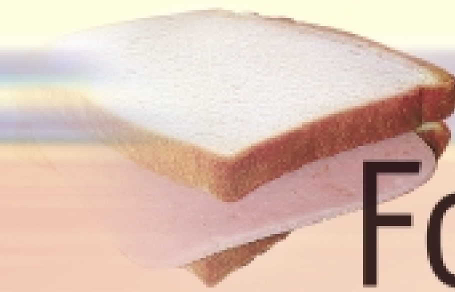
Amidst these times of economic uncertainty...

Moving Forward



*... we are confident in remaining a dominant force in existing markets while **entering new grounds** with strong growth potential.*

QAF LIMITED

Annual Report 2001

Contents

Chairman's Review

"Given this daunting economic environment, I congratulate the management and staff of the QAF Group for bringing the Group up to a higher plane."

2001 was a most challenging year for the South East and East Asian regions. It was reported that Singapore suffered one of its worst recessions in its history. Unemployment rates increased dramatically in the region and this had an adverse impact on consumer sentiment and purchasing power. Asset values also declined substantially. Fortunately, there are early signs now of an economic recovery in the beginning of 2002. However, the full negative effects of unemployment and reduced consumer confidence will still be felt for at least the first half of 2002.

Given this daunting economic environment, I congratulate the management and staff of the QAF Group for bringing the Group up to a higher plane. Total group revenue increased by an outstanding 23% to $603.1 million while Group profit after tax increased by 15% to $19.0 million. Management has been able to formulate effective strategies which have led to the Group maintaining its leading position in the regional market and has shown flexibility in seizing profitable opportunities even in the midst of a severe recession in the region.

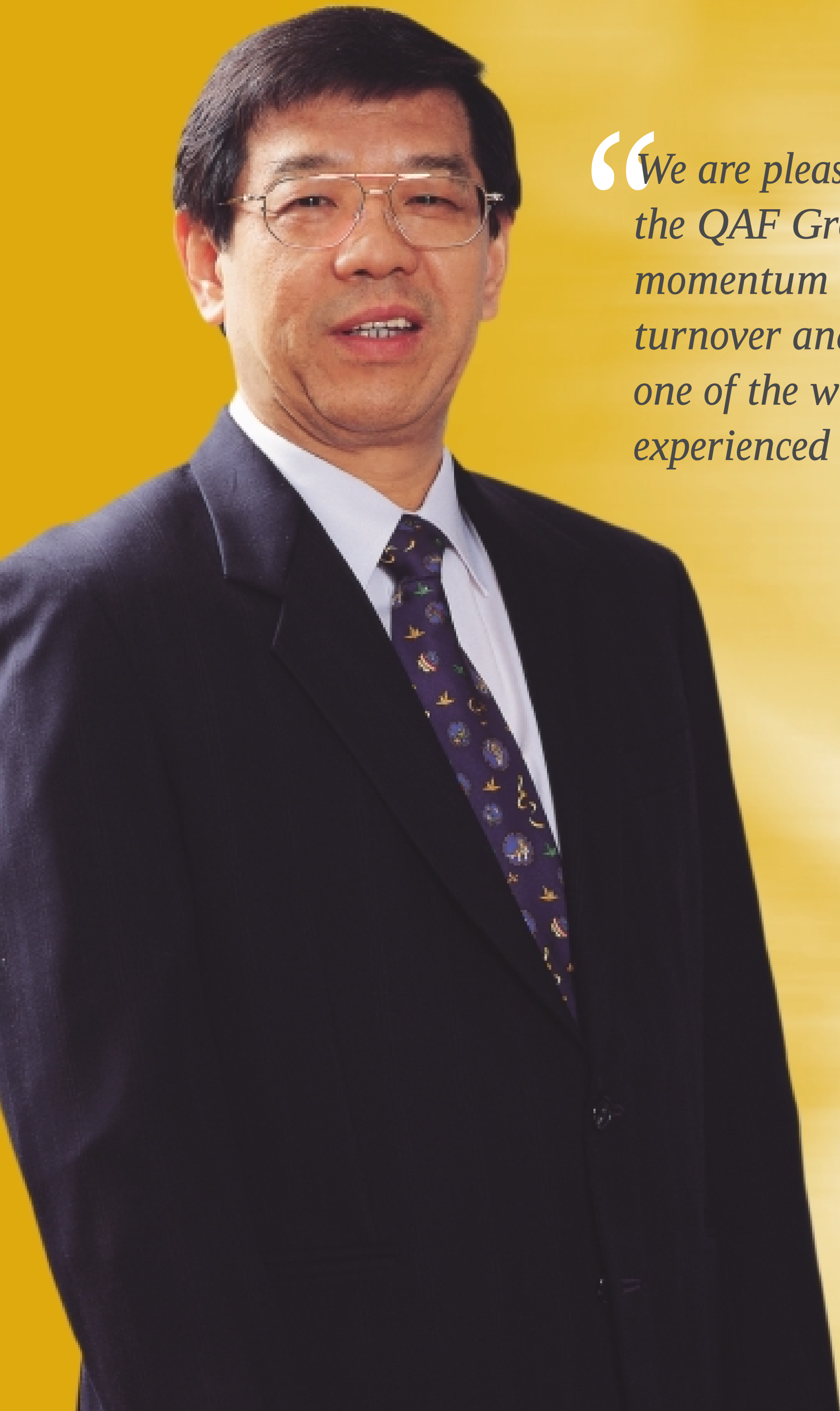
The Group has invested in a new core business, an integrated meat group of companies in Australia. It is the largest producer and supplier of pork in the region and is the market leader in both the domestic and export markets. We are confident that the QAF Group will link the efficient production and processing strengths of this new investment with the fast growing markets in Asia. It will be an important contributor to the Group's future growth.

The Directors are pleased to recommend a first and final dividend of 2.0 cents per stock unit less tax at 24.5% for the financial year ended 31 December 2001. This is an increase over the last financial year ending 31 December 2000's dividend of 1.6 cents per stock unit less tax at 24.5%.

I wish to thank all those who have contributed to the success of the QAF Group, namely the stockholders, bankers, customers, employees, principals, suppliers and business associates.

Didi Dawis
Chairman
12 April 2002

Group Managing Director's Report



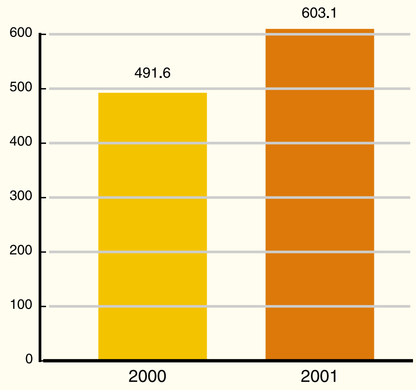
"We are pleased to announce that the QAF Group has kept up its momentum of growth in both turnover and profits even during one of the worst recessions ever experienced in the region."

Another milestone was reached by the QAF Group in financial year 2001. Total group revenue increased by 23 % to $603.1 million for the financial year ended 31 December 2001 from $491.6 million for the previous financial year. Group profit before tax increased by an even larger 30 % to $30.7 million. Profit after tax increased by 15 % to $19.0 million in financial year 2001 as compared to $16.5 million in financial year 2000. The increased in profit after tax was less than that for the profit before tax due mainly to a $1.2 million increase in minority interest which arose when the Group disposed off an interest amounting to a 30% share in Gardenia Bakeries (KL) Sdn Bhd, a formerly wholly owned subsidiary, in 2001, as well as a $1.0 million adjustment for prior years' tax which was charged to the financial year ended 31 December 2001.

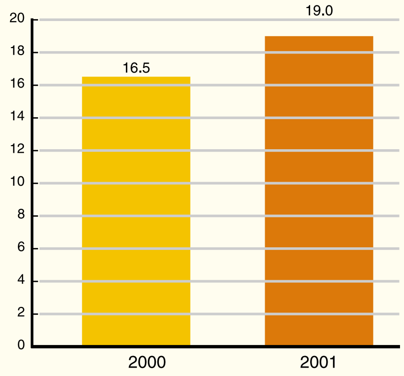
We are pleased to announce that the QAF Group has kept up its momentum of growth in both turnover and profits even during one of the worst recessions ever experienced in the region. The Group has even improved upon its leading position in the markets that it is involved in.

As part of our strategy to establish QAF as a multinational food conglomerate with a strong presence in the Asia-Pacific region, the QAF Group has completed the A$150 million acquisition of 100% of the share capital of the Bunge Meats Group ('BMG') of Australia. BMG is the largest producer of pork in Australia as well as the region. BMG produced and sold more than 926,000 pigs or almost 76,000 MT of pork meat in the form of carcase and boned meat in 2001. It is a fully integrated operation with its own feedmill, an export licensed abattoir and a deboning plant. The feedmill and the abattoir are also, by their own right, among the largest in Australia. BMG has about a 20% market of the Australian national sales volume. Its export sales constitute about 32% of Australia's total exports of pork and it is the largest Australian exporter of pork to Singapore and Japan. It has recently won the top position in the 2001 New South Wales Premiers' Agribusiness Export Award. The size of BMG can be better appreciated if one considers that the next largest competitor in the industry has only 5% of the Australian domestic market. BMG has 8 company-owned piggery operations occupying more than a total area of 100 square kilometres in both the states of New South Wales and Victoria. In addition, it has 41 contract growers (independent farmers who grow BMG's pigs on contract).

Turnover (million)



Profit after Tax (million)

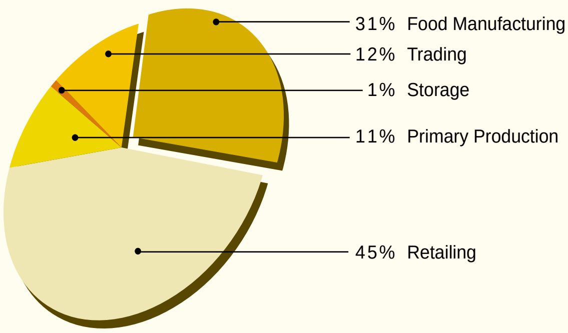


The main rationale for the investment in BMG is that firstly, it is an opportunity for the Group to develop and diversify into a new core business in the food industry as well as to secure a foothold in the international meat industry. Secondly, the investment in BMG will enhance the QAF Group's ability to source for food and beverage products for its traditional markets as well as enable the Group to sell its products into the Australian market. There is a long historical connection between the QAF Group and the Australian food industry where the QAF Group has been sourcing a variety of food and beverage products such as meat, fruits, wine, milk and dairy products. The acquisition will allow the QAF Group to tap on Australia's vast primary food production industry which is located closest to QAF's home market base in Asia by allowing it to directly access and develop a better network with specific Australian

Group Managing Director's Report

producers and suppliers. In particular, the QAF Group can make use of BMG's contacts and experience to directly establish contact with Australian wheat farmers for industry information as well as a source for raw material purchases. Wheat is a critical raw material for flour which is a major ingredient used in the QAF Group's Gardenia bakery operations in Asia. Having a substantial base of operations in Australia will facilitate the QAF Group to make additional investments in food producers and suppliers in the Australian food production and manufacturing sectors.

We are confident that BMG will contribute significantly to the future growth and profitability of the QAF Group. The investment in BMG was also very well received in Australia. The Group has received courtesy visits from business leaders as well as government officials including the Premier of New South Wales, the Hon. Bob Carr and the Australian High Commissioner to Singapore, the Hon. Gary Quinlan.



Revenue by Business Segment (2001)

The Food Manufacturing Division performed well despite a fall in consumer spending and increased competition. Gardenia Singapore maintained its leading position in the bread market despite aggressive promotion activities and price reductions on the part of competitors as well as an influx of low priced products from neighbouring countries. Substantial improvements were made in productivity especially in the areas of distribution management and production planning and these compensated for the increases in personnel and utility costs. The launch of the new product, Corn Loaf, has been very successful.

The purchase of the number 2 brand in Singapore, Bonjour Bakery, was completed in February 2001. The acquisition gives the Group a second major brand in Singapore as well as much needed capacity for Gardenia Singapore which has been operating at full capacity for the last few years. We are pleased to announce that the Bonjour Bakery business has been successfully integrated with the Gardenia operations. Synergies were quickly realised in the area of distribution while overheads and other costs were reduced substantially. The former loss making bakery operation has been quickly turned around into a profitable one and now plays an important complementary role to Gardenia.

The Gardenia Malaysian operations, under Gardenia Bakeries (KL) Sdn Bhd ('GBKL') saw good growth in sales despite a sluggish Malaysian economy. This was even more commendable given the fact that there was a disruption in production due to a replacement of an oven at its main plant in Shah Alam Section 23 which affected production significantly for a full quarter. GBKL's fifth plant was successfully commissioned in late 2001. With almost all 5 plants now operating at full capacity, we expect GBKL to grow with even greater momentum in 2002 and plans are on hand to capture a larger market share of the bread and rolls market. The Company has also invested in the latest technology such as hand held computers to improve productivity in the distribution system. During the course of 2001, the QAF Group completed its sale of 30% of the total shareholdings in GBKL to Padiberas Nasional Berhad ('Bernas'), a leading listed company which is involved in the processing, trading and distribution of rice and other food products in Malaysia.

"We are confident that BMG will contribute significantly to the future growth and profitability of the QAF Group."

We are looking forward to working with Bernas to invest in other food businesses in the region.

Gardenia Philippines has maintained its rapid growth in sales. Already the top brand in the Metro Manila area, it has increased its market share even further. Growth was only limited by its production capacity. As such, the Company commissioned a new production line in December 2001 which has effectively increased its production capacity by 200%. We anticipate further rapid growth in the Philippines.

The Shop N Save supermarket operations in Singapore had a generally good year in 2001. Sales growth was maintained while profitability increased significantly due to improved sourcing, stringent controls over cost and shrinkages as well as increased margins due to better management of product quality. Shop N Save also maintained its position as one of the leading chains in the Singapore supermarket sector both in terms of market share and number of outlets. The total number of stores is now 31.

Ben Foods (S) trading operations in Singapore was negatively affected by the recession. Sales declined generally for the wholesale sector of the Singapore food industry while margins were affected by price wars and higher product costs due to the significant appreciation of the US dollar. The Company's proprietary brands developed over the years enabled it to maintain customer loyalty and some price stability in the otherwise depressed market. Haton, a proprietary brand of seafood products, saw a large increase in demand. Ben Trading (M), the Malaysian trading arm did well due largely to the addition of higher margin agency lines.

