QAF Limited

(Company Registration No : 195800035D)

Second Quarter Unaudited Financial Statements for the Period Ended 30 June 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	Group					
(in Singapore Dollars)	2nd Quarter ended			1st Half Year ended		
		*(Restated)			*(Restated)	
	30/06/2018	30/06/2017	+ / (-)	30/06/2018	30/06/2017	+ / (-)
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	199,298	202,681	(2)	395,887	410,574	(4)
Costs and expenses						
Costs of materials	109,049	101,777	7	211,981	206,736	3
Staff costs	48,770	49,600	(2)	97,153	98,942	(2)
Amortisation and depreciation	9,040	7,861	15	17,998	15,591	15
Repairs and maintenance	5,834	5,695	2	11,740	11,304	4
Utilities	6,743	6,074	11	13,087	11,589	13
Advertising and promotion	2,707	2,863	(5)	6,216	5,460	14
Other operating expenses	16,293	17,013	(4)	34,511	32,202	7
Total costs and expenses	198,436	190,883	4	392,686	381,824	3
Profit from operating activities	862	11,798	(93)	3,201	28,750	(89)
Finance costs	(841)	(697)	21	(1,796)	(1,369)	31
Share of profits of joint venture	1,243	457	172	4,162	2,792	49
Profit before taxation	1,264	11,558	(89)	5,567	30,173	(82)
Taxation						
- Current period	(210)	(3,662)	(94)	(1,611)	(8,278)	(81)
- Overprovision in prior periods	51	121	(58)	175	157	11
	(159)	(3,541)	(96)	(1,436)	(8,121)	(82)
Profit after taxation	1,105	8,017	(86)	4,131	22,052	(81)
Attributable to:						
Owners of the parent	1,161	8,195	(86)	4,202	22,551	(81)
Non-controlling interests	(56)	(178)	(69)	(71)	(499)	(86)
	1,105	8,017	(86)	4,131	22,052	(81)

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			
	2nd Quarter ended		1st Half Year ended	
		*(Restated)		*(Restated)
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	S$'000	S$'000	S$'000	S$'000
Profit after taxation	1,105	8,017	4,131	22,052
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
- Currency translation arising on consolidation	1,082	(1,398)	(5,323)	(1,671)
- Share of other comprehensive income of joint venture	(237)	1,210	1,854	(227)
Other comprehensive income for the period, net of tax	845	(188)	(3,469)	(1,898)
Total comprehensive income for the period	1,950	7,829	662	20,154
Total comprehensive income attributable to:				
Owners of the parent	1,944	8,055	820	20,641
Non-controlling interests	6	(226)	(158)	(487)
	1,950	7,829	662	20,154

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					
	2nd Quarter ended		+ / (-)	1st Half Year ended		+ / (-)
		*(Restated)			*(Restated)	
	30/06/2018	30/06/2017	%	30/06/2018	30/06/2017	%
	S$'000	S$'000		S$'000	S$'000	
Other income including interest income	957	1,516	(37)	2,245	2,452	(8)
Other Operating Expenses which include the following:						
Operating lease rental expense	(4,059)	(3,374)	20	(7,870)	(6,670)	18
Distribution and transportation expense	(2,371)	(2,602)	(9)	(4,667)	(4,727)	(1)
Foreign currency translation gain/(loss), net	603	(1,067)	n.m.	(1,243)	(144)	763
Legal and professional fees	(631)	(734)	(14)	(1,436)	(1,236)	16
Allowance for inventories charged and inventories written off, net	(146)	(279)	(48)	(387)	(1,105)	(65)
Allowance for doubtful receivables charged and bad debts written off, net	(150)	(100)	50	(271)	(235)	15
Gain/(loss) on disposal of property, plant & equipment and investment properties	106	(23)	n.m.	383	(18)	n.m.

