QAF Limited

(Company Registration No : 195800035D)

Full Year Unaudited Financial Statements for the Year Ended 31 December 2017

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

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

Income Statement	Group					
(in Singapore Dollars)	4th Quarter ended			Full year ended		
	31/12/2017	31/12/2016	+ / (-)	31/12/2017	31/12/2016	+ / (-)
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	214,399	217,822	(2)	848,589	889,520	(5)
Costs and expenses						
Costs of materials	117,296	109,996	7	445,330	453,121	(2)
Staff costs	50,159	51,088	(2)	199,177	200,975	(1)
Amortisation and depreciation	8,489	7,798	9	32,370	32,760	(1)
Repairs and maintenance	5,781	5,273	10	22,880	24,104	(5)
Utilities	5,766	5,508	5	23,570	23,617	(0)
Advertising and promotion	2,951	2,907	2	14,969	12,718	18
Other operating expenses	24,574	28,596	(14)	74,712	74,430	0
Total costs and expenses	215,016	211,166	2	813,008	821,725	(1)
(Loss)/Profit from operating activities	(617)	6,656	n.m.	35,581	67,795	(48)
Finance costs	(907)	(449)	102	(3,062)	(2,940)	4
Share of profits of joint venture	2,167	1,829	18	7,583	6,385	19
Exceptional items	-	49,685	(100)	-	59,375	(100)
Profit before taxation	643	57,721	(99)	40,102	130,615	(69)
Taxation						
- Current year	(602)	(5,992)	(90)	(10,893)	(14,247)	(24)
- Overprovision in prior years	341	89	283	491	3	n.m.
	(261)	(5,903)	(96)	(10,402)	(14,244)	(27)
Profit after taxation	382	51,818	(99)	29,700	116,371	(74)
Attributable to:						
Owners of the parent	2,111	55,835	(96)	31,839	120,390	(74)
Non-controlling interests	(1,729)	(4,017)	(57)	(2,139)	(4,019)	(47)
	382	51,818	(99)	29,700	116,371	(74)

n.m. = not meaningful

(i) Statement of Comprehensive Income

	Group			
	4th Quarter ended		Full year ended	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	S$'000	S$'000	S$'000	S$'000
Profit after taxation	382	51,818	29,700	116,371
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
- Actuarial loss on defined benefit plans	(330)	(394)	(330)	(804)
Items that may be reclassified subsequently to profit or loss:				
- Currency translation arising on consolidation	(669)	2,468	(1,699)	14,368
- Net fair value gain on available-for-sale investment securities	64	-	64	-
- Share of other comprehensive income of joint venture	1,511	(4,283)	1,550	(5,226)
Other comprehensive income for the year, net of tax	576	(2,209)	(415)	8,338
Total comprehensive income for the year	958	49,609	29,285	124,709
Total comprehensive income attributable to:				
Owners of the parent	2,758	53,536	31,485	128,470
Non-controlling interests	(1,800)	(3,927)	(2,200)	(3,761)
	958	49,609	29,285	124,709

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					
	4th Quarter ended		+ / (-)	Full year ended		+ / (-)
	31/12/2017	31/12/2016	%	31/12/2017	31/12/2016	%
	S$'000	S$'000		S$'000	S$'000	
Other income including interest income	1,852	1,269	46	5,809	5,695	2
Other Operating Expenses which include the following:						
Operating lease rental expense	(3,754)	(3,650)	3	(13,800)	(12,333)	12
Distribution and transportation expense	(2,576)	(2,271)	13	(9,769)	(10,412)	(6)
Legal and professional fees	(5,040)	(666)	657	(7,587)	(2,325)	226
Foreign exchange loss, net	(1,518)	(2,088)	(27)	(1,649)	(3,134)	(47)
Allowance for inventories charged and inventories written off, net	(521)	(36)	1,347	(1,515)	(723)	110
Impairment loss on property, plant & equipment and investment properties	(600)	(8,602)	(93)	(600)	(8,602)	(93)
Allowance for doubtful receivables written-back/(charged) and bad debts written off, net	94	(103)	n.m.	(805)	(451)	78
Gain/(loss) on disposal of property, plant & equipment and investment properties	250	(262)	n.m.	228	(145)	n.m.
Write-back of/(impairment loss) on investment securities	645	(819)	n.m.	645	(819)	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:-

