit of approximately $1,100,000 arising from the disposal will be recognised upon completion of the conditions in the SPA.

Proceeds, net of expenses, amounting to $6,966,000 had been received during the year and these have been set-off against the cost of investment of LCIC.

Other investments comprise transferable memberships in country clubs.

15. Intangibles and other assets

	Pre-operating expenses $'000	Trademarks $'000	Total $'000
Group			
Balance at beginning of year	706	1,755	2,461
Currency realignment	(5)	–	(5)
Additions	–	7	7
Amount amortised	(203)	(153)	(356)
Write off	(4)	–	(4)
Balance at end of year	494	1,609	2,103

15. Intangibles and other assets (cont'd)

	Trademarks $'000
Company	
Balance at beginning of year	1,755
Additions	7
Amount amortised	(153)
Balance at end of year	1,609

16. Inventories

	Group	
	1999 $'000	1998 $'000
Raw materials	3,528	2,872
Finished goods	31,928	30,391
Spare parts	2,241	2,464
Work-in-progress	7	50
	37,704	35,777
Cost of inventories is determined by the following methods:		
First-in-first-out	26,519	24,195
Weighted average	11,185	11,582
	37,704	35,777

17. Trade debtors

	Group	
	1999 $'000	1998 $'000
Trade debtors are stated after making provision for doubtful trade debts of	3,378	2,740
Movements in provision for doubtful trade debts are as follows:		
Balance at beginning of year	2,740	2,430
Currency realignment	(27)	62
Provision made during the year	1,648	896
Bad trade debts written off against provision	(983)	(648)
Balance at end of year	3,378	2,740

18. Other debtors

	Group 1999 $'000	Group 1998 $'000	Company 1999 $'000	Company 1998 $'000
Prepayments	1,167	1,211	16	–
Sundry deposits	2,532	2,647	6	6
Sundry debtors	2,185	4,195	51	174
Royalties receivable	–	–	537	595
Due from subsidiary companies	–	–	1,544	5,259
Dividends receivable from subsidiary companies	–	–	1,365	7,284
	5,884	8,053	3,519	13,318
Less: Provision for doubtful debts	–	(118)	–	–
	5,884	7,935	3,519	13,318
Movements in provision for doubtful debts are as follows:				
Balance at beginning of year	118	276	–	–
Currency realignment	2	(52)	–	–
Bad debts written off against provisions	(120)	(106)	–	–
Balance at end of year	–	118	–	–

The amounts due from subsidiary companies are unsecured, interest free and have no fixed terms of repayment.

19. Fixed deposits with financial institutions

Fixed deposits of the Group amounting to $214,000 (1998: $1,776,372) were pledged to the banks to secure certain credit facilities.

20. Other creditors

	Group 1999 $'000	Group 1998 $'000	Company 1999 $'000	Company 1998 $'000
Accrued liabilities	8,548	8,351	740	616
Sundry creditors	5,429	4,043	–	–
	13,977	12,394	740	616

21. Due to bankers

	Group		Company	
	1999 $'000	1998 $'000	1999 $'000	1998 $'000
Bank overdrafts:				
– secured	122	865	–	–
– unsecured	64	235	–	–
Short term bank borrowing, secured	22,120	–	–	–
	22,306	1,100	–	–

The short-term bank borrowing is secured by corporate guarantee from QAF Ltd and the other corporate shareholder of the borrowing subsidiary company in proportion to their shareholding in the borrowing subsidiary company.

22. Long term loans, secured

	Group		Company	
	1999 $'000	1998 $'000	1999 $'000	1998 $'000
Loans:				
I	217	1,517	–	–
II	–	3,729	–	–
III	–	60,000	–	–
	217	65,246	–	–
Less: Long term loans - current portion	(217)	(9,186)	–	–
	–	56,060	–	–

Loan I

This loan is repayable by 60 equal monthly instalments of $108,333 each commencing March 1995 and is secured by a first and legal mortgage over the cold store building and first ranking charge over all the equipment and machinery of the subsidiary. The loan bears interest at 0.75% per annum above the bank's cost of funds.

Loan II and Loan III

These loans were repaid during the financial year.