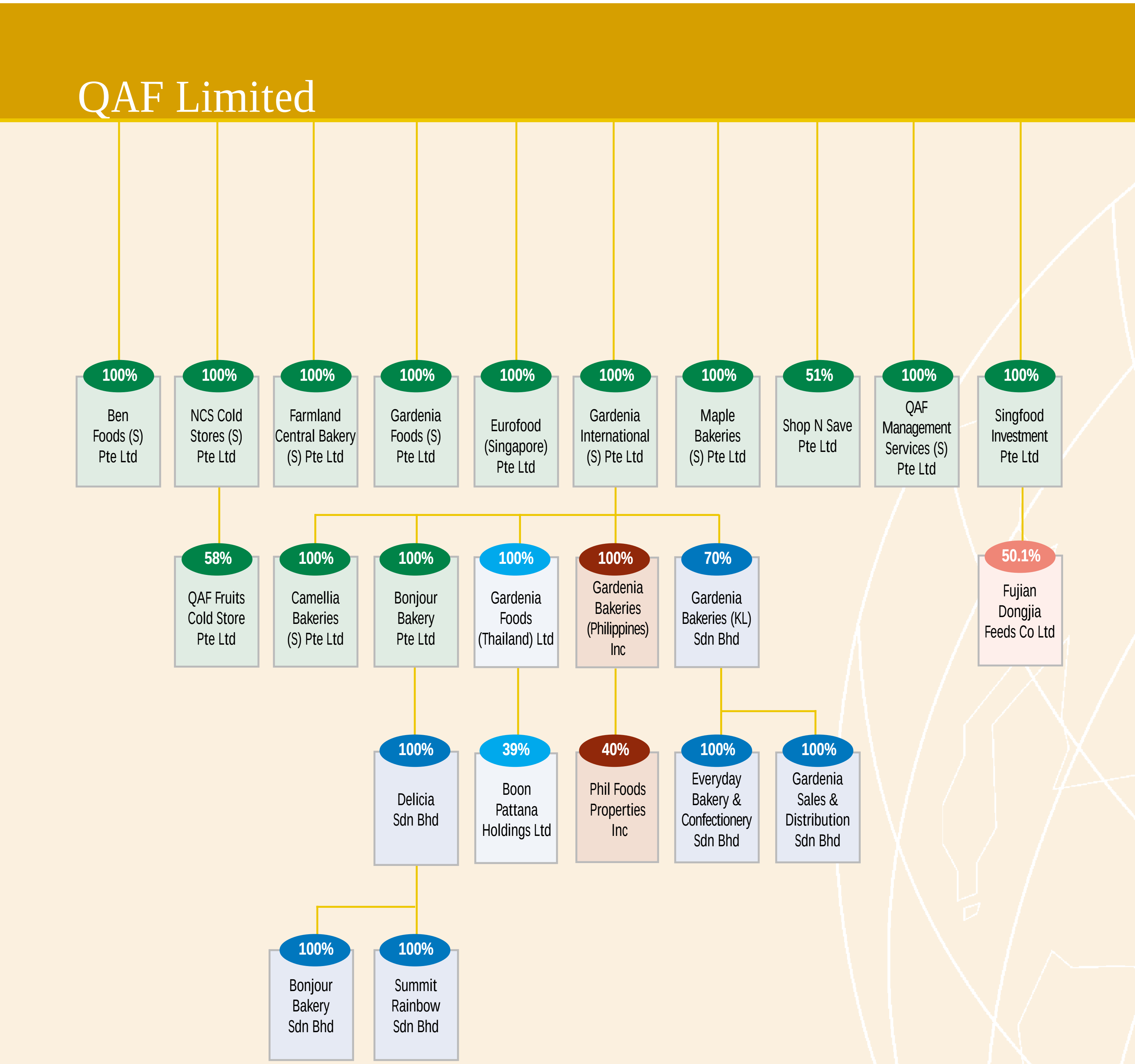
The cold storage industry was also not spared from the severe economic downturn experienced in Singapore in 2001. However, management has used the time afforded by the reduced activities to implement a successful integration of the Group's cold storage operations under NCS Cold Stores with the trading activities under Ben Foods (S). The latter Company's operations are now relocated to NCS Cold Stores' premises. As of todate, the 2 operations are working well together and this will result in significant synergies and cost savings. Duplicated services are also eliminated such as storage and distribution. The combined entities are also expanding their facilities in Fishery Port Road where all their operations are now combined in one complex instead of two formerly. Both Ben Foods (S) and NCS Cold Stores are set to provide efficient and convenient one stop services for their customers and this should particularly bode well in the anticipated general economic recovery.

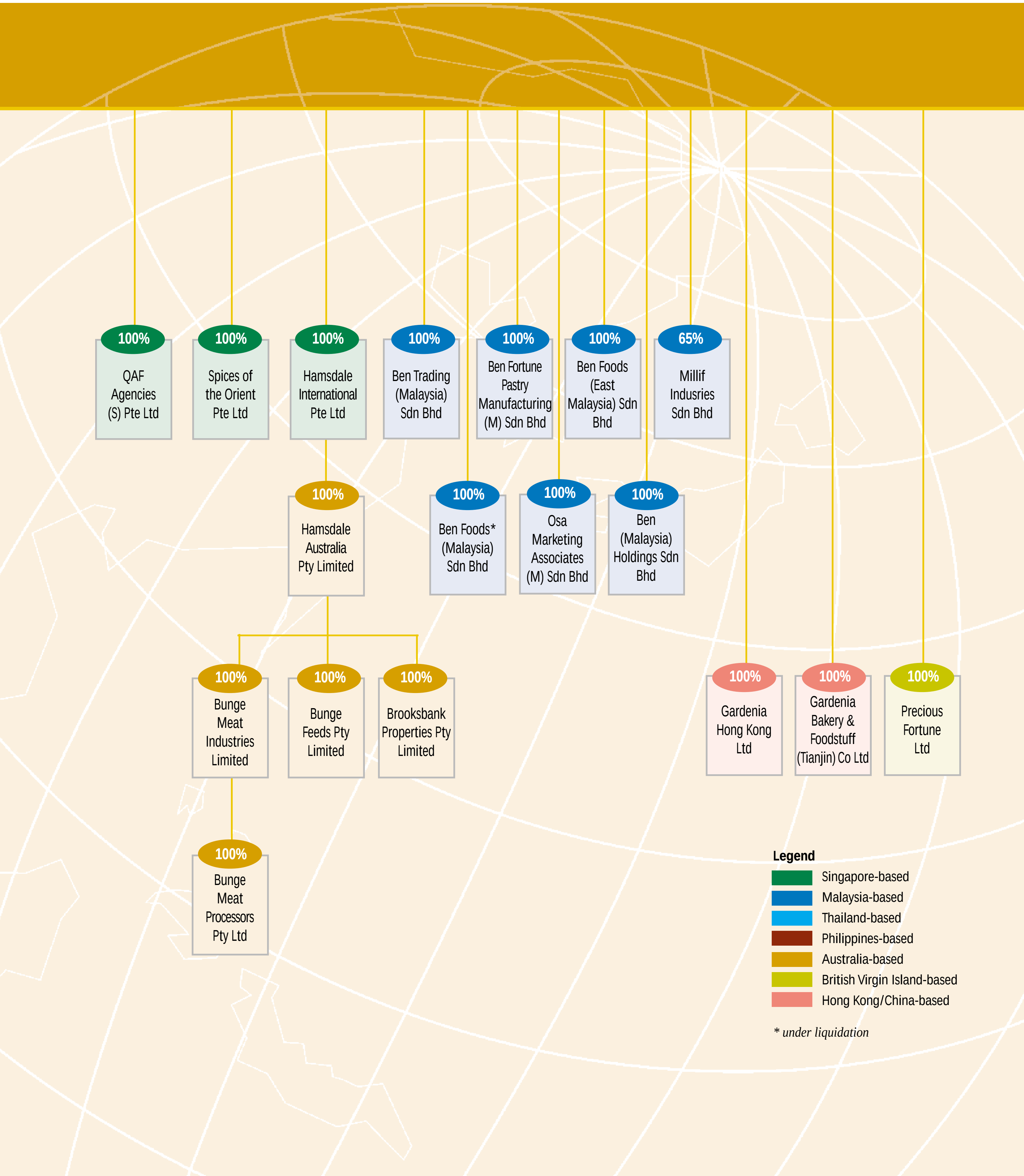
The QAF Group with its latest acquisition and investments should see even better future growth. The Management is confident of attaining the target of establishing the Group as a leading food based company in the region. While our present businesses will lead us to a higher plane, we will also seize the opportunity to make new acquisitions of businesses with good growth potential and accelerate the growth of the Group even further.

Tan Kong King
Group Managing Director
12 April 2002

Group Structure

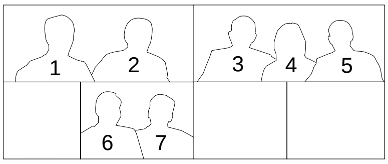
as at 12 April 2002




100%
QAF Agencies (S) Pte Ltd
100%
Spices of the Orient Pte Ltd
100%
Hamsdale International Pte Ltd
100%
Ben Trading (Malaysia) Sdn Bhd
100%
Ben Fortune Pastry Manufacturing (M) Sdn Bhd
100%
Ben Foods (East Malaysia) Sdn Bhd
65%
Millif Indusries Sdn Bhd
100%
Hamsdale Australia Pty Limited
100%
Ben Foods* (Malaysia) Sdn Bhd
100%
Osa Marketing Associates (M) Sdn Bhd
100%
Ben (Malaysia) Holdings Sdn Bhd
100%
Bunge Meat Industries Limited
100%
Bunge Feeds Pty Limited
100%
Brooksbank Properties Pty Limited
100%
Gardenia Hong Kong Ltd
100%
Gardenia Bakery & Foodstuff (Tianjin) Co Ltd
100%
Precious Fortune Ltd
100%
Bunge Meat Processors Pty Ltd
Legend
Singapore-based
Malaysia-based
Thailand-based
Philippines-based
Australia-based
British Virgin Island-based
Hong Kong/China-based
* under liquidation

Corporate Data

Board of Directors



DIRECTORS

1 Mr Didi Dawis, *Chairman*
2 Mr Tan Kong King, *Group Managing Director*
3 Mr Phua Bah Lee
4 Mdm Tarn Teh Chuen
5 Dr Siew Teck Woh
6 Mr Derek Cheong Kheng Beng
7 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

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Singapore 058727
Tel : 6538 2866
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PLACE OF INCORPORATION
Singapore

DATE OF INCORPORATION
3 March 1958

COMPANY REGISTRATION NO.
195800035-D

REGISTRAR
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Fax : 6236 3405

AUDITORS
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10 Collyer Quay
#21-01 Ocean Building
Singapore 049315

Audit Partner : Mr Daniel Soh

PRINCIPAL BANKERS
Citibank N.A
Overseas Union Bank

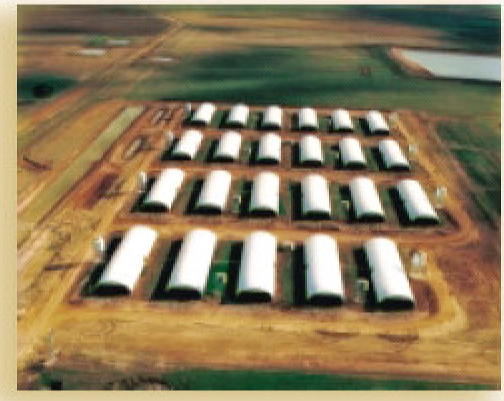
Bunge Meats Group ('BMG')

The QAF Group completed its acquisition of 100% of BMG in Australia in late October 2001. BMG is the largest producer of pigs and pork meat in Australia and the region with annual sales of more than 926,000 pigs per year. Its 8 company-owned production sites are spread out in the states of New South Wales and Victoria. The total area occupied by these sites are more than 100 square kilometres, about 1/6 the size of Singapore. In addition, BMG utilises 41 contract growers who are independent farms under contract to BMG and grow pigs on BMG's behalf. The latest production systems are utilised such as the use of eco-shelters (an environmentally clean system where animal waste are disposed off through natural decomposition with 'bedding' materials such as rice husk), segregated weaning systems (where disease transmission is minimised by isolation and separation) as well as traditional 'birth to bacon' systems (where pigs are born and grown to the market stage on the same site). All-in-all-out (AIAO) systems are also employed which ensure that pig sheds are completely cleaned out between batches of pigs so as to reduce the incidence of disease transmission.

BMG is one of the few fully integrated operations consisting of stockfeed milling, pig production, abattoir or slaughterhouse operations, deboning and meat cutting as well as distribution. The BMG Group has recently invested in new equipment which has increased the capacity of the stockfeed plant to 600,000 MT per year from 250,000 MT. This has made it one of the largest stockfeed producers in Australia and it now supplies all of BMG's feed requirements in addition to sales to external parties. The major raw materials such as grains and pulses are purchased directly off farms in the surrounding area which is a major grain producing region, during the harvest season so as to ensure competitive prices and correct quantities according to requirements.

BMG's abattoir and deboning facility is located onsite at Corowa. It slaughters about 925,000 heads per annum and is the biggest in Australia. The abattoir now only slaughters and process pigs produced by BMG so as to maximise the quality of the carcases and meat cuts, ensure high standards of hygiene and sanitation as well as to achieve the lowest possible cost.

Bunge Meat Processors is one of the few abattoirs which is licensed for export and has a USDA listing. The latter means that the company maintains a high world standing in hygiene maintenance. BMG's pork products have an extended shelf life and this gives it a competitive edge in export markets. With increased volume, the total abattoir cost per carcase has been lowered. Centralised selection of the different market grades at the abattoir optimise sales revenue for the BMG Group. The centralised abattoir also results in greater control over quality, customer standards and increased yields from reduced wastage. Offal returns are also increased as more offals are readily available when orders materialised. Offal recovery increases the yield on a carcase.



Primary Production

An in-house abattoir is crucial to the operations of a pig farm as it prevents bottlenecks such as inability to get animals slaughtered on time. On time slaughtering ensures that animal weight is maximised and leads to higher profit margins. Having an in-house abattoir also ensures quality control on the products as well as allows the operation to sort out the right pigs for the different market segments which have specific requirements for their products such as weight, size, fat content, age of animals, etc. This maximises profit for BMG.

BMG maintains an on-site boning facility within the abattoir building. The facility has been upgraded to the world leading standards and is targeted to process more than 25% of BMG's total production. After deboning, the fresh cuts are vacuum packed for delivery to supermarkets or exported, mainly to Japan.

The production flow is synchronised 'on-line' with different parts of the carcase sent to separate lines where cuts are standardised. The packing system is also coordinated with the production flow. Increased volume resulting from automation/ rationalisation of production flows and specialisation of cuts have led to reduced wastage and lower processing costs. Present volume can easily be increased.

Bunge Meat Processors has an on-site National Association of Testing Authority ('NATA') accredited laboratory and has developed integrated risk procedures. It also has an ISO 9000/ 2000 Certification and work within the guidelines of the Australian Quarantine and Inspection Service (AQIS) approved Meat Safety and Quality Assurance Standard. Under the Quality Assurance programme, standard operating procedures have been developed and implemented for various activities such as cleaning and sanitation, personal hygiene, water supply, animal welfare, training, slaughter, boning and chilling. The company is a world leader in the areas of food safety and shelf life attributes.

Deboning is an important function in an integrated meat producing company. It facilitates sales of fresh pork to retailers as the latter tend to buy boxed meat. It is also necessary for the export sales to Japan as the country imports meat mainly in the form of specific cuts.

BMG has developed a versatile and state of the art Technical Services Division which is involved in Growth Nutrition, Genetics and Breeding, Veterinary Science, Reproductive Management, Project Management as well as Meat Science and Food Safety. The above areas of technical support and research are applied to the business areas of feedmilling, production, processing and distribution.

"BMG's unique selection techniques of breeding lines give it a competitive edge in terms of meat quality and growth performance."

On going research is being conducted to reduce production cost, improve product quality and value, enhance sustainability of present production and waste disposal systems as well as the design of new production systems. Notable achievements to-date include the lowering of BMG's production cost and cost of feed through better formulation to that of the leading world producers in the US and Canada. Feed Efficiency ratios, which is the ratio of quantity of feed to quantity of meat produced have also been declining steadily with proper genetic selection of breeding stocks. BMG's unique selection techniques of breeding lines give it a competitive edge in terms of meat quality and growth performance. Research will continue to be placed on differentiation of genotype, feed efficiency, lean meat yield and meat quality.

The Division also provides technical support to BMG's operations in the areas of genetic supply, diet formulation, veterinary service and production monitoring.

BMG's Technical Services also generates an annual income from Australian government funded R & D programmes, product evaluation services for multinational veterinary drug companies such as Alltech, Roche, Fort Dodge, Elanco, Pfizer, Novo etc, royalties on Intellectual Property developed by BMG as well as sale of genetic material. The proportion of revenues from the private sector is increasing and this shows that the Division is fast becoming a profit centre.

The Group has 17% of the total sow (female breeding pigs) population in Australia but due to its higher than average productivity, produces about 20% of the total annual Australian production. It is by far the largest Australian exporter of pork and its export sales constitute 32% of Australia's total exports of pork. Its main export markets are Singapore and Japan.

BMG is expanding its production to serve the large demand for Australian pork in Asia. It is expanding its production in one farm and converting another unit to a breeder only unit. Total production will increase to more than 1,000,000 pigs in 2002. A large contract grower is now expanding its facility in New South Wales and this should increase production by another 50,000 per year in 2003.

Bunge Meats Group is in the process of renaming each company within the group and will soon be known as the QAF Meats Group.

Food Manufacturing

"The Company has made further productivity gains in distribution and production and this has compensated for higher operating costs such as personnel and utility costs."

