QAF LIMITED

RISING TO THE CHALLENGE

ANNUAL REPORT 2002

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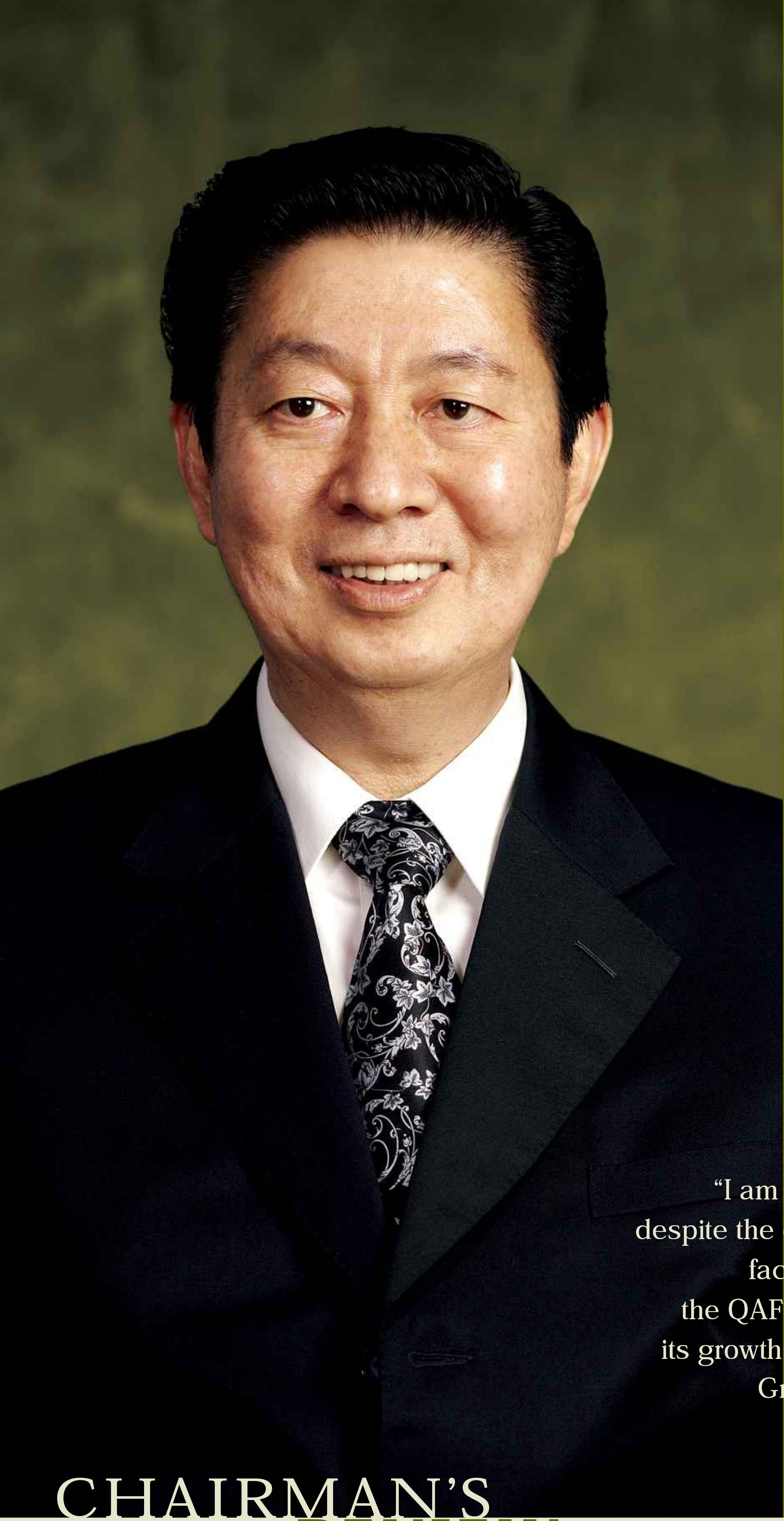


"I am pleased to announce that despite the difficult challenges facing the regional markets, the QAF Group has continued its growth path with Group turnover increasing..."

CHAIRMAN'S REVIEW

I am confident that management will lead the Group through the daunting economic and political conditions facing the region presently and continue in its plan and effort to establish QAF as one of the leading food companies in the region.

After showing some signs of recovery in early 2002, the economy began to experience a slowdown from the middle of the year. It was a most difficult year with the economies in the region suffering recessionary conditions such as high unemployment rates and reduced income. The situation was exacerbated by terrorist activities in the region and the conflict in the Middle East. All these have led to uncertainties, poor consumer sentiments, reduced purchasing power and higher operating costs. This situation is likely to persist in the first half of 2003, at the least.

Amidst this gloomy scenario, Australia is currently facing one of the worst droughts in its history. This drought has resulted in a drastic fall in grain harvests and this in turn will lead to massive increases in feed costs.

I am pleased to announce that despite the difficult challenges facing the regional markets, the QAF Group has continued its growth path with Group turnover increasing by 37% to $828.6 million for fiscal year 2002. While adoption of new Accounting Standards led to an 8% fall in the Group profit before tax to $25.6 million in 2002 as compared to $28.0 million in 2001, the Group profit after tax and minority interests rose by a creditable 16% to $18.4 million in 2002 as compared to $15.8 million in 2001.

I am confident that management will lead the Group through the daunting economic and political conditions facing the region presently and continue in its plan and effort to establish QAF as one of the leading food companies in the region.

The Directors are pleased to recommend a first and final dividend of 2.0 cents per stock unit less tax at 22% for the financial year ended 31 December 2002. This dividend is the same as last year's.

May I also take this opportunity to thank all those who have contributed so much to the QAF Group - stockholders, bankers, customers, employees, principals, suppliers and business associates.

Didi Dawis
Chairman
16 April 2003

"We are pleased to announce that the QAF Group's unique position in the region's food industry will enable the Group to maintain profitability and market leadership in its present businesses."

GROUP MANAGING DIRECTOR'S REPORT

The economic slowdown experienced in Singapore and the region led to higher unemployment and reduced disposable incomes. Consumer sentiments were dampened with consumers generally cautious with their spending. Adverse global weather and the worst drought in Australia's recorded history led to high raw material costs. The conflict in the Middle East and terrorist activities have led to political uncertainty and escalation of operating costs.

Despite the challenges, the QAF Group has maintained its momentum to achieve higher growth and profitability. The Group's strategy of positioning itself and its brands in the top positions within the markets that it operates in as well as its effective management controls have been largely successful in achieving results.

Group turnover increased by 37% to $828.6 million for financial year ended 31 December 2002 from $603.1 million for the previous financial year. This increase in turnover was mainly attributable to a full year's contribution to total Group turnover by the Primary Production segment in particular the QAF Meats Group in Australia. The latter was acquired in the last quarter of fiscal year 2001. The Gardenia operations in Malaysia and the Philippines also increased their total sales due to additional production and sales from their newly commissioned production lines. There was also a higher volume of commodities trading in the Trading and Logistics segment. These activities also contributed to the healthy increase in the Group's turnover.

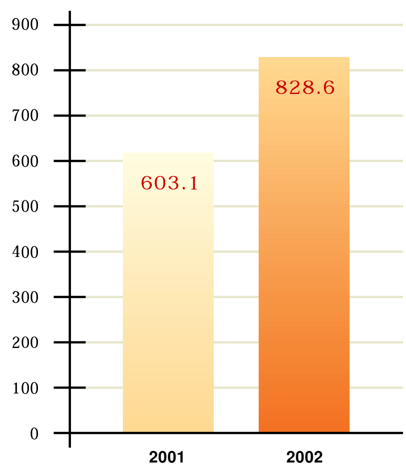
The Group adopted the revised Singapore Statements of Accounting Standard ("SAS") 12 on Taxation and the new SAS 39 on Agriculture for the financial year 2002. As a result, 2001 profits have been restated to account for the effect of these two SAS. Furthermore, SAS 39 requires the QAF Meats Group to restate its inventory value based on guidelines specified by the accounting standard for the Group's Accounts for fiscal year 2002. The overall effect from adopting SAS 39 has led to a reduction of $5.2 million on the QAF Group's profit before tax for the financial year ended 31 December 2002.

After adjusting for the effects of both SAS 12 and SAS 39, the Group profit before tax decreased by $2.4 million or by 8% to $25.6 million for 2002 as compared to the restated Group profit before tax of $28.0 million for financial year 2001. It should be noted that the Group's profit before tax for 2002 would not have decreased as compared to that for 2001 had the Group not adopted SAS 12 and SAS 39.

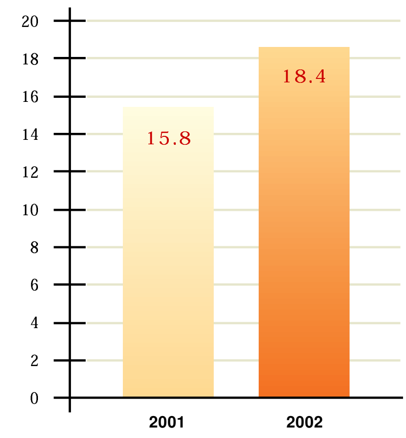
Despite the decrease in the Group's profit before tax, the Group's profit after tax and minority interests increased by 16% to $18.4 million for the financial year ended 31 December 2002 as compared to a restated Group profit after tax and minority interests of $15.8 million for 2001. This was due mainly to a lower overall income tax expense for the Group which arose from certain subsidiaries receiving tax incentives for reinvestments, research and development as well as write-back of taxes overprovided for in previous years.

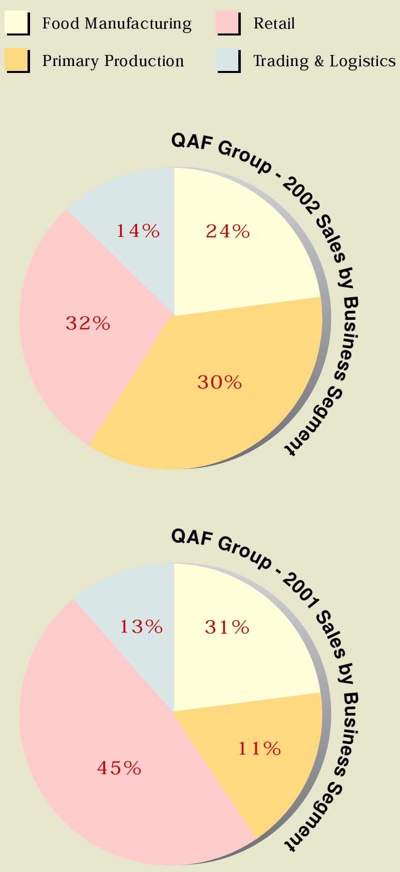
The Group's strategy of positioning itself and its brands in the top positions within the markets that it operates in as well as its effective management controls have been largely successful in achieving results.

Revenue (million)



Profit after Tax (million)





In Singapore, both the Gardenia and Bonjour brands have maintained their number 1 and number 2 positions, respectively, despite fierce competition in the form of price reductions, heavy promotion and the entry of new players in a mature market.

While the Primary Production segment is the main contributor to the QAF Group's turnover increase for fiscal year 2002, the segment's contribution to the Group's profit before tax is not proportionate. QAF Meats Group, a fully integrated producer of pork which is located in Australia, faced sharply escalated raw material costs, in particular, the cost of animal feed. This situation was caused by the drastic reduction of grain availability due to poor harvests caused by one of the worst droughts ever experienced in Australia. The drought, which began in early 2002, resulted in a significant 55% reduction of Australia's annual grain harvest for the year. For the year 2003, the cost of raw materials will escalate and feed costs have increased by more than 36% from usual levels. Selling prices of pork during the year 2002 were also depressed due to dumping from farmers who were exiting from the industry in anticipation of the unprecedented high feed costs. This has affected the margins and profit before tax contribution from this segment.

Despite the adverse weather situation in Australia, the QAF Meats Group has strengthened its position as the largest producer of pork meat in Australia and the region. The QAF Meats Group is four times the size of its nearest competitor and is not only the largest producer in Australia but also the largest distributor of pork in the Australian market as well as the largest Australian distributor of pork to Singapore and Japan. The economies of scale which come from producing almost 1 million pigs per year and its fully integrated operation consisting of stockfeed milling, farm production, slaughterhouse (abattoir) facilities, deboning and meat cutting operation and distribution allows the QAF Meats Group to cope with the current adverse situation. The QAF Meats Group is able to continue to produce good quality products, at assured quantities and at very competitive prices. It is envisaged that the QAF Meats Group will be able to achieve higher profitability after the 'shake-out' that is taking place in the industry at the moment. The QAF Meats Group will be focusing its attention on developing products for specific market segments which can result in higher margins and continuing its efforts to increase productivity and efficiency so as to meet the challenges facing the industry.

A new slaughterhouse is being constructed in Laverton, Melbourne which will increase the QAF Meat Group's slaughtering capacity by 250,000 heads per annum to a total of more than 1.25 million per annum. This new slaughterhouse will not only serve the future needs of the QAF Meats' operations which are increasing production numbers but also give the QAF Meats Group the flexibility to provide a wider range of products for its domestic and international customers. The facility will also allow the operation to provide slaughter services to other pig farms in the Victoria area.

The marketing and distribution capabilities of QAF Meats will also be greatly strengthened by the operation of this slaughterhouse. QAF Meats will now be able to buy pigs from other third party farms, slaughter them in this new facility and market and distribute the products. This will further consolidate the QAF Meats Group's number 1 position as a producer and distributor of pork in Australia and the region. Commissioning of this joint-venture facility is scheduled for June 2003.

The bakery operations under the Gardenia brand maintained its dominance in the markets that they operate in. In fact, Gardenia Singapore and Gardenia Malaysia have both attained the 'Superbrand' status which reflects their leadership positions in the industry and market as well as the brand's popularity among consumers.

In Singapore, both the Gardenia and Bonjour brands have maintained their number 1 and number 2 positions, respectively, despite fierce competition in the form of price reductions, heavy promotion and the entry of new players in a mature market. The wide range of the Gardenia premium and high quality products has made the brand withstand the competitive pressures. New and distinctive products that were introduced in 2002, such as the Focaccia and the Classic Loaf, were very well received by consumers.

The Gardenia operations in Malaysia performed well. Sales increased significantly a few months after Gardenia Bakeries (KL) Sdn Bhd ('GBKL'), the Malaysian Gardenia arm, commissioned its fifth plant. GBKL has expanded its distribution outlets to more than 15,500 throughout Peninsular Malaysia and all 5 production facilities are operating at full capacity. The company is now planning to install an additional line at its new Bukit Kemuning plant, bringing the total number of production lines to 7. Gardenia has consolidated its number 1 position in the Malaysian bread market and is also now the largest sandwich bread manufacturer and distributor in South East Asia.

Gardenia Philippines has made significant advances in 2002. Capacity was increased significantly with the addition of a new line in early 2002 and sales grew by 63% for the year. Gardenia is now clearly the number 1 brand in Metro Manila with a 35% market share. The high growth being experienced by the company is set to continue.

Shop N Save maintained its position as one of the top 3 supermarket chains in Singapore and has added 4 more stores to bring the total number of outlets to 35. The Company intends to open a few more stores in 2003.

Despite the sluggish economy, Ben Foods, the wholesaling and distribution company, performed well. The Company started its meat trading and distribution business in 2002 and the business was successful within its first year of operation. Ben Foods will continue to develop its own proprietary brands so as to reduce dependence on the highly competitive commodity trading business.

The integration of Ben Foods and NCS Cold Stores (the QAF Group's logistics and warehousing arm) operations has bore fruit. Rationalisation has resulted in better utilisation of facilities which led, in turn, to higher occupancy. NCS Cold Stores has also expanded its facilities by purchasing an adjacent property and building additional cold rooms on the site. All these initiatives should result in increased turnover and growth.

The situation facing the food industry remains challenging and difficult for 2003. Conflicts in the Middle East will lead to global uncertainties. Raw material costs, particularly feed cost, still remain at unprecedented high levels due to the sharply reduced grain harvests in Australia and this will affect the performance of the QAF Meats Group, a major subsidiary of the QAF Group. However, the rest of the Group's other business segments are expected to maintain their performance.

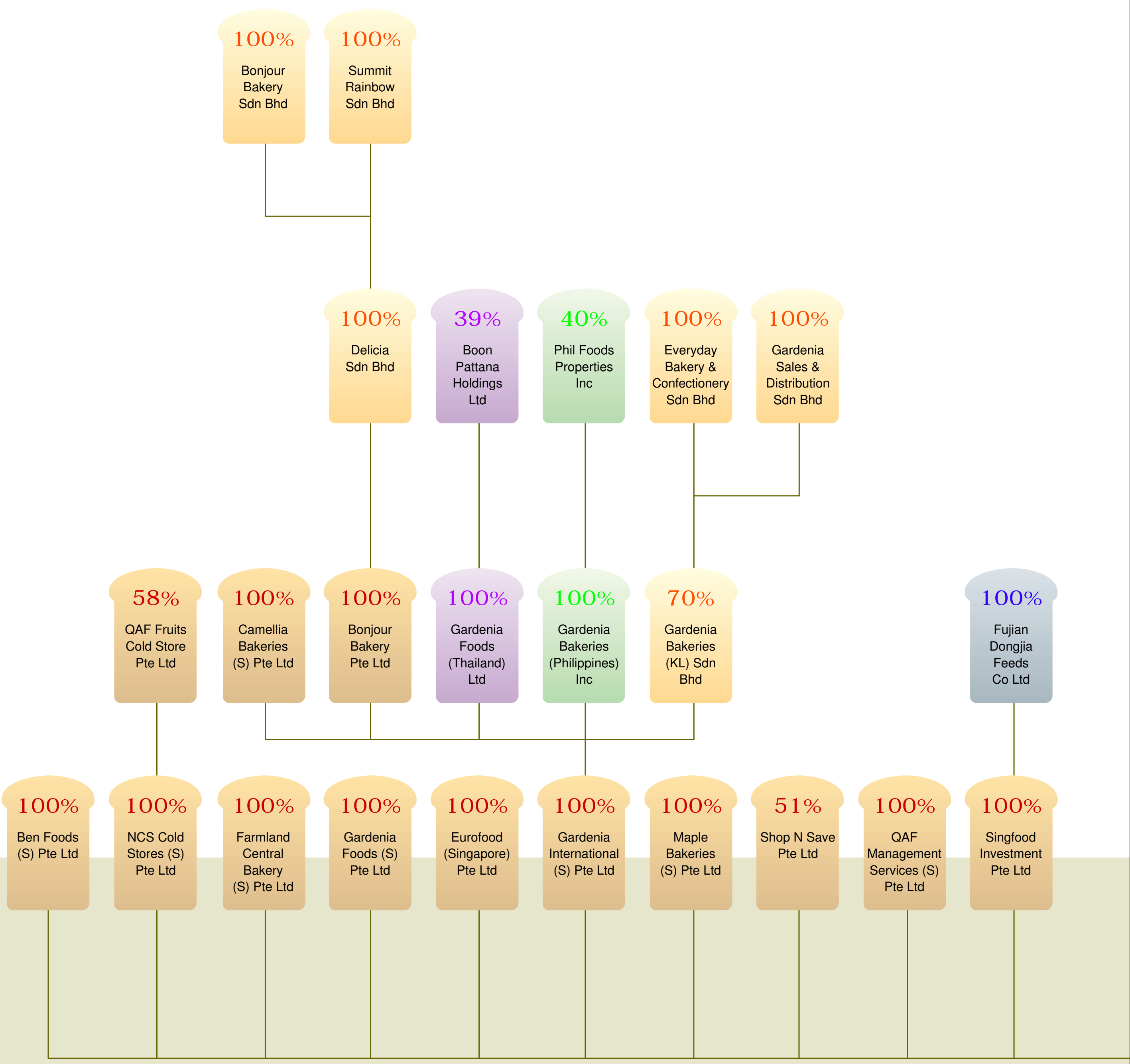
Growth in revenue is expected to be maintained. However, although the Group will remain profitable, the level of profitability will be significantly affected for financial year 2003. The management is confident that in the longer term, the QAF Group's unique position in the region's food industry will enable the Group to maintain profitability and market leadership in its present businesses.