23. Deferred taxation

	Group 1999 $'000	Group 1998 $'000
Balance at beginning of year	6,319	5,820
(Reversal)/provision for the year	(196)	480
Currency realignment	6	19
Balance at end of year	6,129	6,319
On excess of capital allowances over depreciation	5,362	6,485
On other timing differences	767	(166)
	6,129	6,319

Royalty income receivable from a foreign subsidiary company not remitted to Singapore, for which no deferred taxation is provided, and included in retained profits amounted to $537,000 (1998: $3,205,000). Should this royalty income be remitted to Singapore, it will be subject to income tax at the Singapore income tax rate of 26%, less the Malaysian withholding tax already rendered. It is the Company's intention that this income be reinvested outside Singapore.

24. Share capital

	Group and Company 1999 $'000	Group and Company 1998 $'000
Authorised:		
Ordinary shares of $0.40 each		
Balance at beginning of year	400,000	200,000
Increase during the year		
Nil (1998: 500,000,000) ordinary shares of $0.40 each	–	200,000
Balance at end of year		
1,000,000,000 (1998: 1,000,000,000) ordinary shares of $0.40 each	400,000	400,000
Issued and fully paid:		
stock units of $0.40 each		
Balance at beginning of year	126,969	126,943
Issued during the year		
8,587,000 (1998: 63,666) stock units of $0.40 each	3,435	6
Balance at end of year:		
326,009,373 (1998: 317,422,373) stock units of $0.40 each	130,404	126,969

24. Share capital (cont'd)

(a) During the financial year, the issued and paid up share capital was increased to $130,403,750 by the issue of new ordinary shares of $0.40 each converted immediately into the following new stock units of $0.40 each by way of:-

	Number of stock units issued	Representing Paid-up capital $'000	Representing Share premium $'000
Exercise of Warrants 2003 to subscribe for ordinary shares at the fixed subscription price of $0.50 per share	8,000,000	3,200	800
Exercise of Executives' Share Option 1990 Scheme to subscribe for ordinary shares at the fixed subscription price of $0.59 per share	587,000	235	112

(b) Unissued shares under options at 31 December 1999 comprise:

	Ordinary shares of $0.40 each	Exercise price per share	Exercise period
Warrants 2003	23,700,000	$0.500	22 December 1998 to 21 December 2003
Executives' 1990 Share Option	197,000	$0.590	13 May 1999 to 12 May 2003
Executives' 1990 Share Option	300,000	$0.400	28 August 1999 to 27 August 2003
Executives' 1990 Share Option	910,000	$0.780	3 May 2000 to 2 May 2004
Executives' 1990 Share Option	760,000	$0.892	4 September 2000 to 3 September 2004

The holders of the Warrants 2003 and Executives' 1990 Share Options have no right to participate by virtue of these options in any share issue of any other company in the Group.

25. Reserves

	Group 1999 $'000	Group 1998 $'000	Company 1999 $'000	Company 1998 $'000
Share premium account				
Balance at beginning of year	38	54,862	38	54,862
Premium arising on issue of shares (note 24(a))	912	38	912	38
Transfer to revenue reserves	–	(54,862)	–	(54,862)
Balance at end of year	950	38	950	38
Revaluation reserve				
Balance at beginning of year	4,061	–	–	–
Revaluation surplus for the year	–	4,110	–	–
Transfer to revenue reserves	(49)	(49)	–	–
Balance at end of year	4,012	4,061	–	–
Capital reserve				
Balance at beginning of year	–	–	–	–
Share of premium arising from issue of shares by a subsidiary company	3,250	–	–	–
Balance at end of year	3,250	–	–	–
Revenue reserves/(accumulated losses)				
Balance at beginning of year	23,298	(37,065)	490	(75,284)
Transfer from share premium account	–	54,862	–	54,862
Transfer from revaluation reserve	49	49	–	–
Dilution of interest in subsidiary company	1,623	–	–	–
Profit for the year	15,783	5,452	305	20,912
Balance at end of year	40,753	23,298	795	490
Foreign currency translation reserves				
Balance at beginning of year	(17,568)	(20,283)	–	–
Exchange difference arising on consolidation	23	2,715	–	–
Balance at end of year	(17,545)	(17,568)	–	–
	31,420	9,829	1,745	528

26. Cash and cash equivalents

Cash and cash equivalents consist of current accounts and fixed deposits with financial institutions, bank overdrafts and short term bank loans.