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

Gardenia Singapore faced a market that was inundated with lower price products from a neighbouring country. Furthermore, competitors were resorting to price wars and heavy promotion. Despite this, Gardenia has maintained its leading position in the national branded bread market. The Company has made further productivity gains in distribution and production and this has compensated for higher operating costs such as personnel and utility costs.

Gardenia continued to improve its manufacturing and quality standards and this was recognised when it was awarded the internationally recognised Hazard Analysis and Critical Control Point (HACCP) certification by the Productivity and Standards Board (PSB) in July 2001. This is in addition to its ISO9002 and Grade A Certification. Gardenia Singapore is at the forefront of the Singapore food industry when it comes to hygiene and quality standards.

A new product, the Corn Loaf, was introduced in August 2001 and was very successful. Freshly baked to an American recipe, the compact 400 gm. Corn Loaf is packed with tasty, juicy, golden-yellow corn. The Corn Loaf maintains a deliciously soft and chewy consistency and is a sure winner with discerning bread lovers. It comes attractively packaged in vibrant yellow and green hues interspersed with elegant stylish corncob graphics. It is retailed at $2.50 per loaf.

In August, Gardenia concurrently launched its website and eKids Club. Gardenia's new website, www.gardenia.com.sg, enables consumers to access a wide array of information pertaining to Gardenia while the new Gardenia eKids Club enables children aged 7 to 12 to have access to exciting children's recipes, special treats, educational talks & workshops, as well as the Uncle Slocumm's Educational Library for a wealth of information on bread and sandwiches.

In support of the National Kidney Foundation's charity show, Gardenia jointly worked with MediaCorp Studios to create a Mona Lisa picture with slices of toasted Gardenia Enriched White Bread. A total of 21 MediaCorp artistes worked all through the night to sculpt the classic picture of Mona Lisa.

Gardenia Singapore participated in Kids World 2001 from 15 to 17 March 2001. Themed "Raising Kids in Today's World for a Better Tomorrow", the educational exhibition-cum-carnival was officially launched by President SR Nathan. It featured a display of products and services for children and conducted public forums on child-related activities such as creative learning and safe internet surfing. It attracted an impressive visitorship of more than 31,000.

Food Manufacturing

Besides promoting Gardenia's breads and buns at the exhibition booth, Gardenia also organized the Kids Colouring Contest for children below 10 years old. There was an overwhelming response to the contest as children loved colouring the two Gardenia bread mascots, Sandy Wich and Tony Toast.

Gardenia also participated in the World Diabetes Day 2001 organized by the International Diabetes Federation (IDF) on 4 November 2001. Through the exhibition, many visitors had a better appreciation of Gardenia's range of high quality products which have been endorsed by the Ministry of Health with the Healthier Choice Label.

Bonjour Bakery Pte Ltd ('Bonjour')

The QAF Group completed the purchase of the second leading brand in Singapore in February 2001. Bonjour has been successfully integrated. Cost savings were realised in raw material purchases, rental reductions when operations were shifted to the QAF Group's premises and rationalisation of products and distribution routes. The former loss making company has now turned around and is profitable. The addition of Bonjour not only gives the QAF Group a second major brand with a fairly significant market share in Singapore but much needed capacity as Gardenia Singapore has been operating at full capacity for the last few years. The Group can now effectively service the major market segments in Singapore.

During the course of 2001, 2 new product lines were successfully launched. The Bonjour Pandan Bread was introduced in May 2001 and became an instant hit in the market amongst children and adults. The distinctive sweet fragrance of pandan makes Bonjour Pandan Bread unique and deliciously irresistible. It is retailed at S$1.50 per loaf. A range of Bonjour Yam Buns, Mung Bean Buns and Potato Buns was launched in July 2001. These are retailed at S$1.80 in packs of six.

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

Despite a sluggish Malaysian economy, GBKL registered continued growth in sales. This is highly commendable given the fact that a disruption in production took place in the middle of the year with an oven being replaced at the Shah Alam Section 23 plant. Another oven at the Puchong plant had also to be replaced.

The fifth plant at Bukit Kemuning was commissioned at the end of the year and this plant will initially focused on producing cream rolls.

2001 can be regarded as a year of consolidation after 15 years of rapid unabated growth. All plants are now operating efficiently and with the additional capacity from the latest plant at Bukit Kemuning, GBKL is set to grow with an even greater momentum in 2002. Plans are on

hand to aggressively capture an even bigger share of the bread and cream rolls market through the introduction of new brands and products. New market segments have been identified and GBKL's present distribution infrastructure will be significantly expanded to serve them.

Investments were made to employ the latest technologies such as hand held computers so as to improve the efficiency and productivity of the distribution system. The benefits should be realised once these new systems are fully implemented in 2002.

Gardenia Bakeries (Philippines) Inc. ('Gardenia Philippines')

Sales grew very substantially in 2001 and the Company has further improved upon its already dominant position in the Metro Manila market. Gardenia Philippines' sales growth is only limited by its production capacity and this, coupled with expected higher demand for its products from consumers, has led to the installation and commissioning of an additional new 4,000 loaves per hour production line in late 2001.

New products were launched during the year and these contributed to the growth in sales. These include the successful Gardenia Pandesal, Gardenia Double Delights and 2 additional new variants of the Filled Buns - Strawberry and Ube.

The Company launched its first television advertisement in December 2001 and new print advertisements and merchandising activities were also implemented throughout the year. Distribution routes were expanded and there was also increased coverage of the Metro Manila retail market.

Other Gardenia Operations

While Gardenia Foods (Thailand) Ltd. managed to retain its 2nd position in terms of market share in Thailand amidst continued intense price wars, the Group has decided to cease the loss making operations of another wholly owned subsidiary, Gardenia Bakery & Foodstuff (Tianjin) Co Ltd ('GBFT'). GBFT's contribution to the total turnover of the Group was relatively insignificant, at less than 1% for financial year 2001, and the closure will not have a material impact on the Group's net tangible assets.

Trading, Distribution, Retailing and Cold Storage

"The general retail and supermarket industry as a whole was affected by the recession and reduced consumer purchasing power."

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

The Group's wholesale distributor in Singapore, Ben Foods, faced a very difficult trading environment in fiscal year 2001. Sales were affected by a depressed market while margins were reduced by a competitive market with competitors slashing prices just so that they can maintain their market share. Product costs also increased due to the depreciation of the Singapore Dollar vis-à-vis the US Dollar.

The Company's on-going policy of building up its own proprietary brands - Cowhead, Farmland, Orchard Fresh and Haton - enabled it to retain customer loyalty and pricing stability. This helped the Company to withstand the poor market conditions.

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

The general retail and supermarket industry as a whole was affected by the recession and reduced consumer purchasing power. Major players resorted to prolonged periods of price-cutting just to keep their market share. Despite the situation, Shop N Save maintained its position as one of the leading supermarket chains in Singapore in terms of market share and number of stores. Sales and profitability increased. Operating costs were reduced through better sourcing and improved management controls.

For the greater convenience of customers, complimentary fish cleaning service is now provided in most stores. A customer loyalty programme which rewards regular shoppers with redemption points which can be exchanged for products and gift vouchers was launched in 2001.

As a reflection of the general high standard of service offered to customers, there was a 50% increase in the number of Shop N Save employees who were awarded the Annual Excellence Service Award given by the Singapore Productivity and Standards Board (PSB) in 2001, as compared to 2000.

Trading, Distribution, Retailing and Cold Storage

The Haton brand of seafood products has been gaining ground and has exceeded expectations. A new range of products consisting of cuttlefish balls and frozen ready-cooked meals was launched. The potential for Haton is good given the fact that consumption of seafood is on the increase.

Ben Foods will be pursuing its strategy of expanding its proprietary brands in the Singapore and export markets. A greater proportion of sales of proprietary brands will lessen the fluctuation of sales for the Company.

Ben Trading, the Malaysian distribution arm, has improved upon its profitability despite the weak economy and difficult market conditions. It has recently acquired higher margin agency lines such as Cadbury cakes and has entered into new market segments. Proprietary brands are also being developed and introduced. The Company is also successful in implementing cost control and good receivable management systems.

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

The Company, which manufactures 'ready to eat' Asian delicacies, had another good year in 2001 with increased export sales to the United Kingdom, the Netherlands and Australia. New Asian specialties in 'convenient to eat' meal packs have been developed for both the domestic and international markets.

> *"Ben Trading, the Malaysian distribution arm, has improved upon its profitability despite the weak economy and difficult market conditions."*

Spices of the Orient Pte Ltd ('SOTO')

SOTO has been recognised as a reliable supplier of high quality spices within and outside the region. Sales and profitability have increased from the previous year's. As a result of the higher sales volume, SOTO is now purchasing its raw materials in bulk from overseas suppliers directly, thereby reducing production costs.

In particular, sales of the range of seasoning products under the 'Spices Of The Orient' brand have been growing significantly. These products come in sachets with 'easy-to-use' instructions. A new product 'Crispy Chicken' was launched in 2001. This product is packed in 45 gms sachets and comes in 2 flavours - 'Original' and 'Hot & Spicy'.

The Company will develop and introduce a wider range of consumer products under the umbrella brand 'Spices Of The Orient' for the export market in the next few years. It will strive towards providing higher quality spice products at competitive prices for its customers.

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

The cold storage sector of the Singapore economy was severely affected by the recession of 2001. Turnover remained stagnant as compared to the year before. The Company took advantage of the lull in activities during the latter half of the year by conducting extensive renovation works so as to accommodate Ben Foods' cargo when the 2 companies' operations were integrated. Ben Foods has since shifted its operations to NCS' premises at Jurong Fishery Port Road and this will result in synergies and cost savings for both companies.

NCS also acquired an adjacent property in November 2001 and will be expanding its storage and processing-room rental business. The integration of operations with Ben Foods and the expansion of NCS' total storage capacity will lead to NCS achieving a much higher occupancy rate in 2002. NCS should be facing better prospects in the coming years.

Contents

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 2001.

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, beverages, food related ingredients and commodities; production, processing and marketing of pork, and feedmill production; and investment holding. Other than the new business activities in the production, processing and marketing of pork and feedmill production which the Group acquired since the end of October 2001, there have been no significant changes in the principal activities of the Group during the financial year under review.

Results for the financial year

	Group $'000	Company $'000
Net profit for the year	18,965	10,500

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 exceptional items disclosed in note 8 to the financial statements.

Material transfers to/(from) reserves and provisions

The following amounts have been credited/(debited) to :-

	Group $'000	Company $'000
Revenue reserve		
- transfer from revaluation reserve	49	–
- dividends, net of tax	(3,962)	(3,962)
- net profit for the financial year	18,965	10,500
Foreign currency translation reserve		
- exchange differences arising on consolidation	11,264	–

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 property, plant and equipment, provision for doubtful debts and stock obsolescence, and taxation as disclosed in the financial statements.

Report of the Directors

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 $3,962,353 in respect of the previous financial year as proposed in the report of the directors of that year.

The directors propose a first and final dividend of 5% (2.0 cents per stock unit) less tax, amounting to $4,952,942 be paid in respect of the financial year ended 31 December 2001.

Share capital and debentures

During the financial year :

(i) a subsidiary company, Gardenia Sales & Distribution Sdn Bhd, increased its authorised share capital from RM25,000 to RM500,000 by the creation of an additional 475,000 ordinary shares of RM1 each. Its issued and paid up share capital was increased from RM2 to RM200,000 through the issue of 199,998 new ordinary shares of RM1 each at par for cash to provide the company with working capital.

(ii) a subsidiary company, Hamsdale International Pte Ltd, increased its authorised share capital from $100,000 to $1,000,000 by the creation of an additional 900,000 ordinary shares of $1 each. Its issued and paid up share capital was increased from $2 to $1,000,000 through the issue of 999,998 new ordinary shares of $1 each at par by capitalisation of loan from the Company.

(iii) a subsidiary company, Fujian Dongjia Feeds Co Ltd, increased its registered capital by $3,662,820 through cash contribution by the shareholders to provide the Company with working capital.

Except as disclosed above, neither the Company nor its subsidiary companies issued any shares or debentures during the financial year.

Acquisition and disposal of subsidiary companies

During the financial year, the following subsidiary companies were incorporated, acquired, disposed and liquidated :

(a) Acquisition of subsidiary companies

Name of company (Country of incorporation)	Interest acquired %	Effective date of acquisition	Net tangible assets/ (liabilities) at acquisition $'000	Cost of investment $'000
Acquired by subsidiary company				
Bonjour Bakery Pte Ltd (Singapore) and its subsidiary companies ("Bonjour Group")	100	8.2.2001	(3,528)	2,824
Bunge Meats Group consisting of :		23.10.2001	143,977	143,977
- Bunge Meat Industries Limited (Australia)	100			
- Bunge Feeds Pty Ltd (Australia)	100			
- Brooksbank Properties Pty Ltd (Australia)	100			
- Bunge Meat Processors Pty Ltd (Australia)	100			

Acquisition and disposal of subsidiary companies (cont'd)

(b) Incorporation of subsidiary companies

Name of company (Country of incorporation)	Date of incorporation	Interest held %	Issued share capital
Incorporated by the Company			
Hamsdale International Pte Ltd (Singapore)	13.6.2001	100	2 ordinary shares of S$1 each
Incorporated by subsidiary company			
Hamsdale Australia Pty Ltd (Australia)	18.7.2001	100	1 ordinary share of A$1

(c) Disposal and liquidation of subsidiary companies

(i) *Disposal of subsidiary company*

Name of company	Interest disposed %	Effective date of disposal	Net tangible assets at disposal $'000	Proceeds $'000
Disposed by the Company				
QAF Lamba Foods Distribution (Bombay) Private Limited	75	5.12.2001	472	356

(ii) On 1 June 2001, Ben Foods (Malaysia) Sdn Bhd, a subsidiary company, disposed its entire 30% interest in Gardenia Bakeries (KL) Sdn Bhd for a consideration of $26,035,000. The share of net assets at the date of disposal amounted to $13,933,000. The Group's interest in Gardenia Bakeries (KL) Sdn Bhd remains at 70% as at 31 December 2001.

(iii) OSA Marketing Associates Pte Ltd, a wholly-owned subsidiary company, was liquidated during the financial year through members' voluntary liquidation.

(d) Transfer of subsidiary companies within the Group

(i) Ben Foods (Malaysia) Sdn Bhd, a wholly-owned subsidiary company, transferred its entire 100% interest in Ben Trading (Malaysia) Sdn Bhd and Ben Fortune Pastry Manufacturing (M) Sdn Bhd to the Company for a nominal consideration of RM10 each.

(ii) Eurofood (Singapore) Pte Ltd, a wholly-owned subsidiary company, transferred its entire 100% interest in NCS Cold Stores (S) Pte Ltd to the Company for a consideration of $16,940,000, representing the net tangible assets value at the date of transfer.

Report of the Directors

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	
Tarn Teh Chuen	
Derek Cheong Kheng Beng	
Kelvin Chia Hoo Khun	

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 :-

	Direct interest		Deemed interest	
Name of director	At beginning of the year	At end of the year	At beginning of the year	At end of the year
Number of stock units of $0.40 each				
Didi Dawis	32,680,000	36,117,000	45,820,712	42,383,712
Phua Bah Lee	–	–	25,000	25,000
Tan Kong King	100,000	100,000	–	–
Dr Siew Teck Woh	20,000	20,000	–	–
Number of Executives' 1990 Share Options to subscribe for shares in the Company				
Tan Kong King	600,000	600,000	–	–
Dr Siew Teck Woh	230,000	230,000	–	–
Tarn Teh Chuen	230,000	230,000	–	–
Number of Executives' 2000 Share Options to subscribe for shares in the Company				
Tan Kong King	300,000	600,000	–	–
Dr Siew Teck Woh	230,000	460,000	–	–
Tarn Teh Chuen	230,000	460,000	–	–

There was no change in any of the abovementioned interests between the end of the financial year and 21 January 2002.

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 6 to the financial statements.

Except for the 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.