Statements of Financial Position	Group		Company	
(in Singapore Dollars)	31/12/2017 S$'000	31/12/2016 S$'000	31/12/2017 S$'000	31/12/2016 S$'000
Current assets				
Biological assets	57,245	60,803	-	-
Inventories	69,361	60,159	-	-
Trade receivables	97,292	96,910	-	-
Other receivables	22,804	33,121	53,516	75,457
Tax recoverable	1,518	1,245	-	-
Short-term investments	-	3,968	-	2,968
Cash and cash equivalents	136,454	104,903	54,224	27,070
	384,674	361,109	107,740	105,495
Non-current assets				
Property, plant & equipment	317,448	289,585	4,147	2,290
Investment properties	17,872	18,248	-	-
Subsidiaries	-	-	100,132	98,973
Advances to subsidiaries	-	-	128,445	123,805
Joint venture	75,813	76,318	-	-
Pension assets	2,620	2,654	-	-
Long-term investments	6,892	7,226	6,866	7,198
Intangibles	-	-	1,319	1,507
Deferred tax assets	16,140	17,267	-	-
	436,785	411,298	240,909	233,773
Total assets	821,459	772,407	348,649	339,268
Current liabilities				
Trade payables	73,376	65,188	85	225
Other payables	71,596	59,007	9,886	9,725
Short-term borrowings	44,154	32,642	-	-
Long-term borrowings - current portion	6,268	2,456	-	-
Provision for taxation	4,030	6,099	1,131	1,167
	199,424	165,392	11,102	11,117
Non-current liabilities				
Other payables	15,218	15,241	6,665	7,584
Long-term borrowings	62,715	51,128	-	-
Deferred tax liabilities	13,541	12,494	1,545	1,734
	91,474	78,863	8,210	9,318
Total liabilities	290,898	244,255	19,312	20,435
Net assets	530,561	528,152	329,337	318,833
Capital and reserves				
Share capital	272,009	263,087	272,009	263,087
Reserves	264,919	263,980	57,328	55,746
Equity attributable to owners of the parent	536,928	527,067	329,337	318,833
Non-controlling interests	(6,367)	1,085	-	-
Total equity	530,561	528,152	329,337	318,833

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

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

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

As at 31/12/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
23,498	26,924	12,272	22,826

(b) Amount repayable after one year

As at 31/12/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
13,170	49,545	14,736	36,392

(c) Details of any collaterals

At the end of the financial year, property, plant & equipment and inventories with total net book values of $39,695,000 (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:-**