Cash and cash equivalents included in the consolidated cash flows statement comprise the following balance sheet amounts:

	Group 1999 $'000	Group 1998 $'000
Cash and bank balances	10,710	6,561
Fixed deposits with financial institutions	15,824	10,966
Bank overdrafts	(186)	(1,100)
	26,348	16,427

27. Commitments

Capital commitments not provided for in the financial statements:

	Group 1999 $'000	Group 1998 $'000	Company 1999 $'000	Company 1998 $'000
Expenditure contracted for	123	3,453	–	–
Approved by the directors but not contracted for	7,062	650	–	–
	7,185	4,103	–	–

Commitments under non-cancellable operating leases with a term of more than one year. The minimum lease payments are:

	Group 1999 $'000	Group 1998 $'000	Company 1999 $'000	Company 1998 $'000
Leases which expire:				
Within one year	14,258	14,037	–	–
Between one and five years	25,078	24,386	–	–
After five years	31,814	20,591	–	–
	71,150	59,014	–	–

In the ordinary course of its business, the Company, as the holding company has given undertakings to continue to provide financial support to certain subsidiary companies.

28. Contingent liabilities (unsecured)

	Group 1999 $'000	Group 1998 $'000	Company 1999 $'000	Company 1998 $'000
(a) Guarantees issued for bank facilities granted to subsidiary companies	–	–	42,962	96,495
Amounts utilised by subsidiaries as at balance sheet date	–	–	14,023	67,002
(b) Guarantees given to third parties in connection with trading facilities provided to subsidiary companies	2,001	3,327	–	–
(c) Outstanding forward exchange contracts	70	209	–	–

(d) A claim had been made against a former subsidiary, Swan Hunter Singapore Pte Ltd ("Swan Hunter") by a third party, and a judgement was made in favour of the third party. Swan Hunter has maintained its stand that losses from such a claim should be recoverable from the Company. Based on legal advice obtained by the Company, it is unlikely that Swan Hunter will succeed in any action against the Company in respect of such a claim and accordingly no provision has been made in the financial statements of the Company.

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

29. Statutory information required by paragraph 7 of the Ninth Schedule of the Companies Act, Cap. 50

The amounts payable by and debts payable to the Company at the balance sheet date were as follows:

	Amounts payable by the Company 1999 $'000	Amounts payable by the Company 1998 $'000	Debts payable to the Company 1999 $'000	Debts payable to the Company 1998 $'000
Not later than two years	4,712	33,293	35,388	69,953
Later than two years but not later than five years	–	37,851	49,039	69,729

The amounts payable by and debts payable to the Company include long term advances due to/from subsidiary companies.

30. Group segment information

The Group is substantially involved in one business segment, namely the manufacture, retail, trading and distribution of food products.

An analysis of geographical segment information, based on the locations of operations of the Group is as follows:

	Turnover		Profit/(loss) before taxation		Assets employed	
	1999 $'000	1998 $'000	1999 $'000	1998 $'000	1999 $'000	1998 $'000
By geographical location of operations						
Singapore	334,505	295,715	14,202	13,677	187,663	183,219
Malaysia	102,273	86,893	11,484	8,504	50,483	50,769
Others	23,234	21,432	(5,543)	(5,973)	32,020	45,352
	460,012	404,040	20,143	16,208	270,166	279,340

31. Subsidiary and associated companies

The subsidiary companies as at 31 December 1999 are:

	Name of company (Country of incorporation)	Principal activities (place of business)	Cost 1999 $'000	Cost 1998 $'000	Percentage of equity held by the group 1999 %	Percentage of equity held by the group 1998 %
	Subsidiary companies					
	Food manufacturing, retailing, trading and distribution					
	Ben Foods (S) Pte Ltd (Singapore)	Food trading and distribution (Singapore)	14,204	14,204	100	100
#@	Ben Foods (East Malaysia) Sdn Bhd (Malaysia)	Operation of supermarkets (Malaysia)	–	–	100	100
#	Ben Trading (Malaysia) Sdn Bhd (Malaysia)	Trading in frozen meat, canned food and beverages (Malaysia)	+	+	100	100
	Shop N Save Pte Ltd (Singapore)	Operation of supermarkets (Singapore)	9,894	15,000	51	100
	Spices of the Orient Pte Ltd (Singapore)	Manufacture and distribution of herbs and spices (Singapore)	5,126	5,126	100	100
	Gardenia Foods (S) Pte Ltd (Singapore)	Bread manufacturer (Singapore)	8,016	8,016	100	100