Report of the Directors

Share Options and Warrants to subscribe for ordinary shares

(a) Share Options under the QAF Executives' 1990 Share Option Scheme (the "1990 Scheme") - The 1990 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 1990 Scheme have been set out in the report of the directors for the respective years. The 1990 Scheme had expired on 31 December 1999 however the Options granted thereunder remain valid and exercisable for a period of five years from the respective dates of grant.

(b) Share Options under the QAF Executives' Share Option Scheme 2000 (the "2000 Scheme")

(i) The 2000 Scheme was approved by the members of the Company at an Extraordinary General Meeting held on 12 May 2000. The maximum number of shares to be issued to eligible employees under the 2000 Scheme shall not exceed 15% of the issued share capital of the Company from time to time. Options may be granted at a discount not exceeding 20% of the prevailing market price but not less than the par value of the share.

An option granted without discount to the market price shall be exercisable from the 1st anniversary to the 10th anniversary of the offer date. An option granted at a discount to the market price shall be exercisable from the 2nd anniversary to the 10th anniversary of the offer date.

The offer price shall be equal to the average of the last dealt prices for a share for the 3 consecutive trading days immediately preceding the offer date.

(ii) Disclosures pursuant to Listing Manual requirements :

The 2000 Scheme is administered by the 2000 Option Committee with members appointed by the Board, comprising two non-executive directors (namely Mr Didi Dawis and Mr Phua Bah Lee) and one executive director (namely Mr Tan Kong King). Non-executive directors, controlling shareholders of the Company and their associates (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ["SGX-ST"]) are not eligible to participate in the 2000 Scheme. The directors of the Company who were granted options under the 2000 Scheme are as follows :

Name of participant	Options granted during financial year under review	Aggregate options granted since commencement of the 2000 Scheme to end of financial year under review	Aggregate options exercised since commencement of the 2000 Scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Tan Kong King	300,000	600,000	Nil	600,000
Dr Siew Teck Woh	230,000	460,000	Nil	460,000
Tarn Teh Chuen	230,000	460,000	Nil	460,000

The options granted in the financial year 2001 were granted at the exercise price of $0.43 per share and no options were granted at a discount to the then prevailing market price.

None of the executive directors and employees of the Group who participated in the 2000 Scheme has received 5% or more of the total number of options available under the 2000 Scheme.

Report of the Directors

Share Options and Warrants to subscribe for ordinary shares (cont'd)

(c) Unissued ordinary shares under warrants and options at 31 December 2001 comprise :

	For ordinary shares of $0.40 each in the Company	Exercise price per share	Exercise period
Warrants 2003	21,700,000	$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	884,000	$0.780	3 May 2000 to 2 May 2004
Executives' 1990 Share Option	760,000	$0.892	4 September 2000 to 3 September 2004
Executives' Share Option Scheme 2000	2,460,000	$0.630	26 May 2001 to 25 May 2010
Executives' Share Option Scheme 2000	2,633,000	$0.430	19 April 2002 to 18 April 2011

The holders of the Warrants 2003 and Executives' 1990 and 2000 Share Options have no right to participate by virtue of these warrants or 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.

Report of the Directors

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

Phua Bah Lee	(Chairman of the Audit Committee)
Kelvin Chia Hoo Khun	
Derek Cheong Kheng Beng	

Mr Phua Bah Lee and Mr Kelvin Chia Hoo Khun are considered independent directors in accordance with the provisions of the SGX-ST Listing Manual.

Report of the Directors

Audit committee (cont'd)

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 external 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 SGX-ST 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
12 April 2002

Supplementary Information

for the year ended 31 December 2001 (SGX-ST Listing Manual Requirements)

A. 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. There are now 4 executive and 3 non-executive directors:-

Non-executive directors :

Didi Dawis (Chairman)
Phua Bah Lee
Kelvin Chia Hoo Khun

Executive directors :

Tan Kong King (Group Managing Director)
Siew Teck Woh
Tarn Teh Chuen
Derek Cheong Kheng Beng

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.

Supplementary Information

for the year ended 31 December 2001 (SGX-St Listing Manual Requirements)

Executives' Share Option 1990 Scheme Committee

The members of the QAF Limited Executives' Share Option 1990 Scheme Committee ("1990 Option Committee") are :

Didi Dawis
Phua Bah Lee

The 1990 Option Committee is responsible for the administration of the 1990 Scheme of the Company. Members of the 1990 Option Committee did not participate in the 1990 Scheme.

The 1990 Scheme had expired on 31 December 1999 however the Options granted thereunder remain valid and exercisable for a period of five years from the respective dates of grant.

Executives' Share Option Scheme 2000 Committee

The members of the QAF Limited Executives' Share Option 2000 Scheme Committee ("2000 Option Committee") are :

Didi Dawis
Phua Bah Lee
Tan Kong King

The 2000 Option Committee was appointed by the Board. No member of the 2000 Option Committee shall be involved in any deliberation or decision making in respect of any options to be offered or granted to him.

Securities transactions

The Company has issued an Internal Compliance Code to directors and key employees of the Group, to emphasize the importance when dealing in the stocks of the Company, of observing the recommendations of the Best Practice Guide issued by SGX-ST. In addition, a memorandum is issued before the start of each "caution period" to remind executives to refrain from dealing in the Company's stocks 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.

Supplementary Information

for the year ended 31 December 2001 (SGX-St Listing Manual Requirements)

B. Interested Person Transactions : Disclosure pursuant to Chapter 9A of the Listing Manual

(i) Pursuant to a general mandate granted by members of the Company pursuant to Chapter 9A of the Listing Manual at the Annual General Meeting held on 11 October 2001 ("General Mandate"), the following recurring transactions were carried out in the financial year 2001 between the Group and the Interested Persons (as identified in the Circular for the General Mandate) :

	Group $'000
Sales of goods and materials	8,441
Purchase of goods and materials	78
Rental paid for office leases	19

The abovestated transactions were carried out in adherence to the Guidelines and Review Procedures (as therein stated in the Circular for the General Mandate) including, inter-alia, the prior approval of the Audit Committee.

(ii) Prior to the General Mandate having been in place, the Interested Person Transactions carried out in financial year 2001 (discounting those transactions of value not exceeding $100,000 each) were as follows :

	Group $'000
Purchase of goods and materials	208
Sales of goods and materials	2,510
Purchase of property, plant and equipment	1,900
Rental paid for office leases	96

The aggregated value of the above transactions (which were not carried out under the General Mandate) did not exceed the 3% materiality threshold as stipulated in the Listing Manual.

No General Mandate was in place in the financial year 2000.

On Behalf of the Board

Didi Dawis
Director

Tan Kong King
Director

Singapore
12 April 2002

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 accompanying balance sheets, profit and loss accounts, statements of changes in equity and consolidated statement of cash flow together with the notes thereto, set out on pages 38 to 83 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 2001, the results and changes in equity of the Company and of the Group and cash flows of the Group for the year then ended, 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
12 April 2002

Auditors' Report

to the Members of QAF Limited

We have audited the financial statements of QAF Limited set out on pages 38 to 83. These financial statements comprise the balance sheets of the Company and of the Group as at 31 December 2001, the profit and loss accounts and the statements of changes in equity of the Company and of the Group and statement of cash flows of the Group for the year ended 31 December 2001, and the notes thereto. 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 are properly drawn up in accordance with the provisions of the Companies Act ("Act") and Singapore 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 2001, the results and changes in equity of the Company and of the Group and cash flows of the Group for the year ended on that date; 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 36.

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
12 April 2002

Profit and Loss Accounts

for the year ended 31 December 2001

(In Singapore dollars except per share data)

	Note	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Revenue	3	**603,074**	491,602	**20,530**	14,333
Cost and expenses					
Cost of materials		**391,611**	324,054	**–**	–
Staff costs	4	**83,716**	62,235	**4,002**	3,595
Amortisation and depreciation	5	**20,618**	17,641	**278**	249
Operating lease rentals		**19,698**	17,017	**115**	93
Other operating expenses		**54,690**	46,287	**346**	337
Total costs and expenses		**570,333**	467,234	**4,741**	4,274
Profit from operating activities	6	**32,741**	24,368	**15,789**	10,059
Finance costs	7	**(2,201)**	(635)	**(183)**	–
Exceptional items, net	8	**163**	(5)	**(364)**	188
Share of loss of associated companies		**(2)**	(52)	**–**	–
Profit before taxation and minority interests		**30,701**	23,676	**15,242**	10,247
Taxation	9	**(9,585)**	(6,181)	**(4,742)**	(3,629)
Minority interests		**(2,151)**	(964)	**–**	–
Net profit for the financial year		**18,965**	16,531	**10,500**	6,618

	Note	Group 2001	Group 2000
Earnings per ordinary share of $0.40 :	10		
– Basic		**5.8 cents**	5.0 cents
– Diluted		**5.8 cents**	5.0 cents

The accounting policies and explanatory notes on pages 46 to 83 form an integral part of the financial statements.

Balance Sheets

as at 31 December 2001

(In Singapore dollars)

	Note	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Non-current assets					
Property, plant and equipment	11	**288,383**	145,756	**435**	380
Subsidiary companies	12	**–**	–	**130,527**	118,982
Associated companies	13	**3,836**	3,695	**–**	–
Investments	14	**8,866**	13,300	**998**	998
Deposits	15	**–**	2,000	**–**	–
Intangibles	16	**1,120**	1,260	**1,120**	1,260
		302,205	166,011	**133,080**	121,620
Current assets					
Inventories	17	**115,439**	37,233	**–**	–
Trade receivables	18	**63,477**	29,337	**–**	–
Other receivables	19	**11,368**	6,127	**27,409**	3,617
Tax recoverable		**1,368**	13	**–**	–
Short term investments	20	**1,761**	801	**–**	–
Cash and deposits	21	**44,561**	42,261	**1,778**	17,459
		237,974	115,772	**29,187**	21,076
Current liabilities					
Trade payables		**68,222**	47,478	**8**	8
Other payables	22	**46,243**	17,554	**1,189**	1,498
Short-term borrowings	23	**49,196**	16,020	**12,781**	–
Long-term loans - current portion	24	**22,021**	–	**–**	–
Taxation		**5,482**	5,007	**2,195**	1,634
		191,164	86,059	**16,173**	3,140
Net current assets		**46,810**	29,713	**13,014**	17,936
Non-current liabilities					
Long-term loans	24	**88,269**	–	**–**	–
Other payables	22	**4,679**	–	**–**	–
Deferred taxation	25	**25,195**	4,820	**–**	–
		(118,143)	(4,820)	**–**	–
		230,872	190,904	**146,094**	139,556
Capital and reserves					
Share capital	26	**131,204**	131,204	**131,204**	131,204
Reserves		**73,021**	46,754	**14,890**	8,352
		204,225	177,958	**146,094**	139,556
Minority interests		**26,647**	12,946	**–**	–
		230,872	190,904	**146,094**	139,556

The accounting policies and explanatory notes on pages 46 to 83 form an integral part of the financial statements.

Statements of Changes in Equity

for the year ended 31 December 2001

(In Singapore dollars)

Group	Share capital $'000	Share premium $'000	Revaluation reserve $'000	Capital reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Total $'000
Balance at 1 January 2000							
- as previously stated	130,404	950	4,012	3,250	40,753	(17,545)	161,824
- changes in accounting policies [Note 2(b)]	–	397	–	1,178	1,630	37	3,242
- as restated	130,404	1,347	4,012	4,428	42,383	(17,508)	165,066
Transfer from revaluation reserve to revenue reserve	–	–	(49)	–	49	–	–
Exchange differences arising on consolidation	–	–	–	–	–	(177)	(177)
Changes in Group structure	–	–	–	–	(552)	–	(552)
Net losses not recognised in the profit and loss account	–	–	(49)	–	(503)	(177)	(729)
Issue of ordinary shares by exercise of Warrants 2003 (Note 26)	800	200	–	–	–	–	1,000
Dividends, net of tax (Note 27)							
- as previously stated	–	–	–	–	(3,962)	–	(3,962)
- changes in accounting policies [Note 2(b)]	–	–	–	–	52	–	52
- as restated	–	–	–	–	(3,910)	–	(3,910)
Net profit for the financial year							
- as previously stated	–	–	–	–	16,405	–	16,405
- changes in accounting policies [Note 2(b)]	–	–	–	–	126	–	126
- as restated	–	–	–	–	16,531	–	16,531
Transfer to share premium account on the exercise of Warrants 2003							
- as previously stated	–	–	–	–	–	–	–
- changes in accounting policies [Note 2(b)]	–	99	–	(99)	–	–	–
- as restated	–	99	–	(99)	–	–	–
Balance at 31 December 2000	131,204	1,646	3,963	4,329	54,501	(17,685)	177,958

Statements of Changes in Equity

for the year ended 31 December 2001

(In Singapore dollars)

	Share capital $'000	Share premium $'000	Revaluation reserve $'000	Capital reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Total $'000
Group							
Balance at 1 January 2001							
- as previously stated	131,204	1,150	3,963	3,250	52,693	(17,722)	174,538
- changes in accounting policies [Note 2(b)]	–	496	–	1,079	1,808	37	3,420
- as restated	131,204	1,646	3,963	4,329	54,501	(17,685)	177,958
Transfer from revaluation reserve to revenue reserve	–	–	(49)	–	49	–	–
Exchange differences arising on consolidation	–	–	–	–	–	11,264	11,264
Net gains not recognised in the profit and loss account	–	–	(49)	–	49	11,264	11,264
Dividends, net of tax (Note 27)	–	–	–	–	(3,962)	–	(3,962)
Net profit for the financial year	–	–	–	–	18,965	–	18,965
Balance at 31 December 2001	131,204	1,646	3,914	4,329	69,553	(6,421)	204,225

Statements of Changes in Equity

for the year ended 31 December 2001

(In Singapore dollars)

	Share capital $'000	Share premium $'000	Revaluation reserve $'000	Capital reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Total $'000
Company							
Balance at 1 January 2000							
- as previously stated	130,404	950	–	–	795	–	132,149
- changes in accounting policies [Note 2(b)]	–	397	–	1,178	2,124	–	3,699
- as restated	130,404	1,347	–	1,178	2,919	–	135,848
Issue of ordinary shares by exercise of Warrants 2003 (Note 26)	800	200	–	–	–	–	1,000
Dividends, net of tax (Note 27)							
- as previously stated	–	–	–	–	(3,962)	–	(3,962)
- changes in accounting policies [Note 2(b)]	–	–	–	–	52	–	52
- as restated	–	–	–	–	(3,910)	–	(3,910)
Net profit for the financial year							
- as previously stated	–	–	–	–	6,611	–	6,611
- changes in accounting policies [Note 2(b)]	–	–	–	–	7	–	7
- as restated	–	–	–	–	6,618	–	6,618
Transfer to share premium account on the exercise of Warrants 2003							
- as previously stated	–	–	–	–	–	–	–
- changes in accounting policies [Note 2(b)]	–	99	–	(99)	–	–	–
- as restated	–	99	–	(99)	–	–	–
Balance at 31 December 2000	131,204	1,646	–	1,079	5,627	–	139,556
Balance at 1 January 2001							
- as previously stated	131,204	1,150	–	–	3,444	–	135,798
- changes in accounting policies [Note 2(b)]	–	496	–	1,079	2,183	–	3,758
- as restated	131,204	1,646	–	1,079	5,627	–	139,556
Dividends, net of tax (Note 27)	–	–	–	–	(3,962)	–	(3,962)
Net profit for the financial year	–	–	–	–	10,500	–	10,500
Balance at 31 December 2001	131,204	1,646	–	1,079	12,165	–	146,094

The accounting policies and explanatory notes on pages 46 to 83 form an integral part of the financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2001

(In Singapore dollars)