The integration of Ben Foods and NCS Cold Stores (the QAF Group's logistics and warehousing arm) operations has bore fruit. Rationalisation has resulted in better utilisation of facilities which led, in turn, to higher occupancy.

We will also continue to look for opportunities to acquire businesses with good growth potential with the ultimate aim of establishing the Group as a leading food based company in the region.

Tan Kong King
Group Managing Director
16 April 2003

GROUP STRUCTURE AS AT 16 APRIL 2003



LEGEND

- Singapore-based
- Australia-based
- Malaysia-based
- British Virgin Island-based
- Thailand-based
- Hong Kong/China-based
- Philippines-based
- * under liquidation

100% QAF Meat Processors Pty Ltd

100% QAF Meat Industries Pty Ltd

100% QAF Feeds Pty Ltd

100% Brooksbank Properties Pty Ltd

51% Diamond Valley Pork Pty Ltd

100% Gardenia Hong Kong Ltd

100% Gardenia Bakery & Foodstuff (Tianjin) Co Ltd

100% Precious Fortune Ltd

100% Hamsdale Australia Pty Ltd

100% Ben Foods* (Malaysia) Sdn Bhd

100% Osa Marketing Associates (M) Sdn Bhd

100% Ben (Malaysia) Holdings Sdn Bhd

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 Industries Sdn Bhd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BOARD OF DIRECTORS

Audit Committee

Mr Phua Bah Lee, Chairman
Mr Kelvin Chia Hoo Khun
Mr Tan Hin Huat

Secretary

Ms Lee Woan Ling


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DIRECTORS

1 Mr Didi Dawis, Chairman
2 Mr Tan Kong King, Group Managing Director
3 Mr Phua Bah Lee
4 Ms Tarn Teh Chuen
5 Dr Siew Teck Woh
6 Mr Derek Cheong Kheng Beng
7 Mr Kelvin Chia Hoo Khun
8 Mr Tan Hin Huat


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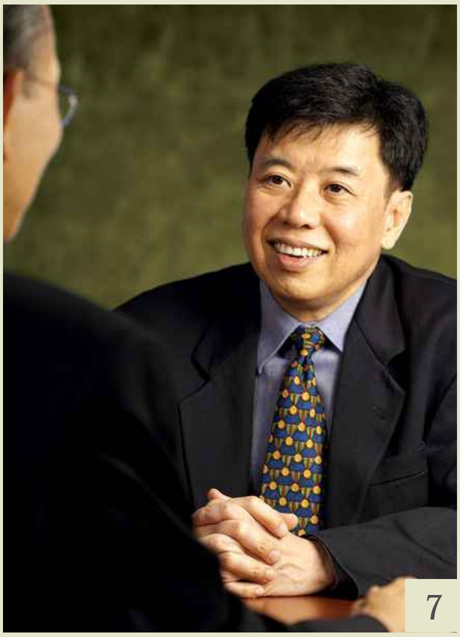
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Registered And Corporate Office

150 South Bridge Road #09-04
Fook Hai Building Singapore 058727
Tel: 6538 2866 Fax: 6538 6866

Place Of Incorporation

Singapore

Date Of Incorporation

3 March 1958

Company Registration No.

195800035D

Registrar

Barbinder & Co Pte Ltd
8 Cross Street #11-00
PWC Building Singapore 048424
Tel: 6236 3333 Fax: 6236 3405

Auditors

Ernst & Young
10 Collyer Quay #21-01
Ocean Building Singapore 049315
Audit Partner: Mr Daniel Soh

Principal Bankers

Citibank N.A.
Rabobank International

QAF Meats Group ('QAF Meats')

QAF Meats, which is wholly owned by the QAF Group, is the largest producer of pigs and pigmeat in Australia and the region. It is fully integrated, with its own stockfeed milling, pig production, abattoir (slaughterhouse), deboning, meat cutting and distribution operations.

In 2002, QAF Meats produced and sold about 1 million pigs or approximately 75,000 MT of carcases and boned meat. The Group's owned abattoir slaughtered all of QAF Meat's pigs which came from the Group's 8 company-owned farms and 41 contract farmers. QAF Meats' 2 stockfeed mills produced about 400,000 MT of feed during the year. Due to its large-scale production, QAF Meats is the dominant producer in Australia with a 20% market share and is approximately four times larger than the next largest operator. The abattoir is also the largest in Australia in terms of throughput while its main stockfeed mill in Corowa, New South Wales, is also one of the largest.

QAF Meats is a leader in the export of pigmeat from Australia. Its export sales constitute about 30% of total Australian export of pigmeat. Its exports are dominant in the main export markets of Singapore, where it has a 30% share of total Australian exports, and Japan, where it has about a 25% share.

The Group faced a challenging year in 2002 with costs of feed and other raw materials rising substantially. Australia faced its worst drought in its recorded history and the annual wheat crop in 2002 was reduced by an astounding 55%. This will lead to an acute shortage of grain for animal feed. Cost of feed will rise sharply to unprecedented levels for 2003.

The situation was also aggravated by the increased supply of pigs to the market by farmers who were exiting from the industry during 2002 in anticipation of shortages of feed and the resulting massive increases in feed cost. This situation will persist for the first half of 2003.

QAF Meats, which is wholly owned by the QAF Group, is the largest producer of pigs and pigmeat in Australia and the region. It is fully integrated, with its own stockfeed milling, pig production, abattoir (slaughterhouse), deboning, meat cutting and distribution operations.

Advances were also made in the area of Research and Development. An Artificial Insemination ('AI') Centre was commissioned in November 2002.

In the face of such challenging conditions, QAF Meats has taken action to preserve its margins. Emphasis was placed during the year on increasing QAF Meats' share of the fresh retail pork market with major domestic supermarket chains, thereby reducing dependence on the manufacturing and "small goods" segment which can use competing imported frozen products at low prices. More value-added products were developed which focused on the export markets. Considerable success was achieved with the introduction of a diced product manufactured from shoulder meat for the Japanese market. Other products currently being developed include sliced meat for soup toppings as well as prepared products for 'Tonkatsu' style restaurants in Japan.

A new joint-venture abattoir has been built in Laverton, Melbourne which is capable of slaughtering 250,000 heads per annum. The plant is scheduled for commissioning in June 2003 and is slated to service the increased supply of pigs from the QAF Meats operations as well as pigs from other farms. This abattoir will enhance the marketing and distribution capabilities of the Group for both the Australian and international markets.

Advances were also made in the area of Research and Development. An Artificial Insemination ('AI') Centre was commissioned in November 2002. This AI Centre will implement full artificial insemination in the Group's breeding operations with the objective of delivering genetically superior pigs which will experience faster growth, leaner carcases and consume less stockfeed. This will increase QAF Meats' competitiveness. A fully Australian government accredited Microbiology and Meat Science Laboratory was also commissioned in July 2002. This facility is situated at the Group's meat-processing complex and provides tangible support to the Group's efforts to market only the safest and highest quality pork to the Group's domestic and international customers. Research is also being conducted on developing more nutritious feed as well as the evaluation of new vitamin supplements in diets for pigs of different age groups.

FOOD MANUFACTURING

The Gardenia range of products has reaffirmed its position as the top brand in the Singapore market and has also achieved a 'Superbrand' status. Its range of premium and high quality products have a strong following which allowed it to withstand the intense competition that came from a slew of low priced products, proliferation of hot bread shops ...

AWARDED
Superbrands
SINGAPORE
2002

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

The Gardenia range of products has reaffirmed its position as the top brand in the Singapore market and has also achieved a 'Superbrand' status. Its range of premium and high quality products have a strong following which allowed it to withstand the intense competition that came from a slew of low priced products, proliferation of hot bread shops and extended periods of aggressive price reductions and massive promotions from existing competitors during the course of the year. Gardenia products provide better value for money for its customers and there was no need to engage in price-war tactics in order to maintain or grow market share.

While turnover was slightly affected by the massive competition prevalent in the industry, the Company maintained its operating profits through the introduction of new and successful products as well as strong management controls on operational costs.

Two new products, the Mediterranean Focaccia and the Classic Loaf were launched successfully in May and November 2002, respectively.

Singapore's first branded savoury bread, the flat Focaccia loaf is a refreshing change in terms of both shape and taste. Instantly appealing with a lovely aroma, it is baked with the highest quality ingredients and enriched with olive oil, paprika, onion, oregano and rosemary. A leaflet with 6 specially created recipes was produced in both English and Mandarin to give consumers more ideas on how to enjoy this new unique bread. The recipe ideas were an instant hit with the public. The attractive packaging comes in hues of green, red and white (colours of Italy, the bread's country of origin) and projects a rustic and authentic feel.

In November 2002, another premium product, the Classic Loaf, was put on the market. The Gardenia Classic is a welcomed change from the market's generally square sandwich loaves in that it has thicker slices and a distinctive 'traditional-top' loaf. It is baked with the choicest ingredients which clearly distinguishes it from other white breads. Feedback from the market shows that it is more fragrant, has a softer texture and is deliciously richer in taste. At $2.00 per loaf, this premium product delivers value in more ways than one.

During the past year, Gardenia Singapore participated in numerous food, health and children related outdoor events and exhibitions which have helped bolster the brand and its range of products in the public eye. One of the more notable events was Kid's World 2002 which was held in March 2002 at the Singapore Expo. This event focused mainly on children's health and education and was opened by President S R Nathan. Visitorship was more than 100,000, an increase of 70% over 2001. At the event, Gardenia organised a series of activities including an online Question and Answer contest called "Surf & Win" for eKids members of the Gardenia Club. Membership of this Club was increased. A Gardenia Funtime contest was also held at the central stage that required parent-child teams to taste different types of Gardenia bread while blindfolded.

Gardenia also participated in the Singapore Food Expo 2002 which was held in May 2002. The Company used this opportunity to promote the newly launched Focaccia. Various ways to enjoy this bread were introduced through product sampling with Farmland Pasta Sauce (a QAF product) as well as via the distribution of recipe leaflets.

A record-breaking 500,000 people visited this exhibition. There was also overwhelming participation in the Gardenia stage event which included a blind-tasting segment for parents and children, a quiz segment for adults and a jingle singing contest for children.

Bonjour Bakery Pte Ltd ('Bonjour')

The Bonjour brand is the second leading brand for packaged loaf bread in Singapore. It commands a significant share of the bread market and offers a distinctive range of products for the broader market as well as niche market segments. The Bonjour Pandan Bread, Milk Bread, 12 Grain Loaf and the Choc Chip Loaf are perennial favourites among the young and old.

Newly improved products, such as the Apricot loaf, were relaunched in 2002. The premium Apricot loaf is a delicious combination of juicy apricots and soft white bread with a deliciously fruity aroma. Bonjour also produces and sources breads and buns for the housebrands of various retail outlets. Profitability has improved significantly since the QAF Group acquired Bonjour in 2001.

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

Gardenia, being the leading brand of bread and bakery products in Malaysia, has achieved a 'Superbrand' status. This reflects its leadership position as well as popularity in the Malaysian consumer market.

70% owned Malaysian subsidiary, GBKL, registered another year of growth in turnover to RM232 million. This is an increase of 9.1% over the previous year's turnover which was achieved despite a sluggish economy.

Gardenia, being the leading brand of bread and bakery products in Malaysia, has achieved a 'Superbrand' status. This reflects its leadership position as well as popularity in the Malaysian consumer market.

The Company is constantly building up its competitive strengths with emphases being placed on maintaining product quality, introducing innovative new products which caters to the various needs of consumers as well as the operation of an efficient distribution system which provides as wide a coverage as possible to reach the different consumer segments.

The 5th plant in Bukit Kemuning, which was set up at the end of 2001, became fully operational and gave GBKL the much needed capacity to increase its sales volume. GBKL increased its distribution network to more than 15,500 outlets. These initiatives, combined with Gardenia's premium brand image which is associated with high product quality and good value, led to high sales growth and this has entrenched Gardenia as the number 1 brand of bread in the Malaysian market. In terms of sales volume and production, GBKL is the largest sandwich bread manufacturer in South East Asia.

All production lines at the 5 plants are currently running at full capacity. To keep up its competitive position and to further meet market demand, another production line will be installed at the Bukit Kemuning plant.

The wide product range of the Company includes the Gardenia Gold Medal range of enriched sandwich bread, Gardenia Toast'em specialty bakery products which are packed with fibrous fruits and grains specially for the health conscious, the Gardenia Fun-in-a-Bun range of buns and the Gardenia Twiggies and Muffins range of snack cakes which are convenient, delicious and nutritious snacks for those customers who are "on the go".

GBKL's merchandising programme is successful in projecting the premium image associated with the Gardenia brand and the products are always made available to consumers in special displays in retail outlets with high traffic densities.

Regular contests are held for consumers to come up with creative recipes using the Gardenia Gold Medal bread product. Winning recipes are compiled in the Gardenia Gold Medal Creative Recipe Book which is distributed to consumers for their own use at home.

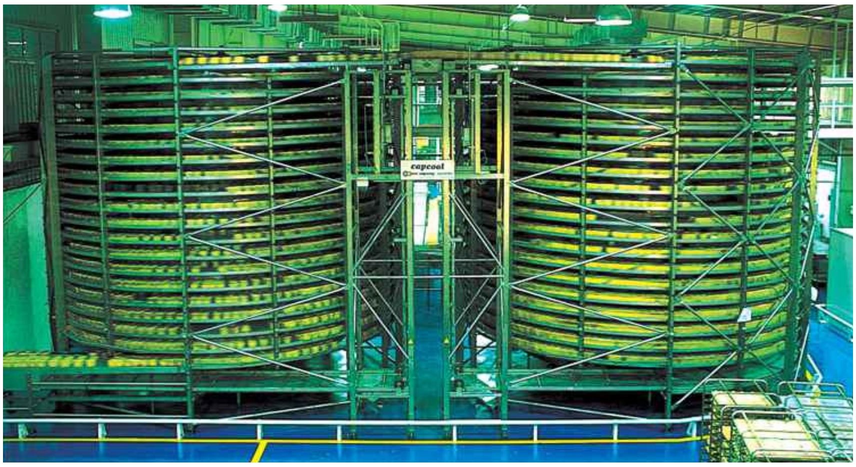
The Company is constantly building up its competitive strengths with emphases being placed on maintaining product quality, introducing innovative new products which caters to the various needs of consumers as well as the operation of an efficient distribution system which provides as wide a coverage as possible to reach the different consumer segments.

The challenges facing GBKL are rising raw material and other operating costs. As such, renewed emphasis will be placed on identifying and serving new market segments so as to increase sales while plant utilisation will be further rationalised so as to increase productivity and efficiency.

GBKL has developed new products to be launched in 2003 and the strong growth trend experienced to-date is expected to continue.

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

Gardenia Philippines' sales grew by an admirable 63%, as compared to the previous year. Gardenia's share in the Metro Manila branded bread market increased to 35% in 2002, as compared to 27% in 2001, and this makes Gardenia the number 1 brand in the Metro Manila branded bread market.



To meet the increasing demand, a new 4,000 loaves per hour plant with state-of-the-art manufacturing facilities was formally inaugurated on 1 March 2002. The event was graced by the Philippine Trade Secretary, the Hon. Mar Roxas and the Singapore Ambassador to the Philippines, the Hon. Jackie Foo along with the QAF Group's Managing Director, Mr Tan Kong King. The new Gardenia plant, equipped with a fully automated production system, is rated as the most advanced bread manufacturing plant in the country and effectively triples the production capacity of Gardenia Philippines.

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New products were launched during 2002 and this also contributed to the growth in sales. These included Gardenia High Calcium Loaf 400g, Double Delights Ube & Cheese, High Fiber Wheat Bread 600g and Jumbo Pandesal. The growing health consciousness among consumers was addressed with the introduction of Gardenia High Calcium Loaf which is formulated to meet the need for bone-health. Gardenia High Calcium Loaf is the first and only calcium-rich bread that is endorsed and recommended by the Osteoporosis Society of the Philippines Foundation Inc. In addition, Gardenia Philippines is also a co-sponsor of a bone fitness class called "Bone Fitness Exercise Program".

In 2002, Gardenia Philippines launched an aggressive TV advertising campaign which complemented its print advertising efforts. Various merchandising activities like samplings, a street marketing campaign using pedicabs to sell Gardenia products, house-to-house selling drives, transit billboard campaigns and tie-ups with other product manufacturers and non-profit organisations were implemented during the year.

Distribution coverage of Metro Manila was intensified to reach previously uncovered market segments while geographically, coverage was extended to Tarlac City in the north and Lucena City, Quezon in the south. Due to its close association and relationship with major supermarket chains, Gardenia Philippines benefited from the chains' expansion in both Manila and the surrounding areas within Luzon.

Gardenia Philippines is the recipient of the 2002 Consumer Excellence Award for being the "Outstanding Loaf Bread Manufacturer." This award is a special premier tribute which is awarded once a year to outstanding consumer products, services, business entities and manufacturers that have contributed significantly to the well-being of the general public.

Gardenia Philippines is expecting to maintain its growth momentum and to further expand its market share.

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

The Company's focus remains on the formulating, manufacturing and export of convenient 'ready to eat' Asian delicacies. Export markets include the United Kingdom, the Netherlands and Australia.

The major brands of the Company are the Fortune range of frozen steam pastries such as paus, mantous, mini-buns and dough-sticks, the Auntie Rosie range of roti pratas and vadai (spicy lentil patties) and the Farmland range of frozen Western pastries.

TRADING, DISTRIBUTION, RETAILING AND LOGISTICS

Shop N Save Pte Ltd (‘Shop N Save’)

The Singapore economy underwent a marked slowdown in 2002 and unemployment rates rose to levels not seen for more than 15 years. These, plus the threat of war in the Gulf, resulted in weak market sentiments and an increased cautiousness in spending among consumers. Competition also became stiffer with major players engaging in price cutting so as to gain market share. Shop N Save had to reduce prices in order to meet competition and retain its position. The Company implemented a successful series of steps to reduce operating expenses and profitability was maintained.

Expansion of Shop N Save’s outlets continued through the year and was limited only by the lack of suitable sites in general. Four new stores were opened in 2002 at New World Centre, Ang Mo Kio Block 525, Buangkok Green and Kim Keat. Shop N Save now has 35 stores with a net selling area of about 27,900 square metres and this has entrenched its position within the top 3 supermarket chains in Singapore.

The Company has embarked on an intensive training programme for its staff members and has set up the Fresh Food Training Centre to train staff towards providing the best quality products and service in the area of fresh food for its customers. There was a 100% increase in the number of Shop N Save employees who received the Annual Excellence Service Awards from the Singapore Productivity and Standards Board or Spring Singapore as compared to 2001. This is a result of Shop N Save’s commitment towards developing and training its staff members.

The business environment is expected to remain challenging with the continued weakness of the economy, high level of unemployment and the raising of the Goods and Services Tax (‘GST’) all of which will continue to dampen consumer spending.

As such, Shop N Save will focus on strategies to enhance its competitiveness and improve on its market share. The Company will exercise better control over the quality and quantity of fresh food items so as to increase both sales and margins.

The Company has embarked on an intensive training programme for its staff members and has set up the Fresh Food Training Centre to train staff towards providing the best quality products and service in the area of fresh food for its customers.

More emphasis will also be placed on direct imports of products so as to provide savings for customers. Shop N Save will also develop and introduce more house-brands and private labels.

The Fresh Food Department in all stores will also be upgraded by the end of 2003. Investments will be made on the training of staff involved. These actions will better improve the level of service as well as provide better quality products for our customers.

More emphasis will also be placed on direct imports of products so as to provide savings for customers. Shop N Save will also develop and introduce more housebrands and private labels.