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	Name of company (Country of incorporation)	Principal activities (place of business)	Cost 1999 $'000	Cost 1998 $'000	Percentage of equity held by the group 1999 %	Percentage of equity held by the group 1998 %
#	Gardenia Bakeries (KL) Sdn Bhd (Malaysia)	Bread manufacturer (Malaysia)	+	+	100	100
#@	Gardenia Foods (Thailand) Limited (Thailand)	Bread manufacturer (Thailand)	+	+	100	100
#	Gardenia Sales & Distribution Sdn Bhd (Malaysia)	Marketing and distribution of bakery products (Malaysia)	+	+	100	100
	Farmland Central Bakery (S) Pte Ltd (Singapore)	Manufacturer and distribution of bread, confectionery and bakery products (Singapore)	500	500	100	100
#	QAF Lamba Foods Distribution (Bombay) Private Limited (India)	Marketing and distribution of bread and bakery products (India)	1,902	1,902	75	75
#	Millif Industries Sdn Bhd (Malaysia)	Manufacture of kaya and related products (Malaysia)	360	360	65	65
#	Everyday Bakery and Confectionery Sdn Bhd (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	+	+	100	100
#	Ben Fortune Pastry Manufacturing (M) Sdn Bhd (Malaysia)	Manufacture and distribution of confectionery and pastry (Malaysia)	+	+	100	100
	NCS Cold Stores (S) Pte Ltd (Singapore)	Operation of cold storage warehouse (Singapore)	+	+	100	100
	QAF Fruits Cold Store Pte Ltd (Singapore)	Operation of cold storage warehouse (Singapore)	+	+	51	51
#	Gardenia Bakery & Foodstuff (Tianjin) Co Ltd (People's Republic of China)	Manufacture and distribution of bread, confectionery and bakery products (People's Republic of China)	3,033	3,033	100	100
#	Gardenia Bakeries (Philippines) Inc. (Philippines)	Manufacture and distribution of bread, confectionery and bakery products (Philippines)	+	+	100	100
*	Sommerset Cottage Food Services Sdn Bhd (Malaysia)	Technical and supervisory service on bakery products (Malaysia)	+	+	100	100

Poised for growth

31. Subsidiary and associated companies (cont'd)

Name of company (Country of incorporation)		Principal activities (place of business)	Cost 1999 $'000	1998 $'000	Percentage of equity held by the group 1999 %	1998 %
	Investment holding and management					
	QAF Management Services (S) Pte Ltd (Singapore)	Investment holding (Singapore)	–	–	100	100
	QAF Agencies (S) Pte Ltd (Singapore)	Share trading and investment holding (Singapore)	–	–	100	100
	Eurofood (Singapore) Pte Ltd (Singapore)	Investment holding (Singapore)	5,092	5,092	100	100
	Gardenia International (S) Pte Ltd (Singapore)	Investment holding (Singapore)	7,993	7,993	100	100
	OSA Marketing Associates Pte Ltd (Singapore)	Investment holding and share trading (Singapore)	–	–	100	100
**	Precious Fortune Limited (British Virgin Islands)	Investment holding (British Virgin Islands)	–	–	100	100
#	Ben Foods (Malaysia) Sdn Bhd (Malaysia)	Investment holding (Malaysia)	2,660	2,660	100	100
#	Ben (Malaysia) Holdings Sdn Bhd (Malaysia)	Investment holding (Malaysia)	–	–	100	100
	Dormant corporations					
#	Ben (Perak) Sdn Bhd (Malaysia)	Dormant (Malaysia)	199	199	100	100
	Camellia Bakeries (S) Pte Ltd (Singapore)	Dormant	+	+	100	100
	Maple Bakeries (S) Pte Ltd (Singapore)	Dormant	+	+	100	100
#	OSA Marketing Associates (M) Sdn Bhd (Malaysia)	Dormant	175	175	100	100
	Singfood Investment Pte Ltd (Singapore)	Dormant	–	–	100	100
#	Gardenia (Hong Kong) Limited (Hong Kong)	Dormant	–	–	100	100
			59,154	64,260		

Note

- * The financial statements of this subsidiary was not consolidated as it is under members' voluntary liquidation, resulting in a loss in control over the assets of this subsidiary.
- ** Audit not required under the laws in the country of incorporation.
- # Audited by member firms of Ernst & Young International.
- @ The cost of investment has been fully written off.
- \+ The shareholdings of these companies are held by subsidiary companies of QAF Limited.
- \- The costs of investment in each of these companies is less than $1,000.