	2001 $'000	2000 $'000
Cash flows from operating activities :		
Profit before taxation and minority interests	30,701	23,676
Adjustments for :		
Depreciation of property, plant and equipment	20,478	17,503
Loss from sale of property, plant and equipment	3	929
Property, plant and equipment written off	352	–
Share of loss of associated companies	2	52
Write-off of goodwill on acquisition of subsidiary companies	6,352	–
Impairment loss on property, plant and equipment	1,000	–
Excess of insurance claim over carrying value of assets	(764)	–
Net gain on partial divestment of subsidiary companies	(12,102)	–
Write-off of cost relating to an aborted acquisition	772	–
Provision/write-off of long-term investments	4,579	1,850
Amortisation of intangible asset	140	138
Interest expense	2,201	635
Dividend and interest income	(1,483)	(1,111)
Provision for diminution in value of short-term investments	127	126
Write-back of costs on potential closure of subsidiary company	–	(124)
Gain on sale of investment	–	(49)
Gain on sale of long-term investments	–	(1,475)
Liquidation of subsidiary companies	–	(317)
Excess of assets over liabilities arising on voluntary liquidation of subsidiary companies	–	(246)
Operating profit before working capital changes	52,358	41,587
Increase in receivables	(14,148)	(464)
(Increase)/decrease in inventories	(21,938)	471
(Decrease)/increase in payables	(6,347)	4,530
Increase in short term investments	(1,087)	(927)
Exchange differences	685	(402)
Cash generated from operations	9,523	44,795
Interest paid	(1,722)	(635)
Interest income received	1,468	1,068
Income tax paid, net	(4,834)	(5,333)
Net cash provided by operating activities	4,435	39,895

Consolidated Statement of Cash Flows

for the year ended 31 December 2001

(In Singapore dollars)

	2001 $'000	2000 $'000
Cash flows from investing activities :		
Purchase of property, plant and equipment	(47,119)	(17,646)
Proceeds on sale of property, plant and equipment	1,836	233
Proceeds from insurance claim	1,829	–
Dividend received from quoted investment	15	43
(Increase)/decrease in advance to associated companies	(142)	542
Acquisition of subsidiary companies, net of cash acquired (Note A)	(126,015)	–
Net proceeds arising from disposal of a subsidiary company, net of cash disposed (Note B)	346	–
Net proceeds arising from partial divestment of a subsidiary company	26,035	–
Proceeds from sale of investment	–	4,753
Deposits paid for a proposed acquisition	–	(2,000)
Purchase of shares from minority shareholders	–	(608)
Net cash used in investing activities	(143,215)	(14,683)
Cash flows from financing activities :		
Dividends paid during the year	(3,962)	(3,910)
Dividends paid to external shareholders of a subsidiary company	(252)	(72)
Repayment of term loans	(16,000)	(6,337)
Proceeds from bank borrowings	159,453	–
Proceeds from issuance of shares to external shareholders of a subsidiary company	1,828	–
Proceeds from issuance of share capital	–	1,000
Net cash provided by/(used in) financing activities	141,067	(9,319)
Net increase in cash and cash equivalents	2,287	15,893
Cash and cash equivalents at beginning of year (Note 28)	42,241	26,348
Cash and cash equivalents at end of year (Note 28)	44,528	42,241

Consolidated Statement of Cash Flows

for the year ended 31 December 2001

(In Singapore dollars)

The attributable net assets of the subsidiary companies acquired and disposed during the year were as follows:

Note A :

Analysis of acquisition of subsidiary companies

	$'000
Net assets acquired :	
Property, plant and equipment	115,568
Inventories	56,289
Receivables	24,677
Cash and deposits	2,930
Trade payables	(39,509)
Employee benefits	(4,652)
Taxation	(1,908)
Deferred taxation	(12,946)
Net assets acquired	140,449
Goodwill arising on acquisition	6,352
Consideration outstanding as at year end	(15,856)
Deposits paid in the prior year and reclassified as cost of investment in the current year	(2,000)
Cash paid	128,945
Cash and cash equivalents acquired	(2,930)
Cash flow on acquisition, net of cash and cash equivalents acquired	126,015

Note B :

Analysis of disposal of a subsidiary company

	$'000
Net assets disposed :	
Property, plant and equipment	501
Inventories	21
Receivables	366
Payables	(315)
Cash and deposits	10
Minority interests	(111)
Net assets disposed	472
Incidental costs	(66)
Loss on disposal	(50)
Consideration received	356
Cash and cash equivalents disposed	(10)
Cash flow on disposal, net of cash and cash equivalents disposed	346

The accounting policies and explanatory notes on pages 46 to 83 form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

1. Corporate information

QAF Limited is a public limited liability company incorporated in Singapore. The registered address of QAF Limited is 150 South Bridge Road, #09-04 Fook Hai Building, Singapore 058727.

The principal activities of the Company are those of an investment holding and management company. The principal activities of the Group consist of the manufacture and distribution of bread, bakery and confectionery products; operation of supermarkets; cold storage warehousing; trading and distribution in food, beverages, food related ingredients and commodities; production, processing and marketing of pork, and feedmill production; and investment holding. Other than the new business activities in the production, processing and marketing of pork and feedmill production which the Group acquired since the end of October 2001, there have been no significant changes in the principal activities of the Group during the financial year under review.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements of the Company and of the Group are expressed in Singapore dollars and have been prepared under the historical cost convention, modified by the revaluation of certain property, plant and equipment.

The financial statements are prepared in accordance with Singapore Statements of Accounting Standard ("SAS") and the applicable provisions of the Companies Act.

The accounting policies have been consistently applied by the Company and Group and are consistent with those used in the previous year except for the changes in accounting policies discussed more fully in (b) below.

(b) Changes in accounting policies

The following accounting policies were changed/adopted with effect from 1 January 2001 with the adoption of revised/new SAS :

(i) SAS 10 (Revised 2000) - Events Occurring After The Balance Sheet Date - whereas the Company and Group previously recognised proposed final dividend after the balance sheet date in relation to the financial year under review as a liability of that financial year, it now recognises proposed final dividend as a liability when the dividends are declared payable. The effect of this change resulted in the reversal of the provision for the proposed final dividend of $3,910,000 and $3,962,000, net of tax, of the Company and Group for the financial years ended 31 December 1999 and 2000 respectively and a corresponding increase in the Company's and Group's revenue reserves as at 1 January 2000 and 2001 respectively.

(ii) SAS 32 - Financial Instruments : Disclosure and Presentation - requires long-term loans with detachable warrants, previously recorded at their principal values, to be recorded at their present values with the corresponding discounts accruing to the long-term loans amortised to profit and loss over the tenure of the long-term loans. As and when Warrants 2003 are exercised, the value of such Warrants standing to the credit of the capital reserve account will be transferred to the share premium account. The effect of this change resulted in the creation of capital reserve of $1,575,000 for the issue of Warrants 2003, in conjunction with a transferable term-loan facility obtained by a subsidiary company in 1998, and a corresponding reduction in the Group's revenue reserves as at 1 January 2000, as a result of the accumulated amortisation of the discount accruing to the long-term loan. Additionally, an amount of $397,000 and $99,000 have been transferred from the capital reserve account to the share premium account in respect of the financial years ended 31 December 1999 and 2000 respectively, as a result of the exercise of Warrants 2003 during those financial years.

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

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

(b) Changes in accounting policies (cont'd)

(iii) SAS 34 - Intangible Assets - the Company and Group previously capitalised certain expenditures on its "Trademarks" to the cost of the "Trademarks" and pre-operating expenses on start-up activities, and amortised such additions over a period ranging from 5-20 years on a straight line method. The Company and Group now charges subsequent expenditures on the "Trademarks" and the pre-operating expenses to the profit and loss account as and when incurred. The effect of this change resulted in a net decrease of $211,000 and $705,000 in the intangible assets and revenue reserve of the Company and Group, respectively, as at 1 January 2000 due to the de-recognition of the subsequent expenditure on the "Trademarks" and pre-operating expenses capitalised up to 31 December 1999. Additionally, the de-recognition also resulted in an increase in the net profit of the Group and Company for the financial year ended 31 December 2000 by $126,000 and $7,000 respectively. This change in accounting policy resulted in an increase of $160,000 and $13,000 in the Group's and Company's current year results respectively.

(iv) SAS 8 - Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies - whereas items considered and reported as "Extraordinary Items" in the financial year ended 31 December 2000 have been reclassified as "Exceptional Items" in the financial year ended 31 December 2001.

(c) Basis of consolidation

The financial statements of the Group 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 during the period are included in or excluded from the consolidated profit and loss account from the date of their acquisition or disposal. Acquisition of subsidiary companies is accounted for using the purchase method of accounting. Intercompany balances and transactions and resulting unrealised profits are eliminated in full on consolidation.

(d) Foreign currencies

Transactions arising in foreign currencies during the year are translated 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 such translation are included in the profit and loss account. Exchange differences arising from long-term intercompany balances which are effectively part of the net investments are taken to foreign currency translation reserve.

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.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and impairment loss, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are included in the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the balance sheet and any gain or loss resulting from their disposal is included in the profit and loss account.

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

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

(f) Depreciation

Depreciation is not provided for 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 property, plant and equipment, 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 :

		%
Freehold buildings	-	2.0 - 2.5
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.

(g) 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 and 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, if the amounts involved are considered to be significant to the Group.

(h) Intangibles

(i) 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. Prior to 1 January 2001, goodwill was written off against the revenue reserve in the year of acquisition. With effect from 1 January 2001, positive goodwill is amortised through the consolidated profit and loss account on a straight line basis over its useful economic life up to a maximum of 20 years, determined on individual basis. Goodwill which is assessed as having no continuing economic value is written off to the consolidated profit and loss account.

(ii) Trademarks

Trademarks are stated at cost less accumulated amortisation and impairment loss, if any. Trademarks are amortised through the profit and loss account on a straight line basis over a period of 20 years.

(iii) Others

Preliminary, pre-operating expenses and research and developments costs are expensed as incurred, except for development expenditure which are expected to generate future economic benefits. Such development expenditure are capitalised and amortised through the profit and loss account on a straight line basis over a period of 5 years upon commencement of operations.

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

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

(i) 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 impairment loss, determined on an individual basis.

Investments held as current assets are stated at the lower of cost and market value. Market value is the middle market price at the balance sheet date. Changes in market value are included in the profit and loss account.

(j) Inventories

Raw materials and consumables, finished goods and spare parts are stated at the lower of cost and net realisable value. Cost is primarily determined on a weighted average basis or first-in-first-out basis for certain 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. Livestock are stated at the lower of cost and net realisable value. Cost is primarily determined on a weighted average basis and includes attributable costs in nurturing the livestock to their saleable condition.

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.

(k) Trade and other receivables

Trade and other receivables, which generally have 30-60 day terms, are recognised and carried at original invoiced amount less provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off to the profit and loss accounts as incurred.

(l) Impairment of assets

An assessment is made at each balance sheet to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is included in the profit and loss account.

(m) Trade and other payables

Liabilities for trade and other payables, which are normally settled on 30-60 day terms, are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(n) Provisions

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

(o) Loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received, net of transaction costs associated with the borrowings or loans. After initial recognition, interest bearing loans and borrowings are measured at amortised cost, taking into account any discount or premium on settlement.

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

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

(p) Share capital

Ordinary shares are classified as equity and recorded at the fair value of the consideration received by the Company. Dividends on ordinary shares are accounted for in the shareholders' equity in the period in which they are declared payable.

(q) 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. Interest income is accrued on a day-to-day basis. Profits or losses on disposal of investments are included in the profit and loss account.

(r) 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.

(s) Borrowing costs

Interest on borrowings to finance the construction of properties and plants is capitalised. Interest is capitalised from the date work starts on the property to the date when substantially all the activities that are necessary to get the property ready for use are complete. Interest on other borrowings are recognised as expense in the period in which they are incurred.

(t) Employee benefits

(i) Executives' Share Option Scheme

The Company has in place the QAF Executives' Share Option Scheme for the granting of share options to eligible employees of the Group to subscribe for ordinary shares in the Company. When the options are exercised, the nominal value of the shares subscribed for is credited to the share capital account and the balance of the proceeds, net of any transaction costs, is credited to the share premium account. Details of the Scheme are disclosed in Note 29 to the financial statements.

(ii) Defined contribution/benefit plans

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

For retirement benefit schemes, the cost of retirement benefit is determined using the accrued benefit valuation method. Contributions made to the scheme are included in the profit and loss account. Actuarial gains and losses are recognised as income and expenses when the cumulative unrecognised actuarial gains or losses exceed 10% of the obligation and fair value of plan assets. The gains or losses are recognised over the average remaining working lives of the employees participating in the scheme.

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

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

(t) *Employee benefits (cont'd)*

(iii) *Employee entitlements*

Liabilities for annual leave and sick leave are recognised, and are measured as the amount unpaid at the balance sheet date at current pay rates in respect of employees' services up to that date. A liability for long service leave is recognised, on the basis of an estimation of the present value of the future cash outflows to be made in respect of services provided by employees up to the balance sheet date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates that match, as closely as possible, the estimated future cash outflows.

(u) *Segment information*

The Group's operating businesses are organised and managed separately according to the nature of their activities, namely food manufacturing, trading, retailing, primary production, storage, investment and others. The Group operates in six main geographical areas, namely Singapore, Malaysia, Australia, China, Thailand and Philippines. Geographical segment revenue is based on geographical location of the customers. Geographical segment assets are based on geographical location of the Group's assets. Segment accounting policies are the same as the policies described in Note 2. Inter-segment sales are based on terms determined on a commercial basis.

3. Revenue

Revenue for the Group includes the invoiced value of goods and services supplied, less returns, discounts and goods and services tax, and excludes sales between Group companies. Revenue for the Company includes management fees and royalty income from subsidiary companies.

	Group		Company	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Sale of goods	**593,449**	482,191	**–**	–
Management fees from subsidiary companies	**–**	–	**1,284**	1,199
Royalty income from subsidiary companies	**–**	–	**6,699**	6,244
Rental income from storage and warehousing facilities	**6,524**	7,406	**–**	–
Interest income from:				
- Fixed deposits with financial institutions	**994**	654	**253**	356
- Advances to subsidiary companies	**–**	–	**253**	574
- Advances to associated company	**341**	345	**–**	–
- Others	**133**	69	**–**	–
Gross dividends from :				
- Quoted equity investments	**15**	43	**–**	–
- Unquoted equity investments in subsidiary companies	**–**	–	**12,041**	5,960
Gain on disposal of investment	**–**	49	**–**	–
Miscellaneous	**1,618**	845	**–**	–
	603,074	491,602	**20,530**	14,333

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

4. Staff costs

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
(a) Staff costs (including Executive Directors) :				
- salaries, wages and other related costs	**76,244**	57,496	**3,783**	3,358
- CPF and contributions to other plans	**6,852**	4,739	**219**	237
- superannuation contributions	**620**	–	–	–
	83,716	62,235	**4,002**	3,595
	Number	Number	Number	Number
(b) Number of employees at 31 December	**5,399**	3,877	**27**	30

5. Amortisation and depreciation

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Amortisation of intangibles	**140**	138	**140**	138
Depreciation of property, plant and equipment	**20,478**	17,503	**138**	111
	20,618	17,641	**278**	249

6. Profit from operating activities

Profit from operating activities is stated after charging/(crediting) :

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Auditors' remuneration :				
- Auditors of the Company				
• current year	**276**	229	**65**	62
• under/(over)provision in previous year	**4**	(1)	–	–
- Other auditors				
• current year	**128**	96	–	–
Professional fees for non-audit services rendered by the auditors of the Company	**45**	57	**45**	57
Bad debts written off/(recovered), net	**4**	(9)	–	–
Foreign exchange gain, net	**(1,062)**	(601)	**(395)**	(183)
Provision for doubtful debts :				
- trade	**419**	823	–	–
- non-trade	**98**	–	–	–
Loss/(gain) on disposal of property, plant and equipment	**3**	929	–	(1)
Property, plant and equipment written off	**352**	–	–	–
Provision for stock obsolescence	**1,067**	1,020	–	–
Remuneration of directors of the Company	**1,375**	1,016	**1,375**	1,016
Provision for diminution in value of short-term investments	**127**	126	–	–
Provision for long service leave	**107**	–	–	–
Loss/(gain) on disposal of a subsidiary company	**50**	–	**(196)**	–

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

6. Profit from operating activities (cont'd)

Remuneration of the Directors of the Company pursuant to SGX-ST Listing rules is as follows:

Number of directors in remuneration bands

	2001 $'000	2000 $'000
$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

7. Finance costs

	Group		Company	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Interest expense on:				
- Fixed term loans	2,154	614	183	–
- Bank overdrafts and others	47	21	–	–
	2,201	635	183	–

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8. Exceptional items, net

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Write-off of goodwill arising on acquisition of a subsidiary company	(6,352)	–	–	–
Write-off of cost of long-term investments	(3,079)	(1,500)	–	–
Provision for diminution in value of long-term investment	(1,500)	(350)	–	–
Impairment loss on property, plant and equipment	(1,000)	–	–	–
Excess of insurance claim over carrying value of plant and equipment	764	–	–	–
Net gain on partial divestment of a subsidiary company	12,102	–	–	–
Write-off of costs relating to an aborted acquisition	(772)	–	(772)	–
Gain on disposal of long-term investment	–	1,475	–	–
Excess of assets over liabilities arising on voluntary liquidation of subsidiary companies	–	246	28,286	–
Write-back of costs on potential closure of a subsidiary company and other related costs	–	124	–	124
(Provision for)/write-back of impairment loss on investment and amounts due from subsidiary companies, net	–	–	(27,878)	64
	163	(5)	(364)	188

Included in costs relating to an aborted acquisition is professional fees of $180,000 paid for services rendered by auditors of the Company.