* 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)	30/06/2018	31/12/2017	1/1/2017	30/06/2018	31/12/2017
	S$'000	S$'000	S$'000	S$'000	S$'000
Current assets					
Biological assets	59,894	57,245	60,803	-	-
Inventories	60,135	69,361	60,159	-	-
Trade receivables	89,887	97,292	96,910	-	-
Other receivables	28,889	22,804	33,121	50,901	53,516
Tax recoverable	1,811	1,518	1,245	-	-
Short-term investments	1,714	-	3,968	1,714	-
Cash and cash equivalents	74,459	136,454	104,903	22,762	54,224
	316,789	384,674	361,109	75,377	107,740
Non-current assets					
Property, plant & equipment	322,149	317,448	289,585	4,094	4,147
Investment properties	19,816	17,872	18,248	-	-
Subsidiaries	-	-	-	100,132	100,132
Advances to subsidiaries	-	-	-	138,543	128,445
Joint venture	81,829	75,813	76,318	-	-
Pension assets	2,534	2,620	2,654	-	-
Long-term investments	5,152	6,892	7,226	5,128	6,866
Intangibles	138	-	-	1,225	1,319
Deferred tax assets	17,372	16,140	17,267	-	-
	448,990	436,785	411,298	249,122	240,909
Total assets	765,779	821,459	772,407	324,499	348,649
Current liabilities					
Trade payables	60,032	73,376	65,188	136	85
Other payables	63,634	71,596	59,007	8,141	9,886
Short-term borrowings	44,403	44,154	32,642	-	-
Long-term borrowings - current portion	4,572	6,268	2,456	-	-
Provision for taxation	2,976	4,030	6,099	927	1,131
	175,617	199,424	165,392	9,204	11,102
Non-current liabilities					
Other payables	14,715	15,218	15,241	6,205	6,665
Long-term borrowings	52,717	62,715	51,128	-	-
Deferred tax liabilities	12,923	13,541	12,494	1,467	1,545
	80,355	91,474	78,863	7,672	8,210
Total liabilities	255,972	290,898	244,255	16,876	19,312
Net assets	509,807	530,561	528,152	307,623	329,337
Capital and reserves					
Share capital	273,403	272,009	263,087	273,403	272,009
Reserves	242,970	264,919	263,980	34,220	57,328
Equity attributable to owners of the parent	516,373	536,928	527,067	307,623	329,337
Non-controlling interests	(6,566)	(6,367)	1,085	-	-
Total equity	509,807	530,561	528,152	307,623	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 30/06/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
20,311	28,664	23,498	26,924

(b) Amount repayable after one year

As at 30/06/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
11,800	40,917	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 $34,925,000 (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	
	2nd Quarter ended	
		* (Restated)
Statement of Cash Flows	30/06/2018	30/06/2017
(in Singapore Dollars)	S$'000	S$'000
Cash flows from operating activities:		
Profit before taxation	1,264	11,558
Adjustments for:		
Amortisation and depreciation	9,040	7,861
(Gain)/loss on disposal of property, plant & equipment and investment properties	(106)	23
Share of profits of joint venture	(1,243)	(457)
Fair value changes on biological assets	824	(720)
Allowance for doubtful receivables charged and bad debts written off, net	150	100
Interest expense	841	697
Interest income	(412)	(504)
Exchange differences	(499)	810
Operating profit before working capital changes	9,859	19,368
(Increase)/decrease in trade and other receivables	(1,295)	2,524
Decrease in inventories and biological assets	1,814	1,114
Increase in trade and other payables	3,872	2,196
Cash from operations	14,250	25,202
Interest paid, net	(398)	(209)
Income tax paid	(3,168)	(3,773)
Net cash from operating activities	**10,684**	**21,220**
Cash flows from investing activities:		
Purchase of property, plant & equipment and investment properties	(21,308)	(13,266)
Proceeds from disposal of property, plant & equipment and investment properties	113	101
Proceeds from redemption/sale of investment securities	-	1,500
Net cash used in investing activities	**(21,195)**	**(11,665)**
Cash flows from financing activities:		
Dividends paid during the period	(21,375)	(18,057)
Dividends paid to non-controlling interests	(1,634)	-
Proceeds from borrowings	11,835	10,141
Repayment of borrowings	(5,430)	(54)
Repayment of finance lease liabilities	(134)	-
Net cash used in financing activities	**(16,738)**	**(7,970)**
Net (decrease)/increase in cash and cash equivalents	(27,249)	1,585
Cash and cash equivalents at beginning of period	101,288	124,670
Effect of exchange rate changes on cash and cash equivalents	420	(422)
Cash and cash equivalents at end of period	74,459	125,833