Statement of Cash Flows (in Singapore Dollars)	Group Full year ended 31/12/2017 S$'000	31/12/2016 S$'000
Cash flows from operating activities:		
Profit before taxation	40,102	130,615
Adjustments for:		
Amortisation and depreciation	32,370	32,760
(Gain)/loss on disposal of property, plant & equipment and investment properties	(228)	145
Share of profits of joint venture	(7,583)	(6,385)
Fair value adjustment on investment securities	(6)	(29)
(Write-back of)/impairment loss on investment securities	(645)	819
Impairment loss on property, plant & equipment and investment properties	600	8,602
Gain on disposal of investment securities	-	(16)
Fair value changes on biological assets	2,279	(879)
Intangibles written off	-	196
Allowance for doubtful receivables charged and bad debts written off, net	805	451
Gain on sale of interest in a subsidiary company	-	(59,375)
Interest expense	3,062	2,940
Interest income	(1,643)	(1,696)
Exchange differences	821	2,480
Operating profit before working capital changes	69,934	110,628
Increase in trade and other receivables	(1,343)	(7,737)
(Increase)/decrease in inventories and biological assets	(8,438)	3,954
Increase in trade and other payables	13,949	7,014
Cash from operations	74,102	113,859
Interest paid, net	(1,421)	(1,260)
Income tax paid	(10,765)	(10,783)
Net cash from operating activities	**61,916**	**101,816**
Cash flows from investing activities:		
Purchase of property, plant & equipment and investment properties	(60,660)	(74,242)
Proceeds from disposal of property, plant & equipment and investment properties	993	502
Dividends received from joint venture	11,409	2,526
Proceeds from redemption/sale of investment securities	5,000	4,025
Net cash inflow from sale of interest in a subsidiary company	-	986
Receipt of final tranche from sale of interest in a subsidiary company in prior year	6,314	-
Net cash used in investing activities	**(36,944)**	**(66,203)**
Cash flows from financing activities:		
Proceeds from issuance of share capital	-	313
Dividends paid during the year	(19,206)	(28,087)
Dividends paid to non-controlling interests	-	(4,880)
Proceeds from borrowings	29,077	19,556
Repayment of borrowings	(1,938)	(27,539)
Repayment of finance lease liabilities	(582)	(878)
Proceeds from long-term loans from non-controlling interests	686	1,671
Acquisition of non-controlling interest share in a subsidiary company	(580)	-
Net cash from/(used in) financing activities	**7,457**	**(39,844)**
Net increase/(decrease) in cash and cash equivalents	32,429	(4,231)
Cash and cash equivalents at beginning of year	104,903	109,052
Effect of exchange rate changes on cash and cash equivalents	(878)	82
Cash and cash equivalents at end of year	136,454	104,903

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 2017	263,087	244	-	-	300,421	(36,685)	1,085	528,152
Net profit/(loss) for the year	-	-	-	-	31,839	-	(2,139)	29,700
Other comprehensive income								
Currency translation arising on consolidation	-	-	-	-	-	(1,613)	(86)	(1,699)
Net fair value gain on available-for-sale investment securities	-	-	-	64	-	-	-	64
Actuarial (loss)/gain on defined benefit plans	-	-	-	-	(355)	-	25	(330)
Share of other comprehensive income of joint venture	-	-	-	-	(290)	1,840	-	1,550
Other comprehensive income for the year, net of tax	-	-	-	64	(645)	227	(61)	(415)
Total comprehensive income for the year	-	-	-	64	31,194	227	(2,200)	29,285
Contributions by and distributions to owners								
Issuance of ordinary shares in lieu of cash dividends	8,922	-	-	-	-	-	-	8,922
Transfer to reserves	-	-	(1,795)	-	-	-	1,795	-
Transfer to other payables	-	-	-	-	-	-	(4,867)	(4,867)
Dividends	-	-	-	-	(28,136)	-	(1,636)	(29,772)
Total contributions by and distributions to owners	8,922	-	(1,795)	-	(28,136)	-	(4,708)	(25,717)
Change in ownership interest in subsidiary								
Acquisition of non-controlling interests without a change in control	-	-	(615)	-	-	-	(544)	(1,159)
Total change in ownership interests in subsidiary	-	-	(615)	-	-	-	(544)	(1,159)
Total transactions with owners in their capacity as owners	8,922	-	(2,410)	-	(28,136)	-	(5,252)	(26,876)
Balance at 31 December 2017	272,009	244	(2,410)	64	303,479	(36,458)	(6,367)	530,561