9. Taxation

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Provision for taxation in respect of profit for the year:				
- Current Singapore income tax	3,357	4,436	2,177	1,276
- Deferred taxation	639	(1,272)	–	–
	3,996	3,164	2,177	1,276
Overseas taxation :				
- Current income tax	(1,399)	2,022	1,972	1,424
- Deferred taxation	5,942	(71)	–	–
	4,543	1,951	1,972	1,424
	8,539	5,115	4,149	2,700
Underprovision in respect of prior years :				
- Income tax	88	1,066	593	929
- Deferred taxation	958	–	–	–
	9,585	6,181	4,742	3,629

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

9. Taxation (cont'd)

The tax charge for the Group differs from the amount determined by applying the Singapore tax rate of 24.5% (2000 : 25.5%) primarily because of certain expenses not allowable for tax purposes and higher income tax rates of overseas subsidiary companies.

At 31 December 2001, the Group has unutilised tax losses and capital allowances of approximately $6,307,000 (2000 : $10,010,000) and $4,844,000 (2000 : $1,948,000) 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 tax charge for the Company is higher than the amount determined by applying the Singapore tax rate of 24.5% (2000 : 25.5%) to profit before taxation primarily due to certain expenses that are not deductible for tax purposes.

10. Earnings per ordinary share of $0.40

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

	2001 $'000	2000 $'000
Group earnings used for the calculation of EPS :		
Profit for the financial year attributable to shareholders	**18,965**	16,531

	2001 $'000	2000 $'000
Number of shares used for the calculation of :		
(i) Basic EPS		
Weighted average number of ordinary shares in issue	**328,009**	328,009
(ii) Diluted EPS		
Weighted average number of ordinary shares in issue	**328,009**	328,009
Warrants 2003	–	4,478
Share options	**169**	122
Adjusted weighted average number of ordinary shares	**328,178**	332,609

Basic earnings per share is calculated on the Group profit for the financial year attributable to shareholders 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. The effects of Warrants 2003 were anti-dilutive and ignored in calculating the diluted EPS for 2001.

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(In Singapore dollars)

11. Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Group									
Cost/valuation :									
At 1.1.2001	3,967	–	89,346	20,767	86,383	27,086	21,439	5,597	254,585
Currency realignment	202	(763)	1,709	392	3,364	318	727	281	6,230
Additions	–	338	2,288	1,800	5,942	2,024	2,990	31,737	47,119
Disposals/write-off	–	(2)	(2,213)	(7)	(4,283)	(2,186)	(2,678)	–	(11,369)
Acquisition of subsidiary companies	7,683	77,599	10,906	513	95,174	7,034	4,236	4,537	207,682
Disposal of a subsidiary company	–	–	(81)	–	(771)	(66)	(59)	–	(977)
Transfers	–	–	9,924	1,294	21,515	161	–	(32,894)	–
Impairment losses	–	–	(500)	–	(500)	–	–	–	(1,000)
At 31.12.2001	11,852	77,172	111,379	24,759	206,824	34,371	26,655	9,258	502,270
Accumulated depreciation :									
At 1.1.2001	–	–	19,231	9,052	50,735	14,545	15,266	–	108,829
Currency realignment	–	(206)	100	96	1,434	168	528	–	2,120
Charge for the year	–	520	2,236	1,855	9,768	3,856	2,243	–	20,478
Disposals/write-off	–	–	(822)	(3)	(4,192)	(1,704)	(2,457)	–	(9,178)
Acquisition of subsidiary companies	–	20,569	1,484	121	62,423	4,661	2,856	–	92,114
Disposal of a subsidiary company	–	–	(4)	–	(398)	(34)	(40)	–	(476)
At 31.12.2001	–	20,883	22,225	11,121	119,770	21,492	18,396	–	213,887
Charge for 2000	–	–	2,306	1,895	7,982	3,339	1,981	–	17,503
Net book value :									
At 31.12.2001	11,852	56,289	89,154	13,638	87,054	12,879	8,259	9,258	288,383
At 31.12.2000	3,967	–	70,115	11,715	35,648	12,541	6,173	5,597	145,756

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

Analysis of cost and valuation

	Cost $'000	Assets at valuation $'000	Total $'000
Freehold land	11,852	–	11,852
Freehold buildings	77,172	–	77,172
Leasehold land and buildings	96,207	15,172	111,379
Leasehold improvements	24,759	–	24,759
Plant and machinery	206,824	–	206,824
Furniture, fittings and office equipment	34,371	–	34,371
Motor vehicles	26,655	–	26,655
Construction-in-progress	9,258	–	9,258
	487,098	15,172	502,270

	Leasehold improvements $'000	Furniture, fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Company				
Cost :				
At 1.1.2001	180	737	106	1,023
Additions	–	19	174	193
At 31.12.2001	180	756	280	1,216
Accumulated depreciation :				
At 1.1.2001	36	506	101	643
Charge for the year	36	66	36	138
At 31.12.2001	72	572	137	781
Charge for 2000	36	74	1	111
Net book value				
At 31.12.2001	108	184	143	435
At 31.12.2000	144	231	5	380

(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 the Group's leasehold land and buildings had it been carried at cost is $70,831,000 (2000 : $66,152,000).

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

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

(c) Interest on borrowings amounting to $253,000 (2000 : nil) was capitalised during the financial year and included in the cost of the Group's freehold building and plant and machinery.

(d) Included in the Group's property, plant and equipment are property, plant and equipment of subsidiary companies of net book value of $106,988,000 (2000 : nil) charged by way of mortgage to banks for term loan facilities granted (Notes 23 and 24).

(e) The Group's major properties as at 31 December 2001 are set out in note 37.

12. Subsidiary companies

	Company	
	2001 $'000	2000 $'000
Unquoted equity shares, at cost	75,655	62,272
Less : Accumulated impairment loss	(12,975)	(10,061)
	62,680	52,211
Advances to subsidiary companies	117,925	85,088
Less : Provision for doubtful debts	(39,309)	(18,315)
	78,616	66,773
	141,296	118,984
Amounts due to subsidiary companies - non-trade	(10,769)	(2)
	130,527	118,982
Movements in the accumulated impairment loss are as follows :		
Balance at beginning of year	10,061	10,061
Impairment loss for the year	4,816	–
Write-back during the year	(1,902)	–
Balance at end of year	12,975	10,061
Movements in the provisions for doubtful debts are as follows :		
Balance at beginning of year	18,315	22,932
Provision made/(write-back) during the year	20,994	(4,617)
Balance at end of year	39,309	18,315

The amounts due from/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 rates ranging from 3.0% to 7.5% (2000 : 3.5125%) per annum is receivable on advances to subsidiary companies amounting to $4,099,000 (2000 : $15,573,000).

Details of subsidiary companies are set out in note 36.

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31 December 2001

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13. Associated companies

	Group 2001 $'000	Group 2000 $'000
Unquoted equity shares, at cost	722	722
Group's share of post-acquisition accumulated losses	(150)	(148)
Currency realignment	(228)	(229)
	344	345
Advances to associated companies, net	3,492	3,350
	3,836	3,695

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 rates ranging from 6.0% to 11.5% (2000 : 6% to 11.5%) per annum is receivable on the advances due from associated companies.

Details of associated companies are set out in note 36.

14. Investments

	Group		Company	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Quoted equity shares in corporations				
At cost	3,150	3,150	–	–
Less : Provision for diminution in value	(1,500)	–	–	–
	1,650	3,150	–	–
Quoted bond, at cost	998	998	998	998
Unquoted equity shares in corporations				
At cost	6,218	10,352	–	–
Less : Provision for diminution in value	–	(1,350)	–	–
	6,218	9,002	–	–
Currency realignment	–	150	–	–
	8,866	13,300	998	998

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

14. Investments (cont'd)

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
(i) Market value as at end of year :				
- Quoted equity shares in corporations	**1,602**	1,895	**–**	–
- Quoted bond	**1,040**	1,020	**1,040**	1,020
(ii) Market value as at latest practicable date				
- Quoted equity shares in corporations	**1,548**	1,121	**–**	–
- Quoted bond	**1,050**	1,020	**1,050**	1,020

Movements in provision for diminution in value are as follows :

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
(i) Quoted equity shares in corporations :				
Balance at beginning of year	**–**	–	**–**	–
Provision made during the year	**1,500**	–	**–**	–
Balance at end of year	**1,500**	–	**–**	–
(ii) Unquoted equity shares in corporations :				
Balance at beginning of year	**1,350**	5,000	**–**	–
Provision made during the year	**–**	350	**–**	–
Amount written off against provision	**(1,350)**	(4,000)	**–**	–
Balance at end of year	**–**	1,350	**–**	–
Investments written off directly to profit and loss account	**3,079**	1,500	**–**	–

15. Deposits

This represented refundable deposit paid in relation to the proposed acquisition of a bakery business. During the current financial year, the acquisition was completed and this deposit is now included in the cost of investment in the subsidiary company.

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

16. Intangibles

	Group and Company	
	2001	2000
	$'000	$'000
Trademarks, at cost	2,750	2,750
Less : Accumulated amortisation	(1,630)	(1,490)
	1,120	1,260

Movements in accumulated amortisation are as follows :

	2001	2000
Balance at beginning of year	1,490	1,352
Amortisation for the financial year	140	138
Balance at end of year	1,630	1,490

17. Inventories

	Group	
	2001	2000
	$'000	$'000
Raw materials and consumables	40,882	3,437
Livestock	40,312	–
Finished goods	30,836	31,559
Spare parts	4,318	2,588
Work-in-progress	–	23
	116,348	37,607
Less : Provision for obsolescence	(909)	(374)
	115,439	37,233

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

	2001	2000
First-in-first-out	24,770	25,201
Weighted average	90,669	12,032
	115,439	37,233

Movements in provision for obsolescence are as follows :

	2001	2000
Balance at beginning of year	374	1,133
Currency realignment	4	(5)
Acquisition of subsidiary companies	211	–
Provision made during the year	1,067	1,020
Inventories written off against provision	(747)	(1,774)
Balance at end of year	909	374

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

18. Trade receivables

	Group 2001 $'000	Group 2000 $'000
Trade debtors	**67,287**	32,979
Less : Provision for doubtful debts	**(3,810)**	(3,642)
	63,477	29,337
Movements in provision for doubtful debts are as follows :		
Balance at beginning of year	**3,642**	3,378
Currency realignment	**125**	(207)
Acquisition of subsidiary companies	**386**	–
Provision made during the year	**419**	823
Bad debts written off against provision	**(762)**	(352)
Balance at end of year	**3,810**	3,642

19. Other receivables

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Prepayments	**3,077**	1,051	**18**	–
Sundry deposits	**3,088**	2,692	**16**	15
Staff loans	**72**	41	**–**	–
Sundry debtors	**5,235**	2,343	**78**	951
Less : Provision for doubtful debts	**(104)**	–	**–**	–
	5,131	2,343	**78**	951
Amounts due from subsidiary companies	**–**	–	**29,297**	2,518
Less: Provision for doubtful debts	**–**	–	**(2,000)**	–
	–	–	**27,297**	2,518
Dividends receivable from subsidiary companies	**–**	–	**–**	133
	11,368	6,127	**27,409**	3,617

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31 December 2001

(In Singapore dollars)

19. Other receivables (cont'd)

Staff loans are unsecured, interest-free and payable through monthly instalments over a period up to 5 years from the date the loan is granted.

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

Movements in provision for doubtful debts are as follows :

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Balance at beginning of year	–	–	–	–
Acquisition of subsidiary companies	6	–	–	–
Provision made during the year	98	–	–	–
Balance at end of year	104	–	–	–

There is no other movement in the provision for doubtful debts for amounts due from subsidiary companies during the year.

20. Short term investments

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Quoted equity shares in corporations, at cost	2,014	927	–	–
Less : Provision for diminution in value	(253)	(126)	–	–
	1,761	801	–	–
Market value as at end of year	1,761	801	–	–

The market price as at year end has been used to determine the fair values of quoted equity shares in corporations.

Movements in provision for diminution in value of short term investments are as follows:

	Group		Company	
	2001	2000	2001	2000
Balance at beginning of year	126	–	–	–
Provision made during the year	127	126	–	–
Balance at end of year	253	126	–	–

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31 December 2001

(In Singapore dollars)

21. Cash and deposits

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Fixed deposits with financial institutions	**17,699**	27,772	**–**	17,029
Cash and bank balances	**26,862**	14,489	**1,778**	430
	44,561	42,261	**1,778**	17,459

Fixed deposits of the Group amounting to $27,000 (2000 : $75,000) have been pledged to the banks to secure certain credit facilities.

22. Other payables

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Payable within one year :				
Final settlement of purchase consideration of subsidiary companies	**15,856**	–	**–**	–
Staff related expenses	**11,786**	4,628	**907**	578
Accrued operating expenses	**9,461**	5,160	**282**	920
Sundry creditors	**9,140**	7,766	**–**	–
	46,243	17,554	**1,189**	1,498
Payable after one year :				
Provision for long service leave	**4,679**	–	**–**	–

Movement in provision for long service leave are as follows :

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Acquisition of subsidiary companies	**4,652**	–	**–**	–
Currency realignment	**(46)**	–	**–**	–
Provision made during the year	**107**	–	**–**	–
Amounts utilised	**(34)**	–	**–**	–
	4,679	–	**–**	–

23. Short-term borrowings

	Group 2001 $'000	Group 2000 $'000	Company 2001 $'000	Company 2000 $'000
Short-term bank loans				
- unsecured	**35,048**	16,000	**12,781**	–
- secured	**14,115**	–	**–**	–
Bank overdrafts (unsecured)	**33**	20	**–**	–
	49,196	16,020	**12,781**	–

The short-term bank loans bear interest ranging from 2.2% to 5.85% (2000 : 2.94% to 4.00%) per annum. The secured portion of the short-term bank loans is secured by a first fixed and floating charge and first legal mortgage over all present and future assets including all land and buildings of certain subsidiary companies.

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24. Long-term loans

	Group 2001 $'000	Group 2000 $'000
Loans from banks :		
- Loan A (secured)	28,230	–
- Loan B (secured)	28,230	–
- Loan C	6,344	–
- Loan D	7,486	–
- Loan E	35,000	–
- Loan F	5,000	–
	110,290	–
Less : Current portion	(22,021)	–
Long-term portion of loans	88,269	–

Loans A and B bear interest ranging from 6.60% to 6.62% (2000 : nil) per annum and are repayable in equal quarterly instalments over four years commencing January 2002, with a bullet repayment of $11,292,000 on October 2005 for each of the loan. These loans are secured by first fixed and floating charge and first legal mortgage over all present and future assets including all land and buildings of certain subsidiary companies (Note 11).

Loans C and D bear interest ranging from 3.80% to 3.90% (2000 : nil) per annum and are repayable in equal monthly instalments over two years commencing April 2002 and July 2002 respectively.

Loans E and F bear interest ranging from 1.84% to 2.45% (2000 : nil) per annum and are repayable in 20 equal quarterly instalments commencing January 2002. The loans are guaranteed by the Company and certain subsidiary companies.