* 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:-

<u>Statement of Changes in Equity</u>
(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 April 2018	272,009	244	(2,410)	397	270,048	(4,484)	(6,523)	529,281
Total comprehensive income for the period								
Net profit/(loss) for the period	-	-	-	-	1,161	-	(56)	1,105
Other comprehensive income								
Currency translation arising on consolidation	-	-	-	-	-	1,020	62	1,082
Share of other comprehensive income of joint venture	-	-	-	-	-	(237)	-	(237)
Other comprehensive income for the period, net of tax	-	-	-	-	-	783	62	845
Total comprehensive income for the period	-	-	-	-	1,161	783	6	1,950
Transactions with owners in their capacity as owners								
Contributions by and distributions to owners								
Issuance of ordinary shares in lieu of cash dividends	1,394	-	-	-	-	-	-	1,394
Transfer to other payables	-	-	-	-	-	-	(49)	(49)
Dividends - Cash	-	-	-	-	(21,375)	-	-	(21,375)
Dividends - Scrip	-	-	-	-	(1,394)	-	-	(1,394)
Total transactions with owners in their capacity as owners	1,394	-	-	-	(22,769)	-	(49)	(21,424)
Balance at 30 June 2018	273,403	244	(2,410)	397	248,440	(3,701)	(6,566)	509,807

1(d)(i)

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 April 2017								
- as previously reported	263,087	244	-	-	314,641	(38,319)	824	540,477
- effects of adopting SFRS(I) 1	-	-	-	-	(36,549)	36,549	-	-
- as restated	263,087	244	-	-	278,092	(1,770)	824	540,477
Net profit/(loss) for the period	-	-	-	-	8,195	-	(178)	8,017
Other comprehensive income								
Currency translation arising on consolidation	-	-	-	-	-	(1,350)	(48)	(1,398)
Share of other comprehensive income of joint venture	-	-	-	-	-	1,210	-	1,210
Other comprehensive income for the period, net of tax	-	-	-	-	-	(140)	(48)	(188)
Total comprehensive income for the period	-	-	-		8,195	(140)	(226)	7,829
Transactions with owners in their capacity as owners								
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 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)	-	263,813	(1,910)	(2,469)	525,387

1(d)(i)

Company	Share capital $'000	Fair value reserve $'000	Revenue reserve $'000	Total equity $'000
Balance at 1 April 2018	272,009	397	55,261	327,667
Net profit for the period, representing total comprehensive income for the period	-	-	1,331	1,331
Contributions by and distributions to owners				
Issuance of ordinary shares in lieu of cash dividends	1,394	-	-	1,394
Dividends - Cash	-	-	(21,375)	(21,375)
Dividends - Scrip	-	-	(1,394)	(1,394)
Total transactions with owners in their capacity as owners	1,394	-	(22,769)	(21,375)
Balance at 30 June 2018	273,403	397	33,823	307,623
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

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

Since 31 March 2018 up to 30 June 2018, the issued share capital of the Company increased from 569,216,421 shares to 570,631,752 shares due to the issue of 1,415,331 ordinary shares pursuant to the application of QAF Limited Scrip Dividend Scheme in respect of the final dividend for the financial year ended 31 December 2017.