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 January 2016	262,774	2,118	16,888	-	190,538	(45,443)	20,178	447,053
Net profit/(loss) for the year	-	-	-	-	120,390	-	(4,019)	116,371
Other comprehensive income								
Currency translation arising on consolidation	-	-	-	-	-	13,984	384	14,368
Actuarial loss on defined benefit plans	-	-	-	-	(678)	-	(126)	(804)
Share of other comprehensive income of joint venture	-	-	-	-	-	(5,226)	-	(5,226)
Other comprehensive income for the year, net of tax	-	-	-	-	(678)	8,758	258	8,338
Total comprehensive income for the year	-	-	-		119,712	8,758	(3,761)	124,709
Contributions by and distributions to owners								
Issuance of ordinary shares from exercise of options	313	-	-	-	-	-	-	313
Expiry of employee share options	-	-	(652)	-	652	-	-	-
Dividends	-	-	-	-	(28,591)	-	(1,547)	(30,138)
Total contributions by and distributions to owners	313	-	(652)	-	(27,939)	-	(1,547)	(29,825)
Change in ownership interest in subsidiary								
Sale of interest in a subsidiary company	-	(1,874)	(16,236)	-	18,110	-	(13,785)	(13,785)
Total change in ownership interest in subsidiary	-	(1,874)	(16,236)	-	18,110	-	(13,785)	(13,785)
Total transactions with owners in their capacity as owners	313	(1,874)	(16,888)	-	(9,829)	-	(15,332)	(43,610)
Balance at 31 December 2016	263,087	244	-	-	300,421	(36,685)	1,085	528,152

1(d)(i)

Company	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Revenue reserve $'000	Total equity $'000
Balance at 1 January 2017	263,087	-	-	55,746	318,833
Net profit for the year	-	-	-	29,646	29,646
Other comprehensive income					
Net fair value gain on available-for-sale investment securities	-	-	64	-	64
Total comprehensive income for the year	-	-	64	29,646	29,710
Contributions by and distributions to owners					
Issuance of ordinary shares in lieu of cash dividends	8,922	-	-	-	8,922
Dividends	-	-	-	(28,128)	(28,128)
Total transactions with owners in their capacity as owners	8,922	-	-	(28,128)	(19,206)
Balance at 31 December 2017	272,009	-	64	57,264	329,337
Balance at 1 January 2016	262,774	652	-	45,864	309,290
Net profit for the year, representing total comprehensive income for the year	-	-	-	37,317	37,317
Contributions by and distributions to owners					
Issuance of ordinary shares from exercise of options	313	-	-	-	313
Expiry of employee share options	-	(652)	-	652	-
Dividends	-	-	-	(28,087)	(28,087)
Total transactions with owners in their capacity as owners	313	(652)	-	(27,435)	(27,774)
Balance at 31 December 2016	263,087	-	-	55,746	318,833

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

Since 30 September 2017 up to 31 December 2017, the issued share capital of the Company increased from 565,333,054 shares to 569,216,421 shares due to the issue of 3,883,367 ordinary shares pursuant to the application of QAF Limited Scrip Dividend Scheme in respect of the interim dividend for the financial year ended 31 December 2017.

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

	As at 31/12/2017	As at 31/12/2016
Total number of issued shares (excluding treasury shares)	569,216,421	561,854,968

No treasury shares are held by the Company during the year 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 year 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:

	Full year ended	
	31/12/2017	31/12/2016
Basic and Diluted EPS		
- excluding Exceptional Items	5.6 cents	10.9 cents
- including Exceptional Items	5.6 cents	21.4 cents
Number of shares used for the calculation of Basic and Diluted EPS:		
Weighted average number of ordinary shares in issue	564,590,000	561,721,000

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 31/12/2017	As at 31/12/2016
Group	94.3 cents	93.8 cents
QAF Limited	57.9 cents	56.7 cents
Number of shares used for the calculation of Net asset value:	569,216,421	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

4Q 2017 vs 4Q 2016

Group revenue decreased by 2% to $214.4 million for the fourth quarter ended 31 December 2017 ("4Q 2017") from $217.8 million for the fourth quarter ended 31 December 2016 ("4Q 2016").

