QAF Limited

(Company Registration No : 195800035D)

Second Quarter Unaudited Financial Statements for the Period Ended 30 June 2017

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

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

Income Statement	Group					
(in Singapore Dollars)	2nd Quarter ended			1st Half Year ended		
	30/06/2017	30/06/2016	+ / (-)	30/06/2017	30/06/2016	+ / (-)
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	209,838	208,420	1	422,572	459,272	(8)
Costs and expenses						
Costs of materials	107,490	106,154	1	216,437	233,970	(7)
Staff costs	49,600	46,674	6	98,942	103,542	(4)
Amortisation and depreciation	7,861	7,555	4	15,591	17,385	(10)
Repairs and maintenance	5,695	5,352	6	11,304	12,644	(11)
Utilities	6,074	5,732	6	11,589	12,439	(7)
Other operating expenses	21,457	17,432	23	40,232	38,448	5
Total costs and expenses	198,177	188,899	5	394,095	418,428	(6)
Profit from operating activities	11,661	19,521	(40)	28,477	40,844	(30)
Finance costs	(697)	(702)	(1)	(1,369)	(1,454)	(6)
Share of profits of joint venture	457	1,810	(75)	2,792	1,810	54
Exceptional items	-	9,690	(100)	-	9,690	(100)
Profit before taxation	11,421	30,319	(62)	29,900	50,890	(41)
Taxation						
- Current period	(3,662)	(1,932)	90	(8,278)	(5,442)	52
- Overprovision in prior periods	121	4	n.m.	157	30	423
	(3,541)	(1,928)	84	(8,121)	(5,412)	50
Profit after taxation	7,880	28,391	(72)	21,779	45,478	(52)
Attributable to:						
Owners of the parent	8,058	28,773	(72)	22,278	45,191	(51)
Non-controlling interests	(178)	(382)	(53)	(499)	287	n.m.
	7,880	28,391	(72)	21,779	45,478	(52)

n.m. = not meaningful

(i) **<u>Statement of Comprehensive Income</u>**

	Group			
	2nd Quarter ended		1st Half Year ended	
	30/06/2017	30/06/2016	30/06/2017	30/06/2016
	S$'000	S$'000	S$'000	S$'000
Profit after taxation	7,880	28,391	21,779	45,478
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
- Actuarial loss on defined benefit plans	-	-	-	(410)
Items that may be reclassified subsequently to profit or loss:				
- Currency translation arising on consolidation	(1,261)	4,377	(1,398)	7,681
- Share of other comprehensive income of joint venture	1,210	(618)	(227)	(618)
Other comprehensive income for the period, net of tax	(51)	3,759	(1,625)	6,653
Total comprehensive income for the period	7,829	32,150	20,154	52,131
Total comprehensive income attributable to:				
Owners of the parent	8,055	32,714	20,641	51,757
Non-controlling interests	(226)	(564)	(487)	374
	7,829	32,150	20,154	52,131

<u>Notes to the Income Statement</u>
Please see Section 8 for commentaries on the Income Statement.

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

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

	Group					
	2nd Quarter ended		+ / (-)	1st Half Year ended		+ / (-)
	30/06/2017	30/06/2016	%	30/06/2017	30/06/2016	%
	S$'000	S$'000		S$'000	S$'000	
Other income including interest income	1,516	1,306	16	2,452	3,093	(21)
Other Operating Expenses which include the following:						
Allowance for doubtful debts charged and bad debts written off, net	(100)	(179)	(44)	(235)	(281)	(16)
Allowance for inventory obsolescence charged and inventory obsolescence written off	(279)	(116)	141	(1,105)	(392)	182
Foreign exchange loss	(1,204)	(829)	45	(417)	(690)	(40)
(Loss)/gain on disposal of property, plant & equipment	(23)	42	n.m.	(18)	103	n.m.
Advertising and promotion expense	(4,305)	(2,536)	70	(7,715)	(7,428)	4
Distribution and transportation expense	(2,602)	(1,989)	31	(4,727)	(5,401)	(12)