Expansion through the opening of additional outlets in localities with high potential is planned for 2003 while, at the same time, some poorly performing outlets are scheduled for closing.

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

2002 was a difficult year for the food wholesaling and distribution business. Maintaining margins was a challenging task due to dampened consumer spending, increased competition and currency volatility.

The Group's wholesale distributor in Singapore, Ben Foods, was able to maintain its turnover levels and achieved profitability. It became a major air-flown chilled pork distributor in Singapore, servicing all the major importers in the domestic market. Ben Foods now imports and distributes about 160 air container loads (20,000 pork sides) per month. This is the equivalent of 10,000 pigs per month.

The Company's proprietary brands were developed further during the year with the introduction of Cowhead Butter Blend. This product is made from Canola oil with vitamins A and D supplements and is targeted at a market that is increasingly health-conscious. Trade response has been positive todate. The package design of the Cowhead liquid and powder milk products were aligned. This was done so as to enable the Cowhead powder milk brand to leverage on the existing strength of the Cowhead UHT liquid milk brand which has a strong presence in the regional market.

In April 2002, Ben Foods acquired the agency for the PepperTree range of wines, adding to its already established line of wine products. PepperTree is an established brand which is renowned for its premium image and quality and originates from the world famous Hunter Valley region in Australia. It has won the prestigious Jimmy Watson Memorial Trophy, the first for a winery from the Hunter Valley.

Ben Trading, the Malaysian wholesaling and distribution arm, was affected by the rise of certain imported items due to currency movements (the appreciation of the Australian and New Zealand dollars as well as the Euro vis-à-vis the Ringgit) and stiff competition. The company has secured some new key agencies such as the famous Green Spot range of soft drink products and Moccona coffee to add to its existing agency lines of which the major ones are Epic cooking oil, Sarah Lee range of frozen cakes, Cadbury cakes and Doux chicken franks. It is anticipated that these new products will help Ben Trading achieve higher profitability in 2003.

Proprietary brands, such as Cowhead Cheese and the Farmland range of frozen and canned food products, will be further developed.

Spices of the Orient ('SOTO')

SOTO performed well despite the weak economy. The "Spices of the Orient" brand of seasoning products have grown significantly with growing exports to Europe. Two new products were launched in 2002 - the "Coconut Cream Powder" and "Bah Kut Tea Spices". These products are packed in boxes with 3 sachets each. The company will develop new products for both the domestic and export markets over the next few years. At the same time, SOTO will also strive to provide contract services such as grinding and sterilisation so as to generate extra income.

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

Actions taken during the year helped the cold storage operations under NCS withstand the economic slowdown in 2002. The acquisition of an adjacent property in November 2001 had resulted in the company becoming the biggest public cold store in Singapore with a total land area of over 27,000 sq. metres. NCS now has more coldrooms for the storage of customers' cargo as well as rooms for meat processing. Extensive renovation works were carried out in phases to suit the long-term requirement of its customers.

The integration of Ben Foods and NCS operations in the beginning of 2002 has bore fruit and all NCS' facilities are now experiencing almost full occupancy. NCS anticipates higher growth in sales and turnover in 2003 due to the higher occupancy rates.

The company has secured some new key agencies such as the famous Green Spot range of soft drink products, Moccona and Hopycon. It is anticipated that these new products will help Ben Trading achieve higher profitability in 2003.

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CORPORATE GOVERNANCE REPORT

The listing rules as stated in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") require an issuer which holds its Annual General Meeting on or after 1 January 2003 to describe its corporate governance practices in its annual report.

In accordance with this requirement, this Report describes the corporate governance processes and activities of QAF Limited ("QAF") and its subsidiaries ("the Group") with specific reference to the Code of Corporate Governance ("Code").

Principle 1 : Board's Conduct of its Affairs

The Board of Directors of QAF ("Board") is scheduled to meet at least four times a year and as warranted by circumstances. For the financial year under review, the attendance of the Directors at meetings of the Board and Board committees is as follows:

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended
Didi Dawis	5	5	NA	NA	1	1	1	1
Tan Kong King	5	5	NA	NA	1	1	NA	NA
Phua Bah Lee	5	5	3	3	1	1	1	1
Siew Teck Woh	5	4	NA	NA	NA	NA	NA	NA
Tarn Teh Chuen	5	4	NA	NA	NA	NA	NA	NA
Derek Cheong Kheng Beng	5	5	3	3	NA	NA	NA	NA
Kelvin Chia Hoo Khun	5	5	3	3	NA	NA	1	1
Tan Hin Huat*	5	2*	3	2*	NA	NA	NA	NA

**Appointed as of 2 September 2002.*

The Board arranges for telephonic-conferencing for any Director who is otherwise unable to be present physically at the meetings.

The Board is responsible generally for the broad business strategy and financial objectives of the Group, monitoring the performance of the Management, as well as providing oversight in the proper conduct of the Group's business. Specific matters which are referred to the Board for approval include the following:-

- Approval of periodic financial results announcement
- Approval of annual audited consolidated accounts for the Group and the Directors' Report thereto
- Approval of annual budgets for the Group
- Evaluating the adequacy of internal controls
- Assuming responsibility for corporate governance and compliances with the Companies Act and the rules and requirements of regulatory bodies
- Approval of major investment or divestment by the Group
- Approval of major funding proposal or bank borrowings
- Approval of major corporate restructuring
- Approval of interim dividends and proposal of final dividends for shareholders' approval
- Approval of issues of shares, warrants and any other equity or debt or convertible securities of the Company

Additionally, the Board delegates and entrusts certain of its functions and power to the Nominating, Audit and Remuneration Committees.

All Directors were appointed well before the adoption of the Code by the Committee on Corporate Governance except Mr Tan Hin Huat who was appointed as a new independent director to the Board and as an Audit Committee member on 2 September 2002. The Management conducted a presentation to Mr Tan Hin Huat (together with other Audit Committee members) outlining the Group's major subsidiaries, the nature of their businesses, operations and major area of risks involved and the internal control systems in place for the respective subsidiaries.

The Management (with the assistance of external professionals when necessary) regularly furnishes the Directors with updates concerning the changes in laws, regulations or accounting standards where they may be applicable to the Company and relevant in enabling the Directors to carry out his duty and responsibility properly. It is also the practice of the Group Managing Director to brief the Board of the general industry trend and outlook for the businesses the Group is in from time to time.

Principle 2 : Board Composition and Balance

The Board comprises eight Directors of whom four are executive Directors and four are non-executive Directors. The non-executive Directors are Mr Didi Dawis (the Chairman of the Board), Mr Phua Bah Lee (chairman of Audit Committee), Mr Kelvin Chia Hoo Khun and Mr Tan Hin Huat.

The executive Directors are full-time employees of the Company, comprising Mr Tan Kong King (the Group Managing Director), Dr Siew Teck Woh (the Managing Director of a principal subsidiary), Ms Tarn Teh Chuen (the Head of Treasury) and Mr Derek Cheong Kheng Beng (the Head of Corporate Development).

The Board considers Mr Phua Bah Lee, Mr Kelvin Chia Hoo Khun and Mr Tan Hin Huat, who are non-executive directors, to be independent Directors. The criterion of independence is based on the principles stated in Paragraph 2.1 of the Code. The Board also considers Mr Didi Dawis, a substantial shareholder of the Company, as independent for the purpose and intent of the Code. As apart from his shareholdings, neither Mr Didi Dawis nor his associates have any business transactions or relationship whatsoever with the Company, its related companies or its officers which could interfere with the exercise of his independent business judgement with a view to the best interests of the Company.

The Board is of the view that the current board size of eight directors is appropriate and effective taking into account the nature and scope of the Group's operations and the corporate goals and objectives the Group strives to achieve. As a group, the Board members bring on the Group invaluable knowledge and experience in accounting, finance, legal, business strategies, as well as public administration perspective and cross-border investment insights.

Principle 3 : Role of Chairman and Chief Executive Officer ("CEO")

There is a clear division of roles played by the independent Directors (who are non-executive) and the executive Directors (who are involved in the running of the Company and/or its subsidiaries), which ensures that there is a balance of power and authority at the top of the Group. To enhance the balance of power, the posts of Chairman and the Group Managing Director are kept separate and these positions are held by Mr Didi Dawis and Mr Tan Kong King respectively, who are not related to each other.

The Board delegates the day-to-day management of the Group to the Group Managing Director.

The Chairman, in addition to his duties as non-executive director of the Company, is also responsible for the effective working of the Board as a whole, which includes, inter-alia,

- Overseeing the scheduling of Board meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly
- Presiding over Board meetings, ensuring order in its proceedings and that all Directors are given the opportunity to voice their views on any issue that arises in the meetings
- Overseeing the agenda for meeting (in consultation with the Group Managing Director)
- Ensuring (with the assistance of the Company Secretary) that adequate information pertaining to the agenda for the meeting is furnished by the Management in a timely manner

Principle 4 : Board Membership

The Nominating Committee was established during the year under review comprising two non-executive directors and one executive director, namely Mr Didi Dawis, Mr Phua Bah Lee and Mr Tan Kong King.

The Nominating Committee is charged with the responsibility of sourcing and recommending suitable candidates for the Board's approval if there should be a need to appoint new directors whether to fill vacancies or as additional directors. Any recommendation of the Nomination Committee is subject to the Board's final approval, whose decision shall be final and binding.

The Nominating Committee is also empowered by the Board to decide on the re-appointment of members of the Board subject to retirement by rotation. Article 93 of the Company's Articles of Association requires one third of the Board (other than the Group Managing Director) to retire by rotation at every Annual General Meeting of the Company ("AGM").

In deciding whether to nominate Directors to stand for re-election at each AGM, the Nominating Committee will assess and evaluate the contribution by each individual Director to the effectiveness of the Board. The review parameters for evaluating each Director, include, among others, attendance at board/committee meetings, participation and involvement in decision-makings in meetings and knowledge and experience of the Directors which are relevant to the operations and conduct of businesses of the Group.

Principle 4 : Board Membership (cont'd)

In reviewing whether Directors with other board representations are able to spend sufficient time and attention on the Company's affairs, the Nominating Committee takes into consideration the parameters as above described and is satisfied that such board representations have not compromised the Directors' ability to carry out their duties adequately. The Nominating Committee will determine the independence of Directors annually in accordance with the guidelines set out in the Code.

Key information on the Directors as required under Guidance Note 4.5 of the Code is provided on page 31 of the Annual Report.

Principle 5 : Board Performance

The Board takes the view that all its members should be involved in the assessment of the effectiveness of the Board as a whole and the setting of performance assessment criteria.

The Board believes that in evaluating its effectiveness, both quantitative and qualitative criteria of a long-term perspective ought to be taken into account. In reviewing its performance, the Board gives due consideration to the financial performance of the Group (with indicators such as its long-term revenue or profit trend and/or such other appropriate indicators depending on the nature and scope of the Group's business from time to time); the business expansion and potentials brought about by the Board in setting the strategic directions of the Group; and the effectiveness of the Board in redefining corporate strategies in a changing business environment and in steering the Group towards the objectives set, all of which should form part and parcel of the bases for sustaining long-term wealth and value of the Company.

Principle 6 : Access to Information

In order to ensure that the Board is able to fulfil its responsibilities, the Management provides all the Board members with the Group's monthly management accounts. Detailed Board papers are prepared for each meeting of the Board and are normally circulated three days in advance of each meeting. The Management is required to ensure that the Board papers contain adequate information pertaining to the agenda (including, as the case may be, budgets, forecast, financial results and explanatory notes on variances) so as to enable the Directors to be properly briefed on issues to be considered at Board meetings.

All the non-executive Directors have been provided with the contact particulars of the chief executive officers/general managers of all operating subsidiaries, the financial controllers and other senior executives, and are encouraged to speak to the individual officer-in-charge to seek additional information if they so require.

The Directors have separate and independent access to the Company Secretary. The Company Secretary attends all Board and Committee meetings and is responsible to ensure that minutes of meetings are properly and fairly recorded, rules on board procedures are observed and all relevant statutes and regulations which are applicable to the Company or the Directors are complied with.

If Directors, whether as a group or individually, need independent professional advice, the Company Secretary will seek the appropriate external advice. The cost of such professional advice will be borne by the Company.

Principle 7 : Procedures for Developing Remuneration Policies

Principle 8 : Level and Mix of Remuneration

The Remuneration Committee was established during the year comprising three Directors, all of whom are non-executive Directors, namely Mr Didi Dawis, Mr Phua Bah Lee and Mr Kelvin Chia Hoo Khun.

The Remuneration Committee is delegated the tasks of reviewing the remuneration packages of the Group Managing Director and the other executive Directors to ensure that the packages are competitive and sufficient to attract, retain and motivate executive directors of the required quality to run the Company and the Group successfully. The Remuneration Committee also reviews the executive Directors' compensation annually and determines appropriate adjustments.

The Board believes that the remuneration programme for the key executives of the Group (other than the executive Directors) is best set and determined by the Management. The Board noted that it is the Group's policy to set a level of remuneration that is appropriate to attract, retain and motivate all competent and loyal key executives. Their remuneration generally include a fixed as well as a variable component. The fixed component is the base salary and variable component is in the form of a variable bonus linked to the individual's or the relevant subsidiary's performance. Annual adjustments to the remuneration are made taking into account the performance of the Group and/or of the relevant subsidiary, the prevailing market pay, the seniority and level of responsibilities of the individual as well as his/her performance. Another element of the variable component for the key executives is the grant of share options under the QAF Executives' Share Option Scheme 2000 ("Scheme 2000").

Principle 7 : Procedures for Developing Remuneration Policies & Principle 8 : Level and Mix of Remuneration (cont'd)

The Remuneration Committee adopts similar policy and approach as outlined in the paragraph above when reviewing the remuneration of the executive Directors.

The Group Managing Director is engaged by way of a service contract with a fixed tenure in compliance with the Articles of the Company. The remuneration terms under the service contract was arrived at taking into account the performance of the Group, remuneration of chief executive officers of other food related Singapore listed companies as well as compensation survey (on regional chief executives based in Singapore) prepared by external professional consultants.

Most of the Remuneration Committee members have certain degree of experience in managing firms or companies. The Remuneration Committee is encouraged to seek external professional help whenever it deems necessary.

The recommendations of the Remuneration Committee are subject to the final decision and approval of the Board. Any Directors who may have an interest in the outcome of the Board decisions are required to abstain from participation in the approval process.

All executive Directors do not receive any directors' fees. Non-executive directors are paid a basic fee and an additional fee for serving as the Chairman of the Board or chairman of the Committees. Such fees are subject to approval by the shareholders of the Company as a lump sum payment at each AGM of the Company. The Company holds the view that, at this point in its development, the interests of maintaining the objectivity and independence of the non-executive Directors is best served by a cash-based fixed fees at a rate broadly in line with those that are adopted by a majority of other listed companies.

The grant of share options pursuant to the Scheme 2000 is employed by the Group to provide long-term incentives for its executives. The Share Option Committee was established in year 2000 comprising Mr Didi Dawis, Mr Phua Bah Lee and Mr Tan Kong King to administer the Scheme in accordance with the rules as approved by shareholders of the Company in a general meeting held on 12 May 2000. The objectives of the Scheme are to motivate the executives (including the executive Directors) of the Group to optimise their performance standards and efficiency and to retain key executives whose contributions are important to the long term growth and profitability of the Group.

The limits on the maximum number of shares over which options may be granted to any one individual pursuant to the Scheme 2000 shall be determined at the absolute discretion of the Share Option Committee.

No member in the Share Option Committee is allowed to participate in any decisions over his own grant of options.

Further details on the Scheme 2000 and the options granted to the Directors are stated on page 39 of the Directors' Report.

Principle 9 : Disclosure on Remuneration

The following tables reflect the breakdown of Directors' remuneration and the remuneration of the top 5 executives of the Group (in addition to the Executive Directors) for year 2002:-

(1) Table shows breakdown of Executive Directors' Remuneration (in percentage terms):

	Salary	Bonus	Other Benefits*	Total
$750,000 and above				
Tan Kong King	62%	37%	1%	100%
$250,000 - $499,999				
Siew Teck Woh	74%	23%	3%	100%
Tarn Teh Chuen	75%	25%	-	100%
Below $250,000				
Derek Cheong Kheng Beng	88%	8%	4%	100%

**excluding share options which are disclosed in the Directors' Report*

Principle 9 : Disclosure on Remuneration (cont'd)

(2) Table shows non-executive Directors' Fees:

$40,000 and below	
Didi Dawis	Chairman of the Company
$30,000 and below	
Phua Bah Lee	Chairman of the Audit Committee
Kelvin Chia Hoo Khun	Member of the Board and Audit Committee
Tan Hin Huat	Member of the Board and Audit Committee

(3) Table shows the gross remuneration received by the top five executives of the Group:

Number of the top 5 executives of the Group in remuneration bands:-	
$250,000 and above	1
Below $250,000	4
Total	5

The Group does not employ any immediate family member of a Director or the Group Managing Director.

Principle 10 : Accountability

The Directors fully recognise the principle that the Board is accountable to the shareholders while the Management is accountable to the Board.

The company has adopted quarterly reporting starting 1 January 2003. In presenting the annual financial statements and quarterly announcements to shareholders, the Board has and will continue to provide the shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects.

Management currently provides the Board with appropriately detailed management accounts of the Company and the Group on a monthly basis.

Principle 11 : Audit Committee

Principle 12 : Internal Controls

Principle 13: Internal Audit

The Audit Committee of the Company currently comprises three non-executive Directors (Mr Phua Bah Lee, Mr Kelvin Chia Hoo Khun and Mr Tan Hin Huat) all of whom are independent. All its members are appropriately qualified to discharge their responsibilities. Both Mr Phua Bah Lee (the chairman of the Audit Committee) and Mr Tan Hin Huat hold a degree in Bachelor of Commerce and Mr Kelvin Chia is a senior practising lawyer.

The Audit Committee performs the functions set out in the Companies Act and the Code. It has written terms of reference which sets out its authority and duties. Some of its responsibilities include:

- To review the audit plans of the Company's external auditors and their evaluation of the systems of internal accounting controls arising from their audit examination
- To review the external auditors' report (including assistance given by the Company's officers to the external auditors)
- To review the financial statements of the Company and the consolidated financial statements of the Group before their submission to the Board
- To review periodic results announcements of the Company before their submission to the Board
- To review interested person transactions pursuant to the Listing Manual
- To review annually the independence and objectivity of the external auditors, taking into consideration the non-audit services provided to the Company
- To review the periodic findings of the internal auditors and with the assistance of the internal auditors, conduct an annual review of the effectiveness of the Group's material internal controls

Principle 11 : Audit Committee, Principle 12 : Internal Controls & Principle 13: Internal Audit (cont'd)

The Audit Committee is empowered by its written charter to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention. It has full access to and co-operation of the Management, including the internal auditors, and has full discretion to invite any Director and executive officer to attend its meetings.

The Group has an internal audit team of two internal auditors who are members of the Institute of Certified Public Accountants of Singapore and the Institute of Internal Auditors. Their primary line of reporting is to the chairman of the Audit Committee. The Audit Committee ensures that the team is adequately resourced. It also reviews and approves the annual internal audit plan proposed by the team. The internal auditors, like the external auditors, report independently their findings and recommendations to the Audit Committee.

The review of the Group's systems of internal control is a continuing process. The system of internal control adopted by the Group is designed to manage rather than eliminate the risk of failure to achieve business objectives. Based on the audit reports and management controls in place, the Audit Committee is satisfied that there are adequate material internal controls in place for the Group.

The Board acknowledges its responsibility overall for ensuring that there is a sound system of internal control to safeguard the shareholders' investments and Company's assets, and is satisfied that there is no significant breakdown or weaknesses in the system of control of the Group that may result in material losses incurred by the Group for the financial year ended 31 December 2002.