The Group's Bakery segment achieved overall increase in sales and profitability. 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 reach. The bakery operations in Singapore recorded a marginal decrease in sales as a result of relocation of operations from the old Delicia plant to the new Farmland Johor plant which supports the Singapore market. A provision for cessation costs of $2.6 million was made in 4Q 2017 for Gardenia Food (Fujian) Co Ltd's ("Gardenia Fujian") operations.

Revenue for the Primary Production segment, Rivalea Limited ("Rivalea"), the Group's integrated producer of meat located in Australia, saw lower sales as a result of lower average selling prices. Rivalea faced increased competition from the general oversupply situation in the industry and experienced significant pressure on selling prices. The oversupply situation is a cyclical factor affecting the industry as a whole. Together with the one-off Legal and Professional Fees of approximately $4.1 million, this segment recorded a loss for 4Q 2017. This was the main reason for the Group's reduced profitability for 4Q 2017 compared against 4Q 2016. The one-off Legal and Professional Fees was incurred in connection with the proposed listing of the Primary Production business that has now been put on hold.

The Group's Trading & Logistics business segment achieved higher sales and profitability compared to 4Q 2016.

Costs of Materials increased by 7% or $7.3 million to $117.3 million in 4Q 2017, mainly attributable to higher flour and other raw material prices and Rivalea's $2.3 million write-down of biological assets in line with lower market prices. Amortisation and Depreciation increased by 9% or $0.7 million to $8.5 million in 4Q 2017, mainly due to the completion of additional bakery production lines and facilities. Repairs and Maintenance increased by 10% or $0.5 million to $5.8 million in 4Q 2017 due to refurbishment of certain primary production facilities. Utilities increased in line with higher production volumes by GBPI.

Other Operating Expenses decreased by $4.0 million to $24.6 million in 4Q 2017 as compared to $28.6 million in 4Q 2016. Included in 4Q 2017 Other Operating Expenses were one-off Legal and Professional Fees and provision for cessation costs, as mentioned above. Included in 4Q 2016 Other Operating Expenses were one-off impairment losses of $9.4 million to write down the net book values of certain Properties, Plant and Equipment and Investment Properties, and the write down of certain bond investments.

Group Finance Costs (interest expense) increased by 102% to $0.9 million in 4Q 2017 from $0.4 million in 4Q 2016 due to higher Group's borrowings.

The Group's Share of Profits of Joint Venture increased by 18% to $2.2 million in 4Q 2017 from $1.8 million in 4Q 2016, because in 4Q 2016 there was higher amortisation costs pursuant to the finalisation of fair value accounting of the Group's remaining 50% stake in Gardenia Bakeries (KL) Sdn Bhd's ("GBKL").

Group Profit Before Taxation ("PBT") decreased by 99% from $57.7 million for 4Q 2016 to $0.6 million for 4Q 2017. Excluding the one-off non-cash exceptional gain of $49.7 million for 4Q 2016 due to the Group's sale of its 20% shareholdings interest in GBKL, Group PBT would have decreased by 92%. The decline was mainly attributable to Rivalea, and the cessation costs of $2.6 million for Gardenia Fujian.

Group Profit After Taxation ("PAT") decreased by 99% to $0.4 million for 4Q 2017 as compared to $51.8 million for 4Q 2016. Group Taxation decreased by 96% to $0.3 million for 4Q 2017 as compared to $5.9 million for 4Q 2016 in line with the reduced profitability in the Group's operations. Excluding the one-off non-cash exceptional gain of $49.7m for 4Q 2016, Group PAT would have decreased by 82% from $2.1 million for 4Q 2016 to $0.4 million for 4Q 2017.

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

INCOME STATEMENT (cont'd)

4Q 2017 vs 4Q 2016 (cont'd)

Group Profit Attributable to Owners of the Parent ("PATMI") decreased by 96% to $2.1 million for 4Q 2017 as compared to $55.8 million for 4Q 2016. Excluding the one-off non-cash exceptional gain for 4Q 2016, PATMI would have decreased by 66% from $6.2 million for 4Q 2016 to $2.1 million for 4Q 2017.

