QAF Limited

(Company Registration No : 195800035D)

First Quarter Unaudited Financial Statements for the Period Ended 31 March 2018

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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 1st Quarter ended 31/03/2018 S$'000	*(Restated) 31/03/2017 S$'000	+ / (-) %
Revenue	196,589	207,893	(5)
Costs and expenses			
Costs of materials	102,932	104,959	(2)
Staff costs	48,383	49,342	(2)
Amortisation and depreciation	8,958	7,730	16
Repairs and maintenance	5,906	5,609	5
Utilities	6,344	5,515	15
Advertising and promotion	3,509	2,597	35
Other operating expenses	18,218	15,189	20
Total costs and expenses	194,250	190,941	2
Profit from operating activities	2,339	16,952	(86)
Finance costs	(955)	(672)	42
Share of profits of joint venture	2,919	2,335	25
Profit before taxation	4,303	18,615	(77)
Taxation			
- Current period	(1,401)	(4,616)	(70)
- Overprovision in prior periods	124	36	244
	(1,277)	(4,580)	(72)
Profit after taxation	3,026	14,035	(78)
Attributable to:			
Owners of the parent	3,041	14,356	(79)
Non-controlling interests	(15)	(321)	(95)
	3,026	14,035	(78)

n.m. = not meaningful

* Relates to retrospective effects upon application of Singapore Financial Reporting Framework (International) ("SFRS(I)") and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* (see Section 5 for further details).

(i) Statement of Comprehensive Income

	Group	
	1st Quarter ended	
		* (Restated)
	31/03/2018	31/03/2017
	S$'000	S$'000
Profit after taxation	3,026	14,035
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
- Currency translation arising on consolidation	(6,405)	(273)
- Share of other comprehensive income of joint venture	2,091	(1,437)
Other comprehensive income for the period, net of tax	(4,314)	(1,710)
Total comprehensive income for the period	(1,288)	12,325
Total comprehensive income attributable to:		
Owners of the parent	(1,124)	12,586
Non-controlling interests	(164)	(261)
	(1,288)	12,325

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		
	1st Quarter ended		+ / (-)
		*(Restated)	
	31/03/2018	31/03/2017	%
	S$'000	S$'000	
Other income including interest income	1,288	936	38
Other Operating Expenses which include the following:			
Operating lease rental expense	(3,811)	(3,296)	16
Distribution and transportation expense	(2,296)	(2,125)	8
Foreign exchange (loss)/gain, net	(1,846)	923	n.m.
Legal and professional fees	(805)	(502)	60
Allowance for inventories charged and inventories written off, net	(241)	(826)	(71)
Allowance for doubtful receivables charged and bad debts written off, net	(121)	(135)	(10)
Gain on disposal of property, plant & equipment and investment properties	277	5	5,440

* Relates to retrospective effects upon application of Singapore Financial Reporting Framework (International) ("SFRS(I)") and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* (see Section 5 for further details).

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:-

Statements of Financial Position	**Group**			**Company**	
		* (Restated)	* (Restated)		* (Restated)
(in Singapore Dollars)	31/03/2018	31/12/2017	1/1/2017	31/03/2018	31/12/2017
	S$'000	S$'000	S$'000	S$'000	S$'000
Current assets					
Biological assets	58,180	57,245	60,803	-	-
Inventories	64,325	69,361	60,159	-	-
Trade receivables	93,687	97,292	96,910	-	-
Other receivables	23,477	22,804	33,121	51,665	53,516
Tax recoverable	1,544	1,518	1,245	-	-
Short-term investments	1,009	-	3,968	1,009	-
Cash and cash equivalents	101,288	136,454	104,903	48,958	54,224
	343,510	384,674	361,109	101,632	107,740
Non-current assets					
Property, plant & equipment	310,238	317,448	289,585	4,112	4,147
Investment properties	17,823	17,872	18,248	-	-
Subsidiaries	-	-	-	100,132	100,132
Advances to subsidiaries	-	-	-	131,774	128,445
Joint venture	80,823	75,813	76,318	-	-
Pension assets	2,532	2,620	2,654	-	-
Long-term investments	5,857	6,892	7,226	5,833	6,866
Intangibles	142	-	-	1,272	1,319
Deferred tax assets	15,822	16,140	17,267	-	-
	433,237	436,785	411,298	243,123	240,909
Total assets	776,747	821,459	772,407	344,755	348,649
Current liabilities					
Trade payables	58,913	73,376	65,188	182	85
Other payables	61,334	71,596	59,007	7,909	9,886
Short-term borrowings	41,018	44,154	32,642	-	-
Long-term borrowings - current portion	5,936	6,268	2,456	-	-
Provision for taxation	3,992	4,030	6,099	1,056	1,131
	171,193	199,424	165,392	9,147	11,102
Non-current liabilities					
Other payables	14,744	15,218	15,241	6,435	6,665
Long-term borrowings	48,343	62,715	51,128	-	-
Deferred tax liabilities	13,186	13,541	12,494	1,506	1,545
	76,273	91,474	78,863	7,941	8,210
Total liabilities	247,466	290,898	244,255	17,088	19,312
Net assets	529,281	530,561	528,152	327,667	329,337
Capital and reserves					
Share capital	272,009	272,009	263,087	272,009	272,009
Reserves	263,795	264,919	263,980	55,658	57,328
Equity attributable to owners of the parent	535,804	536,928	527,067	327,667	329,337
Non-controlling interests	(6,523)	(6,367)	1,085	-	-
Total equity	529,281	530,561	528,152	327,667	329,337