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

	As at 30/06/2018	As at 31/12/2017
Total number of issued shares (excluding treasury shares)	570,631,752	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:

	2nd Quarter ended	
		(Restated)
	30/06/2018	30/06/2017
Basic and Diluted EPS	0.2 cents	1.5 cents
Number of shares used for the calculation of Basic and Diluted EPS:		
Weighted average number of ordinary shares in issue	569,302,000	562,182,000

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 30/06/2018	As at 31/12/2017
Group	90.5 cents	94.3 cents
QAF Limited	53.9 cents	57.9 cents
Number of shares used for the calculation of Net asset value:	570,631,752	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

2Q 2018 vs 2Q 2017

	Revenue			EBITDA			EBITDA margin	
	2Q 2018 $'million	**2Q 2017 $'million**	**+ / (-) %**	**2Q 2018 $'million**	**2Q 2017 $'million**	**+ / (-) %**	**2Q 2018 %**	**2Q 2017 %**
Segment								
Bakery	81.5	81.8	(0)	9.4	10.3	(9)	12	13
Primary Production	89.8	93.7	(4)	0.5	10.0	(95)	1	11
Distribution & Warehousing	26.5	26.1	2	0.9	1.5	(40)	3	6
Others	1.5	1.1	36	(0.1)	(2.2)	(95)		
	199.3	202.7	(2)	10.7	19.6	(45)	5	10

Group revenue decreased by 2% to $199.3 million for the second quarter ended 30 June 2018 ("2Q 2018") from $202.7 million for the second quarter ended 30 June 2017 ("2Q 2017"). In constant currency terms, Group revenue decreased by 1% in 2Q 2018 over 2Q 2017.

Group earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased by 45% to $10.7 million for 2Q 2018 from $19.6 million for 2Q 2017 due to a decrease in Primary Production of $9.5 million, Bakery segment of $0.9 million, and Distribution & Warehousing of $0.6 million.

The Group's Bakery segment sales was $81.5 million for 2Q 2018, which was comparable to 2Q 2017. 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 2Q 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 increased by 2% in 2Q 2018 over 2Q 2017.

Bakery segment EBITDA decreased by 9%, from $10.3 million for 2Q 2017 to $9.4 million for 2Q 2018. Earnings in the Bakery segment was affected by higher material prices and operating costs such as higher fuel costs.

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

INCOME STATEMENT (cont'd)

2Q 2018 vs 2Q 2017 (cont'd)

Rivalea Limited ("Rivalea"), the Group's integrated producer of meat located in Australia, runs the Primary Production segment which is divided into three core businesses, namely meat production and sales (meat division), meat processing and stockfeed milling. The meat division continued to face an oversupply situation in the industry which has led to depressed selling prices for all producers, a cyclical factor affecting the whole industry. The meat division being primarily commodity-based, was inherently susceptible to fluctuations in industry market prices. Revenue dropped by approximately 4% as the company faced a continuing fall in average selling prices. Operating costs also increased with higher feed and energy costs. These conditions have led to difficult operating conditions for Rivalea, with EBITDA for 2Q 2018 falling significantly as compared to 2Q 2017. The other two divisions have performed satisfactorily. Rivalea's performance was the main reason for the drop in the Group's revenue and earnings.

Revenue for the Distribution & Warehousing business segment increased by 2% to $26.5 million for 2Q 2018 over 2Q 2017, mainly due to growth in the export business. 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 $0.8 million and a decrease in Distribution & Warehousing Segment's EBITDA of $0.6 million to $0.9 million for 2Q 2018. The Group is still in discussions with the insurer concerning the recovery of these losses. The Group has reinstated the refrigeration system. The Distribution & Warehousing business segment was also impacted by higher material cost, especially in dairy prices.

The Group's amortisation and depreciation increased by 15% or $1.2 million to $9.0 million in 2Q 2018, mainly arising from the completion of additional bakery production lines and facilities in the financial year ended 31 December 2017 ("FY 2017"). Utilities increased by 11% or $0.7 million to $6.7 million in 2Q 2018 due mainly to an increase in Rivalea's electricity and gas prices.

The Group's other operating expenses decreased by 4% or $0.7 million to $16.3 million in 2Q 2018 as compared to $17.0 million in 2Q 2017. The Group recorded foreign currency translation gain of $0.6 million in 2Q 2018 as compared to foreign currency translation loss of $1.1 million in 2Q 2017. This gain was mainly due to the appreciation of the Australian dollar (AUD) against the Singapore dollar in 2Q 2018 on the Group's AUD denominated intercompany loans.