Group Total Comprehensive Income Attributable to Owners of the Parent decreased by 95% to $2.8 million for 4Q 2017 as compared to $53.5 million for 4Q 2016. Excluding the one-off non-cash exceptional gain for 4Q 2016, Group Total Comprehensive Income Attributable to Owners of the Parent would have decreased by 28% from $3.9 million for 4Q 2016 to $2.8 million for 4Q 2017.

FY 2017 vs FY 2016

Group revenue decreased by 5% to $848.6 million for financial year ended 31 December 2017 ("FY 2017") from $889.5 million for financial year ended 31 December 2016 ("FY 2016"). The decrease in Group revenue is mainly attributable to deconsolidation of financial results of GBKL, as the Group sold 20% of its shareholdings in GBKL in April 2016 in compliance with regulatory requirements. This reduced the Group's stake to 50% of GBKL's total shareholdings. Accordingly, GBKL ceased to be a subsidiary and has become a Joint Venture of the Group. If not for the abovementioned deconsolidation of the financial results of GBKL, the Group would have reported higher revenue of 4% in Bakery segment.

In constant currency terms, excluding GBKL's revenue contribution for first quarter ended 31 March 2016 ("1Q 2016"), Bakery revenue would have increased by 7% in FY 2017 over FY 2016. GBPI achieved higher sales through the successful launch of new products and increased market penetration. BMA also achieved more revenue through better market reach. The bakery operations in Singapore recorded a marginal decrease in sales as a result of relocation of operations from the old Delicia plant to the new Farmland Johor plant which supports the Singapore market.

Revenue for the Primary Production segment saw marginally lower sales as a result of lower average selling prices but the decrease was marginal as it was offset by the higher sales volume. Rivalea faced increased competition from the general oversupply situation in the industry and experienced significant pressure on selling prices and this, together with the one-time Legal and Professional Fees of approximately $4.1 million, resulted in the Group's reduced profitability for FY 2017 compared against FY 2016. The oversupply situation is a cyclical factor affecting the industry as a whole.

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

Expenses of the Group decreased in FY 2017 over that of FY 2016 due to the deconsolidation of GBKL.

Advertising and Promotion expense increased by 18% or $2.3 million mainly attributable to GBPI as a result of the launch of new products and a concerted response to heightened competition in the Philippines following the entry of a major competitor.

Other Operating Expenses increased marginally by $0.3 million to $74.7 million in FY 2017 as compared to $74.4 million in FY 2016. Included in FY 2017 Other Operating Expenses were one-off Legal and Professional Fees and provision for cessation costs, as mentioned above.

Despite the higher Group's borrowings, Group Finance Costs (interest expense) increased by 4% to $3.1 million in FY 2017 from $2.9 million in FY 2016, as most of the increased borrowings were attributable to the construction of new bakery production lines and facilities. Such related interest expenses were capitalised during the construction period.

The Group's Share of Profits of Joint Venture increased by 19% to $7.6 million in FY 2017 from $6.4 million in FY 2016, as GBKL has been accounted for as a joint venture for the whole of 2017 whereas for FY 2016, because of the deconsolidation in April 2016, the share of profits of the joint venture for FY 2016 commenced from April 2016.

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

INCOME STATEMENT (cont'd)

FY 2017 vs FY 2016 (cont'd)

Group PBT decreased by 69% from $130.6 million for FY 2016 to $40.1 million for FY 2017. Excluding the one-off non-cash exceptional gain of $59.4 million for FY 2016 due to the Group's sale of its 20% shareholdings interest in GBKL, Group PBT would have decreased by 44%. The decline was mainly attributable to the Group's Primary Production segment and one-off and other provisions of approximately $10.7 million, including the Legal and Professional Fees of $4.1 million incurred in connection with the proposed listing of the Primary Production business that has now been put on hold and cessation costs of $2.6 million for Gardenia Fujian. Excluding these provisions, the underlying earnings would have been $50.8 million representing a 28.7% year-on-year decline from FY 2016 Group PBT before exceptional item of $71.2 million.