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

Statement of Financial Position (in Singapore Dollars)	Group		Company	
	30/06/2017	31/12/2016	30/06/2017	31/12/2016
	S$'000	S$'000	S$'000	S$'000
Current assets				
Biological assets	62,024	60,803	-	-
Inventories	51,782	60,159	-	-
Trade receivables	84,900	96,910	-	-
Other receivables	18,844	33,121	36,559	75,457
Tax recoverable	1,185	1,245	-	-
Short-term investments	2,480	3,968	1,480	2,968
Cash and cash equivalents	125,833	104,903	49,574	27,070
	347,048	361,109	87,613	105,495
Non-current assets				
Property, plant & equipment	302,300	289,585	4,238	2,290
Investment properties	18,105	18,248	-	-
Subsidiaries	-	-	98,973	98,973
Advances to subsidiaries	-	-	122,370	123,805
Joint venture	78,883	76,318	-	-
Pension assets	2,685	2,654	-	-
Long-term investments	7,232	7,226	7,206	7,198
Intangibles	-	-	1,413	1,507
Deferred tax assets	15,066	17,267	-	-
	424,271	411,298	234,200	233,773
Total assets	771,319	772,407	321,813	339,268
Current liabilities				
Trade payables	50,778	65,188	241	225
Other payables	61,645	59,007	7,934	9,725
Short-term borrowings	29,970	32,642	-	-
Long-term loans and finance leases - current portion	2,252	2,456	-	-
Provision for taxation	5,801	6,099	1,097	1,167
	150,446	165,392	9,272	11,117
Non-current liabilities				
Other payables	14,595	15,241	7,125	7,584
Long-term loans and finance leases	67,706	51,128	-	-
Deferred tax liabilities	13,185	12,494	1,656	1,734
	95,486	78,863	8,781	9,318
Total liabilities	245,932	244,255	18,053	20,435
Net assets	525,387	528,152	303,760	318,833
Capital and reserves				
Share capital	267,504	263,087	267,504	263,087
Reserves	260,352	263,980	36,256	55,746
Equity attributable to owners of the parent	527,856	527,067	303,760	318,833
Non-controlling interests	(2,469)	1,085	-	-
Total equity	525,387	528,152	303,760	318,833

Please see Section 8 for commentaries on the Group's Statement of Financial Position.

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

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

As at 30/6/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
8,581	23,641	12,272	22,826

(b) Amount repayable after one year

As at 30/6/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
15,128	52,578	14,736	36,392

(c) Details of any collaterals

At the end of the financial period, property, plant & equipment and inventories with total net book values of $27,354,000 (as at 31/12/2016: $29,807,000) were pledged to secure certain credit facilities for the Group.

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

	Group	
	2nd Quarter ended	
Statement of Cash Flows	30/06/2017	30/06/2016
(in Singapore Dollars)	S$'000	S$'000
Cash flows from operating activities:		
Profit before taxation	11,421	30,319
Adjustments for:		
Amortisation and depreciation	7,861	7,555
Loss/(gain) on disposal of property, plant & equipment	23	(42)
Share of profits of joint venture	(457)	(1,810)
Fair value changes on biological assets	(720)	-
Allowance for doubtful debts charged and bad debts written off, net	100	179
Gain on sale of interest in a subsidiary company	-	(9,690)
Interest expense	697	702
Interest income	(504)	(440)
Exchange differences	947	197
Operating profit before working capital changes	19,368	26,970
Decrease/(increase) in receivables	2,524	(98)
Decrease in inventories and biological assets	1,114	696
Increase in payables	2,196	7,855
Cash from operations	25,202	35,423
Interest paid, net	(209)	(264)
Income tax paid	(3,773)	(2,481)
Net cash from operating activities	**21,220**	**32,678**
Cash flows from investing activities:		
Purchase of property, plant & equipment and investment properties	(13,335)	(11,234)
Proceeds from disposal of property, plant & equipment	101	120
Dividends received from joint venture	-	2,526
Proceeds from redemption/sale of investment securities	1,500	-
Net cash outflow from dilution of interest in a subsidiary company	-	(12,208)
Net cash used in investing activities	**(11,734)**	**(20,796)**
Cash flows from financing activities:		
Proceeds from issuance of share capital	-	166
Dividends paid during the period	(18,057)	(22,468)
Proceeds from long-term borrowings	9,008	2,312
Proceeds from/(repayment of) short-term borrowings	1,148	(2,606)
Net cash used in financing activities	**(7,901)**	**(22,596)**
Net increase/(decrease) in cash and cash equivalents	1,585	(10,714)
Cash and cash equivalents at beginning of period	124,670	108,897
Effect of exchange rate changes on cash and cash equivalents	(422)	(1,118)
Cash and cash equivalents at end of period	125,833	97,065