Principle 14 : Communication with Shareholders

Principle 15 : Greater Participation by Shareholders

The Company believes in timely and transparent corporate disclosure as prescribed in Appendix 7.1 (corporate disclosure policy) of the Listing Manual. Shareholders are informed of all major developments that affect the Group. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes key relevant information about the Company and the Group, including, inter-alia, a review of the Group's major operations and their general outlook, disclosures required by the Companies Act, Listing Manual, and the Accounting Standards;
- quarterly financial announcements on the financial performance of the Group for that period and operation reviews;
- circulars for extraordinary general meetings;
- announcements and disclosures to the SGX-ST via Masnet; and
- the Company's website at http://www.qaf.com.sg at which our shareholders can access information on the Group.

The shareholders of the Company are encouraged to attend the AGMs. At AGMs, the shareholders are given the opportunity to air their views and ask questions regarding the Company and the Group. The notice of the AGM is sent to our shareholders at least 14 days before the meeting. Directors and members of the respective Committees are normally present and available to address questions relating to the work of their Committees at general meetings. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries raised by the shareholders.

Each item of special business in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

To facilitate voting by shareholders, the Articles of Association of the Company allow its shareholders to appoint one or two proxies to attend and vote on their behalf.

Dealings in Securities

The Company has an internal code on dealings in the shares of the Company by key executives of the Group, which is modelled after the SGX's Best Practices Guide. The internal code has been issued to all Directors of the Company and the relevant executives of the Group. In addition, a circular will be issued before the start of each prohibition period to remind Directors and relevant executives to refrain from dealing in the shares of the Company during the month prior to release of the quarterly and full year announcements of the Group's financial results.

SUPPLEMENTARY INFORMATION REQUIRED BY THE LISTING MANUAL

Rule 1207(4)(c) : Information relating to the background of directors and key management staff

Directors of the Company

Didi Dawis, aged 58, was appointed as a Director of the Company on 15 March 1988 and has been holding the position as Chairman of the Board since July 1990. He was last re-elected to the Board on 21 May 2001. As an established entrepreneur, Mr Dawis has interests in various businesses in Indonesia including pulp and paper manufacturing, trading, distribution of building materials, real estate development, hotel and banking; some of which corporations he is also acting as the president director or chairman. He had also been the owner and joint-venture partner of a news magazine and a newspaper in Indonesia for some eight years. Mr Dawis was instrumental in setting up the social lottery enterprise for the Indonesian Department of Social Affairs from 1986 to 1993 and is a member of the councils of several charitable and civic associations in Indonesia.

Tan Kong King, aged 52, was first appointed as a non-executive Director on 15 June 1995 and assumed the position as the Group Managing Director of the QAF Group in January 1996. Since then, Mr Tan has streamlined and refocused the QAF Group in the food industry, expanding the bakery segment in markets where there are long term demand and prospects, disposing off the various insignificant non-food related operations and leading the QAF Group into the new meat production segment in a new market with much potential for other synergistic expansion. Mr Tan has over 22 years of experience in managing group companies to-date. In the early part of his career, Mr Tan had worked with an international accounting firm for five years. Subsequent to which he joined the Salim Group in 1981 and assumed the managing directorship of the KMP Private Ltd group of companies (“KMP Group”). Mr Tan has, in assisting the group to expand its business interests in the region, acquired much knowledge and experience in the area of corporate restructuring and financing, investment strategies as well as group operations management. Mr Tan holds a B. Sc Economics degree from the London School of Economics, University of London.

Siew Teck Woh, aged 61, was appointed as a Director on 15 June 1995 and was last re-elected to the Board on 12 May 2000. Dr Siew was made the Managing Director of Gardenia Foods (S) Pte Ltd in 1998, the Gardenia Bakery operation of the QAF Group in Singapore. Dr Siew spent a large part of his early career in the Primary Production Department (“PPD” and now called the Agri-Food & Veterinary Authority) of the Singapore Government including being the Director of the PPD for nine years. During his tenure with PPD, Dr Siew was involved in the strategic formulation and implementation of various agri-business and livestock development programmes in Singapore. After leaving the PPD, Dr Siew worked with the KMP Group for about 13 years. He was in charge and was instrumental in setting up an integrated chain of livestock activities for the KMP Group. Dr Siew was a Columbo Plan Scholar and graduated with a Bachelor of Veterinary Science degree from the University of Queensland, Australia.

Tarn Teh Chuen, aged 43, was appointed as a Director on 15 June 1995 and last re-elected to the Board on 22 May 2002. Ms Tarn assumed the executive role as the Head of Treasury for the QAF Group in 1998 taking charge in planning of group financing, negotiation with banks on terms, cash management and currency exposure control. Ms Tarn started working for the KMP Group since 1983 as an accountant and has assumed the post as its group financial controller since 1990. She has over 13 years of experience in the structuring of loans and group financing to-date. She graduated with a Bachelor of Accountancy degree from the National University of Singapore and has been a Certified Public Accountant of the Institute of Certified Public Accountants of Singapore since 1982.

Derek Cheong Kheng Beng, aged 48, was appointed as a Director on 18 January 1996 and last re-elected to the Board on 21 May 2001. Mr Cheong was made an executive director as Head of Corporate Development for the QAF Group in January 2002 taking charge of matters in relation to mergers, acquisitions and business development. Prior to this appointment, he was the senior vice president of Business Development with the KMP Group for 7 years. He had also worked as a treasury manager in a Singapore listed construction and engineering company, a corporate manager of United Industrial Corporation Limited as well as an assistant manager of Loans & Syndications in a merchant bank in Singapore before joining the KMP Group. Mr Cheong graduated with a Bachelor of Commerce degree from the University of Toronto, Canada. He also holds a Master of Business Administration from the University of British Columbia, Canada.

Phua Bah Lee, aged 70, was appointed as an independent non-executive Director on 8 January 1990. He was last re-elected to the Board on 22 May 2002. Mr Phua was an established member of the Government of Singapore having served as the Parliamentary Secretary of the Ministry of Communications from 1971 to 1986 and as the Senior Parliamentary Secretary of the Ministry of Defense from 1972 to 1988. He was a Member of Parliament for the Tampines Constituency from 1968 to 1988. Mr Phua is also a non-executive director of other Singapore listed companies namely GP Batteries International Ltd, GP Industries Ltd, Metro Holdings Ltd, Pan-United Corporation Ltd, Wing Tai Holdings Ltd and Singapura Finance Ltd. Mr Phua graduated from the Nanyang University in Singapore with a degree in Bachelor of Commerce.

Kelvin Chia Hoo Khun, aged 51, was appointed as an independent non-executive Director of the Company on 25 January 2000. He was last re-elected to the Board on 12 May 2000. Mr Chia is the senior managing partner of Kelvin Chia Partnership, a regional law firm with offices in Singapore, Vietnam, China and Myanmar. He specialises in the investment law in Vietnam and commercial litigation in Singapore. Mr Chia is also a director of Bausch & Lomb Singapore Pte Ltd, El Paso Energy Singapore Pte Ltd, Spear Leeds & Kellogg (Singapore) Pte Ltd, Interflour Vietnam Ltd. Mr Chia holds a law degree from the University of Singapore.

SUPPLEMENTARY INFORMATION REQUIRED BY THE LISTING MANUAL

Directors of the Company (cont'd)

Tan Hin Huat, aged 50, was appointed as an independent non-executive Director of the Company on 2 September 2002. Mr Tan is currently a Senior Vice President of EFG Financial Advisory Pte Ltd, a wholly-owned subsidiary of EFG Private Bank SA, Zurich, Switzerland. He has more than 23 years of working experience in regional banking business covering the area of corporate banking, trade finance and private banking. Prior to joining EFG Private Bank group, he was the Head of Private Banking of ING Bank N.V. Singapore for over 5 years. He had also worked for a number of other major international banks including American Express Bank, Chemical Bank, Credit Lyonnais and ING Bank N.V. Mr Tan holds a Bachelor of Commerce degree from Nanyang University, Singapore.

Key Management Staff

Nigel Smith, aged 54, is the chief executive officer of QAF Meat Industries Pty Ltd ("QAF Meats"), a wholly-owned subsidiary of the QAF Group. He has the responsibility of overseeing the entire integrated pork production business carried out by QAF Meats and its related companies ("the QAF Meats Group") in Australia. Mr Smith has been with the QAF Meats Group for over 29 years. Prior to him assuming the position as chief executive officer of the QAF Meats Group, he was in various senior executive positions covering pig production, sales and marketing, and meat processing. He has played a major role in developing QAF Meats Group from a small pig producer to the largest fully integrated operator in Australia and one of the largest in the world. Mr Smith is currently the deputy chairman of Australia Pork Limited which is the industry body responsible for marketing, research and policy for pork producers in Australia. He graduated with a Diploma of Agricultural Science from Dookie Agricultural College, Australia.

Yap Kim Shin, aged 51, is the chief executive officer of the Gardenia Bakery group of companies in Malaysia ("Gardenia Malaysia Group"). Gardenia Malaysia Group is the major bread producer in Malaysia, "Gardenia" was recognised as one of the superbrands in Malaysia by the Superbrand Council in 2002. Mr Yap has been with the Gardenia Malaysia Group since 1987, contributing significantly to the success of the "Gardenia" products in Malaysia. Prior to joining Gardenia Malaysia, he had worked with Cold Storage Malaysia and IAC (M) Sdn Bhd. Mr Yap is a Monash Science graduate and has completed a post graduate programme in Marketing Management in London.

Simplicio P. Umali, **Jr**, aged 50, assumed the position as the general manager of the Gardenia Bakery operation of the QAF Group in the Philippines in August 1999. Prior to him taking charge of the Gardenia Bakery operations in the Philippines, he was the chief executive officer of Dutch Boy (Philippines) Inc., a major paint manufacturer, and the country manager of Hoechst Marion Roussel (Philippines), a pharmaceutical company. Mr Umali has extensive experience in marketing, having taken charge of the marketing function in his previous employment for over 10 years; he was also a part-time assistant professor and lecturer of Marketing at De La Salle University in the Philippines for 12 years. He is a graduate of Business Administration (majored both in Finance and Marketing) and holds a Master of Business Administration from the University of the Philippines.

Philip Lee Tuck Wah, aged 53, was appointed the chief executive officer for the trading and distribution arm of the QAF Group - Ben Foods since 1989. As the key subsidiary of the QAF Group engaging in the trading and distribution of consumer food products, Ben Foods provides marketing and sourcing support to other subsidiaries within the QAF Group. In 1997, Mr Lee was tasked to take charge of the warehousing logistics and spices manufacturing operations of the QAF Group. Mr Lee has close to 27 years of experience in the marketing of food and beverages to-date. Prior to joining Ben Foods, he had worked with Allied Chocolate Ltd (formerly a listed company in Singapore) and Sime Darby Singapore. Mr Lee has a Bachelor degree from the University of Singapore in Social Science (Hons).

Sue Thong, aged 44, was made the general manager of Ben Trading in 1996 and Ben Fortune Pastry Manufacturing in 2000. Ben Trading is the trading and distribution arm of the QAF Group in Malaysia and Ben Fortune is engaged in the manufacturing of Asian pastry products mainly for the European and Australian markets. Ms Thong has been with the companies as marketing manager since 1990. Prior to joining Ben Trading, Ms Thong had worked with several multinational trading companies. She holds a diploma in Marketing.

Victor Cheong Yuen Chuan, aged 44, joined in August 2001 as the general manager of Shop N Save, taking charge of the supermarket operation of the QAF Group in Singapore. Mr Cheong has close to 20 years of management experience in the retail food industry. Prior to joining Shop N Save, he was the general manager of the Kerry Stores (Singapore and Malaysia). From there, he moved on to become the director of operations with Royal Ahold joint venture organisations in Malaysia, during which he had the opportunity to be involved in the acquisition of 11 Emporium outlets in Singapore and their complete conversion to TOPS Supermarket. He was then engaged by the Cold Storage group in the setting up of the first Giant Hypermarket at IMM Singapore. Mr Cheong has a Bachelor Degree in Business Administration from Royal Melbourne Institute of Technology.

Derrick Lum Weng Piu, aged 41, is the group financial controller for the QAF Group. He has been with the QAF Group since 1997 and was made the group financial controller in October 1999. Mr Lum has 17 years of experience in the area of accounting and finance. Prior to joining QAF, he was the regional controller for a multi-national and a Singapore-listed group. Mr Lum is a certified public accountant of the Institute of Certified Public Accountants of Singapore as well as a chartered financial analyst of the Association for Investment Management and Research. He also holds a Master of Business Administration from the United Kingdom.

SUPPLEMENTARY INFORMATION REQUIRED BY THE LISTING MANUAL

Rule 1207(4)(d) : Information relating to risk management policies and processes

1 Disease Outbreak and Farm Contamination

The Primary Production Division of the QAF Group consists of the QAF Meats Group (‘QAF Meats’), an integrated producer of pork, which operates eight piggeries and 60 Contract Grower sites spread out across the Australian states of Victoria and New South Wales. QAF Meats has approximately 52,000 breeder pigs and a total population of more than 500,000 pigs.

All livestock, including pigs, face potential health epidemic outbreaks. Infectious diseases can be spread by either animal contact or farm contamination. Pig farming is the mainstay of QAF Meats. If a health epidemic should erupt in the farms, depending on the locality and proximity of the contaminated areas, various animals would have to be culled and the operations shut down. In recent years, there had been outbreaks which caused massive culling of pigs and closures of farms in many countries in Asia. The pig farming industries in these countries have been adversely affected.

Although Australia is geographically isolated and has strict quarantine laws, there is no guarantee that QAF Meats’ pigs will not be affected by disease epidemics. QAF Meats has taken preventive measures of enforcing the highest standards of quarantine and by geographically spreading out its farms to prevent cross contamination. The 8 QAF Meats-owned farms and the 60 Contract Grower farms are well spaced out across the two Australian states. Within each farm, large tracts of buffer land are also maintained which surrounds the production units and this minimises the probability of contamination from spreading between the different herds.

2 Regulatory Sanctions

(a) ***Meats***

QAF Meats is in the fresh meat industry, with vertically integrated operations ranging from the breeding and rearing of pigs, to the slaughtering and boning process, to the marketing and delivery of fresh pork, and even the preparation of the stockfeed. These processes are regulated by numerous health and food safety organisations and subject to regulatory sanctions. In Australia, the meat industry is governed by the Australian Quarantine and Inspection Services (‘AQIS’) which is responsible for the registration of abattoirs for both the domestic and export markets. In terms of the export of Meats, QAF Meats is subject to the regulations of foreign regulatory bodies in the territories in which they market their Meats products including the Agri-Food & Veterinary Authority (‘AVA’) in Singapore and the Livestock Industry Bureau of the Ministry of Agriculture, Forestry & Fisheries in Japan.

QAF Meats currently meets the regulatory requirements of the above organisations. However, as with all trade and exports in the fresh meat industry, regulatory requirements and sanctions may be imposed suddenly due to health, disease, environmental or other reasons. If such sanctions are imposed, QAF Meats’ business will be affected and it may be forced to seek other markets for its products.

(b) ***Environment***

QAF Meats is also regulated by the Victorian and New South Wales Environmental Protection Authorities (‘EPAs’). In the ordinary course of business, large amounts of solid and liquid effluent are produced which need to be treated. As part of the obligations imposed by the EPAs, QAF Meats is undertaking irrigation development plans to apply treated abattoir and piggery effluent to agricultural land over the next few years. The EPAs could impose further mandatory requirements which could affect QAF Meats’ business in future.

QAF Meats has, over the years, dealt with this risk effectively. Significant resources, sometimes with the assistance of government grants, have and are being devoted to maintain and improve upon the health of its pigs. Resources have also been channeled towards developing the latest technologies and the most efficient infrastructure which ensures the most hygienic conditions for its production and abattoir facilities. Constant communications are maintained with all the health and regulatory authorities concerned as well as the EPAs so as to avoid problems associated with animal health and the environment.

3 Cyclical, Seasonal and Varying Consumer Demand

The pork meat industry is firstly subject to the cyclical seasonal demand for pork meat. Consumer demand for pork could fluctuate due to seasonality, for example, surges in demand for particular cuts of meat during the Christmas season or the Chinese Lunar New Year festivities.

Secondly, the industry is also subject to varying consumer demand. This could be attributable to food safety considerations, such as the drop in pork sales in the aftermath of particular pig epidemic outbreaks. These fluctuations in pork demand and sales would impact QAF Meats in the relevant affected markets.

Rule 1207(4)(d) : Information relating to risk management policies and processes (cont'd)

4 Competition

The markets that QAF Meats operates in are subject to occasional periods of oversupply. The latter can arise from a number of sources such as overproduction from local producers in Australia or 'dumping' of frozen imported products in the export markets.

However, QAF Meats' strategy is to maintain itself as one of the most efficient and competitive producers in the region through its production and technological expertise as well as its ability to achieve lower unit cost through economies of scale. Furthermore, QAF Meats targets the fresh pork market segments in Australia, Singapore and Japan which are not subject to competition from cheap imported frozen products. QAF Meats is also dominant in both the Australian domestic and export market and this should enable it to adjust its marketing strategies according to market competition.

5 Employee Turnover/Union Risks

The QAF Group's bakery operations require its production employees to work on shifts, which in most cases are 24 hours per day, as well as sales and delivery staff who deliver bakery products to customers such as supermarkets, convenience stores, petrol stations and provision shops within a very tight frame and mostly in the very early hours of the morning.

QAF Meats is also highly dependent on skilled staff to operate its feedmills, piggeries and Meats processing plants. The nature of work at the piggeries and Meats processing plant requires vocationally trained personnel and staff to work on shift systems to ensure maximum productivity and that the pigs are cared for to the highest standards.

Staff members in the bakery operations and QAF Meats are largely trained on-the-job. Any loss of staff or disruption in work would adversely affect the productivity and business of both the bakery operations and QAF Meats until suitable replacements are found and trained or the disputes are resolved satisfactorily. Furthermore, risk factors which could result in employee turnover or industrial action for QAF Meats in Australia would include occupational health and safety issues, equal opportunity issues, compensation and industrial relations issues.

The track record for both the bakery operations and QAF Meats has been good as far as relations with staff are concerned. The Group endeavours to maintain a high standard of welfare for its staff. QAF Meats, in particular, has always maintained a good record of harmonious industrial relations with its staff and the labour unions.

6 Fluctuations in Raw Material Prices

The prices of raw material costs affect the pig farming and pork meat industries. The industries are subject to swings in production costs determined largely by grain prices. Grain prices fluctuate depending on the farming season's weather, quality and yield of crop, and these prices will in turn affect the costs of production of animal feed and ultimately production cost per pig. As QAF Meats purchases the bulk of its grain at the harvest season, any price fluctuations of raw agriculture produce at that point will therefore affect production costs which QAF Meats may not be able to offset commensurately by higher selling prices of its Meats products. This will have an impact on QAF Meats' overall business profitability.

To some extent, the above fluctuations in raw material grain prices particularly wheat prices will also affect flour prices. The latter will lead to increases in production costs of the bakery operations which may not be able to raise selling prices of their bakery products adequately to offset the full impact of the rise in production costs.

7 Fluctuations in Energy Costs

Energy costs are subject to global economic and political developments which are largely outside of the QAF Group's control. Bakery products are delivered by a fleet of Company-owned delivery vehicles in the early morning, seven days a week within a tight time frame to customers so as to ensure freshness. QAF Meats exports its fresh chilled Meats products by refrigerated containers on board commercial jet airlines. Distribution costs will increase significantly in the event of the escalation of crude oil prices.

The QAF Group can only mitigate distribution cost increases through efficient logistics planning and controls to some extent.

8 Financial Risks

(a) Credit Risk

In the normal course of business, the Group sales does involve the extension of credit to customers such as supermarkets, convenience stores, petroleum companies, wholesalers, retailers and food service and catering operators. However, there are no significant concentrations of credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Rule 1207(4)(d) : Information relating to risk management policies and processes (cont'd)

(b) Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents which management deems adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

(c) Foreign currency risk

Other than the trading and wholesaling segment where products are imported based on the currencies of the countries of origin and sales are made in the local currency, there are no major exposures to foreign currency risk.