25. Deferred taxation

	Group 2001 $'000	Group 2000 $'000
Balance at beginning of year	4,820	6,129
Acquisition of subsidiary companies	12,946	–
Provision/(reversal) for the year	7,539	(1,343)
Currency realignment	(110)	34
Balance at end of year	25,195	4,820
On excess of capital allowances over depreciation	6,893	4,954
On other timing differences	18,302	(134)
	25,195	4,820

Royalty and interest income, net of attributable expenses, receivable from foreign subsidiary companies not remitted to Singapore, for which no deferred taxation is provided, and included in retained profits of the Company amounted to $4,680,000 (2000 : $4,300,000). Should these income be remitted to Singapore, the tax that would become payable thereon at the prevailing tax rate of 24.5% (2000 : 25.5%), less the Malaysian withholding tax already rendered, would be approximately $288,000 (2000 : $231,000). It is the Company's intention that this income be reinvested outside Singapore.

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26. Share capital

	Group and Company	
	2001	2000
	$'000	$'000
Authorised :		
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		
328,009,373 (2000 : 326,009,373) stock units of $0.40 each	**131,204**	130,404
Issued during the year		
Nil (2000 : 2,000,000) stock units of $0.40 each	**–**	800
Balance at end of year :		
328,009,373 (2000 : 328,009,373) stock units of $0.40 each	**131,204**	131,204

The holders of stock units are entitled to receive dividends as and when declared by the Company. Each stock unit carry one vote without restriction.

Unissued shares under warrants and options at 31 December 2001 comprise :

(i) 21,700,000 (2000 : 21,700,000) Warrants 2003 entitling holders to subscribe at any time up to 21 December 2003 for the same number of ordinary shares in the Company at an exercise price of $0.50 per share;

(ii) 7,234,000 (2000 : 4,633,000) options entitling holders to subscribe at any time during the exercise period for the same number of ordinary shares in the Company at the exercise prices ranging from $0.400 to $0.892 per share. The details of the share options are discussed more fully in Note 29.

The holders of the Warrants 2003, Executives' 1990 and 2000 Share Options have no right to participate by virtue of these options in any share issue of any other company in the Group.

27. Dividends paid and proposed

The Directors have proposed a first and final dividend of 2 cents (2000 : 1.6 cents) per ordinary share, net of tax at 24.5% (2000 : 24.5%), amounting to $4,952,942 (2000 : $3,962,353) be paid in respect of the financial year ended 31 December 2001. The dividend will be recorded as a liability on the balance sheet of the Company and Group upon approval of the shareholders at the next Annual General Meeting of the Company.

28. Cash and cash equivalents

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

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

	Group	
	2001	2000
	$'000	$'000
Cash and bank balances	**26,862**	14,489
Fixed deposits with financial institutions	**17,699**	27,772
Bank overdrafts	**(33)**	(20)
	44,528	42,241

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31 December 2001

(In Singapore dollars)

29. Employee benefits

(i) Share options

The Group has granted share options to eligible employees under its Executives' Share Option Scheme 1990 and 2000 ("1990 Scheme" and "2000 Scheme") respectively.

The 1990 Scheme was approved by the members of the Company at an Extraordinary General Meeting held on 2 February 1990. The 1990 Scheme had expired however the options granted thereunder remain valid and exercisable for a period of five years from the respective dates of grant.

The 2000 Scheme was approved by members of the Company at an Extraordinary General Meeting held on 12 May 2000. The maximum number of shares to be issued to eligible employees under the 2000 Scheme shall not exceed 15% of the issued share capital of the Company from time to time. Options may be granted at a discount not exceeding 20% of the prevailing market price but not less than par value of the share. An option granted without discount to the market price shall be exercisable from the 1st anniversary to the 10th anniversary of the offering date. An option granted at a discount to the market price shall be exercisable from the 2nd anniversary to the 10th anniversary from the offer date. The offer price shall be equal to the average of the last dealt prices for a share for the 3 consecutive trading days immediate preceding the offer date.

The dilutive effect of outstanding options is reflected as additional share dilutive in the computation of earnings per share.

Information with respect to the total number of options granted under both the Schemes are as follows :

	No. of options in financial year 2001 '000	Weighted average exercise price in 2001 $	No. of options in financial year 2000 '000	Weighted average exercise price as in 2000 $
Outstanding at beginning of year	4,633	0.685	2,167	0.749
Granted	2,683	0.430	2,550	0.630
Lapsed/forfeited	(82)	0.508	(84)	0.676
Outstanding at end of year	7,234	0.592	4,633	0.685
Exercisable at end of year	4,601	0.685	2,141	0.749

No options were exercised during the financial year 2001 (2000 : nil).

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

29. Employee benefits (cont'd)

(i) Share options (cont'd)

The following table summarises information about options outstanding and exercisable as at 31 December 2001 to subscribe for ordinary shares of $0.40 each in the Company :

	Outstanding		Exercisable		
Date of grant	Number of Options	Exercise price per share	Exercise period From	To	Number of Options
13.05.1998	197,000 *	0.590	13.05.1999	12.05.2003	197,000
28.08.1998	300,000 *	0.400	28.08.1999	27.08.2003	300,000
03.05.1999	884,000 *	0.780	03.05.2000	02.05.2004	884,000
04.09.1999	760,000 *	0.892	04.09.2000	03.09.2004	760,000
26.05.2000	2,460,000#	0.630	26.05.2001	25.05.2010	2,460,000
19.04.2001	2,633,000#	0.430	19.04.2002	18.04.2011	–
	7,234,000				4,601,000

* Options issued under the 1990 Scheme
\# Options issued under the 2000 Scheme

(ii) Retirement benefits

The Group's subsidiaries in Australia (namely the Bunge Meats Group of companies) operate a superannuation scheme that include The Bunge Superannuation Fund (Defined Benefits) (the "Fund"). The Fund is managed by an external administrator and the assets of the Fund are held in a separate trustee-administered fund. The Fund guarantees its members (i.e. the employees) a superannuation payout based on level of salary and years of service, irrespective of the investment returns which the fund makes. As at 31 December 2001, the net market value of the assets held by the Fund to meet future payments amounted to $14,035,000 as compared to the present value of employee's accrued and vested benefit of $12,421,000. The last actuarial assessment was completed as at 31 December 2000 by an independent actuary and updated to 31 December 2001 by the fund administrator. An expected rate of return of approximately 7.5% and a discount rate of approximately 4.5% formed part of the assumptions used by the actuary.

The superannuation scheme also include the Bunge Superannuation Fund (Accumulation). By definition, the asset valuation of this fund is the vested benefit of members. Members are entitled to their contributions, and those of the companies, along with the return on investment the fund has achieved in their time of membership. This fund is managed by an external administrator and the assets of the Fund are invested with external fund managers.

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30. Acquisition of new subsidiary companies

(i) On 23 October 2001, a subsidiary company acquired 100% of the issued share capital of Australia based Bunge Meats Group consisting of :

- Bunge Meat Industries Limited
- Bunge Feeds Pty Ltd
- Brooksbank Properties Pty Ltd
- Bunge Meat Processors Pty Ltd

The cost of investment amounted to $143,977,000 and was settled by cash. The Bunge Meats Group collectively contributed revenue of $47,284,170 and profit before taxation of $7,515,051 to the Group from the period 23 October 2001 to 31 December 2001.

(ii) On 8 February 2001, a subsidiary company acquired 100% of the issued share capital of Singapore based Bonjour Group consisting of :

- Bonjour Bakery Pte Ltd
- Delicia Sdn Bhd
- Bonjour Bakery Sdn Bhd
- Summit Rainbow Sdn Bhd

The cost of investment amounted to $2,824,000 and was settled by cash. The Bonjour Group collectively contributed revenue of $13,935,000 and profit before taxation of $602,000 to the Group from the period 8 February 2001 to 31 December 2001.

The disposal of QAF Lamba Foods Distribution (Bombay) Private Limited does not have any significant effect on the revenue and results of the Group in the current financial year.

31. Commitments

Capital commitments not provided for in the financial statements :

	Group		Company	
	2001 $'000	2000 $'000	2001 $'000	2000 $'000
Expenditure contracted for :				
- balance of purchase consideration relating to proposed acquisition	–	13,437	–	–
- capital contribution and loans to proposed investment	–	3,648	–	–
- proposed expansion of manufacturing facilities	–	15,728	–	–
- others	**1,655**	233	–	–
	1,655	33,046	–	–
Approved by the directors but not contracted for	**8,119**	20,172	–	–
	9,774	53,218	–	–

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(In Singapore dollars)

31. Commitments (cont'd)

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

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Leases which expire :				
Within one year	**17,205**	16,490	**–**	–
Between one and five years	**21,199**	27,654	**–**	–
After five years	**31,660**	32,921	**–**	–
	70,064	77,065	**–**	–

The Group leases a number of offices, warehousing/trading facilities and retail outlets under operating leases. The leases typically run for an initial period of 3 to 50 years, with an option to renew the lease after that date. Lease rentals are usually adjusted during the renewals to reflect market rentals.

(ii) 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.

32. Contingent liabilities (unsecured)

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
(a) Guarantees issued for bank facilities granted to subsidiary companies	**–**	–	**66,740**	25,599
Amounts utilised by subsidiaries as at balance sheet date	**–**	–	**50,951**	11,069
(b) Guarantees given to third parties in connection with trading facilities provided to subsidiary companies	**695**	1,723	**243**	–
(c) Outstanding forward exchange contracts	**4,463**	152	**–**	–

At the balance sheet date, there is no material unrealised gain/(loss) on these contracts.

(d) Claims by subsidiary companies' employee union and ex-employees via industrial court case	**198**	–	**–**	–

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

Notes to the Financial Statements

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(In Singapore dollars)

33. Related party transactions

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

	Group		Company	
	2001	2000	2001	2000
	$'000	$'000	$'000	$'000
Purchases from related parties	**313**	3,505	**–**	–
Sales to related parties	**11,950**	116	**–**	–
Rental paid to a related party	**115**	93	**115**	93
Purchase of property, plant and equipment from a related party	**1,900**	–	**–**	–

The related parties refer to companies wholly owned by a substantial shareholder of the Company.

34. Financial risk management objectives and policies

Group

The main risks faced by the Group are foreign currency risk, interest rate risk and credit risk that arise through its normal operations.

Foreign currency risk

Foreign exchange risk arises from a change in foreign currency exchange rate, which is expected to have adverse effect on the Group in the current reporting period and in future years. The Group operates within the Asia Pacific region and companies within the Group maintain their books and records in their respective functional currencies. The Group's accounting policy is to translate the profits of overseas companies using the weighted average exchange rates. Net assets denominated in foreign currencies and held at the year end are translated into Singapore dollars, the Group's reporting currency, at year end exchange rates. Fluctuations in the exchange rate between the functional currencies and Singapore dollars will therefore have an impact on the Group. It is the Group's policy not to hedge exposures arising from such translations. The Group may pursue such a policy in the future if the need arises. The Group aims to fund overseas operations with borrowings denominated in their functional currency as a natural hedge against overseas assets.

The Group's subsidiary companies in Australia and Malaysia use foreign currency forward exchange contracts with settlement period within 6 months from the year end to manage foreign currency exposures arising from normal trading activities. The outstanding forward exchange contracts are disclosed in Note 32.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will have an adverse financial effect on the Group's financial conditions and/or results. The primary source of the Group's interest rate risk is its borrowings from banks and other financial institutions in Singapore, Malaysia and Australia. The Group does not hedge interest rate risks. The Group ensures that it obtains borrowings at competitive interest rates under the most favourable terms and conditions.

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

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

Credit risk

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

Derivative financial instruments

The Group does not hold or issue derivative financial instruments for trading purposes.

Fair value of financial assets and financial liabilities

The fair values of the investment in the quoted and unquoted equity shares and bonds are disclosed in Notes 14 and 20. Market prices have been used to determine the fair values of the quoted investments. In the opinion of the Directors, it is impractical to determine the fair value of the unquoted equity shares held as long-term investment and carried at cost of $6,218,000. There are no material differences between the book and fair values of the Group's other financial assets and liabilities.

Company

The Company is primarily exposed to foreign currency risks. The Company does not hold or issue derivative financial instruments for trading purposes.

Foreign currency risks

The Company is exposed to the volatility in the foreign currency cash flows related to repatriation of the investments and advances to its subsidiary companies. It is the Company's policy not to hedge exposures arising from such risks.

Credit risk

It is the Company's policy to enter into financial instruments with creditworthy counterparties. Surplus funds are placed with reputable financial institutions. The Company's maximum exposure to credit risk in the event the counterparties fail to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet. There is no significant concentration of credit risk.

Fair value

The fair values of financial assets and liabilities are not materially different from their carrying values as at 31 December 2001. The fair values of receivables, payables, and cash and deposits approximates their carrying value as at 31 December 2001 due to their short-term nature.

Notes to the Financial Statements

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35. Segmental reporting

(a) Business segments

	Food manufacturing $'000	Trading $'000	Retailing $'000	Primary production $'000	Storage $'000	Investments/ others $'000	Eliminations $'000	Consolidated $'000
Revenue and expenses 2001								
Revenue from external customers	185,294	74,052	270,240	65,955	6,046	953	–	602,540
Inter-segment revenue	4,269	6,960	841	–	784	7,983	(20,837)	–
Unallocated revenue								534
Total revenue	189,563	81,012	271,081	65,955	6,830	8,936	(20,837)	603,074
Segment results	21,828	738	3,348	8,325	961	719	–	35,919
Unallocated revenue								534
Unallocated expenses								(3,712)
Profit from operating activities								32,741
Finance costs								(2,201)
Exceptional items, net								163
Share of loss of associated companies	(2)	–	–	–	–	–	–	(2)
Profit before taxation and minority interests								30,701
Taxation								(9,585)
Minority interests								(2,151)
Net profit for the year								18,965
Revenue and expenses 2000								
Revenue from external customers	162,055	65,252	256,476	–	6,658	523	–	490,964
Inter-segment revenue	4,192	7,864	–	–	605	–	(12,661)	–
Unallocated revenue								638
Total revenue	166,247	73,116	256,476	–	7,263	523	(12,661)	491,602
Segment results	21,256	1,957	1,625	–	1,739	381	–	26,958
Unallocated revenue								638
Unallocated expenses								(3,228)
Profit from operating activities								24,368
Finance costs								(635)
Exceptional items, net								(5)
Share of loss of associated companies	(52)	–	–	–	–	–	–	(52)
Profit before taxation and minority interests								23,676
Taxation								(6,181)
Minority interests								(964)
Net profit for the year								16,531

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

35. Segmental reporting (cont'd)

(a) Business segments (cont'd)

	Food manufacturing $'000	Trading $'000	Retailing $'000	Primary production $'000	Storage $'000	Investments/ others $'000	Eliminations $'000	Consolidated $'000
Assets and liabilities 2001								
Segment assets	144,112	40,165	73,939	221,920	29,012	25,827	–	534,975
Associated companies	3,836	–	–	–	–	–	–	3,836
Total assets	147,948	40,165	73,939	221,920	29,012	25,827	–	538,811
Tax recoverable								1,368
Total assets per balance sheet								540,179
Segment liabilities	26,974	8,615	32,829	48,354	968	1,404	–	119,144
Provision for taxation								5,482
Deferred taxation								25,195
Bank borrowings								159,486
Total liabilities per balance sheet								309,307
Assets and liabilities 2000								
Segment assets	98,743	37,065	76,829	–	25,693	39,745	–	278,075
Associated companies	3,695	–	–	–	–	–		3,695
Total assets	102,438	37,130	76,829	–	25,693	39,680	–	281,770
Tax recoverable								13
Total assets per balance sheet								281,783
Segment liabilities	18,970	8,536	34,251	–	743	2,532	–	65,032
Provision for taxation								5,007
Deferred taxation								4,820
Bank borrowings								16,020
Total liabilities per balance sheet								90,879

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31 December 2001

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35. Segmental reporting (cont'd)

(a) Business segments (cont'd)