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

<u>Statement of Changes in Equity</u>
(In Singapore Dollars)

Group	Share capital $'000	Revaluation reserve $'000	Capital reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 April 2017	263,087	244	-	314,641	(38,319)	824	540,477
Net profit/(loss) for the period	-	-	-	8,058	-	(178)	7,880
Other comprehensive income							
Currency translation arising on consolidation	-	-	-	-	(1,213)	(48)	(1,261)
Share of other comprehensive income of joint venture	-	-	-	-	1,210	-	1,210
Other comprehensive income for the period, net of tax	-	-	-	-	(3)	(48)	(51)
Total comprehensive income for the period	-	-	-	8,058	(3)	(226)	7,829
Contributions by and distributions to owners							
Issuance of ordinary shares in lieu of cash dividends	4,417	-	-	-	-	-	4,417
Transfer to reserves	-	-	(1,795)	-	-	1,795	-
Transfer to other payables	-	-	-	-	-	(4,862)	(4,862)
Dividends - Cash	-	-	-	(18,057)	-	-	(18,057)
Dividends - Scrip	-	-	-	(4,417)	-	-	(4,417)
Total contributions by and distributions to owners	4,417	-	(1,795)	(22,474)	-	(3,067)	(22,919)
Total transactions with owners in their capacity as owners	4,417	-	(1,795)	(22,474)	-	(3,067)	(22,919)
Balance at 30 June 2017	267,504	244	(1,795)	300,225	(38,322)	(2,469)	525,387

Group	Share capital $'000	Revaluation reserve $'000	Capital reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 April 2016	262,921	2,118	16,888	206,669	(42,531)	20,698	466,763
Net profit/(loss) for the period	-	-	-	28,773	-	(382)	28,391
Other comprehensive income							
Currency translation arising on consolidation	-	-	-	-	4,559	(182)	4,377
Share of other comprehensive income of joint venture	-	-	-	-	(618)	-	(618)
Other comprehensive income for the period, net of tax	-	-	-	-	3,941	(182)	3,759
Total comprehensive income for the period	-	-	-	28,773	3,941	(564)	32,150
Contributions by and distributions to owners							
Issuance of ordinary shares from exercise of options	166	-	-	-	-	-	166
Expiry of employee share options	-	-	(652)	652	-	-	-
Dividends - Cash	-	-	-	(22,468)	-	-	(22,468)
Total contributions by and distributions to owners	166	-	(652)	(21,816)	-	-	(22,302)
Change in ownership interest in subsidiary							
Sale of interest in a subsidiary	-	(1,874)	(16,236)	18,110	-	(13,785)	(13,785)
Total change in ownership interest in subsidiary	-	(1,874)	(16,236)	18,110	-	(13,785)	(13,785)
Total transactions with owners in their capacity as owners	166	(1,874)	(16,888)	(3,706)	-	(13,785)	(36,087)
Balance at 30 June 2016	263,087	244	-	231,736	(38,590)	6,349	462,826

1(d)(i)

Company	Share capital $'000	Capital reserve $'000	Revenue reserve $'000	Total equity $'000
Balance at 1 April 2017	263,087	-	58,473	321,560
Net profit for the period, representing total comprehensive income for the period	-	-	257	257
Contributions by and distributions to owners				
Issuance of ordinary shares in lieu of cash dividends	4,417	-	-	4,417
Dividends - Cash	-	-	(18,057)	(18,057)
Dividends - Scrip	-	-	(4,417)	(4,417)
Total transactions with owners in their capacity as owners	4,417	-	(22,474)	(18,057)
Balance at 30 June 2017	267,504	-	36,256	303,760
Balance at 1 April 2016	262,921	652	49,395	312,968
Net loss for the period, representing total comprehensive income for the period	-	-	(527)	(527)
Contributions by and distributions to owners				
Issuance of ordinary shares from exercise of options	166	-	-	166
Expiry of employee share options	-	(652)	652	-
Dividends - Cash	-	-	(22,468)	(22,468)
Total transactions with owners in their capacity as owners	166	(652)	(21,816)	(22,302)
Balance at 30 June 2016	263,087	-	27,052	290,139

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

Since 31 March 2017 up to 30 June 2017, the issued and paid-up share capital of the Company was increased from 561,854,968 shares to 565,333,054 shares due to the allotment and issue of 3,478,086 ordinary shares pursuant to the application of QAF Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2016.