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

* Relates to retrospective effects upon application of Singapore Financial Reporting Framework (International) ("SFRS(I)") and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* (see Section 5 for further details).

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 31/03/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
23,669	23,285	23,498	26,924

(b) Amount repayable after one year

As at 31/03/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
12,288	36,055	13,170	49,545

(c) Details of any collaterals

At the end of the financial period, property, plant & equipment and inventories with total net book values of $39,074,000 (as at 31/12/2017: $39,695,000) 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	
	1st Quarter ended	
		* (Restated)
Statement of Cash Flows	31/03/2018	31/03/2017
(in Singapore Dollars)	S$'000	S$'000
Cash flows from operating activities:		
Profit before taxation	4,303	18,615
Adjustments for:		
Amortisation and depreciation	8,958	7,730
Gain on disposal of property, plant & equipment and investment properties	(277)	(5)
Share of profits of joint venture	(2,919)	(2,335)
Fair value changes on biological assets	-	645
Allowance for doubtful receivables charged and bad debts written off, net	121	135
Interest expense	955	672
Interest income	(439)	(237)
Exchange differences	1,671	(1,032)
Operating profit before working capital changes	12,373	24,188
Decrease in trade and other receivables	677	9,610
Decrease in inventories and biological assets	701	6,833
Decrease in trade and other payables	(18,296)	(15,975)
Cash (used in)/from operations	(4,545)	24,656
Interest paid, net	(514)	(421)
Income tax paid	(2,015)	(1,752)
Net cash (used in)/from operating activities	**(7,074)**	**22,483**
Cash flows from investing activities:		
Purchase of property, plant & equipment and investment properties	(10,421)	(19,244)
Proceeds from disposal of property, plant & equipment and investment properties	393	407
Purchase of intangibles	(150)	-
Dividends received from joint venture	-	6,452
Receipt of final tranche from sale of interest in a subsidiary company in prior year	-	6,314
Net cash used in investing activities	**(10,178)**	**(6,071)**
Cash flows from financing activities:		
Proceeds from borrowings	-	7,795
Repayment of borrowings	(15,629)	(4,429)
Repayment of finance lease liabilities	(136)	(206)
Proceeds from long-term loans from non-controlling interests	450	281
Payment of remaining consideration for acquisition of non-controlling interest share in a subsidiary company	(590)	-
Net cash (used in)/from financing activities	**(15,905)**	**3,441**
Net (decrease)/increase in cash and cash equivalents	(33,157)	19,853
Cash and cash equivalents at beginning of period	136,454	104,903
Effect of exchange rate changes on cash and cash equivalents	(2,009)	(86)
Cash and cash equivalents at end of period	101,288	124,670

* Relates to retrospective effects upon application of Singapore Financial Reporting Framework (International) ("SFRS(I)") and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* (see Section 5 for further details).