(d) Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term and long-term bank borrowings. The interest rates on these obligations are fixed at the prevailing market rates as and when they fall due for rollover. The period for rollover is between one to six months. As such, the Group's exposure to interest rate risk is capped at the prevailing market.

Rule 907 : Interested Person Transactions for financial year 2002

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the SGX Listing Manual	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than S$100,000)
Harmomic Pacific Construction & Development (Fujian) Co Ltd	$1,326,399	Nil
P.T. Indofood Sukses Makmur	Nil	$ 201,062
Fujian Yinfu Oil & Fats Co Ltd	Nil	$ 32,318,876
KMP Properties Pte Ltd	Nil	$ 115,200
P.T. Indortirta Suaka	Nil	$ 6,028,356

The Shareholders' Mandate was granted by members of the Company pursuant to the previous Chapter 9A of the Listing Manual at the extraordinary general meeting held on 11 October 2001 and renewed at the subsequent annual general meeting held on 22 May 2002.

The Interested Persons covered under the Shareholders' Mandate were the associates (as defined in the Listing Manual) of the substantial shareholder and deemed substantial shareholders of the Company, namely Qualif Pte Ltd, KMP Private Ltd, Messrs Liem Sioe Liong, Andree Halim and Anthony Salim.

Rule 1207(8) : Material contracts of the issuer and its subsidiaries

Save for the transactions entered into with the Interested Persons under the Shareholders' Mandate as described in the paragraph above, there were no material contracts (or loans) entered into by the Company and/or its subsidiaries with the directors or chief executive officer or substantial shareholders of the Company which were still subsisting at the end of the financial year under review, or if not then subsisting, entered into since the end of the previous financial year.

Rule 1207(9)(E) : Minimum percentage of shares held by the public

Based on the computation that the various substantial shareholders of the Company collectively hold approximately 75% of the stock units of the Company (see page 91 of the Annual Report), the Company confirms that at least 10% of its listed equity stocks are held by the public.

Rule 713(1) : Audit Partner

Mr Daniel Soh of Ernst & Young has been the audit partner in-charge for the financial years ended 31 December 1998 to 31 December 2002.

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 2002.

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; provision for warehousing logistics for food items; trading and distribution in food, beverages, food related ingredients and commodities; production, processing and marketing of pork, feedmilling and trading in animal feeds and related ingredients; and investment holding. There have been no significant changes in the principal activities of the Company and Group during the financial year under review.

Results for the financial year

	Group $'000	**Company** $'000
Net profit for the financial year	18,359	27,515

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 changes in accounting policies and exceptional items disclosed in Notes 2(b) and 8 to the financial statements respectively.

Material transfers to/from reserves and provisions

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

	Group	Company
Capital reserve		
- transfer to revenue reserve upon the exercise of Warrants 2003	(358)	(358)
- transfer from revenue reserve due to bonus shares issued by a subsidiary company	7,834	-
Revenue reserve		
- transfer from revaluation reserve	49	-
- dividends, net of tax	(5,229)	(5,229)
- net profit for the financial year	18,359	27,515
- transfer to capital reserve due to bonus shares issued by a subsidiary company	(7,834)	-
Foreign currency translation reserve		
- exchange differences arising on consolidation	(3,492)	-

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.

Dividends

During the financial year, the Company paid a first and final dividend of 5% (2.0 cents per stock unit), less tax, amounting to $5,229,126 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 $5,253,306 be paid in respect of the financial year ended 31 December 2002.

Share capital and debentures

During the financial year :

(i) the Company issued 1,541,000 ordinary shares of $0.40 each for cash at the respective price per share upon exercise of 1,541,000 share options by employees pursuant to the Executives' Share Option Scheme :

Date of grant	No. of ordinary shares issued	Price per ordinary shares $
13.5.1998	72,000	0.590
28.8.1998	300,000	0.400
26.5.2000	242,000	0.630
19.4.2001	927,000	0.430
	1,541,000	

(ii) the Company issued 7,200,000 ordinary shares of $0.40 each for cash at $0.50 per share upon the exercise of the Warrants 2003.

(iii) 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. Its issued and paid up share capital was increased from RM17,142,857 to RM34,285,714 through the issue of 17,142,857 ordinary shares of RM1 each through capitalisation of RM17,142,857 from the retained earnings on the basis of one bonus share for each existing ordinary share held on 29 January 2002. The ordinary shares issued rank pari passu in all respects with the existing shares. The Group's interest in the subsidiary company remains at 70%.

(iv) a wholly-owned subsidiary company, Gardenia Bakeries (Philippines) Inc., increased its subscribed and issued share capital from Peso13,000,000 to Peso213,000,000 by the creation and issue of an additional 100,000 new ordinary shares of par value Peso1,000 each at a subscription price of Peso2,000 per share by capitalisation of loan from its immediate holding company, Gardenia International (S) Pte Ltd.

(v) a wholly-owned subsidiary company, Hamsdale International Pte Ltd, increased its authorised share capital from $1,000,000 to $100,000,000 by the creation of an additional 99,000,000 ordinary shares of $1 each. Its issued and paid up share capital was increased from $1,000,000 to $50,000,000 through the issue of 49,000,000 new ordinary shares of $1 each at par by capitalisation of loan from the Company.

(vi) a wholly-owned subsidiary company, Hamsdale Australia Pty Ltd, increased its issued and paid-up share capital from A$1 to A$1,000,000 by the creation and issue of an additional 999,999 ordinary shares of A$1 each by capitalisation of loan from its immediate holding company, Hamsdale International Pte Ltd.

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

(i) During the financial year, the Group acquired equity interest in the following subsidiary companies :

Name of company (Country of incorporation)	Interest acquired %	Interest after acquisition %	Effective date of acquisition	Net tangible assets at acquisition $'000	Cost of investment $'000
Acquired by wholly owned subsidiary companies					
Fujian Dongjia Feeds Co Ltd (People's Republic of China)	49.9	100.0	29.11.2002	1,478	1,292
Diamond Valley Pork Pty Ltd (Australia) (a meat processing joint venture)	51.0	51.0	24.7.2002	2,997	2,997

Except as disclosed above, there were no other acquisitions or disposals of subsidiary companies during the financial year.

Directors of the Company

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

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

Save as disclosed and stated below, no directors who held office at the end of the financial year have, according to the register required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in the stock units or convertible securities of the Company :-

	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	36,117,000	36,117,000	42,383,712	42,383,712
Phua Bah Lee	-	-	25,000	25,000
Tan Kong King	100,000	400,000	-	-
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	300,000		
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	600,000	1,100,000		
Dr Siew Teck Woh	460,000	710,000		
Tarn Teh Chuen	460,000	710,000		

There was no change in any of the abovementioned interests of the directors between the end of the financial year and 21 January 2003.

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.

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.

Directors of the Company (cont'd)

(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 total number of shares in respect of which options may be offered on any offering date, when added to the number of shares issued or issuable in respect of options under this Scheme shall not exceed 15% of the issued share capital of the Company on the day preceding that offering date.

The exercise price of each share in respect of an option granted may be (i) the average of the last dealt prices of the shares of the Company, as determined by reference to the Financial News or other publication published by the Singapore Exchange Securities Trading Limited, for the three consecutive trading days immediately preceding the date of grant of that option ("Market Price") or (ii) at a discount not exceeding 20% of the Market Price, but in any event no exercise price shall be 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.

(ii) Disclosures pursuant to Rule 852 of the Listing Manual :

The 2000 Scheme is administered by the 2000 Share 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) 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	500,000	1,100,000	Nil	1,100,000
Dr Siew Teck Woh	250,000	710,000	Nil	710,000
Tarn Teh Chuen	250,000	710,000	Nil	710,000

The options granted in the financial year 2002 were granted at the exercise price of $0.555 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.

(c) Unissued ordinary shares under warrants and options at 31 December 2002 comprise :

	For ordinary shares of $0.40 each in the Company	Exercise price per share	Exercise period
Warrants 2003	14,500,000	$0.500	22 December 1998 to 21 December 2003
Executives' 1990 Share Option	125,000	$0.590	13 May 1999 to 12 May 2003
Executives' 1990 Share Option	798,000	$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	2,088,000	$0.630	26 May 2001 to 25 May 2010
Executives' Share Option Scheme 2000	1,586,000	$0.430	19 April 2002 to 18 April 2011
Executives' Share Option Scheme 2000	2,850,000	$0.555	6 April 2003 to 5 April 2012

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.

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, all of whom are non-executive directors. Mr Derek Cheong Kheng Beng, an executive director, had ceased to be a member of the audit committee since 23 December 2002. 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	
Tan Hin Huat	(appointed as of 2 September 2002)

Mr Phua Bah Lee, Mr Kelvin Chia Hoo Khun and Mr Tan Hin Huat are considered independent directors by the board of directors of the Company in accordance with the principles of the Code of Corporate Governance.

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 auditors' 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 9 of the SGX-ST Listing Manual.

Having undertaken a review of the non-audit services provided by the external auditors in the financial year 2002, the audit committee is satisfied with the independence and objectivity of the auditors. The audit committee therefore 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
16 April 2003

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 44 to 89 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 2002 and of the results of the business, changes in equity of the Company and of the Group and cash flows of the Group for the year ended 31 December 2002, 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
16 April 2003

AUDITORS' REPORT TO THE MEMBERS OF QAF LIMITED

We have audited the financial statements of QAF Limited set out on pages 44 to 89. These financial statements comprise the balance sheets of the Company and of the Group as at 31 December 2002, 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 2002, 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 (the "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 2002, the results, changes in equity of the Company and of the Group and cash flows of the Group for the year ended 31 December 2002; 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 38.

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
16 April 2003

PROFIT AND LOSS ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2002

(In Singapore dollars except per share data)

	Note	Group 2002 $'000	Group 2001 $'000 Restated	Company 2002 $'000	Company 2001 $'000 Restated
Revenue	3	828,562	603,074	42,518	20,530
Cost and expenses					
Cost of materials		550,351	392,205	-	-
Staff costs	4	129,671	83,716	4,259	4,002
Amortisation and depreciation	5	30,410	20,618	262	278
Operating lease rentals		19,981	19,698	118	115
Other operating expenses		67,843	54,690	1,237	346
Total costs and expenses		798,256	570,927	5,876	4,741
Profit from operating activities	6	30,306	32,147	36,642	15,789
Finance costs	7	(7,269)	(2,201)	(860)	(183)
Exceptional items, net	8	2,547	(1,986)	-	(364)
Share of loss of associated companies		(2)	(2)	-	-
Profit before taxation and minority interests		25,582	27,958	35,782	15,242
Taxation	9	(4,042)	(10,433)	(8,267)	(4,742)
Minority interests		(3,181)	(1,755)	-	-
Net profit for the financial year		18,359	15,770	27,515	10,500
Earnings per ordinary share of $0.40 :	10				
- Basic		5.5 cents	4.8 cents		
- Diluted		5.5 cents	4.8 cents		

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

BALANCE SHEETS AS AT 31 DECEMBER 2002

(In Singapore dollars)

		Group		Company	
	Note	**2002**	**2001**	**2002**	**2001**
		$'000	$'000	$'000	$'000
			Restated		**Restated**
Non-current assets					
Property, plant and equipment	11	285,603	288,383	344	435
Subsidiary companies	12	-	-	171,350	141,296
Associated companies	13	3,524	3,836	-	-
Joint venture company	14	3,049	-	-	-
Investments	15	8,565	8,866	998	998
Intangibles	16	983	1,120	983	1,120
		301,724	302,205	173,675	143,849
Current assets					
Livestock	17	50,729	47,770	-	-
Inventories	18	97,087	75,127	-	-
Trade receivables	19	58,640	63,477	-	-
Other receivables	20	11,378	11,368	62,975	27,409
Tax recoverable		3,790	1,368	-	-
Short-term investments	21	1,601	1,761	-	-
Cash and deposits	22	38,373	44,561	7,097	1,778
		261,598	245,432	70,072	29,187
Current liabilities					
Trade payables		72,170	68,222	9	8
Other payables	23	32,674	46,359	1,038	1,189
Short-term borrowings	24	80,968	49,196	54,863	12,781
Long-term loans - current portion	25	23,836	22,021	-	-
Taxation		4,607	5,482	2,212	2,195
		214,255	191,280	58,122	16,173
Net current assets		47,343	54,152	11,950	13,014
Non-current liabilities					
Other payables	23	5,963	4,679	12,932	10,769
Long-term loans	25	66,302	88,269	-	-
Deferred taxation	26	40,366	39,420	206	206
		(112,631)	(132,368)	(13,138)	(10,975)
		236,436	223,989	172,487	145,888
Capital and reserves					
Share capital	27	134,700	131,204	134,700	131,204
Reserves	28	77,656	67,201	37,787	14,684
		212,356	198,405	172,487	145,888
Minority interests		24,080	25,584	-	-
		236, 436	223,989	172,487	145,888

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

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2002

(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	1,646	3,963	4,329	54,501	(17,685)	177,958
- changes in accounting policies [Note 2(b)]	-	-	(1,359)	-	(1,134)	-	(2,493)
- as restated	131,204	1,646	2,604	4,329	53,367	(17,685)	175,465
Transfer from revaluation reserve to revenue reserve	-	-	(49)	-	49	-	-
Exchange differences arising on consolidation	-	-	-	-	-	11,132	11,132
Net gains not recognised in the profit and loss account	-	-	(49)	-	49	11,132	11,132
Dividends, net of tax (Note 29)	-	-	-	-	(3,962)	-	(3,962)
Net profit for the financial year	-	-	-	-	15,770	-	15,770
Balance at 31 December 2001	131,204	1,646	2,555	4,329	65,224	(6,553)	198,405
Balance at 31 December 2001							
- as previously stated	131,204	1,646	3,914	4,329	69,553	(6,421)	204,225
- changes in accounting policies [Note 2(b)]	-	-	(1,359)	-	(4,329)	(132)	(5,820)
- as restated	131,204	1,646	2,555	4,329	65,224	(6,553)	198,405
Transfer from revaluation reserve to revenue reserve	-	-	(49)	-	49	-	-
Transfer to capital reserve due to bonus shares issued by a subsidiary company	-	-	-	7,834	(7,834)	-	-
Exchange differences arising on consolidation	-	-	-	-	-	(3,492)	(3,492)
Net loss not recognised in the profit and loss account	-	-	(49)	7,834	(7,785)	(3,492)	(3,492)
Issuance of ordinary shares by exercise of Warrants 2003	2,880	1,078	-	(358)	-	-	3,600
Issuance of ordinary shares by exercise of Executives' Share Option	616	97	-	-	-	-	713
Dividends, net of tax (Note 29)	-	-	-	-	(5,229)	-	(5,229)
Net profit for the financial year	-	-	-	-	18,359	-	18,359
Balance at 31 December 2002	134,700	2,821	2,506	11,805	70,569	(10,045)	212,356

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2002

(In Singapore dollars)

	Share capital $'000	Share premium $'000	Capital reserve $'000	Revenue reserve $'000	Total $'000
Company					
Balance at 1 January 2001					
- as previously stated	131,204	1,646	1,079	5,627	139,556
- changes in accounting policy [Note 2(b)]	-	-	-	(206)	(206)
- as restated	131,204	1,646	1,079	5,421	139,350
Dividends, net of tax (Note 29)	-	-	-	(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	11,959	145,888
Balance at 1 January 2002					
- as previously stated	131,204	1,646	1,079	12,165	146,094
- changes in accounting policy [Note 2(b)]	-	-	-	(206)	(206)
- as restated	131,204	1,646	1,079	11,959	145,888
Issuance of ordinary shares by exercise of Warrants 2003	2,880	1,078	(358)	-	3,600
Issuance of ordinary shares by exercise of Executives' Share Option	616	97	-	-	713
Dividends, net of tax (Note 29)	-	-	-	(5,229)	(5,229)
Net profit for the financial year	-	-	-	27,515	27,515
Balance at 31 December 2002	134,700	2,821	721	34,245	172,487

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2002

(In Singapore dollars)

	2002 $'000	2001 $'000 Restated
Cash flows from operating activities :		
Profit before taxation and minority interests	25,582	27,958
Adjustments for :		
Depreciation of property, plant and equipment	30,273	20,478
(Gain)/loss from sale of property, plant and equipment	(288)	3
Property, plant and equipment written off	58	352
Share of loss of associated companies	2	2
Amortisation of intangible asset	137	140
Interest expense	7,269	2,201
Dividend and interest income	(1,135)	(1,483)
Provision for diminution in value of short-term investments	445	127
Gain on sale of long-term investments	(88)	-
Write-off of goodwill on acquisition of subsidiary companies	-	9,168
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	-	(12,769)
Write-off of cost relating to an aborted acquisition	-	772
Provision/write-off of long-term investments	-	4,579
Operating profit before working capital changes	62,255	51,764
Decrease/(increase) in receivables	4,827	(14,148)
Increase in inventories and livestock	(24,919)	(21,344)
Decrease in payables	(8,935)	(6,347)
Net increase in short term investments	(197)	(1,087)
Exchange differences	749	685
Cash generated from operations	33,780	9,523
Interest paid	(6,979)	(1,722)
Interest income received	1,117	1,468
Income tax paid	(8,087)	(4,834)
Net cash provided by operating activities	19,831	4,435

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2002

(In Singapore dollars)

	2002 $'000	2001 $'000 Restated
Cash flows from investing activities :		
Purchase of property, plant and equipment	(29,916)	(47,119)
Proceeds on sale of property, plant and equipment	528	1,836
Proceeds from insurance claim	-	1,829
Dividend received from quoted investment	18	15
Decrease/(increase) in advances to associated companies	271	(142)
Proceeds from sale of long term investments	301	-
Investment in a joint venture company	(3,049)	-
Purchase of shares from minority shareholder of a subsidiary company	(1,292)	-
Acquisition of subsidiary companies, net of cash acquired	-	(126,015)
Net proceeds arising from disposal of a subsidiary company, net of cash disposed	-	346
Net proceeds arising from partial divestment of a subsidiary company	-	26,035
Net cash used in investing activities	(33,139)	(143,215)
Cash flows from financing activities :		
Dividends paid during the year	(5,229)	(3,962)
Dividends paid to external shareholders of subsidiary companies	(2,086)	(252)
Net proceeds from short term borrowings	31,805	33,163
Proceeds from bank borrowings	(21,650)	110,290
Proceeds from issuance of share capital	4,313	-
Proceeds from issuance of shares to external shareholders of a subsidiary company	-	1,828
Net cash provided by financing activities	7,153	141,067
Net (decrease)/increase in cash and cash equivalents	(6,155)	2,287
Cash and cash equivalents at beginning of year (Note 30)	44,528	42,241
Cash and cash equivalents at end of year (Note 30)	38,373	44,528

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002

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; provision for warehousing logistics for food items; trading and distribution in food, beverages, food related ingredients and commodities; production, processing and marketing of pork, feedmilling and trading in animal feeds and related ingredients; and investment holding. There have been no significant changes in the principal activities of the Company and 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 and valuation of the livestock at fair values.

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) *Adoption of new and revised SAS*

The following accounting policies were changed with effect from 1 January 2002 with the adoption of new and revised SAS :

(i) *SAS 12 (2001) : Income Taxes*

The adoption of the revised SAS 12 (2001) has resulted in the Group and Company recognising deferred income tax liability, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Previously, deferred income tax was provided on account of timing differences only to the extent that an income tax liability was expected to materialise in the foreseeable future. The change has been applied retrospectively by adjusting the opening balance of revenue reserve as at 1 January 2001. The comparative figures have been restated accordingly.

The effect of this change has resulted in a net increase of $2,493,000 in deferred income tax liability, a decrease of $1,359,000 in the revaluation reserve and a decrease of $1,134,000 in the revenue reserve of the Group as at 1 January 2001.