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

	As at 30/6/2017	As at 31/12/2016
Total number of issued shares (excluding treasury shares)	565,333,054	561,854,968

There were no treasury shares held by the Company during the period under review.

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares of Company during the period under review.

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

The figures have not been audited or reviewed.

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

N.A.

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

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the previous year ended 31 December 2016. However, the Group adopted revised Financial Reporting Standards ("FRS") and interpretations that are mandatory for financial years beginning on or after 1 January 2017. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

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

N.A.

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

	2nd Quarter ended	
	30/06/2017	30/06/2016
Basic and Diluted EPS		
- excluding Exceptional Items	1.4 cents	3.4 cents
- including Exceptional Items	1.4 cents	5.1 cents
Number of shares used for the calculation of Basic and Diluted EPS:		
Weighted average number of ordinary shares in issue	562,182,000	561,585,000

7. Net asset value for the company and group per ordinary share based on the total number of issued shares excluding treasury shares of the company at the end of the period reported on and immediately preceding financial year:

	As at 30/06/2017	As at 31/12/2016
Group	93.4 cents	93.8 cents
QAF Limited	53.7 cents	56.7 cents
Number of shares used for the calculation of Net asset value:	565,333,054	561,854,968

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

INCOME STATEMENT

2Q 2017 vs 2Q 2016

	Revenue				EBIT			
	2Q 2017	2Q 2016	Increase/(decrease)		2Q 2017	2Q 2016	Increase/(decrease)	
	$'million	$'million	$'million	%	$'million	$'million	$'million	%
Segment								
Bakery	83.2	79.2	4.0	5	5.5	7.8	(2.3)	(29)
Primary Production	98.9	101.4	(2.5)	(2)	7.4	11.9	(4.5)	(38)
Trading & Logistics	26.1	26.2	(0.1)	(0)	0.9	1.2	(0.3)	(25)
Others	1.6	1.6	-	-	(2.1)	(1.4)	(0.7)	50
	209.8	208.4	1.4	1	11.7	19.5	(7.8)	(40)

Group revenue increased marginally by 1% to $209.8 million for the second quarter ended 30 June 2017 ("2Q 2017") from $208.4 million for second quarter ended 30 June 2016 ("2Q 2016").

The Group's Bakery segment (which excludes Gardenia Bakeries (KL) Sdn Bhd ("GBKL")), in particular Gardenia Bakeries (Philippines) Inc ("GBPI"), achieved overall increase in sales through the successful launch of new products and increased market penetration. Gardenia Singapore only managed a marginal increase in sales as a result of production issues in the old Johor plant.

Profitability in the Bakery segment was affected by higher cost, in particular distribution cost as a result of higher oil prices as well as higher sales volumes. Higher Advertising and Promotion expense was also incurred by GBPI for the launch of new products.

Bakers Maison (M) Sdn Bhd, which supplied bakery products solely to GBKL, achieved lower profitability due to lower bread sales to GBKL in 2Q 2017. The Group's bakery operation in China, Gardenia Food (Fujian) Co Ltd, achieved reduced loss for 2Q 2017 against 2Q 2016.

Revenue for the Primary Production segment, Rivalea (Australia) Pty Ltd ("Rivalea"), the Group's integrated producer of meat located in Australia, saw lower sales as a result of lower average selling prices offsetting the higher volume achieved. Rivalea had faced increased competition from the general oversupply situation in the industry and experienced significant pressure on selling prices and profit margins. Pork prices in the industry have fallen by approximately 20% in the first half of 2017.

Ben Foods (S) Pte Ltd ("BFS"), a distributor of food products in the Group's Trading & Logistics business segment, achieved lower profit margin due to the volatility of foreign exchange rates, especially the United States Dollar and the Australian Dollar ("AUD").