Group finance costs (interest expense) increased by 21% to $0.8 million in 2Q 2018 from $0.7 million in 2Q 2017 due to higher Group's borrowings.

The Group's share of profits of joint venture increased by 172% to $1.2 million in 2Q 2018 from $0.5 million in 2Q 2017, due to the recognition of tax incentives by GBKL arising from the completion of the new bakery plant.

Group profit before taxation ("PBT") decreased by 89% from $11.6 million for 2Q 2017 to $1.3 million for 2Q 2018. The decline was mainly attributable to Rivalea and, to a smaller extent, to higher depreciation of $1.2 million mainly arising from the completion of additional bakery production lines and facilities and losses of $0.8 million in connection with the ammonia leak in the Group's warehouse at Fishery Port Road.

Group profit after taxation ("PAT") decreased by 86% to $1.1 million for 2Q 2018 as compared to $8.0 million for 2Q 2017. Group Taxation decreased by 96% to $0.2 million for 2Q 2018 as compared to $3.5 million for 2Q 2017 in line with the reduced profitability in the Group's operations.

Group profit attributable to owners of the parent ("PATMI") decreased by 86% to $1.2 million for 2Q 2018 as compared to $8.2 million for 2Q 2017.

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

1H 2018 vs 1H 2017

	Revenue			EBITDA			EBITDA margin	
	1H 2018	1H 2017	+ / (-)	1H 2018	1H 2017	+ / (-)	1H 2018	1H 2017
	$'million	$'million	%	$'million	$'million	%	%	%
Segment								
Bakery	166.2	164.5	1	21.2	22.4	(5)	13	14
Primary Production	174.4	190.4	(8)	3.9	20.8	(81)	2	11
Distribution & Warehousing	52.1	53.2	(2)	1.0	3.3	(70)	2	6
Others	3.2	2.5	28	(1.6)	(0.1)	n.m.		
	395.9	410.6	(4)	24.5	46.4	(47)	6	11

Group revenue decreased by 4% to $395.9 million for first half year ended 30 June 2018 ("1H 2018") from $410.6 million for the first half year ended 30 June 2017 ("1H 2017"). In constant currency terms, Group revenue was flat in 1H 2018 over 1H 2017.

Group EBITDA decreased by 47% to $24.5 million for 1H 2018 from $46.4 million for 1H 2017 due to a decrease in Primary Production segment of $16.9 million, Distribution & Warehousing segment of $2.3 million and Bakery segment of $1.2 million.

The Group's Bakery segment achieved overall increase in sales by 1% to $166.2 million for 1H 2018. In constant currency terms, Bakery revenue increased by 5% in 1H 2018 over 1H 2017. GBPI achieved higher sales through the successful launch of new products and increased market penetration while BMA also achieved higher revenue through better market reach. Bakers Maison (M) Sdn Bhd, which supplies bakery products to the Group's joint venture, GBKL, achieved higher bread sales in 1H 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.

Bakery segment EBITDA decreased by 5%, from $22.4 million for 1H 2017 to $21.2 million for 1H 2018. EBITDA in the Bakery segment was affected by higher material prices and operating costs (including costs of $0.6 million incurred in connection with upgrading of older facilities at the Singapore bakery plants).

In the Primary Production segment, Rivalea continued to face an oversupply situation in the industry which has led to depressed selling prices for all producers, a cyclical factor affecting the whole industry. The meat division being primarily commodity-based, was inherently susceptible to fluctuations in industry market prices. Revenue dropped by approximately 8% as the company faced a continuing fall in average selling prices. Operating costs also increased with higher feed and energy costs. These conditions have led to difficult operating conditions for Rivalea, with EBITDA for 1H 2018 falling significantly as compared to 1H 2017. Rivalea's performance was the main reason for the drop in the Group's revenue and earnings.

Revenue for the Distribution & Warehousing business segment decreased by 2% to $52.1 million for 1H 2018 over 1H 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 $1.7 million and a decrease in Distribution & Warehousing Segment's EBITDA of $2.3 million to $1.0 million for 1H 2018. The Group is still in discussions with the insurer concerning the recovery of these losses. The Group has reinstated the refrigeration system. The Distribution & Warehousing business segment was also impacted by higher material cost, especially in dairy prices.