Group PAT decreased by 74% to $29.7 million for FY 2017 as compared to $116.4 million for FY 2016. Group Taxation decreased by 27% to $10.4 million for FY 2017 as compared to $14.2 million for FY 2016 in line with the reduced profitability in the Group's operations. Excluding the one-off non-cash exceptional gain of $59.4 million for FY 2016, Group PAT would have decreased by 48% from $57.0 million for FY 2016 to $29.7 million for FY 2017.

In 2016, GBPI received a notification from the Philippines tax authority for alleged deficiency in income and various taxes of approximately $24.4 million for the taxable year 2011. Following the lodgment of an objection to this notification, and based on correspondence with the tax authority in February 2018, GBPI and its tax consultant expect the matter to be resolved soon. In 2017, GBPI received a preliminary assessment notice from the Philippines tax authorities for alleged deficiency in income and various taxes of approximately $25.2m for the taxable year 2014. An objection to this notification has also been lodged.

Group Profit Attributable to Owners of the Parent ("PATMI") decreased by 74% to $31.8 million for FY 2017 as compared to $120.4 million for FY 2016. Excluding the one-off non-cash exceptional gain for FY 2016, PATMI would have decreased by 48% from $61.0 million for FY 2016 to $31.8 million for FY 2017.

Group Total Comprehensive Income Attributable to Owners of the Parent decreased by 75% to $31.5 million for FY 2017 as compared to $128.5 million for FY 2016. Excluding the one-off non-cash exceptional gain of $59.4 million for FY 2016, Group Total Comprehensive Income Attributable to Owners of the Parent would have decreased by 54% from $69.1 million for FY 2016 to $31.5 million for FY 2017.

STATEMENT OF FINANCIAL POSITION

Inventories increased by 15% to $69.4 million as at end of FY 2017 from $60.2 million as at end of FY 2016 due to higher grain inventory levels at Rivalea, as well as higher grain prices.

Other Receivables decreased by 31% to $22.8 million as at the end of FY 2017. The decrease is largely due to receipt of the final tranche of the sales consideration from the sale of the 20% stake in GBKL.

Short-Term Investments, which relate to the Company's and the Group's investments in bonds and market-linked notes, were fully redeemed upon maturity in 2017.

Trade Payables increased by 13% to $73.4 million as at end of FY 2017 due mainly to higher unpaid grain purchases at end of FY 2017 as a result of a late harvest.

Other Current Payables increased by 21% to $71.6 million as at end of FY 2017, due to the purchase of new bakery assets in Malaysia and Philippines.

Short-Term Borrowings increased by 35% to $44.2 million as at end of FY 2017 due to additional draw-down for grain purchases.

Total Long-Term Borrowings increased by 29% to $69.0 million as at end of FY 2017 due to the increase in funding for the Group's new additional bakery production facilities.

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

The performance review of the Group's business segments is as follows:

BAKERY

	2017	2016	Increase/(decrease)	
	$'million	$'million	$'million	%
Segment revenue	340.5	379.8	(39.3)	(10)
Segment EBITDA	43.2	53.7	(10.5)	(20)
Segment EBIT	23.1	32.3	(9.2)	(28)

Sales revenue from the Bakery segment decreased by 10% to $340.5 million for FY 2017 from $379.8 million for FY 2016, due mainly to the deconsolidation of the financial results of GBKL as the Group sold 20% of its shareholdings in GBKL in April 2016 thereby reducing the Group's stake to 50%. Accordingly, GBKL ceased to be a subsidiary of the Group and became a Joint Venture of the Group, and its results have since been equity accounted.