Staff Costs, Amortisation and Depreciation, Repairs and Maintenance and Utilities increased mainly as a result of increased production activities by GBPI and Rivalea.

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

INCOME STATEMENT (cont'd)

2Q 2017 vs 2Q 2016 (cont'd)

Included in Other Operating expenses are Advertising and Promotion expense, Distribution and Transportation expense and Foreign Exchange loss. Other Operating Expenses increased by 23% to $21.5 million in 2Q 2017 and this is mainly attributable to higher Advertising and Promotion expense by GBPI as a result of heightened competition in the Philippines. In addition, with the launch of new products, GBPI had incurred higher truck rental expense from the increased distribution routes in 2Q 2017. The Group suffered higher Foreign Exchange loss of $1.2 million in 2Q 2017 as compared to $0.8 million in 2Q 2016, which pertains mainly to the depreciation of the Group's AUD denominated assets against the Singapore dollar in 2Q 2017.

Other Income including Interest Income increased by 16% to $1.5 million in 2Q 2017 as compared to $1.3 million in 2Q 2016 because Rivalea achieved increased miscellaneous income in 2Q 2017.

In compliance with regulatory requirements, the Group had sold 20% of its shareholdings in GBKL in April 2016. This reduced the Group's stake to 50% of GBKL's total shareholdings. Accordingly, GBKL ceased to be a subsidiary of the Group and there has been a deconsolidation of GBKL's operating profits from the Group's consolidated operating profits from April 2016 onwards. In 2Q 2016, the Group had an Exceptional Items of $9.7 million resulting from the Group's sale of its 20% shareholding interest in GBKL. The Group's Share of Profits of Joint Venture decreased by 75% to $0.5 million in 2Q 2017 and this is mainly due to higher staff costs incurred by GBKL resulting from increased headcount, management fee charged by our joint venture partner as well as higher diesel costs in Malaysia.

Group Profit Before Taxation ("PBT") decreased by 62% from $30.3 million for 2Q 2016 to $11.4 million for 2Q 2017. Excluding the one-off Exceptional Items in 2Q 2016 as abovementioned, Group PBT decreased by 45%. The decline is mainly attributable to the Group's Primary Production segment, Rivalea, which is facing lower selling prices arising from increased general market supply. Profitability of the Group's Bakery operations was also affected by higher operating expenses.

Group Profit After Taxation ("PAT") decreased by 72% to $7.9 million for 2Q 2017 as compared to $28.4 million for 2Q 2016. Excluding the one-off Exceptional Items in 2Q 2016 as abovementioned, Group PAT decreased by 58% due mainly to Rivalea's reduced profitability and higher tax expense. Group Taxation increased by 84% to $3.5 million for 2Q 2017 as compared to $1.9 million for 2Q 2016 due mainly to higher tax expense recorded by Rivalea. Rivalea has fully utilised its tax losses in 2016 and now records deferred tax expense based on approximately 30% on its taxable profits. The deferred tax expense mainly relates to tax adjustments on its biological assets resulting in no tax being payable for financial year ending 31 December 2017. Rivalea expects to pay taxes only when the temporary differences on these tax adjustments are reversed in the future.

Group Profit Attributable to Owners of the Parent ("PATMI") decreased by 72% to $8.1 million for 2Q 2017 as compared to $28.8 million for 2Q 2016. Excluding the one-off Exceptional Items in 2Q 2016 as abovementioned, Group PATMI would have decreased by 58%.

Group Total Comprehensive Income Attributable to Owners of the Parent decreased by 75% to $8.1 million for 2Q 2017 as compared to $32.7 million for 2Q 2016. Excluding the one-off Exceptional Items in 2Q 2016 as abovementioned, Group Total Comprehensive Income Attributable to Owners of the Parent would have decreased by 65%.