The associated companies at 31 December 1999 are:

Name of company (Country of incorporation)	Principal activities (place of business)	Percentage of equity held by the group 1999 %	1998 %
Associated companies			
Investment holding and management			
Boon Pattana Holdings Limited (Thailand)	Investment holding (Thailand)	39	39
Phil Foods Properties Inc. (Philippines)	Investment holding (Philippines)	40	40

32. Group's major properties

The Group's major properties as at 31 December 1999 are:

Name of building/ location	Description	Tenure of land
230B Pandan Loop Singapore	Warehouse, cold store and bakery and office premises	30-year lease from October 1981
263 Pandan Loop Singapore	Spice grinding and blending operations and office premises	30-year lease from May 1982
224 Pandan Loop Singapore	Bakery and office premises	19-year lease from July 1991
No. 1 Chin Bee Crescent Singapore	Bakery and office premises	$17\frac{1}{2}$-year lease from August 1992
Blk 181 Toa Payoh Central #01-602 Singapore	Supermarket outlet	78-year lease from October 1992
Blk 118 Aljunied Ave 2 #01-00 Singapore	Supermarket outlet	86-year lease from July 1993
Blk 156 Bukit Batok Street 11 #01-06 Singapore	Supermarket outlet	89-year lease from October 1994

32. **Group's major properties** (cont'd)

Name of building/ location	Description	Tenure of land
No. 1 Fishery Port Road Singapore	Cold store, warehouse and office premises	30-year lease from March 1973 with right to extend for further 30 years
230A Pandan Loop Singapore	Cold store and office premises	17-year lease from August 1993
Lot 3 Jalan Gergaji 15/14 40000 Shah Alam Selangor, Darul Ehsan, Malaysia	Bakery and office premises	99-year lease from September 1984
Lot 3, Jalan Pelabur 23/1 Seksyen 23 Shah Alam Selangor, Darul Ehsan, Malaysia	Bakery and office premises	99-year lease from July 1991
No. 23 & 25, Jalan PJS 11/16, Sunway Technology Park Bandar Sunway 46150 Petaling Jaya Malaysia	Bakery and office premises	99-year lease from 1997
Junction of Lu Yuan Street Quan Wang Road Wuqing Development Area Tianjin China 301700	Bakery, food processing and office premises	50-year lease from June 1994
Lot No. 3803, Mukim Klang Daerah Klang, Negeri Selangor Malaysia	For development of bakery and office premises	Freehold
Lot No. PT D28 & D29 Pinwang Industrial Park Petaling Jaya Negeri Selangor Malaysia	Bakery and office premises	99-year lease from October 1997

33. Related party transactions

The following related party transactions took place during the financial year on terms agreed by the parties concerned:

	Group 1999 $'000	Group 1998 $'000	Company 1999 $'000	Company 1998 $'000
Purchases from related companies	2,693	2,919	–	–
Sales to a related company	140	225	–	–

The related parties refer to companies in which a substantial shareholder of the Company has an equity interest.

34. Subsequent event

Subsequent to the financial year end, the Company issued 2,000,000 ordinary shares of $0.40 each pursuant to the exercise of Warrants 2003 by the warrant holder. The exercise price of $0.50 per ordinary share was paid in cash.

35. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Statistics of Stockholdings

as at 31 March 2000

Authorised Share Capital	:	$400,000,000
Issued and Fully paid-up Capital	:	$131,203,749
Class of Shares	:	Ordinary Shares of $0.40 with equal voting rights

Analysis of Stockholders by Range of Balances

Size of Holdings	No. of Stockholders	%	No. of Stock Units	%
1 – 1,000	1,331	25.90	1,105,915	0.34
1,001 – 10,000	3,313	64.47	14,718,766	4.49
10,001 – 1,000,000	483	9.40	19,077,050	5.81
1,000,001 and above	12	0.23	293,107,642	89.36
	5,139	100.00	328,009,373	100.00

Analysis of Stockholders by Country of Residence

Country of Residence	No. of Stockholders	%	No. of Stock Units	%
Singapore	4,495	87.47	323,241,001	98.55
Malaysia	609	11.85	1,969,049	0.60
Others	35	0.68	2,799,323	0.85
	5,139	100.00	328,009,373	100.00