The change has the effect of decreasing the Group’s profit for the financial year ended 31 December 2001 by $1,026,000 due to the de-recognition of tax benefits that were previously recognised.

These changes also resulted in an increase of $667,000 in the net gain on partial divestment of a subsidiary company and a decrease of $396,000 in the profit attributable to minority shareholders of the same subsidiary company in the financial statements of the Group for the financial year ended 31 December 2001.

Additionally, the change in accounting policy also resulted in the QAF Meats group (formerly known as Bunge Meats group), which was acquired by the Group in October 2001, recording a deferred income tax liability of $9,087,000 on the revaluation surplus of its buildings and plant. This adjustment has in turn given rise to a goodwill of $9,087,000 on the acquisition of QAF Meats group in October 2001. Please refer to note 2(b)(iii) below on the accounting treatment of this goodwill.

The change resulted in a decrease of $75,000 in the Group’s profit for the financial year ended 31 December 2002.

Similarly, the effect of this change has resulted in a net increase of S$206,000 in deferred income tax liability and a decrease of S$206,000 in the revenue reserve of the Company as at 1 January 2001. The change has no material effect on the Company’s profit for the financial years ended 31 December 2002 and 2001.

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

(ii) *SAS 39: Agriculture*

The adoption of the new SAS 39 has resulted in the Group stating the livestock at its fair value less estimated point-of-sale costs, except where fair value cannot be measured reliably.

Previously, livestock were stated on the balance sheet of the Group as at 31 December 2001 at the lower of cost and net realisable value. The change has been applied retrospectively by adjusting the opening balance of revenue reserve as at 1 January 2002. The comparative figures have been restated accordingly.

The change in accounting policy has resulted in the QAF Meats group increasing the carrying value of its livestock by $6,271,000, net of tax, at the point of acquisition in October 2001. This adjustment has in turn given rise to a negative goodwill of $6,271,000 on the acquisition of QAF Meats group in October 2001. Please refer to note 2(b)(iii) below on the accounting treatment of this goodwill.

The change has the effect of decreasing the Group's profit for the financial year ended 31 December 2001 by $416,000, net of tax, due to the decrease in fair value of livestock subsequent to the acquisition.

The change also resulted in a decrease of $3,337,000, net of tax, in the Group's profit for the financial year ended 31 December 2002.

(iii) The net goodwill of $2,816,000, resulting from the adoption of new and revised SAS as described in (i) and (ii) above, on the acquisition of the QAF Meats group in October 2001, has been fully written-off to the profit and loss account of the Group for the financial year ended 31 December 2001 as the Directors are of the opinion that the goodwill has no economic value.

(c) Basis of consolidation

The financial statements of the Group include the financial statements of the Company and all its subsidiary companies made up to the end of the financial year. The results of subsidiary companies 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 into local currencies 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 translations are included in the profit and loss account. Exchange differences arising from long-term inter-company balances which are effectively part of the net investments are taken to the 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.

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 and joint venture 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.

Companies in which the Group holds an interest on a long-term basis and are jointly controlled by the Group with one or more parties under a contractual agreement are treated as joint ventures.

Associated and joint venture companies are accounted for under the equity method whereby the Group's share of profits and losses of associated and joint venture companies is included in the consolidated profit and loss account. The Group's share of the post-acquisition reserves 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 and joint venture 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. 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 immediately 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 and pre-operating expenses, and research and development 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.

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.

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) Livestock

Livestock are stated at their fair value less estimated point-of-sale costs, except where the fair value cannot be measured reliably, in which case it will be stated at cost. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

Net increments or decrements in the fair value of livestock are included in the profit and loss account, determined as :

(a) the difference between the total fair value of the livestock recognised at the beginning of the financial year and the total fair value of the livestock recognised at the end of the financial year; and

(b) cost incurred during the financial year to acquire and breed livestock.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

2 Summary of significant accounting policies (cont'd)

(p) 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.

(q) 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.

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.

(r) 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.

Rental income is recognised on an accrual basis.

Dividend income is recorded gross in the profit and loss accounts in the accounting period in which a dividend is declared payable by the investee company. 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.

(s) Income taxes

Income tax on the profit or loss for the year comprises current and deferred income tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method for temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) 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.

2 Summary of significant accounting policies (cont'd)

(u) 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 31 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.

(iii) Employee entitlements

Liabilities for paid annual leave and sick leave are recognised and 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.

(v) Segment information

The Group's operating businesses are organised and managed separately according to the nature of their activities, namely food manufacturing, retailing, primary production, trading and logistics, investment and others. The Group operates in five main geographical areas, namely, Singapore, Malaysia, Australia, China and the 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 sold and services rendered, less returns, discounts and goods and services tax, and excludes sales between Group companies. Revenue for the Company includes dividend income, management fees and royalty income from subsidiary companies.

	Group		Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Sale of goods	816,563	593,449	-	-
Management fees from subsidiary companies	-	-	1,152	1,284
Royalty income from subsidiary companies	-	-	6,971	6,699
Rental income from storage and warehousing facilities	6,626	6,524	-	-
Interest income from:				
- Fixed deposits with financial institutions	782	994	51	253
- Advances to subsidiary companies	-	-	1,184	253
- Advances to associated company	333	341	-	-
- Others	2	133	-	-
Gross dividends from :				
- Quoted equity investments	18	15	-	-
- Unquoted equity investments in subsidiary companies	-	-	33,090	12,041
Miscellaneous	4,238	1,618	70	-
	828,562	603,074	42,518	20,530

4 Staff costs

	Group		Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
(a) Staff costs (including Executive Directors) :				
- salaries, wages and other related costs	119,259	76,244	4,029	3,783
- CPF and contributions to other plans	7,052	6,852	230	219
- superannuation contributions	3,360	620	-	-
	129,671	83,716	4,259	4,002
	Number	Number	Number	Number
(b) Number of employees at 31 December	5,271	5,399	27	27

5 Amortisation and depreciation

	Group		Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Amortisation of intangibles	137	140	137	140
Depreciation of property, plant and equipment	30,273	20,478	125	138
	30,410	20,618	262	278

6 Profit from operating activities

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

	Group		Company	
	2002	**2001**	**2002**	**2001**
	$'000	$'000	$'000	$'000
Auditors' remuneration :				
- Auditors of the Company				
• current year	296	276	82	65
• under provision in previous year	15	4	-	-
- Other auditors				
• current year	305	128	44	-
• under provision in previous year	1	-	-	-
Professional fees for non-audit services rendered				
- by the auditors of the Company	1	45	1	45
- by other auditors	3	-	-	-
Bad debts (recovered)/written off, net	(74)	4	-	-
Foreign exchange (gain)/loss, net	(1,743)	(1,062)	604	(395)
(Writeback of)/provision for doubtful debts :				
- trade	(452)	419	-	-
- non-trade	(91)	98	-	-
(Gain)/loss on disposal of property, plant and equipment	(276)	3	-	-
Property, plant and equipment written off	58	352	-	-
Provision for stock obsolescence	954	1,067	-	-
Fees and remuneration for the directors of the Company :				
- fees	98	116	98	116
- remuneration	1,624	1,198	1,624	1,198
- contribution to the Central Provident Fund	87	61	87	61
Provision for diminution in value of short-term investments	445	127	-	-
Provision for long service leave	849	107	-	-
Loss/(gain) on disposal of a subsidiary company	-	50	-	(196)
Gain on sale of investments	(88)	-	-	-
Research and development cost	6,844	434	-	-
Decrease in the fair value less estimated point-of-sale costs of livestock	5,156	594	-	-
Fees paid to a firm in which a director of the Company is a partner	2	3	-	-

Remuneration of the Directors of the Company pursuant to Rule 1207(II) of the Listing Manual is as follows:

Number of directors in remuneration bands

	2002	**2001**
$500,000 and above	1	1
$250,000 to $499,999	2	1
Below $250,000	5	5
Total	8	7
Executive directors	4	3
Non-executive directors	4	4
Total	8	7

7 Finance costs

	Group 2002 $'000	Group 2001 $'000	Company 2002 $'000	Company 2001 $'000
Interest expense on:				
- Fixed term loans	7,269	2,154	860	183
- Bank overdrafts and others	-	47	-	-
	7,269	2,201	860	183

8 Exceptional items, net

	Group 2002 $'000	Group 2001 $'000	Company 2002 $'000	Company 2001 $'000
Write-off of goodwill arising on acquisition of subsidiary companies	-	(9,168)	-	-
Write-back/(off) of cost of long-term investments	2,547	(3,079)	-	-
Provision for diminution in value of long-term investment	-	(1,500)	-	-
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	-	12,769	-	-
Write-off of costs relating to an aborted acquisition	-	(772)	-	(772)
Excess of assets over liabilities arising on voluntary liquidation of subsidiary companies	-	-	-	28,286
Provision for impairment loss on investment and amounts due from subsidiary companies, net	-	-	-	(27,878)
	2,547	(1,986)	-	(364)

The write-back of $2,547,000 for the Group during the financial year relates to the proceeds received by the Group arising from the disposal of a long term investment in a prior year. The amount had previously been written off as the collectibility of the debt was considered doubtful then.

Included in costs relating to an aborted acquisition in 2001 is professional fees of $180,000 paid for services rendered by auditors of the Company.

9 Taxation

	Group		Company	
	2002	**2001**	**2002**	**2001**
	$'000	$'000	$'000	$'000
Income tax expense/(credit) on the profit for :				
• Singapore				
- current tax	2,277	3,357	7,528	2,177
- deferred tax	1,215	639	-	-
• Foreign				
- current tax	2,814	(1,399)	739	1,972
- deferred tax	(1,439)	6,790	-	-
	4,867	9,387	8,267	4,149
(Over)/under provision in respect of prior year :				
- current tax	(224)	88	-	593
- deferred tax	(601)	958	-	-
	4,042	10,433	8,267	4,742

The income tax expense on the results of the Group and Company differ from the amount of tax determined by applying the Singapore statutory tax rate of 22% (2001 : 24.5%) to the profit before taxation due to the following factors :

	Group 2002	Group 2001	Company 2002	Company 2001
Profit before taxation	25,582	27,958	35,782	15,242
Taxation at statutory tax rate of 22% (2001 : 24.5%)	5,628	6,850	7,872	3,734
Adjustments :				
Income not subject to tax	(1,326)	(3,729)	(15)	(110)
Expenses not deductible for tax purposes	1,815	5,799	278	228
Tax reliefs, rebates and incentives	(934)	(308)	(12)	(35)
Utilisation of tax benefits not recognised in previous years	(934)	(1,125)	-	-
Tax benefits not recognised in current year	490	400	-	-
Higher effective tax rates in other countries	402	1,461	165	247
Effect of change in statutory tax rate	(705)	(310)	-	-
(Over)/underprovision in respect of prior years	(120)	1,356	-	593
Others	(274)	39	(21)	85
Tax expense	4,042	10,433	8,267	4,742

The statutory income tax rate applicable to the company was reduced to 22% for Year of Assessment 2003 from 24.5% for Year of Assessment 2002.

At 31 December 2002, the Group has unutilised tax losses and capital allowances of approximately $3,501,000 (2001 : $6,307,000) and $2,169,000 (2001 : $4,844,000) 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 potential tax benefit arising from such unutilised tax losses and capital allowances has not been recognised in the financial statements due to the uncertainty of its recoverability.

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 :

	2002 $'000	2001 $'000
Group earnings used for the calculation of EPS :		
Profit for the financial year attributable to shareholders	18,359	15,770

	2002 '000	2001 '000
Number of shares used for the calculation of :		
(i) Basic EPS		
Weighted average number of ordinary shares in issue	333,067	328,009
(ii) Diluted EPS		
Weighted average number of ordinary shares in issue	333,067	328,009
Warrants 2003	2,835	-
Share options	724	169
Adjusted weighted average number of ordinary shares	336,626	328,178

Basic earnings per share is calculated on the Group profit for the financial year attributable to shareholders of the Company 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.

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 1.1.2002	11,852	77,172	111,879	24,759	207,324	34,371	26,655	9,258	503,270
Currency realignment	40	3,141	(1,843)	(585)	(1,540)	(106)	(659)	22	(1,530)
Additions	666	4,027	3,912	1,099	11,704	4,282	3,456	770	29,916
Disposals/write-off	-	(29)	(5)	(211)	(2,066)	(886)	(2,146)	(1)	(5,344)
Transfers	(135)	959	3,324	83	2,810	199	40	(7,280)	-
At 31.12.2002	12,423	85,270	117,267	25,145	218,232	37,860	27,346	2,769	526,312
Accumulated depreciation and impairment loss :									
At 1.1.2002 :									
- accumulated depreciation	-	20,883	22,225	11,121	119,770	21,492	18,396	-	213,887
- accumulated impairment loss	-	-	500	-	500	-	-	-	1,000
	-	20,883	22,725	11,121	120,270	21,492	18,396	-	214,887
Currency realignment	-	855	(82)	(128)	450	(45)	(457)	-	593
Charge for the year	-	2,488	3,181	1,603	15,791	4,356	2,854	-	30,273
Disposals/write-off	-	-	(6)	(200)	(1,919)	(845)	(2,076)	-	(5,046)
Transfers	-	-	(9)	(1)	11	(1)	-	-	-
At 31.12.2002	-	24,226	25,809	12,395	134,603	24,957	18,717	-	240,707
Charge for 2001	-	520	2,236	1,855	9,768	3,856	2,243	-	20,478
Impairment loss for 2001	-	-	500	-	500	-	-	-	1,000
Net book value :									
At 31.12.2002	12,423	61,044	91,458	12,750	83,629	12,903	8,627	2,769	285,603
At 31.12.2001	11,852	56,289	89,154	13,638	87,054	12,879	8,259	9,258	288,383

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

Analysis of cost and valuation

	Cost $'000	**Assets at valuation** $'000	**Total** $'000
Freehold land	12,423	-	12,423
Freehold buildings	85,270	-	85,270
Leasehold land and buildings	101,642	15,625	117,267
Leasehold improvements	25,145	-	25,145
Plant and machinery	218,232	-	218,232
Furniture, fittings and office equipment	37,860	-	37,860
Motor vehicles	27,346	-	27,346
Construction-in-progress	2,769	-	2,769
	510,687	15,625	526,312

	Leasehold improvements $'000	**Furniture, fittings and office equipment** $'000	**Motor vehicles** $'000	**Total** $'000
Company				
Cost :				
At 1.1.2002	180	756	280	1,216
Additions	-	36	-	36
Disposals	-	(26)	-	(26)
At 31.12.2002	180	766	280	1,226
Accumulated depreciation :				
At 1.1.2002	72	572	137	781
Charge for the year	36	53	36	125
Disposals	-	(24)	-	(24)
At 31.12.2002	108	601	173	882
Charge for 2001	36	66	36	138
Net book value				
At 31.12.2002	72	165	107	344
At 31.12.2001	108	184	143	435

11 Property, plant and equipment (cont'd)

(a) Leasehold land and buildings owned by an overseas subsidiary company was required to be revalued by the authorities in 1998. 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 $68,101,000 (2001 : $70,831,000).

(c) Interest on borrowings amounting to $nil (2001 : $253,000) 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 certain subsidiary companies of net book value of $115,633,000 (2001 : $106,988,000) charged by way of mortgage to banks for term loan facilities granted (Notes 24 and 25).

(e) Included in the Group's property, plant and equipment are property, plant and equipment of certain subsidiary companies with a net book value of $10,829,000 (2001 : $4,170,000) which are idle as at 31 December 2002.

(f) The Group's major properties as at 31 December 2002 are set out in Note 39.

12 Subsidiary companies

	Company	
	2002	**2001**
	$'000	$'000
Unquoted equity shares, at cost	124,655	75,655
Less : Dividends declared out of pre-acquisition reserves	(2,500)	-
	122,155	75,655
Less : Accumulated impairment loss	(12,975)	(12,975)
	109,180	62,680
Advances to subsidiary companies	101,479	117,925
Less : Provision for doubtful debts	(39,309)	(39,309)
	62,170	78,616
	171,350	141,296

Movements in the accumulated impairment loss are as follows :

Balance at beginning of year	12,975	10,061
Impairment loss for the year	-	4,816
Write-back during the year	-	(1,902)
Balance at end of year	12,975	12,975

Movements in the provision for doubtful debts are as follows :

Balance at beginning of year	39,309	18,315
Provision made during the year	-	20,994
Balance at end of year	39,309	39,309

12 Subsidiary companies (cont'd)

The advances 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, except for an amount of $25,742,881 (2001 : nil) which cannot be repaid to the Company until the subsidiary companies have paid their respective term loans from a bank.

Interest approximating to the cost of funds at rates ranging from 1.77% to 6.30% (2001 : 3.0% to 7.5%) per annum is receivable on advances to subsidiary companies amounting to $75,613,765 (2001 : $4,099,000).

Details of subsidiary companies are set out in Note 38.

13 Associated companies

	Group	
	2002	**2001**
	$'000	$'000
Unquoted equity shares, at cost	722	722
Group's share of post-acquisition accumulated losses	(152)	(150)
Currency realignment	(267)	(228)
	303	344
Advances to associated companies, net	3,221	3,492
	3,524	3,836

The Group's investments in associated companies represent unquoted equity shares 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% (2001 : 6.0% to 11.5%) per annum is receivable on the advances due from associated companies.

Details of associated companies are set out in Note 38.

14 Joint venture company

	Group	
	2002	**2001**
	$'000	$'000
Unquoted equity shares, at cost	2,997	-
Establishment costs	52	-
	3,049	-

The Group's investment in the joint venture company represents unquoted equity shares held by a subsidiary company. The joint venture agreement provides that neither the Group nor the other shareholder may transfer any of its shares for a period of five years from the date of the joint venture agreement without the prior consent of the other shareholder.

Details of the joint venture company are set out in Note 38.

The Group's share of the assets and liabilities of the joint venture company comprise :

Property, plant and equipment	3,149	-
Current assets	224	-
Current liabilities	(376)	-
	2,997	-

15 Investments

	Group 2002 $'000	Group 2001 $'000	Company 2002 $'000	Company 2001 $'000
Quoted equity shares in a corporation				
At cost	2,564	3,150	-	-
Less : Provision for diminution in value	(1,215)	(1,500)	-	-
	1,349	1,650	-	-
Quoted bond, at cost	998	998	998	998
Unquoted equity shares in a corporation, at cost	6,218	6,218	-	-
	8,565	8,866	998	998
(i) Market value as at end of year :				
- Quoted equity shares in a corporation	1,128	1,602	-	-
- Quoted bond	1,060	1,040	1,060	1,040
(ii) Market value as at latest practicable date :				
- Quoted equity shares in a corporation	1,171	1,548	-	-
- Quoted bond	1,070	1,050	1,070	1,050
Movements in provision for diminution in value are as follows :				
(i) Quoted equity shares in a corporation :				
Balance at beginning of year	1,500	-	-	-
(Writeback)/provision made during the year	(285)	1,500	-	-
Balance at end of year	1,215	1,500	-	-
(ii) Unquoted equity shares in a corporation :				
Investments written off directly to profit and loss account	-	3,079	-	-

16 Intangibles

	Group and Company 2002 $'000	Group and Company 2001 $'000
Trademarks, at cost	2,750	2,750
Less : Accumulated amortisation	(1,767)	(1,630)
	983	1,120

Movements in accumulated amortisation are as follows :

	2002 $'000	2001 $'000
Balance at beginning of year	1,630	1,490
Amortisation for the financial year	137	140
Balance at end of year	1,767	1,630

17 Livestock

	Group 2002 $'000	Group 2001 $'000
Livestock :		
- at fair value	29,137	28,544
- at cost	21,592	19,226
	50,729	47,770
Physical quantity of pigs		
Number of progeny	482,915	476,800
Number of breeders	65,882	64,287
	548,797	541,087

The Group's livestock comprises progeny and breeder pigs owned by subsidiary companies. The progeny pigs are raised for slaughter and sale. The breeder pigs are held to produce further progeny pigs. The fair value was determined based on the actual selling prices approximating those at year end. Significant assumptions made in determining the fair value of the livestock are:

(i) Progeny pigs aged up to 17 weeks are valued at cost as no active or liquid markets exists for these pigs;

(ii) Progeny pigs aged 18 weeks and above are valued at fair value less estimated point-of-sale costs; and

(iii) Breeder pigs are valued at fair value less estimated point-of-sale costs.