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	Fair value reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2018								
- as previously reported	272,009	244	(2,410)	64	303,479	(36,458)	(6,367)	530,561
- effects of adopting SFRS(I) 1	-	-	-	-	(36,139)	36,139	-	-
- effects of adopting SFRS(I) 9	-	-	-	333	(333)	-	-	-
- as restated	272,009	244	(2,410)	397	267,007	(319)	(6,367)	530,561
Total comprehensive income for the period								
Net profit/(loss) for the period	-	-	-	-	3,041	-	(15)	3,026
Other comprehensive income								
Currency translation arising on consolidation	-	-	-	-	-	(6,256)	(149)	(6,405)
Share of other comprehensive income of joint venture	-	-	-	-	-	2,091	-	2,091
Other comprehensive income for the period, net of tax	-	-	-	-	-	(4,165)	(149)	(4,314)
Total comprehensive income for the period	-	-	-	-	3,041	(4,165)	(164)	(1,288)
Contributions by and distributions to owners								
Transfer to other payables	-	-	-	-	-	-	8	8
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	8	8
Balance at 31 March 2018	272,009	244	(2,410)	397	270,048	(4,484)	(6,523)	529,281
Balance at 1 January 2017								
- as previously reported	263,087	244	-	-	300,421	(36,685)	1,085	528,152
- effects of adopting SFRS(I) 1	-	-	-	-	(36,685)	36,685	-	-
- as restated	263,087	244	-	-	263,736	-	1,085	528,152
Net profit/(loss) for the period	-	-	-	-	14,356	-	(321)	14,035
Other comprehensive income								
Currency translation arising on consolidation	-	-	-	-	-	(333)	60	(273)
Share of other comprehensive income of joint venture	-	-	-	-	-	(1,437)	-	(1,437)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(1,770)	60	(1,710)
Total comprehensive income for the period	-	-	-		14,356	(1,770)	(261)	12,325
Balance at 31 March 2017	263,087	244	-	-	278,092	(1,770)	824	540,477

1(d)(i)

Company	Share capital $'000	Fair value reserve $'000	Revenue reserve $'000	Total equity $'000
Balance at 1 January 2018				
- as previously reported	272,009	64	57,264	329,337
- effects of adopting SFRS(I) 9	-	333	(333)	-
- as restated	272,009	397	56,931	329,337
Net profit for the period, representing total comprehensive income for the period	-	-	(1,670)	(1,670)
Total comprehensive income for the	-	-	(1,670)	(1,670)
Balance at 31 March 2018	272,009	397	55,261	327,667
Balance at 1 January 2017	263,087	-	55,746	318,833
Net profit for the period, representing total comprehensive income for the period	-	-	2,727	2,727
Balance at 31 March 2017	263,087	-	58,473	321,560

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

Since 31 December 2017 up to 31 March 2018, 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.

	As at 31/03/2018	As at 31/12/2017
Total number of issued shares (excluding treasury shares)	569,216,421	569,216,421

No treasury shares are 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.

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. Accordingly, the Group has adopted SFRS(I) on 1 January 2018.

On transition to SFRS(I), the Group elected the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group reclassified an amount of $36,685,000 of foreign currency translation reserve to the opening revenue reserve as at 1 January 2017.

Other than the effects of the matter as described above and the impact on adoption of the SFRS(I) 9 and SFRS(I) 15 that are effective on 1 January 2018, the adoption of SFRS(I) is currently assessed to have no material impact on the financial statements in the year of initial application.

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.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group adopted the new standard on the required effective date without restating prior periods' information and recognised any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening revenue reserve.

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has applied the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. As such, the comparative 2017 figures in this report is not comparable to previously announced 2017 figures

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:

	1st Quarter ended	
		(Restated)
	31/03/2018	31/03/2017
Basic and Diluted EPS	0.5 cents	2.6 cents
Number of shares used for the calculation of Basic and Diluted EPS:		
Weighted average number of ordinary shares in issue	569,216,000	561,855,000

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 31/03/2018	As at 31/12/2017
Group	94.1 cents	94.3 cents
QAF Limited	57.6 cents	57.9 cents
Number of shares used for the calculation of Net asset value:	569,216,421	569,216,421

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

	Revenue			EBITDA			EBITDA margin	
	1Q 2018	1Q 2017	+ / (-)	1Q 2018	1Q 2017	+ / (-)	1Q 2018	1Q 2017
	$'million	$'million	%	$'million	$'million	%	%	%
Segment								
Bakery	84.7	82.7	2	11.8	12.1	(2)	14	15
Primary Production	84.6	96.8	(13)	3.4	10.7	(68)	4	11
Distribution & Warehousing	25.6	27.0	(5)	0.1	1.9	(95)	0	7
Others	1.7	1.4	21	(1.5)	2.1	n.m.		
	196.6	207.9	(5)	13.8	26.8	(49)	7	13

Group revenue decreased by 5% to $196.6 million for the first quarter ended 31 March 2018 ("1Q 2018") from $207.9 million for the first quarter ended 31 March 2017 ("1Q 2017"). In constant currency terms, Group revenue would have decreased by 3% in 1Q 2018 over 1Q 2017.

Group earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased by 49% to $13.8 million for 1Q 2018 from $26.8 million for 1Q 2017 due to a decrease in Primary Production segment of $7.3 million, Distribution & Warehousing of $1.8 million and Others of $3.6m, which mainly comprises foreign exchange losses.

