

Third Quarter Unaudited Financial Statements for the Period Ended 30 September 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

(in Singapore Dollars)

	Group		
	3rd Quarter ended		
	<u>30/09/2017</u>	<u>30/09/2016</u>	+ / (-)
	S\$'000	S\$'000	%
Revenue	211,618	212,426	(0)
<u>Costs and expenses</u>			
Costs of materials	111,597	109,155	2
Staff costs	50,076	46,345	8
Amortisation and depreciation	8,290	7,577	9
Repairs and maintenance	5,795	6,187	(6)
Utilities	6,215	5,670	10
Advertising and promotion	4,303	2,383	81
Other operating expenses	17,621	14,814	19
Total costs and expenses	203,897	192,131	6
Profit from operating activities	7,721	20,295	(62)
Finance costs	(786)	(1,037)	(24)
Share of profits of joint venture	2,624	2,746	(4)
Profit before taxation	9,559	22,004	(57)
Taxation			
- Current period	(2,013)	(2,813)	(28)
- Underprovision in prior periods	(7)	(116)	(94)
	(2,020)	(2,929)	(31)
Profit after taxation	7,539	19,075	(60)
<u>Attributable to:</u>			
Owners of the parent	7,450	19,364	(62)
Non-controlling interests	89	(289)	n.m.
	7,539	19,075	(60)

n.m. = not meaningful

(i) **Statement of Comprehensive Income**

	Group	
	3rd Quarter ended	
	30/09/2017	30/09/2016
	S\$'000	S\$'000
Profit after taxation	7,539	19,075
Other comprehensive income:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
- Currency translation arising on consolidation	368	4,219
- Share of other comprehensive income of joint venture	266	(325)
Other comprehensive income for the period, net of tax	634	3,894
Total comprehensive income for the period	8,173	22,969
<u>Total comprehensive income attributable to:</u>		
Owners of the parent	8,087	23,177
Non-controlling interests	86	(208)
	8,173	22,969

Notes to the Income Statement

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		
	3rd Quarter ended		+ / (-)
	30/09/2017	30/09/2016	%
	S\$'000	S\$'000	
Other income including interest income	1,505	1,333	13
Other Operating Expenses which include the following:			
Operating lease rental expense	(3,376)	(3,133)	8
Distribution and transportation expense	(2,466)	(2,294)	7
Legal and professional fees	(1,311)	(491)	167
Allowance for doubtful debts charged and bad debts written off, net	(664)	(67)	891
(Loss)/gain on disposal of property, plant & equipment	(4)	14	n.m.
Allowance for inventory obsolescence written-back/(charged)			
and inventory obsolescence written off, net	111	(295)	n.m.
Foreign exchange gain/(loss)	286	(356)	n.m.

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	
	30/09/2017	31/12/2016	30/09/2017	31/12/2016
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Current assets</u>				
Biological assets	60,635	60,803	-	-
Inventories	52,992	60,159	-	-
Trade receivables	89,572	96,910	-	-
Other receivables	24,809	33,121	35,732	75,457
Tax recoverable	1,369	1,245	-	-
Short-term investments	1,486	3,968	486	2,968
Cash and cash equivalents	130,813	104,903	57,274	27,070
	<u>361,676</u>	<u>361,109</u>	<u>93,492</u>	<u>105,495</u>
<u>Non-current assets</u>				
Property, plant & equipment	305,588	289,585	4,213	2,290
Investment properties	18,018	18,248	-	-
Subsidiaries	-	-	98,973	98,973
Advances to subsidiaries	-	-	118,567	123,805
Joint venture	81,773	76,318	-	-
Pension assets	2,708	2,654	-	-
Long-term investments	7,238	7,226	7,213	7,198
Intangibles	-	-	1,366	1,507
Deferred tax assets	15,346	17,267	-	-
	<u>430,671</u>	<u>411,298</u>	<u>230,332</u>	<u>233,773</u>
Total assets	792,347	772,407	323,824	339,268
<u>Current liabilities</u>				
Trade payables	51,424	65,188	190	225
Other payables	69,861	59,007	8,640	9,725
Short-term borrowings	33,666	32,642	-	-
Long-term loans and finance leases - current portion	3,132	2,456	-	-
Provision for taxation	4,970	6,099	931	1,167
	<u>163,053</u>	<u>165,392</u>	<u>9,761</u>	<u>11,117</u>
<u>Non-current liabilities</u>				
Other payables	14,529	15,241	6,895	7,584
Long-term loans and finance leases	68,241	51,128	-	-
Deferred tax liabilities	13,096	12,494	1,617	1,734
	<u>95,866</u>	<u>78,863</u>	<u>8,512</u>	<u>9,318</u>
Total liabilities	258,919	244,255	18,273	20,435
Net assets	<u>533,428</u>	<u>528,152</u>	<u>305,551</u>	<u>318,833</u>
<u>Capital and reserves</u>				
Share capital	267,504	263,087	267,504	263,087
Reserves	268,439	263,980	38,047	55,746
Equity attributable to owners of the parent	<u>535,943</u>	<u>527,067</u>	<u>305,551</u>	<u>318,833</u>
Non-controlling interests	(2,515)	1,085	-	-
Total equity	<u>533,428</u>	<u>528,152</u>	<u>305,551</u>	<u>318,833</u>