17 Livestock (cont'd)

	Group 2002 $'000	Group 2001 $'000
Reconciliation of changes in the carrying amount :		
Balance at 1 January/date of acquisition	47,770	51,367
Currency realignment	1,934	-
Increases due to purchases	124,115	14,503
Gains arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	1,192	1,316
Loss arising from changes in fair value less estimated point-of-sale costs attributable to price changes	(6,348)	(1,910)
Decrease due to sales	(117,934)	(17,506)
Balance at 31 December	50,729	47,770

18 Inventories

	Group 2002 $'000	Group 2001 $'000
At cost :		
Raw materials	55,155	38,856
Finished goods	32,202	26,977
Spare parts and consumables	1,106	1,454
Work-in-progress	23	-
	88,486	67,287
At net realisable value :		
Raw materials	1,771	1,998
Finished goods	2,859	3,157
Spare parts and consumables	3,971	2,685
	8,601	7,840
Total inventories at lower of cost and net realisable value	97,087	75,127

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

	2002	2001
First-in-first-out	28,635	24,770
Weighted average	68,452	50,357
	97,087	75,127
Inventories are stated after deducting provision for obsolescence of	716	909

18 Inventories (cont'd)

	Group 2002 $'000	Group 2001 $'000
Movements in provision for obsolescence are as follows :		
Balance at beginning of year	909	374
Currency realignment	(2)	4
Acquisition of subsidiary companies	-	211
Provision made during the year	954	1,067
Inventories written off against provision	(1,145)	(747)
Balance at end of year	716	909

19 Trade receivables

	Group 2002 $'000	Group 2001 $'000
Trade debtors	61,529	67,287
Less : Provision for doubtful debts	(2,889)	(3,810)
	58,640	63,477
Movements in provision for doubtful debts are as follows :		
Balance at beginning of year	3,810	3,642
Currency realignment	(188)	125
Acquisition of subsidiary companies	-	386
(Writeback)/provision made during the year	(452)	419
Bad debts written off against provision	(281)	(762)
Balance at end of year	2,889	3,810

20 Other receivables

	Group		Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Prepayments	4,401	3,077	33	18
Sundry deposits	3,170	3,088	16	16
Staff advances and loans	178	72	-	-
Sundry debtors	3,633	5,235	188	78
Less : Provision for doubtful debts	(4)	(104)	-	-
	3,629	5,131	188	78
Amounts due from subsidiary companies				
- interest bearing	-	-	54,237	-
- non-interest bearing	-	-	10,501	29,297
Less: Provision for doubtful debts	-	-	(2,000)	(2,000)
	-	-	62,738	27,297
	11,378	11,368	62,975	27,409

Included in sundry debtors of the Group as at 31 December 2002 is an insurance claim of $812,000 (2001 : nil) relating to a claim submitted by a subsidiary company to its insurer during the financial year. As at the date of this report, the subsidiary company has not received confirmation of the acceptance of the claim from its insurer but the Directors have no reason to believe that the claim will not be paid.

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 non-interest bearing amounts due from subsidiary companies are unsecured, interest-free and have no fixed terms of repayment. The interest bearing amounts due from subsidiary companies are unsecured, bear interests at rates ranging from 5% to 6% (2001 : nil) per annum, and have no fixed terms of repayment.

Movements in provision for doubtful debts are as follows :

Balance at beginning of year	104	-	-	-
Acquisition of subsidiary companies	-	6	-	-
(Writeback)/provision made during the year	(91)	98	-	-
Bad debts written off against provisions	(9)	-	-	-
Balance at end of year	4	104	-	-

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

21 Short-term investments

	Group	
	2002	**2001**
	$'000	$'000
Quoted equity shares in corporations, at cost	2,260	2,014
Less : Provision for diminution in value	(659)	(253)
	1,601	1,761
Market value as at end of year	1,601	1,761

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

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

	2002	2001
Balance at beginning of year	253	126
Provision made during the year	445	127
Provision written back on disposal of investment	(39)	-
Balance at end of year	659	253

22 Cash and deposits

	Group		Company	
	2002	**2001**	**2002**	**2001**
	$'000	$'000	$'000	$'000
Fixed deposits with financial institutions	16,009	17,699	6,200	-
Cash and bank balances	22,364	26,862	897	1,778
	38,373	44,561	7,097	1,778

Fixed deposits of the Group amounting to $27,000 (2001 : $27,000) have been pledged to the banks to secure certain credit facilities. The average interest rate on the fixed deposits approximate 2.70% (2001 : 3.30%) per annum.

23 Other payables

	Group		Company	
	2002	**2001**	**2002**	**2001**
	$'000	$'000	$'000	$'000
Payable within one year :				
Staff related expenses	12,030	11,902	631	907
Accrued operating expenses	13,181	9,461	407	282
Sundry creditors	7,463	9,140	-	-
Final settlement of purchase consideration of subsidiary companies	-	15,856	-	-
	32,674	46,359	1,038	1,189
Payable after one year :				
Provision for long service leave	5,447	4,679	-	-
Amount payable in relation to the acquisition of leasehold land and buildings	516	-	-	-
Amounts due to subsidiary companies	-	-	12,932	10,769
	5,963	4,679	12,932	10,769

The amounts due to subsidiary companies are unsecured, interest-free, have no fixed terms of repayment and are not expected to be repaid in the next twelve months.

Movement in provision for long service leave are as follows :

Balance at beginning of year	4,679	-	-	-
Acquisition of subsidiary companies	-	4,652	-	-
Currency realignment	191	(46)	-	-
Provision made during the year	849	107	-	-
Amounts utilised	(272)	(34)	-	-
Balance at end of year	5,447	4,679	-	-

24 Short-term borrowings

	Group		Company	
	2002	**2001**	**2002**	**2001**
	$'000	$'000	$'000	$'000
Short-term bank loans :				
- unsecured	66,283	35,048	54,863	12,781
- secured	14,685	14,115	-	-
Bank overdrafts (unsecured)	-	33	-	-
	80,968	49,196	54,863	12,781

The short-term bank loans bear interest ranging from 1.55% to 6.49% (2001 : 2.2% to 5.85%) 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.

25 Long-term loans

	Group	
	2002	**2001**
	$'000	$'000
Loans from banks :		
- Loan A (secured)	24,965	28,230
- Loan B (secured)	24,965	28,230
- Loan C	3,140	6,344
- Loan D	5,068	7,486
- Loan E	28,000	35,000
- Loan F	4,000	5,000
	90,138	110,290
Less : Current portion	(23,836)	(22,021)
Non-current portion of loans	66,302	88,269

Loans A and B bear interest ranging from 6.60% to 7.45% (2001 : 6.60% to 6.62%) per annum and are repayable in equal quarterly instalments over four years commencing January 2002, with a bullet repayment of $11,292,000 in 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 3.75% to 3.90% (2001 : 3.80% to 3.90%) per annum and are repayable in equal monthly instalments over two years commencing from April 2002 and July 2002 respectively.

Loans E and F bear interest ranging from 1.80% to 2.33% (2001 : 1.84% to 2.45%) per annum and are repayable in 20 equal quarterly instalments commencing from January 2002. The loans are guaranteed by the Company and certain subsidiary companies.

26 Deferred taxation

	Group		Company	
	2002	**2001**	**2002**	**2001**
	$'000	$'000	$'000	$'000
Balance at beginning of year	39,420	7,197	206	206
Currency realignment	1,771	22	-	-
Acquisition of subsidiary companies	-	23,814	-	-
(Reversal)/provision during the financial year	(825)	8,387	-	-
Balance at end of year	40,366	39,420	206	206

The deferred taxation arises as a result of :

Excess of net book value over tax written down value of property, plant and equipment	22,595	22,146	-	-
Excess of net book value over tax value of livestock of an overseas subsidiary company	12,950	11,255	-	-
Excess of net book value over tax value of certain raw material of an overseas subsidiary company	14,982	10,202	-	-
Unutilised tax losses	(7,563)	(586)	-	-
Sundry provisions	(3,567)	(3,918)	-	-
Earnings which are retained overseas	385	287	206	206
Others	584	34	-	-
	40,366	39,420	206	206

27 Share capital

	Group and Company 2002 $'000	Group and Company 2001 $'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 (2001 : 328,009,373) stock units of $0.40 each	131,204	131,204
Issued during the year 8,741,000 (2001 : nil) stock units of $0.40 each	3,496	-
Balance at end of year :		
336,750,373 (2001 : 328,009,373) stock units of $0.40 each	134,700	131,204

During the financial year :

(i) the Company issued 1,541,000 ordinary shares of $0.40 each for cash at the respective price per share upon the exercise of 1,541,000 share options by employees pursuant to the Executives' Share Option Scheme 1990 and 2000 ("1990 Scheme" and "2000 Scheme") respectively; and

(ii) the Company issued 7,200,000 ordinary shares of $0.40 each for cash at $0.50 per share upon the exercise of 7,200,000 warrants by the holders of Warrants 2003.

The ordinary shares issued during the financial year rank pari passu in all respects with the existing shares. Any ordinary shares issued are immediately converted into stock units of the Company ranking pari passu in all respects with the existing stock units of the Company. The holders of stock units are entitled to receive dividends as and when declared by the Company. Each stock unit carries one vote without restriction.

Unissued shares under options and warrants at 31 December 2002 comprise :

(i) 8,207,000 (2001 : 7,234,000) 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 $0.430 to $0.892 (2001 : $0.400 to $0.892) per share. The details of the share options are discussed more fully in Note 31.

(ii) 14,500,000 (2001 : 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; and

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.

28 Reserves

	Group		Company	
	2002	**2001**	**2002**	**2001**
	$'000	$'000	$'000	$'000
Non-distributable reserves				
Share premium	2,821	1,646	2,821	1,646
Revaluation reserve	2,506	2,555	-	-
Capital reserve	11,805	4,329	721	1,079
	17,132	8,530	3,542	2,725
Distributable reserves				
Revenue reserve	70,569	65,224	34,245	11,959
Foreign currency translation reserve	(10,045)	(6,553)	-	-
	60,524	58,671	34,245	11,959
	77,656	67,201	37,787	14,684

Share premium

The share premium account represents net cash proceeds received in excess of the par value of the shares issued by the Company. The utilisation of the share premium account is governed by Sections 69-69F of the Companies Act.

Revaluation reserve

The revaluation reserve is used to record the surplus arising from the revaluation of property, plant and equipment by a subsidiary company. In each financial year, an amount is transferred to the revenue reserve to match the additional depreciation charge on the revalued assets.

Capital reserve

Capital reserve of the Company comprise the value attributed to Warrants 2003, less amounts transferred to the share premium account upon the exercise of Warrants 2003. The outstanding balance in this account on the expiry date of Warrants 2003 will be transferred to the revenue reserve.

Capital reserve of the Group comprise the capital reserve of the Company and amounts transferred from the revenue reserve due to bonus shares issued by a subsidiary company as fully paid share through capitalisation of its revenue reserve.

Foreign currency translation reserve

The foreign currency translation reserve comprise translation differences arising from the translation of assets and liabilities of foreign subsidiary, associate and joint venture companies for inclusion in the consolidated financial statements and exchange differences arising from the long-term intercompany balances which are effectively part of the net investment.

29 Dividends paid and proposed

The Directors have proposed a first and final dividend of 2 cents (2001 : 2 cents) per stock unit, net of tax at 22% (2001 : 22%), amounting to $5,253,306 (2001 : $5,229,126) be paid in respect of the financial year ended 31 December 2002. 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.

30 Cash and cash equivalents

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

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

	Group	
	2002	**2001**
	$'000	$'000
Cash and bank balances	22,364	26,862
Fixed deposits with financial institutions	16,009	17,699
Bank overdrafts	-	(33)
	38,373	44,528

31 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 the members of the Company at an Extraordinary General Meeting held on 12 May 2000. The total number of shares in respect of which options may be offered on any offering date, when added to the number of shares issued or issuable in respect of options under this Scheme shall not exceed 15% of the issued share capital of the Company on the day preceding that offering date.

The exercise price of each share in respect of an option granted may be (i) the average of the last dealt prices of the shares of the Company, as determined by reference to the Financial News or other publication published by the Singapore Exchange Securities Trading Limited, for the three consecutive trading days immediately preceding the date of grant of that option ("Market Price") or (ii) at a discount not exceeding 20% of the Market Price, but in any event no exercise price shall be 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 2nd anniversary to the 10th anniversary of the offer date.

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

31 *Employee benefits (cont'd)*

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

	No. of options in financial year 2002 '000	Weighted average exercise price in financial year 2002 $	No. of options in financial year 2001 '000	Weighted average exercise price in financial year 2001 $
Outstanding at beginning of year	7,234	0.592	4,633	0.685
Granted	2,865	0.555	2,683	0.430
Exercised	(1,541)	0.463	-	-
Lapsed/forfeited	(351)	0.595	(82)	0.508
Outstanding at end of year	8,207	0.604	7,234	0.592
Exercisable at end of year	5,357	0.629	4,601	0.685

The following table summarises information about options outstanding and exercisable as at 31 December 2002 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	125,000 *	$0.590	13.05.1999	12.05.2003	125,000
03.05.1999	798,000 *	$0.780	03.05.2000	02.05.2004	798,000
04.09.1999	760,000 *	$0.892	04.09.2000	03.09.2004	760,000
26.05.2000	2,088,000 #	$0.630	26.05.2001	25.05.2010	2,088,000
19.04.2001	1,586,000 #	$0.430	19.04.2002	18.04.2011	1,586,000
05.04.2002	2,850,000 #	$0.555	06.04.2003	05.04.2012	-
	8,207,000				5,357,000

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

(ii) ***Retirement benefits***

The Group's companies in Australia (namely the QAF Meats Group of companies) operate a superannuation scheme that include The QAF Meats Group 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 2002, the net market value of the assets held by the Fund to meet future payments amounted to $13,873,000 (2001 : $14,035,000) as compared to the present value of employee's accrued and vested benefit of $13,916,000 (2001 : $12,421,000). The last actuarial assessment was completed as at 31 December 2000 by an independent actuary and updated to 31 December 2002 by the fund administrator. An expected rate of return of approximately 6.5% (2001 : 7.5%) and a discount rate of approximately 4.0% (2001 : 4.5%) formed part of the assumptions used by the actuary.

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

32 Commitments

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

	Group 2002 $'000	Group 2001 $'000
Expenditure contracted for :		
- proposed expansion of manufacturing facilities	2,639	568
- others	477	1,087
	3,116	1,655
Approved by the directors but not contracted for	24,590	8,119
	27,706	9,774

(ii) The Group's share of capital expenditure of the joint venture company :

- expenditure contracted for	753	-

(iii) Commitments to purchase bulk supplies of raw materials	28,859	-

Due to the drought condition that prevailed in Australia, a subsidiary company has entered into supply contracts for the delivery of grain in 2003.

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

Leases which expire :		
Within one year	18,432	17,205
Between one and five years	27,234	21,199
After five years	30,719	31,660
	76,385	70,064

The Group leases office premises, warehousing/trading facilities, retail outlets and passenger and commercial vehicles 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.

(v) 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.

33 Contingent liabilities (unsecured)

	Group 2002 $'000	Group 2001 $'000	Company 2002 $'000	Company 2001 $'000
(a) Guarantees issued for bank facilities granted to subsidiary companies	-	-	76,406	66,740
Amounts utilised by subsidiaries as at balance sheet date	-	-	38,732	50,951
(b) Guarantees given to third parties in connection with trading facilities provided to subsidiary companies	3,445	695	500	243
(c) Outstanding forward exchange contracts	2,771	4,463	-	-

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

	Group 2002 $'000	Group 2001 $'000	Company 2002 $'000	Company 2001 $'000
(d) Claims by subsidiary companies' employee union and ex-employees via industrial court case	98	198	-	-

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

34 Related party transactions

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

	Group 2002 $'000	Group 2001 $'000	Company 2002 $'000	Company 2001 $'000
Purchases from related parties	201	313	-	-
Sales to related parties	38,347	11,950	-	-
Rental paid to a related party	115	115	115	115
Purchase of property, plant and equipment from a related party	-	1,900	-	-
Services rendered by a related party	1,326	-	-	-

The related parties above refer to entities controlled by a substantial shareholder of the Company.

35 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 currency of the subsidiary companies 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 33.

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.

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 creditworthy 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 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. The Group has no significant concentration of credit risk.

Financial risk

The Group is exposed to financial risks arising from changes in prices of pigs and animal feeds. The Group has not entered into derivative or other contracts to manage the risk or a decline in pig prices or of an increase in the price of animal feeds. The Group reviews its outlook for pig and animal feed prices regularly in considering the need for active financial risk management.

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 15 and 21. 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.

35 Financial risk management objectives and policies (cont'd)

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 parties. 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

In the opinion of the Directors, it is impractical to determine the fair value of the unquoted equity shares in subsidiary companies and advances to/from subsidiary companies as they do not have fixed repayment dates. The fair values of other receivables, payables, and cash and deposits approximates their carrying value as at 31 December 2002 due to their short-term nature. The fair values of other financial assets and liabilities are not materially different from their carrying values as at 31 December 2002.

36 Financial risk management strategies relating to livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling price of pork and related products, all of which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and livestock diseases. The Group has little or no control over these conditions and factors.

The Group is subject to risks affecting the food industry generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by numerous environmental, health and food safety organisations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Despite the precautions taken by the Group, the authorities may impose additional regulatory requirements that may require significant capital investment at short notice.

The Group is subject to risks relating to its ability to maintain animal health status. Livestock health problems could adversely impact production and consumer confidence. The Group monitors the health of its livestock on daily basis and have procedures in place to reduce potential exposure to infectious diseases. Although policies and procedures have been put into place, there is no guarantee that the Group will not be affected by disease epidemics.

The livestock industry is exposed to risks associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results, like the worst Australian drought in living memory that severely affected the grain production during the year. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group will enter into forward contracts to secure the supply of grain at reasonable price. Details of such forward contracts are disclosed in Note 32.