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

INCOME STATEMENT (cont'd)

1H 2017 vs 1H 2016

	Revenue				EBIT			
	1H 2017	1H 2016	Increase/(decrease)		1H 2017	1H 2016	Increase/(decrease)	
	$'million	$'million	$'million	%	$'million	$'million	$'million	%
Segment								
Bakery	166.7	209.7	(43.0)	(21)	12.9	21.9	(9.0)	(41)
Primary Production	199.6	195.0	4.6	2	15.5	20.1	(4.6)	(23)
Trading & Logistics	53.2	52.2	1.0	2	2.2	2.2	-	-
Others	3.1	2.4	0.7	29	(2.1)	(3.4)	1.3	(38)
	422.6	459.3	(36.7)	(8)	28.5	40.8	(12.3)	(30)

Group revenue decreased by 8% to $422.6 million for first half year ended 30 June 2017 ("1H 2017") from $459.3 million for first half year ended 30 June 2016 ("1H 2016"). The decrease in Group revenue is attributable to deconsolidation of financial results of GBKL from that of the Group's, as the Group sold 20% of its shareholdings in GBKL in April 2016 in compliance with regulatory requirements. This reduced the Group's stake to 50% of GBKL's total shareholdings. Accordingly, GBKL ceased to be a subsidiary of the Group and has become a Joint Venture of the Group. If not for the abovementioned deconsolidation of the financial results of GBKL, the Group would have reported a growth in revenue arising from increases in sales achieved by all business segments of the Group – Bakery, Primary Production and Trading & Logistics.

The Group's Bakery segment achieved overall increase in sales through the launch of new products and increased market penetration in the Philippines. Rivalea achieved increases in sales from higher volume despite lower average selling prices. Pork prices in the industry have fallen by approximately 20% in the first half of 2017. The Group's Trading & Logistics business segment achieved higher sales due to higher volume of trading activities in 1H 2017, especially in the exports to regional markets.

The bakery operations in Singapore/Johor achieved lower profitability due to, inter alia, production issues in the old Johor plant which affected the supply of some bread products and one-off write-off for stock obsolescence, one-off provision for costs relating to this plant, as well as higher staff costs. Bakers Maison (M) Sdn Bhd, which supplied bakery products solely to GBKL, achieved lower profitability due to lower bread sales to GBKL in 1H 2017. However, GBPI achieved higher profit contribution to the Group's profitability in 1H 2017 compared to 1H 2016, despite the high cost incurred in 2Q 2017. The Group's bakery operation in China, Gardenia Food (Fujian) Co Ltd, achieved reduced loss for 1H 2017 against 1H 2016.

Expenses of the Group decreased in 1H 2017 over that of 1H 2016 due to the deconsolidation of GBKL. In 1H 2017, Costs of Materials, Staff Costs, Amortisation and Depreciation, Repairs and Maintenance and Utilities decreased to $216.4 million, $98.9 million, $15.6 million, $11.3 million and $11.6 million, respectively.

However, Other Operating Expenses increased by 5% to $40.2 million in 1H 2017 and this is mainly attributable to higher Advertising and Promotion expense and higher truck rental expense in relation to increased distribution routes incurred by GBPI resulting from the launch of new products in 1H 2017.

In 1H 2016, the Group had recognised an Exceptional Items of $9.7 million resulting from the Group's sale of its 20% shareholding interest in GBKL. As GBKL ceased to be a subsidiary of the Group in April 2016 and has become a Joint Venture of the Group, the Group recognised Share of Profits of Joint Venture of $2.8 million for 1H 2017. The deconsolidation of the financial results of GBKL and the resulting declassification and exclusion of GBKL's operating profits from the Group's consolidated operating profits from April 2016 onwards, led mainly to a decrease in PBT of 41% to $29.9 million for 1H 2017 from $50.9 million for 1H 2016. Excluding the one-off Exceptional Items in 1H 2016 as abovementioned, Group PBT decreased by 27%.

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

INCOME STATEMENT (cont'd)

1H 2017 vs 1H 2016 (cont'd)

In addition, Rivalea achieved lower profitability due to lower selling prices on an overall basis in 1H 2017 as compared to 1H 2016.

Group PAT decreased by 52% to $21.8 million for 1H 2017 as compared to $45.5 million for 1H 2016 due mainly to the deconsolidation of GBKL and Rivalea's higher tax expense despite reduced profitability. Excluding the one-off Exceptional Items in 1H 2016 as abovementioned, Group PAT decreased by 39%. Group Taxation increased by 50% to $8.1 million for 1H 2017 as compared to $5.4 million for 1H 2016 due mainly to higher tax expense recorded by Rivalea. Rivalea has fully utilised its tax losses in 2016 and now records deferred tax expense based on approximately 30% on its taxable profits. The deferred tax expense mainly relates to tax adjustments on its biological assets resulting in no tax being payable for financial year ending 31 December 2017. Rivalea expects to pay taxes only when the temporary differences on these tax adjustments are reversed in the future.