The Group's amortisation and depreciation increased by 15% or $2.4 million to $18.0 million in 1H 2018, mainly arising from the completion of additional bakery production lines and facilities in FY 2017. Utilities increased by 13% or $1.5 million to $13.1 million in 1H 2018 due mainly to an increase in Rivalea's electricity and gas prices. Advertising and promotion expenses increased by 14% or $0.8 million to $6.2 million in 1H 2018 due to the launch of new products and efforts made to counter competition.

The Group's other operating expenses increased by 7% or $2.3 million to $34.5 million in 1H 2018 as compared to $32.2 million in 1H 2017. The Group recorded foreign currency translation loss of $1.2 million in 1H 2018 as compared to $0.1 million in 1H 2017. This loss was mainly due to the depreciation of the AUD against the Singapore dollar in 1H 2018 on the Group's AUD denominated intercompany loans.

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

<u>INCOME STATEMENT (cont'd)</u>

<u>1H 2018 vs 1H 2017 (cont'd)</u>

Group finance costs (interest expense) increased by 31% to $1.8 million in 1H 2018 from $1.4 million in 1H 2017 due to higher Group's borrowings.

The Group's share of profits of joint venture increased by 49% to $4.2 million in 1H 2018 from $2.8 million in 1H 2017, due to the recognition of tax incentives by GBKL arising from the completion of the new bakery plant.

Group PBT decreased by 82% from $30.2 million for 1H 2017 to $5.6 million for 1H 2018. The decline was mainly attributable to Rivalea and, to a smaller extent, to higher depreciation of $2.4 million mainly arising from the completion of additional bakery production lines and facilities and losses of $2.3 million in connection with the ammonia leak in the Group's warehouse at Fishery Port Road and the upgrading of older bakery facilities and foreign currency translation loss of $1.2 million recorded in 1H 2018. Excluding the foreign currency translation loss of $1.2 million, losses of $2.3 million in connection with the ammonia leak in the Group's warehouse at Fishery Port Road and the upgrading of older bakery facilities and fair value loss on biological assets of $0.8 million, the underlying earnings would be $10.6 million representing a 65% year-on-year decline from 1H 2017 of $30.7 million.

Group PAT decreased by 81% to $4.1 million for 1H 2018 as compared to $22.1 million for 1H 2017. Group Taxation decreased by 82% to $1.4 million for 1H 2018 as compared to $8.1 million for 1H 2017 in line with the reduced profitability in the Group's operations.

Group PATMI decreased by 81% to $4.2 million for 1H 2018 as compared to $22.6 million for 1H 2017.

<u>STATEMENT OF FINANCIAL POSITION</u>

Inventories declined by 13% or $9.2 million to $60.1 million as at end of 1H 2018, due mainly to reduction of inventory holdings in the Distribution & Warehousing and Primary Production business segments.

Other receivables increased by 27% to $28.9 million as at end of 1H 2018, largely due to increase in insurance premia, as well as higher GST receivables resulting from increase in capital expenditures.

Investment properties increased by 11% or $1.9 million as at end of 1H 2018, due to the capital additions to reinstate the Group's warehouse at Fishery Port Road which was affected by the ammonia leak in January 2018.

Short-term and long-term investments relate to the Company's investments in bonds. Certain long-term investments have been reclassified to short-term as the maturity period is now less than 1 year.

Cash and cash equivalents decreased by 45% or $62.0 million to $74.5 million as at end of 1H 2018, due mainly to payment of dividends, capital expenditure and partial repayment of loans.

Trade payables decreased by 18% or $13.3 million to $60.0 million as at end of 1H 2018 due mainly to the settlement of unpaid grain purchases.

Other current payables decreased by 11% or $8.0 million to $63.6 million as at end of 1H 2018, due to the payment of balances owed to creditors and non-controlling interests.