List of Twenty Largest Stockholders

S/No.	Stockholders' Name	No. of Stock Units	%
1.	Citibank Nominees Singapore Pte Ltd	79,816,000	24.33
2.	ING Nominees (Singapore) Pte Ltd	69,563,000	21.21
3.	Raffles Nominees Pte Ltd	43,747,832	13.34
4.	Overseas Union Bank Nominees Pte Ltd	38,794,000	11.83
5.	DB Nominees (S) Pte Ltd	16,843,529	5.13
6.	Qualif Pte Ltd	15,216,878	4.64
7.	DBS Nominees Pte Ltd	6,965,000	2.12
8.	United Overseas Bank Nominees Pte Ltd	6,788,000	2.07
9.	The Kwangtung Provincial Bank Ltd	6,010,403	1.83
10.	BNP Nominees Singapore Pte Ltd	4,622,000	1.41
11.	Oversea Chinese Bank Nominees Pte Ltd	2,726,000	0.83
12.	Citicorp Investment Bank (Singapore) Limited	2,001,000	0.61
13.	Keppel Bank Nominees Pte Ltd	951,000	0.29
14.	Phillip Securities Pte Ltd	761,000	0.23
15.	HSBC (Singapore) Nominees Pte Ltd	553,466	0.17
16.	Hong Leong Finance Nominees Pte Ltd	420,600	0.13
17.	Vickers Ballas & Co Pte Ltd	411,467	0.13
18.	Kay Hian Private Limited	410,400	0.13
19.	Booncharn Tayjasanant	400,000	0.12
20.	Citibank Consumer Nominees Pte Ltd	377,000	0.11
		297,378,575	90.66

Substantial Stockholders

Name	Number of Stock Units Held	%
Qualif Pte Ltd	144,099,810[(i)]	44.20
P.T. Holdiko Perkasa	63,472,000[(i)]	19.47
Watford Investments Ltd	45,820,712[(ii)]	14.05

(i) Pursuant to Section 7(4)(a) of the Companies Act (Cap. 50), each of Messrs Liem Sioe Liong, Anthony Salim and Andree Halim is deemed to have an interest in the respective stock units beneficially owned by Qualif Pte Ltd and P.T. Holdiko Perkasa.

(ii) Pursuant to Section 7(4)(a) of the Companies Act (Cap. 50), each of Messrs Didi Dawis and Saiman Ernawan is deemed to have an interest in the stock units beneficially owned by Watford Investments Ltd.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 224 Pandan Loop, Singapore 128411 on 12 May 2000 at 11.00 a.m. to transact the following business:

As Ordinary Business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 December 1999 and the Auditors' Report thereon. (Resolution 1)

2. To declare a first and final dividend of 4% (1.6 cents per stock unit) less income tax at 25.5% in respect of the financial year ended 31 December 1999. (Resolution 2)

3. To re-elect the following Directors:

   (a) Mdm Tarn Teh Chuen (retiring under Article 94 of the Articles of Association) (Resolution 3a)
   (b) Dr Siew Teck Woh (retiring under Article 94 of the Articles of Association) (Resolution 3b)
   (c) Mr Kelvin Chia Hoo Khun (retiring under Article 98 of the Articles of Association) (Resolution 3c)

4. To approve Directors' fees of $116,000 for the year ended 31 December 1999 (1998: $133,250). (Resolution 4)

5. To re-appoint Ernst & Young as Auditors of the Company and to authorise Directors to fix their remuneration. (Resolution 5)

6. To transact any other ordinary business of the Company which may be properly brought forward. (Resolution 6)

As Special Business

7. To consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

   (a) "That pursuant to Section 161 of the Companies Act, Cap. 50, approval be and is hereby given to the Directors to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution shall not exceed 50 per cent of the issued share capital of the Company for the time being, of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing stockholders of the Company shall not exceed 20 per cent of the issued share capital of the Company for the time being. Any such new shares issued pursuant thereto shall be converted immediately into stock units of the Company, transferable in amounts and multiples of $0.40 each ranking pari passu in all respects with the existing stock units of the Company." (Resolution 7a)

(b) "That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be and are hereby empowered to issue such shares as may be required to be issued pursuant to the exercise of share options which were granted under the terms and conditions of the QAF Executives' Share Option 1990 Scheme ("the 1990 Scheme"). Any such new shares issued pursuant thereto shall be converted immediately into stock units of the Company, transferable in amounts and multiples of $0.40 each ranking pari passu in all respects with the existing stock units of the Company." (Resolution 7b)

Notice of Books Closure Date

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members will be closed on 30 May and 31 May 2000 for the purpose of determining stockholders' entitlements to the first and final dividend of 4% (1.6 cents per stock unit) less income tax of 25.5% for the financial year ended 31 December 1999. Duly completed transfers received by the Company's Registrar, Barbinder & Co Pte Ltd at 8, Cross Street, #11-00 PWC Building, Singapore 048424 up to 5.00 p.m. on 29 May 2000 will be registered before entitlements to the dividends are determined. Payment for the dividend shall be made on 9 June 2000.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with stock units at 5.00 p.m. on 29 May 2000 will be entitled to the dividend.