	Food manufacturing $'000	Trading $'000	Retailing $'000	Primary production $'000	Storage $'000	Investments/ others $'000	Eliminations $'000	Consolidated $'000
Other segment information 2001								
Capital expenditure	34,017	387	2,058	6,316	4,148	193	–	47,119
Amortisation and depreciation	10,405	965	6,122	1,691	1,158	277	–	20,618
Impairment losses	1,000	–	–	–	–	–	–	1,000
Other segment information 2000								
Capital expenditure	10,330	715	6,256	–	255	2,178	–	19,734
Amortisation and depreciation	9,609	966	5,688	–	1,129	249	–	17,641

(b) Geographical segment

	Singapore $'000	Malaysia $'000	Australia $'000	China $'000	Other countries $'000	Eliminations $'000	Consolidated $'000
2001							
Revenue from external customers	385,072	116,768	37,820	24,623	38,257	–	602,540
Unallocated revenue							534
Total revenue	385,072	116,768	37,820	24,623	38,257	–	603,074
Segment assets	194,773	89,457	214,092	12,113	28,376	–	538,811
Capital expenditure	7,876	23,425	1,925	4,394	9,499	–	47,119
2000							
Revenue from external customers	350,094	108,578	30	1,139	31,123	–	490,964
Unallocated revenue							638
Total revenue	350,094	108,578	30	1,139	31,123	–	491,602
Segment assets	198,549	56,432	–	5,695	21,094	–	281,770
Capital expenditure	11,159	7,544	–	34	997	–	19,734

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31 December 2001

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36. Subsidiary and associated companies

The subsidiary companies as at 31 December 2001 are :-

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost 2001 $'000	Cost 2000 $'000	Percentage of equity held by the group 2001 %	Percentage of equity held by the group 2000 %
	Food manufacturing, retailing, trading and distribution					
	Ben Foods (S) Pte Ltd (Singapore)	Trading and distribution of food and beverage products (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 and distribution of food and beverage products (Malaysia)	✣	+	100	100
	Shop N Save Pte Ltd (Singapore)	Operation of supermarkets (Singapore)	9,894	9,894	51	51
	Spices of the Orient Pte Ltd (Singapore)	Manufacture, trading and distribution of food related ingredients and commodities (Singapore)	5,126	5,126	100	100
	Gardenia Foods (S) Pte Ltd (Singapore)	Bread manufacturer (Singapore)	8,016	8,016	100	100
#	Gardenia Bakeries (KL) Sdn Bhd (Malaysia)	Bread manufacturer (Malaysia)	+	+	70	100
#@	Gardenia Foods (Thailand) Limited (Thailand)	Bread manufacturer (Thailand)	+	+	100	100
#	Gardenia Sales & Distribution Sdn Bhd (Malaysia)	Marketing and distribution of bakery products (Malaysia)	+	+	70	100

Notes to the Financial Statements

31 December 2001

(In Singapore dollars)

36. Subsidiary and associated companies (cont'd)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the group	
			2001 $'000	2000 $'000	2001 %	2000 %
	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)	Dormant (India)	*	1,902	–	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)	+	+	70	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)	16,940	+	100	100
	QAF Fruits Cold Store Pte Ltd (Singapore)	Operation of cold storage warehouse (Singapore)	+	+	58	58
#	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)	6,350	6,350	100	100
#	Gardenia Bakeries (Philippines) Inc. (Philippines)	Manufacture and distribution of bread, confectionery and bakery products (Philippines)	+	+	100	100
	Bonjour Bakery Pte Ltd (Singapore)	Marketing and distribution of bread, confectionery and bakery products (Singapore)	+	–	100	–

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31 December 2001

(In Singapore dollars)

36. Subsidiary and associated companies (cont'd)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Percentage of equity held by the group	
			2001 $'000	2000 $'000	2001 %	2000 %
#	Delicia Sdn Bhd (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	+	–	100	–
#	Fujian Dongjia Feeds Co Ltd (People's Republic of China)	Processing and dealings in animal feeds and related food activities (People's Republic of China)	+	+	50	50
	Production, processing and marketing of pork, and feedmill production					
#	Bunge Feeds Pty Ltd (Australia)	Manufacturing of stockfeed and sales and distribution of animal feed products (Australia)	+	–	100	–
#	Bunge Meat Industries Limited (Australia)	Intensive pig production and wholesaling (Australia)	+	–	100	–
#	Bunge Meat Processors Pty Ltd (Australia)	Pig slaughtering and meat boning (Australia)	+	–	100	–
#	Brooksbank Properties Pty Ltd (Australia)	Intensive pig production and wholesaling (Australia)	+	–	100	–
	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

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(In Singapore dollars)

36. Subsidiary and associated companies (cont'd)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost 2001 $'000	Cost 2000 $'000	Percentage of equity held by the group 2001 %	Percentage of equity held by the group 2000 %
	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
**	Precious Fortune Limited (British Virgin Islands)	Investment holding (British Virgin Islands)	✣	✣	–	100
	Singfood Investment Pte Ltd (Singapore)	Investment holding (Singapore)	✣	✣	100	100
	Hamsdale International Pte Ltd (Singapore)	Investment holding (Singapore)	1,005	–	100	–
#	Hamsdale Australia Pty Ltd (Australia)	Investment holding (Australia)	+	–	100	–
	Dormant corporations					
★	Ben Foods (Malaysia) Sdn Bhd (Malaysia)	Dormant	–	2,660	–	100
#	Ben (Malaysia) Holdings Sdn Bhd (Malaysia)	Dormant	✣	✣	100	100
	Camellia Bakeries (S) Pte Ltd (Singapore)	Dormant	+	+	100	100
	Maple Bakeries (S) Pte Ltd (Singapore)	Dormant	✣	✣	100	100

Notes to the Financial Statements

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(In Singapore dollars)

36. Subsidiary and associated companies (cont'd)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost 2001 $'000	Cost 2000 $'000	Percentage of equity held by the group 2001 %	Percentage of equity held by the group 2000 %
#	OSA Marketing Associates (M) Sdn Bhd (Malaysia)	Dormant	175	175	100	100
#@	Gardenia (Hong Kong) Limited (Hong Kong)	Dormant	✣	✣	100	100
#	Bonjour Bakery Sdn Bhd (Malaysia)	Dormant	+	–	100	–
#	Summit Rainbow Sdn Bhd (Malaysia)	Dormant	+	–	100	–
			75,655	62,272		

Note

* These subsidiary companies were liquidated/disposed of during the financial year.

** 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 subsidiary company has been placed under voluntary liquidation as at 31 December 2001

The associated companies at 31 December 2001 are :

Name of company (Country of incorporation)	Principal activities (Place of business)	Percentage of equity held by the group 2001 %	Percentage of equity held by the group 2000 %
Investment holding and management			
Boon Pattana Holdings Limited (Thailand)	Investment holding (Thailand)	39	39
Phil Foods Properties Inc. (Philippines)	Investment holding (Philippines)	40	40

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37. Group's major properties

The Group's major properties as at 31 December 2001 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
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
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
No. 9 Fishery Port Road Singapore	Cold store and office premises	30-year lease from March 1983
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 January 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

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31 December 2001

(In Singapore dollars)

37. Group's major properties (cont'd)

Name of building/ location	Description	Tenure of land
Lot No. 3803, Mukim Klang Daerah Klang, Negeri Selangor, Malaysia	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
Gre Gre (Northern Property) Carrolls Bridge Road Gre Gre, Victoria 3478	Piggery Farming	Freehold
Gre Gre (Southern Property) Carrolls Bridge Road Gre Gre, Victoria 3478	Piggery Farming	Freehold
Sunraysia Highway St Arnaud Unit 1 St Arnuad, Victoria 3478	Piggery Farming	Freehold
Nelson Road St Arnaud Unit 2 & 3 St Arnuad, Victoria 3478	Piggery Farming	Freehold
Huntly Farm No. 1 Bendigo-Tennyson Road Huntly, Victoria 3351	Piggery Farming	Freehold
Huntly Farm No. 2 Bendigo-Tennyson Road Huntly, Victoria 3351	Piggery Farming	Freehold
Beenak Road Seville, Victoria 3139	Piggery Farming	Freehold
Willow Grove Road Crown Allotment 32 Trafalgar, Victoria 3824	Piggery Farming	Freehold
Willow Grove Road Crown Allotment 33 Trafalgar, Victoria 3824	Piggery Farming	Freehold
Balpool 1 & 2, Balpool Stn Balpool Lane Moulemein, New South Wales 2733	Piggery Farming	Freehold
Corowa Piggery Redlands Road Cororwa, New South Wales 2646	Piggery Farming	Freehold
Corowa Mill, Corowa New South Wales 2646	Feedmilling	Freehold
Bungowannah Howlong Road Bungowannah, New South Wales	Piggery Farming	Freehold

Notes to the Financial Statements

31 December 2001

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38. Subsequent event

On 29 January 2002, a subsidiary company, Gardenia Bakeries (KL) Sdn Bhd, increased its authorised share capital from RM25,000,000 to RM100,000,000 by the creation of an additional 75,000,000 new ordinary shares of RM1 each and its issued and paid-up capital from RM17,142,857 to RM34,285,714 by the issue of 17,142,857 bonus shares of RM1 each on the basis on one bonus share for each existing ordinary share held on 29 January 2002. The new ordinary shares issued rank pari passu in all respects with the existing shares. The Group's interest in the subsidiary company remains at 70%.

39. Comparative figures

The presentation and classification of certain items in the financial statements have been changed to comply with the requirements of revised or new SAS which became effective for the financial year ended 31 December 2001, as discussed in Note 2(b) and to provide proper comparison with current year's presentation.

40. Authorisation of financial statements for issue

These financial statements were authorised for issue in accordance with a resolution of the directors on 12 April 2002.

Statistics of Stockholdings

as at 15 April 2002

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 Holding	No.of Stockholders	%	No.of Stock Units	%
1 - 1,000	1,281	24.30	1,055,962	0.32
1,001 - 10,000	3,342	63.39	15,526,394	4.74
10,001 - 1,000,000	634	12.02	26,806,095	8.17
1,000,001 and above	15	0.29	284,620,922	86.77
	5,272	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	4,628	87.80	322,806,010	98.41
Malaysia	610	11.55	2,300,040	0.70
Others	34	0.65	2,903,323	0.89
	5,272	100.00	328,009,373	100.00

List of Twenty Largest Stockholders

S/No.	Stockholders' Name	No. of Stock Units	%
1.	ING Nominees (Singapore) Pte Ltd	69,563,000	21.21
2.	Overseas Union Bank Nominees Pte Ltd	63,454,878	19.35
3.	Raffles Nominees Pte Ltd	46,000,832	14.02
4.	UOB Kay Hian Pte Ltd	36,263,647	11.06
5.	Goi Seng Hui	20,428,000	6.23
6.	DB Nominees (Singapore) Pte Ltd	18,231,529	5.56
7.	DBS Nominees Pte Ltd	6,892,000	2.10
8.	United Overseas Bank Nominees Pte Ltd	6,475,500	1.97
9.	Bank of China Nominees Pte Ltd	6,008,403	1.83
10.	Oversea Chinese Bank Nominees Pte Ltd	3,294,667	1.01
11.	Citicorp Investment Bank (Singapore) Limited	2,001,000	0.61
12.	Kim Eng Ong Asia Securities Pte Ltd	1,967,000	0.60
13.	Citibank Nominees Singapore Pte Ltd	1,540,000	0.47
14.	Mayban Nominees (Singapore) Pte Ltd	1,383,000	0.42
15.	HSBC (Singapore) Nominees Pte Ltd	1,117,466	0.34
16.	Phillip Securities Pte Ltd	832,648	0.25
17.	Hong Leong Finance Nominees Pte Ltd	763,000	0.23
18.	Heng Chiang Meng	620,000	0.19
19.	Citibank Consumer Nominees Pte Ltd	535,000	0.16
20.	OCBC Securities Private Ltd	531,000	0.16
		287,902,570	87.77

Statistics of Stockholdings

as at 15 April 2002

Substantial Stockholders

Name	Number of Stock Units Held	%
Qualif Pte Ltd	153,799,810 (i)	46.89
Watford Investments Ltd	42,383,712 (ii)	12.92
Didi Dawis	36,117,000	11.01
Goi Seng Hui	20,428,000	6.23

(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 stock units beneficially owned by Qualif Pte Ltd.

(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 22 May 2002 at 11.00 a.m. to transact the following business:

Ordinary Business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31 December 2001 and the Auditors' Report thereon. (Resolution 1)

2. To declare a first and final dividend of 5% (2 cents per stock unit) less income tax at 24.5% in respect of the year ended 31 December 2001. (Resolution 2)

3. To re-elect the following Directors retiring under Article 94 of the Company's Articles of Association:
   (a) Mr Phua Bah Lee (Resolution 3a)
   (b) Ms Tarn Teh Chuen (Resolution 3b)

4. To approve Directors' fees of $114,000 for the year ended 31 December 2001 (2000: $112,452). (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)

Special Business

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

7. "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 (whether by way of rights, bonus or otherwise) 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 7)

8. "That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be and are hereby authorised to offer and grant share options and to issue such shares as may be required to be issued pursuant to the exercise of share options in accordance with the terms and conditions of the QAF Executives' Share Option 1990 and 2000 Schemes. 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 8)

9. (a) "That approval be and is hereby given for the purposes of Chapter 9A of the Listing Manual of the Singapore Exchange Securities Trading Limited, for the Company, its subsidiaries and target associated companies ("the QAF Group") or any of them to enter into any of the transactions falling within the categories of Interested Person Transactions as described in the Company's Circular to stockholders dated 26 September 2001 (the "Circular") with any party who falls within the classes of Interested Person referred to in the Circular, and on the terms and conditions set out therein;

Notice of Annual General Meeting

(b) such approval given in paragraph (a) above (the "General Mandate") shall unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company;

(c) the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the General Mandate and/or this Resolution." (Resolution 9)

NOTICE OF BOOKS CLOSURE DATE

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members will be closed on 3 and 4 June 2002 for the purpose of determining stockholders' entitlements to the first and final dividend of 5% (2 cents per stock unit) less income tax of 24.5% for the financial year ended 31 December 2001. 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 31 May 2002 will be registered before entitlements to the dividends are determined. Payment for the dividend shall be made on 13 June 2002.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with stock units at 5.00 p.m. on 31 May 2002 will be entitled to the dividend.

By Order of the Board

LEE WOAN LING (Ms)
Company Secretary

Singapore, 6 May 2002

Notice of Annual General Meeting

Explanatory Notes:

i) For Ordinary Resolution 3(a), Mr Phua Bah Lee is an independent director and he is also the Chairman of the Audit Committee of the Company.

ii) Ordinary Resolutions 7 and 8, if passed will, unless otherwise revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

iii) Ordinary Resolution 8 empowers the Directors to issue shares pursuant to the exercise of options under the Share Option Schemes which were approved by the members of the Company in year 1990 and 2000 respectively. The 1990 Share Option Scheme had expired on 31 December 1999 but options granted thereunder are validly exercisable up to five years from the respective dates of grant. Authority under Resolution 8 is in addition to the general authority to issue shares sought under Resolution 7.

iv) Ordinary Resolution 9, if passed, renews the General Mandate first granted by the members of the Company in a general meeting held on 11 October 2001 which allows the QAF Group to enter into certain interested person transactions as described in the Company's Circular dated 26 September 2001. The Interested Person as described in the Circular of the Company shall not vote on these Resolutions.

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.

QAF LIMITED

Proxy Form

Annual General Meeting of QAF Limited

I/We____

of ____

being a Member/Members of the abovenamed Company,hereby appoint ______________________

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 22 May 2002 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 5% (2 cents per stock unit).		
3.	To re-elect the Directors: (a) Mr Phua Bah Lee		
	(b) Ms Tarn Teh Chuen		
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.	General Authority to issue shares.		
8.	Authority to issue shares pursuant to Share Option Schemes.		
9.	Renewal of General Mandate for Interested Person Transactions.		

Signed this ______________________day of _________________________ 2002 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)

QAF Limited
150 South Bridge Road
#09-04 Fook Hai Building
Singapore 058727.
Tel : (65) 6538 2866
Fax: (65) 6538 6866
Website: www.qaf.com.sg