Total long-term borrowings decreased by 17% or $11.7 million to $57.3 million as at end of 1H 2018 due to the partial repayment of loans. Net gearing ratio as at end of 1H 2018 was 0.05 times.

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 previously, the Group is pursuing sustainable long term growth in the midst of industry challenges and continues its focus on achieving a balance between long term revenue and earnings growth on a more sustainable basis. The Group is currently focused on organic growth.

The Group continues to invest heavily in its downstream bakery business. The Group is in the position to fund such investment through its internal resources and bank borrowings given its strong balance sheet and cash reserves of approximately $74.5 million as at 30 June 2018.

However, the Group's expansion capital expenditure in 2019 is expected to be lower following the completion of major bakery plants in the Philippines and Malaysia. With the completion of these major plants, the Group's production capacity will increase significantly which should support further growth in the bakery business going forward. In Malaysia, GBKL will launch new products from its new bakery plant in 3Q 2018.

For the Primary Production segment, the meat division is expected to remain challenging this year as the oversupply condition, a cyclical factor, facing the industry is expected to continue in the second half of 2018. Prices for its commodity meat are expected to remain depressed, which are in line with industry market prices. Costs are expected to remain high, particularly feed and energy costs. The industry is also facing significant increases in insurance premia across the board. The recent international trade tensions and disputes are also expected to create uncertainties in the industry. The other smaller divisions namely meat processing under Diamond Valley Pork and stockfeed milling are expected to perform satisfactorily.

To mitigate the challenges currently facing the Primary Production segment, Rivalea has, amongst others, embarked on a strategy of increasing the sales of its branded and value added downstream products, so as to achieve less volatility in selling prices and margins. The percentage of branded products has now grown to more than 19% of its total revenue for 1H 2018 as compared to approximately 16% for 1H 2017. In July 2018, the company successfully launched a new branded product with a large supermarket chain. This product has been well received by consumers. The strategy to move towards introducing more branded and value-added products will entail an increase in advertising and promotion expenses, an investment to grow its brand equity. The company is increasing its exports of meat products to overseas markets. Rivalea is embarking on a programme to reduce overheads and other operational costs. In particular, Rivalea is working to expand upon its biogas production capabilities with a second electricity generator expected to be operational in late 2018 to further defray energy costs.

Rivalea is Australia's largest pork producer and a leading vertically integrated pork company amidst a highly fragmented pork industry. Since peaking in late 2016, the Primary Production segment is in the second year of a down cycle in commodity meat prices, which are expected to remain weak. This lower meat pricing, coupled with a higher expected feed cost driven by severe drought conditions across eastern Australia, are expected to further impact all Australian producers in 2019. These factors may in turn lead to more volatility in the supply of commodity meat in the market. As a well-established business with a track record of more than 40 years, Rivalea has continued to attract unsolicited enquiries from potential investors. However, given the current adverse market conditions in this down cycle, the Group has decided to shelve the strategic review of Rivalea, including the IPO. Led by an experienced senior management team and with an innovative portfolio of products and brands, diversified customer base and its significant scale of operations, the company is well-positioned to ride out the current market volatility and to consolidate its position in the market, in particular in the branded segment.

In the Distribution & Warehousing segment, the domestic distribution business was adversely affected by the ammonia leak that occurred in the Group's warehouse. The Group has reinstated the refrigeration system. The aggregate additional expenditure in respect of the reinstatement of the Group's warehouse and upgrading of the Singapore bakery plants is now expected to be approximately $9.7 million in FY2018. The impact on the Group's profit and loss is expected to be approximately $3.2 million for the financial year ending 31 December 2018, of which approximately $0.9 million of the balance will be recorded in the second half. The Group is still in discussion with its insurer to recover costs associated with the ammonia leak.

As compared to 1H 2018 and barring unforeseen circumstances, the Primary Production segment is expected to report a weaker financial performance in the second half, whilst the Bakery and the Distribution & Warehousing segments are expected to perform better in the second half.

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/Scrip
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 2nd quarter ended 30 June 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	246
Salim Group - Purchase of raw materials, including flour	2,835
TOTAL	3,081

(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 30 June 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 August 2018