By Order of the Board

Lee Woan Ling (Ms)
Company Secretary

Singapore, 19 April 2000

Explanatory Notes

i) Ordinary Resolutions 7(a) and 7(b), if passed will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

ii) Ordinary Resolution 7(b) empowers the Directors to issue shares pursuant to the exercise of share options under the 1990 Scheme. The 1990 Scheme had expired on 31 December 1999 but options granted thereunder are valid for subscription of shares in the Company up to five calendar years from the respective dates of grant. Authority under Resolution 7(b) is in addition to the general authority to issue shares sought under Resolution 7(a).

iii) For Ordinary Resolution 3(c), Mr Kelvin Chia Hoo Khun is also an independent member of the Audit Committee of the Company.

Note

A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. Such proxy need not be a member of the Company. The instrument of appointing a proxy or proxies, duly executed, must be deposited at the Registered Office of the Company at 150 South Bridge Road, #09-04 Fook Hai Building, Singapore 058727, at least 48 hours before the time fixed for holding the meeting.

Proxy Form

ANNUAL GENERAL MEETING OF QAF LIMITED

QAF LIMITED

I/We ______________________________

of ______________________________

being a Member/Members of the abovenamed Company, hereby appoint (i) ______________

of ______________________ or (ii) ______________

of ______________________________

or failing him/her the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on 12 May 2000 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy to vote (see Note 3) for or against the Resolutions to be proposed at the Meeting as hereunder indicated.

No.	Resolutions	For	Against
1.	To adopt the Directors Report and Accounts.		
2.	To declare a first and final dividend of 4% (1.6 cents per stock unit).		
3.	To re-elect the Directors: (a) Mdm Tarn Teh Chuen		
	(b) Dr Siew Teck Woh		
	(c) Mr Kelvin Chia Hoo Khun		
4.	To approve Directors' fees.		
5.	To re-appoint Ernst & Young as Auditors of the Company.		
6.	To transact any other ordinary business of the Company.		
7.	(a) General Authority to issue shares.		
	(b) Authority to issue shares pursuant to Share Option 1990 Scheme.		

Signed this ____________ day of ______________ 2000 by:

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

____

Signature(s) of Member(s) or Common Seal

Notes

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there is more than one proxy, the number of Stock Units to be represented by each proxy must be stated.

2. This Proxy Form must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or his attorney or affixed with its common seal thereto.

3. Please indicate with an 'X' in the appropriate box against each Resolution how you wish your proxy to vote. If this Proxy Form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.

4. This instrument appointing a proxy [together with the power of attorney (if any) under which it is signed or a certified copy thereof], must be deposited at the office of the Company at 150 South Bridge Road, #09-04 Fook Hai Building, Singapore 058727 not less than 48 hours before the time fixed for holding the Annual General Meeting.

5. Please insert the total number of Stock Units held by you. If you have Stock Units entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Stock Units. If you have Stock Units registered in your name in the Register of Members, you should insert that number of Stock Units. If you have Stock Units entered against your name in the Depository Register and Stock Units registered in your name in Register of Members, you should insert the aggregate number of Stock Units entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Stock Units held by you.

6. The Company shall be entitled to reject this instrument of proxy if it is incomplete, not properly completed or illegible or where the true intention of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in case of members whose Stock Units are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member is not shown to have Stock Units entered against his name in the Depository Register 48 hours before the time fixed for holding the Annual General Meeting as certified by CDP to the Company.

Fold along this line (1)

Please
affix
postage
stamp

The Company Secretary
QAF Limited
150 South Bridge Road
#09-04 Fook Hai Building
Singapore 058727

Fold along this line (2)

Design & Production: AC Graphic Workshop Pte Ltd

QAF Limited
150 South Bridge Road #09-04 Fook Hai Building
Singapore 058727
Tel: 538 2866   Fax: 538 6866