The Group's Bakery segment achieved overall increase in sales by 2% to $84.7 million for 1Q 2018. 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 higher revenue through better market reach. Bakers Maison (M) Sdn Bhd, which supplies bakery products to the Group's joint venture, Gardenia Bakeries (KL) Sdn Bhd ("GBKL"), achieved higher bread sales in 1Q 2018. The bakery operations in Singapore recorded a marginal decrease in sales as a result of lower market demand for white bread due to healthier eating habits. In constant currency terms, Bakery revenue would have increased by 6% in 1Q 2018 over 1Q 2017.

Bakery segment EBITDA decreased by 2%, from $12.1 million for 1Q 2017 to $11.8 million for 1Q 2018. Profitability in the Bakery segment was affected by higher operating cost (including costs of $0.6 million incurred in connection with upgrading of older facilities at the Singapore bakery plants). Higher advertising and promotional expenses were incurred by the Group, in particular GBPI for the launch of new products and as a result of concerted response to heightened competition in the Philippines following the entry of a major competitor.

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

INCOME STATEMENT (cont'd)

In the Primary Production segment, Rivalea Limited ("Rivalea"), the Group's integrated producer of meat located in Australia, revenue dropped by approximately 13% as a result of selling prices being lower than 1Q 2017 from the continued oversupply market condition. This cyclical factor has affected the industry as a whole since the start of 2017. For example, the market price for carcasses dropped by approximately 11% compared to 1Q 2017. Rivalea was also impacted by higher electricity prices and livestock feed costs. Accordingly, Primary Production Segment EBITDA was lower by 68% to $3.4 million for 1Q 2018. Rivalea's performance was the main reason for the drop in the Group's revenue.

Revenue for the Distribution & Warehousing business segment decreased by 5% to $25.6 million for 1Q 2018 over 1Q 2017. Domestic sales were adversely affected by the ammonia leak that occurred in the Group's warehouse at Fishery Port Road in January 2018, which led to losses of approximately $0.9 million and a decrease in Distribution & Warehousing Segment's EBITDA of $1.8 million to $0.1 million for 1Q 2018. The Group is in discussions with the insurer concerning the recovery of these losses. The Group is reinstating the refrigeration system, which is targeted for completion by third quarter 2018. The Distribution & Warehousing business segment was also impacted by higher material cost, especially in dairy prices.

The Group's amortisation and depreciation increased by 16% or $1.2 million to $9.0 million in 1Q 2018, mainly due to the completion of additional bakery production lines and facilities in the financial year ended 31 December 2017 ("FY 2017"). Utilities increased by 15% or $0.8 million to $6.3 million in 1Q 2018 due mainly to a 39% increase in Rivalea's electricity and gas prices. Advertising and promotion expenses increased by 35% to $3.5 million in 1Q 2018 mainly due to GBPI.

The Group's other operating expenses increased by 20% or $3.0 million to $18.2 million in 1Q 2018 as compared to $15.2 million in 1Q 2017. The Group recorded foreign exchange loss of $1.8 million in 1Q 2018 as compared to foreign exchange gain of $0.9 million in 1Q 2017. This loss was mainly due to the depreciation of the Group's AUD denominated intercompany loans against the Singapore dollar in 1Q 2018.

Group finance costs (interest expense) increased by 42% to $1.0 million in 1Q 2018 from $0.7 million in 1Q 2017 due to higher Group's borrowings.

The Group's share of profits of joint venture increased by 25% to $2.9 million in 1Q 2018 from $2.3 million in 1Q 2017, due to the recognition of tax incentives by GBKL from its new bakery plant that is scheduled for completion by July 2018.

Group profit before taxation ("PBT") decreased by 77% from $18.6 million for 1Q 2017 to $4.3 million for 1Q 2018. The decline was mainly attributable to Rivalea and, to a smaller extent, to the foreign exchange loss of $1.8 million recorded in 1Q 2018, losses of $1.5 million in connection with the ammonia leak in the Group's warehouse at Fishery Port Road and the upgrading of older bakery facilities; and higher advertising and promotion expenses. Excluding the foreign exchange losses of $1.8 million and losses of $1.5 million in connection with the ammonia leak in the Group's warehouse at Fishery Port Road and the upgrading of older bakery facilities, the underlying earnings would have been $8.0 million representing a 58% year-on-year decline from 1Q 2017 of $18.8 million.

Group profit after taxation ("PAT") decreased by 78% to $3.0 million for 1Q 2018 as compared to $14.0 million for 1Q 2017. Group Taxation decreased by 72% to $1.3 million for 1Q 2018 as compared to $4.6 million for 1Q 2017 in line with the reduced profitability in the Group's operations.