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 30/09/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
12,769	24,029	12,272	22,826

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

As at 30/09/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
13,764	54,477	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 \$28,310,000 (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:-**

<u>Statement of Cash Flows</u> (in Singapore Dollars)	Group	
	3rd Quarter ended	
	<u>30/09/2017</u> S\$'000	<u>30/09/2016</u> S\$'000
<u>Cash flows from operating activities:</u>		
Profit before taxation	9,559	22,004
Adjustments for:		
Amortisation and depreciation	8,290	7,577
Loss/(gain) on disposal of property, plant & equipment	4	(14)
Share of profits of joint venture	(2,624)	(2,746)
Fair value adjustment on investment securities	(6)	-
Allowance for doubtful debts charged and bad debts written off, net	664	67
Interest expense	786	1,037
Interest income	(441)	(388)
Exchange differences	(168)	515
Operating profit before working capital changes	16,064	28,052
Increase in receivables	(9,356)	(1,813)
Decrease in inventories and biological assets	857	6,790
Increase/(decrease) in payables	7,279	(5,071)
Cash from operations	14,844	27,958
Interest paid, net	(346)	(649)
Income tax paid	(3,426)	(2,806)
Net cash from operating activities	11,072	24,503
<u>Cash flows from investing activities:</u>		
Purchase of property, plant & equipment and investment properties	(9,516)	(17,898)
Progress payment for purchase of property, plant & equipment	(2,653)	-
Proceeds from disposal of property, plant & equipment	173	82
Proceeds from redemption/sale of investment securities	1,000	2,000
Net cash used in investing activities	(10,996)	(15,816)
<u>Cash flows from financing activities:</u>		
Dividends paid during the period	-	(5,619)
Dividends paid to non-controlling interests	-	(1,165)
Proceeds from long-term borrowings	1,456	2,715
Proceeds from/(repayment of) short-term borrowings	3,427	(6,858)
Proceeds from long-term loans from a non-controlling interest	90	-
Net cash from/(used in) financing activities	4,973	(10,927)
Net increase/(decrease) in cash and cash equivalents	5,049	(2,240)
Cash and cash equivalents at beginning of period	125,833	97,065
Effect of exchange rate changes on cash and cash equivalents	(69)	32
Cash and cash equivalents at end of period	<u>130,813</u>	<u>94,857</u>

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

Statement of Changes in Equity

(In Singapore Dollars)

Group	Share capital \$'000	Revaluation reserve \$'000	Capital reserve \$'000	Revenue reserve \$'000	Foreign currency translation reserve \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2017	267,504	244	(1,795)	300,225	(38,322)	(2,469)	525,387
Net profit for the period	-	-	-	7,450	-	89	7,539
<u>Other comprehensive income</u>							
Currency translation arising on consolidation	-	-	-	-	371	(3)	368
Share of other comprehensive income of joint venture	-	-	-	-	266	-	266
Other comprehensive income for the period, net of tax	-	-	-	-	637	(3)	634
Total comprehensive income for the period	-	-	-	7,450	637	86	8,173
<u>Contributions by and distributions to owners</u>							
Transfer to other payables	-	-	-	-	-	(132)	(132)
Total transactions with owners in their capacity as owners	-	-	-	-	-	(132)	(132)
Balance at 30 September 2017	<u>267,504</u>	<u>244</u>	<u>(1,795)</u>	<u>307,675</u>	<u>(37,685)</u>	<u>(2,515)</u>	<u>533,428</u>
 Balance at 1 July 2016	263,087	244	-	231,736	(38,590)	6,349	462,826
Net profit/(loss) for the period	-	-	-	19,364	-	(289)	19,075
<u>Other comprehensive income</u>							
Currency translation arising on consolidation	-	-	-	-	4,138	81	4,219
Share of other comprehensive income of joint venture	-	-	-	-	(325)	-	(325)
Other comprehensive income for the period, net of tax	-	-	-	-	3,813	81	3,894
Total comprehensive income for the period	-	-	-	19,364	3,813	(208)	22,969
<u>Contributions by and distributions to owners</u>							
Dividends - Cash	-	-	-	(5,955)	-	(829)	(6,784)
Total transactions with owners in their capacity as owners	-	-	-	(5,955)	-	(829)	(6,784)
Balance at 30 September 2016	<u>263,087</u>	<u>244</u>	<u>-</u>	<u>245,145</u>	<u>(34,777)</u>	<u>5,312</u>	<u>479,011</u>