Group PATMI decreased by 51% to $22.3 million for 1H 2017 as compared to $45.2 million for 1H 2016. Excluding the one-off Exceptional Items in 1H 2016 as abovementioned, Group PATMI decreased by 37%.

Group Total Comprehensive Income Attributable to Owners of the Parent decreased by 60% to $20.6 million for 1H 2017 as compared to $51.8 million for 1H 2016. Excluding the one-off Exceptional Items in 1H 2016 as abovementioned, Group Total Comprehensive Income Attributable to Owners of the Parent would have decreased by 51%.

STATEMENT OF FINANCIAL POSITION

Inventories declined by 14% to $51.8 million as at the end of 2Q 2017 from $60.2 million as at the end of the financial year ended 31 December 2016 ("FYE 2016") due mainly to reduction of inventory holdings in the Trading & Logistics and Primary Production business segments, as these inventories were sold.

Trade Receivables decreased by 12% to $84.9 million as at the end of 2Q 2017 from $96.9 million as at the end of FYE 2016 due to improvement in debtors' turnover.

Other Receivables decreased by 43% to $18.8 million as at the end of 2Q 2017. The reduction is largely due to receipt of the 3rd and final tranche of the sales consideration receivable from the sale of GBKL and receipt of the interim dividend receivable from GBKL.

Short-Term Investments relate to the Company's and the Group's investments in bonds and market-linked notes. Short-Term Investments decreased by 38% to $2.5 million as at the end of 2Q 2017 due to the redemption of certain investments upon maturity.

Trade Payables decreased by 22% to $50.8 million as at 2Q 2017 due to the payment of balances owed to creditors resulting from seasonal highs as at end of FYE 2016.

Total Long-Term Borrowings increased by 31% to $70.0 million as at the end of 2Q 2017. The increase in Long-Term Borrowings resulted from the increase in funding for the Group's new additional production facilities.

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

N.A..

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

The Group's performance is expected to be affected by a number of factors, including competition, currency volatility and increasing costs arising from higher raw material prices, higher energy costs and higher distribution cost in certain markets. Staff Costs, Repairs and Maintenance and Utilities are expected to increase as a result of increased production activities.

In the bakery business, the Group is facing heightened competition and higher raw material prices. Advertising and Promotion expense and Distribution and Transportation expense are expected to increase further, particularly in the Philippines and Singapore.

While the above factors are expected to continue to affect the bakery business, the Group is taking steps to mitigate them and this should improve performance in the 2^{nd} half of 2017 ("2H 2017") compared to 1H 2017, barring any unforeseen circumstances. The new plant in Johor which will replace the old plant in Johor will commence operations in third quarter ending 30 September 2017 and this should address the production issues previously faced by the old plant in 1H 2017.

Including GBKL, the Group is expected to incur capital expenditure of about $106 million, mainly for the expansion of bakery production capacity this year. This is lower than the capital expenditure included in the first quarter ended 31 March 2017 announcement as some expenditure are being deferred till 2018. Depreciation charge is expected to increase in 2H 2017.

The Company had previously announced the strategic review of its options in relation to the primary production business in Australia to enhance shareholder value, including a listing in Australia or a sale of the business in its entirety. Further to such review, the Company has decided to pursue a listing of the primary production business on the Australian Securities Exchange ("**Proposed Listing**").

The Proposed Listing will be subject to the approval of shareholders of the Company at a general meeting. The Company will make further announcements on the Proposed Listing as and when appropriate.

The Proposed Listing will not result in Rivalea ceasing to be a subsidiary. Upon the Proposed Listing, it is expected that the Company will receive A$52 million arising from the repayment of a shareholder's loan.

The Proposed Listing is intended to increase shareholder value as, *inter alia*, it will allow the primary production business to be listed and valued separately from the Group's other businesses. The Proposed Listing will assist analysts, shareholders and the investing public to better appraise the value of the Group's different underlying businesses and assets. This will consequently allow for the value of such businesses and assets to be better reflected, thereby reducing any possible conglomerate discount. Any funds received by the Group through the Proposed Listing may be deployed by the Group for its other core businesses, new business opportunities and/or such other purposes as may be determined by the Company.