37 Segmental reporting

(a) *Business segments*

	Food manufacturing	Primary production	Retailing	Trading and logistics	Investments/ others	Eliminations	Consolidated
Revenue and expenses 2002							
Revenue from external customers	200,267	246,495	265,094	115,414	227	-	827,497
Inter-segment revenue	4,630	4,866	813	5,697	8,123	(24,129)	-
Unallocated revenue							1,065
Total revenue	204,897	251,361	265,907	121,111	8,350	(24,129)	828,562
Segment results	22,856	5,681	2,527	2,305	307	-	33,676
Unallocated revenue							1,065
Unallocated expenses							(4,435)
Profit from operating activities							30,306
Finance costs							(7,269)
Exceptional items, net							2,547
Share of loss of associated companies	(2)	-	-	-	-	-	(2)
Profit before taxation and minority interests							25,582
Taxation							(4,042)
Minority interests							(3,181)
Net profit for the year							18,359
Revenue and expenses 2001							
Revenue from external customers	185,294	65,955	270,240	80,097	394	-	601,980
Inter-segment revenue	4,269	-	841	7,495	7,983	(20,588)	-
Unallocated revenue							1,094
Total revenue	189,563	65,955	271,081	87,592	8,377	(20,588)	603,074
Segment results	21,828	7,738	3,348	1,699	152	-	34,765
Unallocated revenue							1,094
Unallocated expenses							(3,712)
Profit from operating activities							32,147
Finance costs							(2,201)
Exceptional items, net							(1,986)
Share of loss of associated companies	(2)	-	-	-	-	-	(2)
Profit before taxation and minority interests							27,958
Taxation							(10,433)
Minority interests							(1,755)
Net profit for the year							15,770

37 *Segmental reporting (cont'd)*

(a) Business segments

	Food manufacturing	Primary production	Retailing	Trading and logistics	Investments/ others	Eliminations	Consolidated
Assets and liabilities 2002							
Segment assets	127,046	261,959	69,697	75,208	19,049	-	552,959
Associated companies and joint venture	3,524	3,049	-	-	-	-	6,573
Total assets	130,570	265,008	69,697	75,208	19,049	-	559,532
Tax recoverable							3,790
Total assets per balance sheet							563,322
Segment liabilities	28,224	34,243	36,510	10,645	1,185	-	110,807
Provision for taxation							4,607
Deferred taxation							40,366
Bank borrowings							171,106
Total liabilities per balance sheet							326,886
Assets and liabilities 2001							
Segment assets	144,112	240,731	73,939	69,177	14,474	-	542,433
Associated companies	3,836	-	-	-	-	-	3,836
Total assets	147,948	240,731	73,939	69,177	14,474	-	546,269
Tax recoverable							1,368
Total assets per balance sheet							547,637
Segment liabilities	27,090	48,354	32,829	9,583	1,404	-	119,260
Provision for taxation							5,482
Deferred taxation							39,420
Bank borrowings							159,486
Total liabilities per balance sheet							323,648
Other segment information 2002							
Capital expenditure	8,741	16,367	2,782	1,990	36	-	29,916
Amortisation and depreciation	13,131	9,072	5,685	2,259	263	-	30,410
Other segment information 2001							
Capital expenditure	34,017	6,316	2,058	4,535	193	-	47,119
Amortisation and depreciation	10,405	1,691	6,122	2,123	277		20,618
Impairment losses	1,000	-	-	-	-	-	1,000

37 *Segmental reporting (cont'd)*

Note

Food manufacturing comprises the Group's bakery operations.

Primary production comprises the Group's integrated piggery operations in Australia and feedmill operations in China

Retailing comprises the Group's supermarket operations.

Trading and logistics comprises the Group's wholesale trading and distribution of food, beverages, food related ingredients and commodities, and cold storage warehousing.

Investments/others comprises the Group's investment holding business.

(b) Geographical segment

	Singapore $'000	Malaysia $'000	Australia $'000	China $'000	Philippines $'000	Other countries $'000	Eliminations $'000	Consolidated $'000
2002								
Revenue from external customers	409,345	127,086	173,187	41,342	25,544	50,993	-	827,497
Unallocated revenue								1,065
Total revenue	409,345	127,086	173,187	41,342	25,544	50,993	-	828,562
Segment assets	185,284	82,583	254,504	11,341	20,031	5,789	-	559,532
Capital expenditure	6,536	5,332	13,095	3,271	1,625	57	-	29,916
2001								
Revenue from external customers	384,512	116,768	37,820	24,623	11,463	26,794	-	601,980
Unallocated revenue								1,094
Total revenue	384,512	116,768	37,820	24,623	11,463	26,794	-	603,074
Segment assets	194,773	89,457	221,549	12,113	20,965	7,412	-	546,269
Capital expenditure	7,876	23,425	1,925	4,394	9,425	74	-	47,119

38 Subsidiary, associated and joint venture companies

(a) The subsidiary companies as at 31 December 2002 are :-

	Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2002 $'000	Cost 2001 $'000	Percentage of equity held by the group 2002 %	Percentage of equity held by the group 2001 %
	Food manufacturing, retailing, trading and logistics					
	Ben Foods (S) Pte Ltd ① (Singapore)	Trading and distribution of food and beverage products (Singapore)	14,204	14,204	100	100
@	Ben Foods (East Malaysia) Sdn Bhd ② (Malaysia)	Operation of supermarkets (Malaysia)	✥	✥	100	100
	Ben Trading (Malaysia) Sdn Bhd ② (Malaysia)	Trading and distribution of food and beverage products (Malaysia)	+	+	100	100
	Shop N Save Pte Ltd ① (Singapore)	Operation of supermarkets (Singapore)	9,894	9,894	51	51
	Spices of the Orient Pte Ltd ① (Singapore)	Manufacture, trading and distribution of food related ingredients and commodities (Singapore)	5,126	5,126	100	100
	Gardenia Foods (S) Pte Ltd ① (Singapore)	Bread manufacturer (Singapore)	5,516	8,016	100	100
	Gardenia Bakeries (KL) Sdn Bhd ② (Malaysia)	Bread manufacturer (Malaysia)	+	+	70	70
@	Gardenia Foods (Thailand) Limited ③ (Thailand)	Bread manufacturer (Thailand)	+	+	100	100
	Gardenia Sales & Distribution Sdn Bhd ② (Malaysia)	Marketing and distribution of bakery products (Malaysia)	+	+	70	70
	Farmland Central Bakery (S) Pte Ltd ① (Singapore)	Purchasing agent of bread, confectionery and bakery products (Singapore)	500	500	100	100
	Millif Industries Sdn Bhd ② (Malaysia)	Manufacture of kaya and related products (Malaysia)	360	360	65	65
	Everyday Bakery and Confectionery Sdn Bhd ② (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	+	+	70	70
	Ben Fortune Pastry Manufacturing (M) Sdn Bhd ② (Malaysia)	Manufacture and distribution of confectionery and pastry (Malaysia)	✥	✥	100	100

38 *Subsidiary, associated and joint venture companies (cont'd)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2002 $'000	Cost 2001 $'000	Percentage of equity held by the group 2002 %	Percentage of equity held by the group 2001 %
	NCS Cold Stores (S) Pte Ltd ① (Singapore)	Operation of warehousing logistics (Singapore)	16,940	16,940	100	100
	QAF Fruits Cold Store Pte Ltd ① (Singapore)	Operation of cold storage warehouse (Singapore)	+	+	58	58
	Gardenia Bakeries (Philippines) Inc. ④ (Philippines)	Manufacture and distribution of bread, confectionery and bakery products (Philippines)	+	+	100	100
	Bonjour Bakery Pte Ltd ① (Singapore)	Marketing and distribution of bread, confectionery and bakery products (Singapore)	+	+	100	100
	Delicia Sdn Bhd ② (Malaysia)	Manufacture of bread, confectionery and bakery products (Malaysia)	+	+	100	100
✜	Fujian Dongjia Feeds Co Ltd ⑤ (People's Republic of China)	Processing and dealings in animal feeds and related food activities (People's Republic of China)	+	+	100	50.1
	Production, processing and marketing of pork, and feedmill production					
	QAF Feeds Pty Ltd ⑥ (formerly known as Bunge Feeds Pty Ltd) (Australia)	Manufacturing of stockfeed and sales and distribution of animal feed products (Australia)	+	+	100	100
	QAF Meat Industries Pty Ltd ⑥ (formerly known as Bunge Meat Industries Limited) (Australia)	Intensive pig production and wholesaling (Australia)	+	+	100	100
	QAF Meat Processors Pty Ltd ⑥ (formerly known as Bunge Meat Processors Pte Ltd) (Australia)	Pig slaughtering and meat boning (Australia)	+	+	100	100
	Brooksbank Properties Pty Ltd ⑥ (Australia)	Intensive pig production and wholesaling (Australia)	+	+	100	100

38 *Subsidiary, associated and joint venture companies (cont'd)*

	Name of company (Country of incorporation)	Principal activities (place of business)	Cost 2002 $'000	Cost 2001 $'000	Percentage of equity held by the group 2002 %	Percentage of equity held by the group 2001 %
	Investment holding and management					
	QAF Management Services (S) Pte Ltd ① (Singapore)	Investment holding (Singapore)	✥	✥	100	100
	QAF Agencies (S) Pte Ltd ① holding (Singapore)	Share trading and investment (Singapore)	✥	✥	100	100
	Eurofood (Singapore) Pte Ltd ① (Singapore)	Investment holding (Singapore)	5,092	5,092	100	100
	Gardenia International (S) Pte Ltd ① (Singapore)	Investment holding (Singapore)	7,993	7,993	100	100
❋	Precious Fortune Limited ① (British Virgin Islands)	Investment holding (British Virgin Islands)	✥	✥	100	100
	Singfood Investment Pte Ltd ① (Singapore)	Investment holding (Singapore)	✥	✥	100	100
	Hamsdale International Pte Ltd ① (Singapore)	Investment holding (Singapore)	50,005	1,005	100	100
	Hamsdale Australia Pty Ltd ⑥ (Australia)	Investment holding (Australia)	+	+	100	100
	Dormant corporations					
★	Ben Foods (Malaysia) Sdn Bhd (Malaysia)	Dormant	-	-	100	100
	Ben (Malaysia) Holdings Sdn Bhd ② (Malaysia)	Dormant	✥	✥	100	100
	Camellia Bakeries (S) Pte Ltd ① (Singapore)	Dormant	+	+	100	100
	Maple Bakeries (S) Pte Ltd ① (Singapore)	Dormant	✥	✥	100	100
	Gardenia Bakery & Foodstuff (Tianjin) Co Ltd ⑧ (People's Republic of China)	Dormant	6,350	6,350	100	100
	OSA Marketing Associates (M) Sdn Bhd ② (Malaysia)	Dormant	175	175	100	100
@	Gardenia (Hong Kong) Limited ⑦ (Hong Kong)	Dormant	✥	✥	100	100

38 *Subsidiary, associated and joint venture companies (cont'd)*

Name of company (Country of incorporation)	Principal activities (place of business)	Cost		Percentage of equity held by the group	
		2002	2001	2002	2001
		$'000	$'000	%	%
Bonjour Bakery Sdn Bhd ② (Malaysia)	Dormant	+	+	100	100
Summit Rainbow Sdn Bhd ② (Malaysia)	Dormant	+	+	100	100
		122,155	75,655		

Note

❋ Audit not required under the laws in the country of incorporation.
@ 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 2002
✜ The subsidiary company became dormant during the financial year.

Audited by :
① Ernst & Young, Singapore
② Ernst & Young, Malaysia
③ Ernst & Young Office Limited, Thailand
④ Sycip Gorres Velayo & Co, Philippines
⑤ Ernst & Young Hua Ming, China
⑥ Ernst & Young, Australia
⑦ Ernst & Young, Hong Kong
⑧ Other firms of Certified Public Accountants

Name of company (Country of incorporation)	Principal activities (place of business)	of equity held by the group	
		2002	2001
		%	%
(b) The associated companies at 31 December 2002 are :			
Investment holding and management			
Boon Pattana Holdings Limited (Thailand)	Investment holding (Thailand)	39	39
Phil Foods Properties Inc. (Philippines)	Investment holding (Philippines)	40	40
(c) The joint venture company as at 31 December 2002 is :			
Diamond Valley Pork Pty Ltd (Australia)	Pig meat processing and wholesale (Australia)	51	-

The Group's investment in Diamond Valley Pork Pty Ltd is treated as a joint venture as the company is jointly controlled with the other shareholder and the Group may have to give up the additional 1% share at the request of the other shareholder.

39 Group's major properties

The Group's major properties as at 31 December 2002 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 with right to extend for further 30 years
224 Pandan Loop Singapore	Bakery and office premises	19-year lease from July 1991 with right to extend for further 30 years
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 with right to extend for further 30 years
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	Food processing and office premises	50-year lease from June 1994
Fuqing, Fujian Province	Feed processing and office premises	50-year lease expiring December 2050
Lot No. 3803, Mukim Klang, Daerah Klang, Selangor Darul Ehsan, Malaysia	Bakery and office premises	Freehold
Lot No. PT D28 & D29 Pinwang Industrial Park Petaling Jaya, Selangor Darul Ehsan, Malaysia	Bakery and offices premises	99-year lease from October 1997

39 *Group's major properties (cont'd)*

Name of building/ location	Description	Tenure of land
Gre Gre (Northern and 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 and 2 Bendigo-Tennyson Road Huntly, Victoria 3351	Piggery Farming	Freehold
Beenak Road, Seville, Victoria 3139	Piggery Farming	Freehold
Willow Grove Road Crown Allotment 32 and 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 Corowa, 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

40 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 2002, as discussed in Note 2(b) and to provide proper comparison with current year's presentation.

41 Authorisation of financial statements for issue

These financial statements were authorised for issue in accordance with a resolution of the directors on 16 April 2003.

STATISTICS OF STOCKHOLDINGS

As at 16 April 2003

Authorised Share Capital	:	$400,000,000
Issued and Fully paid-up Capital	:	$134,700,149
Class of Shares	:	Ordinary Shares of $0.40 with equal voting rights

Analysis of Stockholders by Range of Balances

Size of Holdings	No. of Stockholders	%	No. of Stock Units	%
1 - 999	309	5.67	85,762	0.03
1,000 - 10,000	4,361	80.60	17,139,911	5.09
10,001 - 1,000,000	729	13.47	31,262,692	9.28
1,000,001 and above	14	0.26	288,262,008	85.60
	5,413	100.00	336,750,373	100.00

List of Twenty Largest Stockholders

S/No.	Stockholders' Name	No. of Stock Units	%
1.	ING Nominees (Singapore) Pte Ltd	69,563,000	20.66
2.	Overseas Union Bank Nominees Pte Ltd	61,196,878	18.17
3.	UOB Kay Hian Pte Ltd	36,742,733	10.91
4.	Raffles Nominees Pte Ltd	33,766,420	10.03
5.	DB Nominees (Singapore) Pte Ltd	17,886,529	5.31
6.	Goi Seng Hui	17,691,000	5.25
7.	Citibank Nominees Singapore Pte Ltd	16,871,412	5.01
8.	United Overseas Bank Nominees Pte Ltd	9,572,500	2.84
9.	Oversea Chinese Bank Nominees Pte Ltd	8,052,667	2.39
10.	Bank of China Nominees Pte Ltd	6,008,403	1.78
11.	DBS Nominees Pte Ltd	5,822,000	1.73
12.	Citicorp Investment Bank (Singapore) Limited	2,879,000	0.86
13.	HSBC (Singapore) Nominees Pte Ltd	1,113,466	0.33
14.	OCBC Securities Private Ltd	1,094,000	0.32
15.	HL Bank Nominees (S) Pte Ltd	731,000	0.22
16.	G K Goh Stockbrokers Pte Ltd	676,000	0.20
17.	Teh Kiu Cheong	500,000	0.15
18.	Hong Leong Finance Nominees Pte Ltd	471,000	0.14
19.	BNP Paribas Nominees Singapore Pte Ltd	467,000	0.14
20.	Phillip Securities Pte Ltd	464,648	0.14
		291,569,656	86.58

STATISTICS OF STOCKHOLDINGS

Substantial Stockholders

Substantial Stockholder	Direct Interest No. of Stocks	%	Deemed Interest No. of Stocks	%	Total Interest No. of Stocks	%
Qualif Pte Ltd	153,799,810	45.67	-	-	153,799,810	45.67
Watford Investments Ltd	42,383,712	12.59	-	-	42,383,712	12.59
Didi Dawis	36,117,000	10.72	42,383,712	12.59	78,500,712	23.31
Goi Seng Hui	17,691,000	5.25	-	-	17,691,000	5.25

** Mr Didi Dawis is deemed interested in the stock units beneficially owned by Watford Investments Ltd by virtue of Section 7 of the Companies Act, Cap. 50.*

Substantial Stockholder	Direct Interest No. of Stocks	%	Deemed Interest No. of Stocks	%	Total Interest No. of Stocks	%
KMP Private Ltd	-	-	153,799,810	45.67	153,799,810	45.67
Anthony Salim	-	-	153,799,810	45.67	153,799,810	45.67
Andree Halim	-	-	153,799,810	45.67	153,799,810	45.67
Liem Sioe Liong	-	-	153,799,810	45.67	153,799,810	45.67
Saiman Ernawan	-	-	42,383,712	12.59	42,383,712	12.59

** KMP Private Ltd, Messrs Liem Sioe Liong, Anthony Salim and Andree Halim is each deemed to have an interest in the stock units beneficially owned by Qualif Pte Ltd by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.*

*** Mr Saiman Ernawan is deemed to have an interest in the stock units beneficially owned by Watford Investments Ltd by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Canton Room, Level 4, Furama Hotel, 60 Eu Tong Sen Street, Singapore 059804 on 29 May 2003 at 10.30 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 2002 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 22% in respect of the year ended 31 December 2002. **(Resolution 2)**

3. To re-elect the following Directors:

(a)	Dr Siew Teck Woh	(retiring under Article 94 of the Articles of Association)	**(Resolution 3a)**
(b)	Mr Kelvin Chia Hoo Khun	(retiring under Article 94 of the Articles of Association	**(Resolution 3b)**
(c)	Mr Tan Hin Huat	(retiring under Article 98 of the Articles of Association)	**(Resolution 3c)**
(d)	Mr Phua Bah Lee	(retiring under Section 153(6) of the Companies Act, Cap. 50)	**(Resolution 3d)**

4. To approve Directors' fees of $98,000 for the year ended 31 December 2002 (2001: $114,000). **(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 authority be and is hereby given to the Directors of the Company to:

(a) (i) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to members of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below);

Special Business (cont'd)

(2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited - "SGX-ST") for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company as at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) contingent upon any new shares being issued and being credited as fully paid, the same 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

(a) 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 allot and issue such number of 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 respectively; and

(b) contingent upon any new shares being issued and being credited as fully paid, the same 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)**

NOTICE OF BOOKS CLOSURE DATE

NOTICE IS HEREBY GIVEN that the Transfer Books and Register of Members will be closed on 13 June 2003 for the purpose of determining stockholders' entitlements to the first and final dividend of 5% (2 cents per stock unit) less income tax of 22% for the financial year ended 31 December 2002. 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 12 June 2003 will be registered before entitlements to the dividends are determined. Payment for the dividend shall be made on 27 June 2003.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with stock units at 5.00 p.m. on 12 June 2003 will be entitled to the dividend.

By Order of the Board

LEE WOAN LING (Ms)
Company Secretary

Singapore
7 May 2003

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

i) For Ordinary Resolutions:

3(a) - Dr Siew is an executive Director of the Company. He is also the managing director of Gardenia Foods (S) Pte Ltd, a principal subsidiary of the Company.

3(b) - Mr Kelvin Chia, a member of the Audit Committee of the Company, is considered by the Board as an independent Director of the Company. Mr Chia will remain as an Audit Committee member upon re-election.

3(c) - Mr Tan Hin Huat was appointed on 2 September 2002 as a Director and a member of the Audit Committee of the Company. Mr Tan is considered by the Board as an independent Director and will remain as an Audit Committee member upon re-election.

3(d) - Mr Phua Bah Lee is the chairman of the Audit Committee of the Company. As Mr Phua is over 70 years of age, S.153(6) of the Companies Act requires a majority votes of not less than three-fourth of such members present and voting to pass this Resolution. Mr Phua is considered by the Board as an independent Director and will remain as the chairman of the Audit Committee upon re-election.

Further information on the above Directors can be found on page 31 of the Annual Report.

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

iii) Ordinary Resolution 8 authorises the Directors to issue shares pursuant to the exercise of options under the Share Option Schemes where 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 calendar years from the respective dates of grant. Authority under Resolution 8 is in addition to the general authority to issue shares and/or convertible securities sought under Resolution 7.

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

PROXY FORM • Annual Meeting of OAF Limited

I/We ____

of ____

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

of ______________________ or (ii) ______________________

of ____

or failing him/her the Chairman of the Meeting as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on 29 May 2003 at 10.30 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 Director's 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) Dr Siew Teck Woh		
	(b) Mr Kelvin Chia Hoo Khun		
	(c) Mr Tan Hin Huat		
	(d) Mr Phua Bah Lee		
4.	To approve Director's 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 and/or convertible securities.		
8.	Authority to issue shares pursuant to Share Option Schemes.		

Signed this ______________ day of ______________ 2003 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 the 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.
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