1(d)(i)

Company	Share capital \$'000	Revenue reserve \$'000	Total equity \$'000
Balance at 1 July 2017	267,504	36,256	303,760
<i>Net profit for the period, representing total comprehensive income for the period</i>	-	1,791	1,791
Balance at 30 September 2017	267,504	38,047	305,551
Balance at 1 July 2016	263,087	27,052	290,139
<i>Net profit for the period, representing total comprehensive income for the period</i>	-	4,001	4,001
<u>Contributions by and distributions to owners</u>			
Dividends - Cash	-	(5,619)	(5,619)
Total transactions with owners in their capacity as owners	-	(5,619)	(5,619)
Balance at 30 September 2016	263,087	25,434	288,521

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

Since 30 June 2017 up to 30 September 2017, there has been no change to the issued and paid-up share capital of the Company.

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

	<u>As at 30/09/2017</u>	<u>As at 31/12/2016</u>
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:**

	3rd Quarter ended	
	<u>30/09/2017</u>	<u>30/09/2016</u>
Basic and Diluted EPS	1.3 cents	3.4 cents
<u>Number of shares used for the calculation of Basic and Diluted EPS:</u>		
Weighted average number of ordinary shares in issue	562,182,000	561,676,000

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:**

	<u>As at 30/09/2017</u>	<u>As at 31/12/2016</u>
Group	94.8 cents	93.8 cents
QAF Limited	54.0 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

3Q 2017 vs 3Q 2016

Group revenue decreased marginally by \$0.8m to \$211.6 million for the third quarter ended 30 September 2017 ("3Q 2017") from \$212.4 million for third quarter ended 30 September 2016 ("3Q 2016").

The Group's Bakery segment achieved overall increase in sales. In particular, Gardenia Bakeries (Philippines) Inc ("GBPI"), achieved higher sales through the successful launch of new products and increased market penetration while Bakers Maison Pty Ltd ("BMA"), the Group's bakery operations in Australia, also achieved more revenue through better market penetration. The bakery operations in Singapore/Johor was affected by start-up issues in the new Johor plant, resulting in marginal decrease in sales. Profitability in the Bakery segment was lower as compared to 3Q 2016 mainly because of higher operating costs. Amortisation and Depreciation increased by \$0.5 million as a result of additional bakery production lines and facilities. GBPI's Advertising and Promotion expense rose by \$1.9 million due to the launch of new products and a concerted response to heightened competition in the Philippines following the entry of a major competitor. The Group's bakery operation in China, Gardenia Food (Fujian) Co Ltd, achieved reduced loss for 3Q 2017 against 3Q 2016, by about \$0.9 million. On an overall basis, the Group's Bakery segment, including the Group's Joint Venture, Gardenia Bakeries (KL) Sdn Bhd ("GBKL"), has shown significant improvement in performance as compared to the second quarter ended 30 June 2017 ("2Q 2017").

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. Rivalea had faced increased competition from the general oversupply situation in the industry and experienced significant pressure on selling prices. The lower selling prices experienced by Rivalea led to a significant drop in its Profit Before Taxation ("PBT") from \$10.0 million in 3Q 2016 to \$0.7 million in 3Q 2017, and is the main reason for the Group's reduced profitability for 3Q 2017 compared against 3Q 2016.

The Group's Trading & Logistics business segment achieved higher sales and profitability compared to 3Q 2016.

Staff Costs increased by 8% or \$3.7 million to \$50.1 million in 3Q 2017 due to higher Australian Dollar ("AUD") exchange rates used in translating Rivalea expenses, and higher headcount in the Group's bakery operations in the Philippines and Australia. Amortisation and Depreciation increased by 9% or \$0.7 million to \$8.3 million in 3Q 2017, mainly due to additional bakery production lines and facilities. Utilities increased mainly due to higher usage by GBPI and Rivalea.

Advertising and Promotion expense increased by 81% or \$1.9 million mainly attributable to GBPI as stated above.

Other Operating Expenses increased by 19% to \$17.6 million in 3Q 2017. The increase was due to one-off legal, professional and other expenses relating mainly to the Group's strategic review of its options in relation to the primary production business in Australia. GBPI and BMA had incurred higher Distribution and Transportation expense in 3Q 2017 as they increased market penetration. The Group recorded Foreign Exchange Gain of \$0.3 million in 3Q 2017 as compared to Foreign Exchange Loss of \$0.4 million in 3Q 2016. This gain is due to the appreciation of the Group's AUD denominated assets against the Singapore dollar in 3Q 2017.