As Rivalea's core operations and customer base are in Australia, the Proposed Listing is intended to enhance Rivalea's business profile in its core market. The Company believes that the listing will provide the Rivalea management with greater autonomy to better focus on its core business and strategies as a separately-listed entity with its own board and management team. In addition, Rivalea will be able to independently and directly access capital markets based on its own merits and requirements following the Proposed Listing.

Rivalea is one of the leading pork producers in Australia with revenues of approximately A$388 million in 2016 and employs over 1,100 employees. The significant size of Rivalea's operations can be seen from the fact that it produced approximately 17% of Australia's total pork production and its pork processing division processes approximately 24% of Australia's total processing volume in 2016. In 2016, Rivalea produced and sold over approximately 820,000 pigs or 64,000MT of pork carcase and processed approximately 1.2 million animals through its processing plants.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry (cont'd)

Rivalea operates 3 feedmills, breeding and rearing farms, 2 processing plants and has distribution and arrangements in Sydney, Melbourne, Brisbane and Adelaide. It is a key supplier of a range of pork products to major retailers, wholesalers, butchers, smallgoods operators (manufacturers) and food service customers at the national level. Rivalea also produces and markets a range of stock feeds to a range of customers. It is also an exporter of pork products to Singapore, Japan, New Zealand and other Asian countries.

Rivalea has 3 operating divisions. The Farming Division consists of 7 company-owned farms and 19 contract grower farms. It has a total of about 42,000 sows at any one time. The Stockfeed Milling Division operates 3 mills which in 2016 produced approximately 337,000MT of a range of animal feed products. About 70% of this production is used for internal consumption while about 30% is sold externally. The Processing Division has 2 facilities located in Corowa and Melbourne. The facilities provide abattoir, boning, further processing and mincing services.

For the second half of 2017, both the Stockfeed Milling and Processing Divisions are expected to achieve satisfactory profitability while the Farming Division is expected to face continuing competition and low margins due to the oversupply situation currently facing the industry. However, Rivalea is expected to mitigate this situation by its efficiency, productivity, benefits accruing from the scale of its operations, the continued development of a good product mix (by focusing on producing more prime animals as well as higher value products which will achieve higher margins) and lower production costs, particularly the cost of feed for 2017. Although pork prices in the industry have fallen by approximately 20% in the first half of 2017, there are now signs of price stability.

The Company would like to highlight that the Proposed Listing is dependent on, *inter alia*, the results of preparatory work which is on-going, requisite approvals from the relevant regulatory authorities and the then-prevailing market conditions. Accordingly, there is no assurance that the Proposed Listing will materialise or otherwise proceed in due course. The Company reserves the right not to proceed with, complete and/or effect the Proposed Listing if after assessing various factors, the Company does not consider the Proposed Listing to be in the interests of the Company.

Shareholders and other investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they are in doubt about the actions that they should take.

11. Dividends

(a) Current financial period reported on

Name of dividend	Interim
Dividend type	Cash/Scrip
Dividend rate	1 cent per ordinary share
Tax rate	Exempt 1 tier

(b) Previous corresponding period

Name of dividend	Interim
Dividend type	Cash
Dividend rate	1 cent per ordinary share
Tax rate	Exempt 1 tier

(c) Date payable — To be announced later

(d) Book closing date — To be announced later

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

N.A.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of Interested Person	Aggregate value of all interested person transactions conducted in the 2nd quarter ended 30 June 2017 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) (S$'000)
Salim Group - Sale of unsold and returned bread	188
Salim Group - Purchase of raw materials, including flour	509
TOTAL	697

14. Negative confirmation pursuant to Rule 705(5) of the Listing Manual

To the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the Unaudited Financial Statements for the three months ended 30 June 2017 herein to be false or misleading in any material respect.

15. Confirmation that the Issuer has procured undertakings from all its Directors and Executive Officers

The Company confirms that it has procured undertakings from all its directors and executive officers pursuant to Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Ms Serene Yeo
Company Secretary
8 August 2017