Group profit attributable to owners of the parent ("PATMI") decreased by 79% to $3.0 million for 1Q 2018 as compared to $14.4 million for 1Q 2017.

STATEMENT OF FINANCIAL POSITION

Trade payables decreased by 20% to $58.9 million as at end of 1Q 2018 due mainly to the settlement of unpaid grain purchases.

Other current payables decreased by 14% or $10.3 million to $61.3 million as at end of 1Q 2018, due to the payment of balances owed to creditors.

Total long-term borrowings decreased by 21% to $54.3 million as at end of 1Q 2018 due to the partial repayment of loans.

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.

As stated in the annual report for FY 2017, the Group is pursuing sustainable long term growth in the midst of industry challenges. Under the new management which joined in FY 2017, the Group intends to continue in FY 2018 to focus on achieving a balance between long term growth and earnings so as to attain growth in revenue and profitability on a more sustainable basis. For example:

(a) The Group is expanding its production capacity for bakery in the Philippines and Malaysia with a committed capital expenditure of $156 million for FY 2017 and FY 2018. The new bakery plants are expected to be completed in FY2018.

(b) The Group has also embarked on a plan to improve operational efficiency such as the upgrading of older facilities and expenditure of $9.1 million is expected to be incurred in FY 2018. This plan is an ongoing exercise.

(c) To counter increasing competition, the Group is continuing to grow its brand equity by investing in marketing and promotion, expanding the Group's distribution networks and capitalising on the synergy existing in such networks and in the Philippines, in particular growing its franchise business.

(d) The Group is in discussions with potential partners to set up bakery joint ventures in the region and is expanding its distribution segment in the Philippines and exploring distribution opportunities in China.

This strategy will require significant investments which the Group is in the position to fund through its internal resources and bank borrowings given its strong balance sheet and cash reserves of approximately $100 million as at 31 March 2018. However, the Group's expansion capital expenditure in 2019 is expected to be lower following the completion of major bakery plants which are expected to generate higher revenue.

The Primary Production segment is expected to remain challenging this year because the business model which has been in existence for more than 40 years is substantially commodity-based. This exposure to commodity markets and unbranded sales exceeds 80%. This business model has an inherent volatility risk, i.e. it is susceptible to fluctuations in industry market prices. For example, the market price for carcasses fell 7% since the beginning of the year. Operating expenses are also expected to increase, in particular feed and energy costs, and possibly higher environmental compliance cost. As the Group's investment in Rivalea is denominated in Australian dollars, the Group will be subject to foreign currency translation volatility.

Notwithstanding recent industry and pricing volatility, Rivalea, being Australia's largest pork producer with an experienced and long-standing senior management team, is well positioned to pursue growth. Rivalea is undertaking a review of its business model so as to grow the sales of its branded processed pork products and animal feed. These segments contributed approximately 16% of its revenue in FY 2017. Rivalea is also pursuing more export sales. This diversification will require investment in particular, increased advertising and promotion expenses. Rivalea is working to expand upon its biogas production capabilities with a second electricity generator expected to come online in late 2018 to further defray electricity costs. The Group is continuing to explore strategic options for its investment in Rivalea, however the proposed IPO is still put on hold because of adverse market conditions.

In the Distribution & Warehousing segment, the domestic distribution business was adversely affected by the ammonia leak that occurred in the Group's warehouse. The stop work order on the warehouse premises arising from the ammonia leak has been lifted by the Ministry of Manpower. The Group has commenced reinstatement of the refrigeration system and is targeting for completion by third quarter 2018. The aggregate additional expenditure in respect of the reinstatement of the Group's warehouse and upgrading of the Singapore bakery plants is expected to be approximately $9.1 million. The impact on the Group's profit and loss is expected to be approximately $3.3 million for the financial year ending 31 December 2018, of which approximately $1.8 million will be recorded in the subsequent two quarters. The Group is in discussion with its insurer to recover costs associated with the ammonia leak.

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/recommended during the three months ended 31 March 2018.

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 1st quarter ended 31 March 2018 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) (S$'000)
Salim Group [1] - Sale of unsold and returned bread	239
Salim Group - Purchase of raw materials, including flour	3,558
TOTAL	3,797

(1) Salim Group refers to Mr Anthoni Salim and the group of companies controlled by him or, if the context requires, Mr Anthoni Salim. Mr Anthoni Salim is an immediate family member of Mr Andree Halim.

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

To the best of its knowledge, nothing has come to the attention of the Board of Directors which may render the Unaudited Financial Statements for the three months ended 31 March 2018 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 May 2018