Despite higher Group's borrowings, Group Finance Costs (interest expense) decreased by 24% to \$0.8 million in 3Q 2017 from \$1.0 million in 3Q 2016, as most of the increase in borrowings related to the construction of new bakery production lines and facilities and the related interest expense was capitalised as part of the asset cost during the construction period.

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

INCOME STATEMENT (cont'd)

3Q 2017 vs 3Q 2016 (cont'd)

The Group's Share of Profits of Joint Venture decreased marginally by 4% to \$2.6 million in 3Q 2017 from \$2.7 million in 3Q 2016. GBKL, the Joint Venture, has shown significant improvement in performance as compared to 2Q 2017.

Group PBT decreased by 57% from \$22.0 million for 3Q 2016 to \$9.6 million for 3Q 2017. The decline is mainly attributable to the Group's Primary Production segment, Rivalea, which was 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 60% to \$7.5 million for 3Q 2017 as compared to \$19.1 million for 3Q 2016. Group Taxation decreased by 31% to \$2.0 million for 3Q 2017 as compared to \$2.9 million for 3Q 2016 in line with the reduced profitability in the Group's operations.

Group Profit Attributable to Owners of the Parent ("PATMI") decreased by 62% to \$7.5 million for 3Q 2017 as compared to \$19.4 million for 3Q 2016.

Group Total Comprehensive Income Attributable to Owners of the Parent decreased by 65% to \$8.1 million for 3Q 2017 as compared to \$23.2 million for 3Q 2016.

STATEMENT OF FINANCIAL POSITION

Inventories declined by 12% to \$53.0 million as at the end of 3Q 2017 from \$60.2 million as at the end of the financial year ended 31 December 2016 ("FYE 2016") due mainly to lower inventory holdings in the Trading & Logistics business segment, as these inventories were sold.

Other Receivables decreased by 25% to \$24.8 million as at the end of 3Q 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. The reduction was partly offset by down-payments made by the Group for its purchases of new bakery assets.

Short-Term Investments relate to the Company's and the Group's investments in bonds and market-linked notes. Short-Term Investments decreased by 63% to \$1.5 million as at the end of 3Q 2017 due to redemption upon maturity.

Trade Payables decreased by 21% to \$51.4 million as at the end of 3Q 2017 due to the payment of balances owed to creditors resulting from seasonal highs as at end of FYE 2016.

Other Current Payables increased by 18% to \$69.9 million as at the end of 3Q 2017. The increase is largely due to the recognition of the liability to acquire the non-controlling interest in one of the partly owned subsidiary, as well as payables for new bakery assets.

Total Long-Term Borrowings increased by 33% to \$71.4 million as at the end of 3Q 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 continue 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 Advertising and Promotion and distribution costs in certain markets. Staff Costs, Utilities, Amortisation and Depreciation are expected to increase as a result of increased production activities and new production facilities.

In the bakery business, whilst revenue is expected to increase in the fourth quarter ending 31 December 2017 ("4Q 2017") compared to fourth quarter ended 31 December 2016, profitability may be affected by increasing costs. As a concerted response to heightened competition, the Group is expected to continue to incur higher Advertising and Promotion, Distribution and Transportation expenses, particularly in the Philippines and Singapore.

The Group's Trading & Logistics business segment is expected to record better profitability for the financial year ending 31 December 2017 ("FYE 2017") compared to the financial year ended 31 December 2016, barring any unforeseen circumstances.

In connection with the proposed listing of the Primary Production business, Rivalea has made forecasts relating to its operating performance for FYE 2017, including a proforma forecast Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") of approximately A\$26.7 million, proforma forecast PBT of approximately A\$15.9 million and proforma forecast PAT of approximately A\$11.3 million. The forecasts had been made based on certain assumptions. On 7 November 2017, the Company announced that the proposed listing of the Primary Production business on the Australian Securities Exchange will be put on hold. To-date, the Group has incurred costs in relation to the exercise of approximately S\$3.8 million.

11. Dividends

(a) Current financial period reported on	
Any dividend declared?	No
(b) Previous corresponding period	
Any dividend declared?	No
(c) Date payable	N.A.
(d) Book closing date	N.A.

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

No dividend has been declared/recommendeded during the three months ended 30 September 2017.

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 3rd quarter ended 30 September 2017 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (S\$'000)
Salim Group - Sale of unsold and returned bread	258
Salim Group - Purchase of raw materials, including flour	984
TOTAL	1,242

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 September 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
10 November 2017