Excluding GBKL's revenue contribution for 1Q 2016, the Segment revenue would have increased by 4% to $340.5 million for FY 2017 from $328.5 million for FY 2016 due to the successful launch of new products and increased market penetration in Philippines and Australia. In constant currency terms, excluding GBKL's revenue contribution for first quarter ended 1Q 2016, Bakery revenue would have increased by 7% in FY 2017 over FY 2016.

Bakery Segment Earnings before Interest, Tax, Depreciation and Amortisation ("Segment EBITDA") decreased from $53.7 million for FY 2016 to $43.2 million for FY 2017, a decrease of 20%. However, excluding GBKL's EBITDA contribution for 1Q 2016, the Segment EBITDA would have been marginally lower at $43.2 million for FY 2017 from $43.4 million for FY 2016, and the Segment Earnings before Interest and Tax ("Segment EBIT") would have decreased by 4% to $23.1 million for FY 2017 from $24.1 million for FY 2016.

Profitability in the Bakery segment was affected by higher operating costs. Higher Advertising and Promotion expense was incurred by GBPI for the launch of new products and a concerted response to heightened competition in the Philippines following the entry of a major competitor. Gardenia Fujian, the Group's loss-making bakery operation in China has ceased operations and a one-time provision for cessation costs of $2.6 million was made.

PRIMARY PRODUCTION

	2017	2016	Increase/(decrease)	
	$'million	$'million	$'million	%
Segment revenue	393.2	398.3	(5.1)	(1)
Segment EBITDA	23.8	51.8	(28.0)	(54)
Segment EBIT	14.1	42.9	(28.8)	(67)

The Group's Primary Production segment consists of Rivalea, an integrated meat production business in Australia involved in stockfeed milling, livestock farming and production and meat processing operations as well as distribution.

The decrease in Segment revenue was a result of lower selling prices partly offset by the higher sales volume achieved. Rivalea faced increased competition from the general oversupply situation in the industry and experienced significant pressure on selling prices and profit margins. The oversupply situation is a cyclical factor affecting the industry as a whole. This has resulted in significant volatility in the performance of Rivalea. In addition, Rivalea had recorded $2.3 million write-down of biological assets in line with lower market prices and incurred certain one-off Legal and Professional Fees of approximately $4.1 million in connection with the proposed listing of the Primary Production business that has now been put on hold. Accordingly, Segment EBITDA and Segment EBIT were lower by 54% and 67% respectively.

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

The performance review of the Group's business segments is as follows (cont'd):

TRADING & LOGISTICS

	2017	2016	Increase/(decrease)	
	$'million	$'million	$'million	%
Segment revenue	108.6	106.1	2.5	2
Segment EBITDA	7.3	5.1	2.2	43
Segment EBIT	5.0	2.9	2.1	72

Segment revenue from the Group's Trading & Logistics segment increased by 2% to $108.6 million for FY 2017 from $106.1 million for FY 2016. The increase is mainly attributable to increased sales by the Group's wholesale and trading company, Ben Foods (S) Pte Ltd, in its trading business, with growth in e-commence and export business.

Segment EBITDA and Segment EBIT for Trading & Logistics segment increased by 43% and 72% over FY 2016 respectively, as the Group had recognised an impairment charge of $2.1 million in FY 2016 to write down the net book value of certain cold storage facilities due to weakened market conditions. Excluding this one-off impairment charge in FY 2016, Segment EBITDA and Segment EBIT would have been comparable.

INVESTMENTS & OTHERS

	2017	2016	Increase/(decrease)	
	$'million	$'million	$'million	%
Segment revenue	18.2	20.0	(1.8)	(9)
Segment EBITDA	3.9	2.0	1.9	95
Segment EBIT	3.6	1.8	1.8	100

The decrease in Segment revenue was due to the renewal of the licensing agreement by the Company to GBKL, with the licensing fee reduced from 5.25% to 1.5% of the gross sales of each approved bakery owned and operated by GBKL, subject to a maximum of Malaysian Ringgit 800 million for each financial year. On the other hand, the reduction in the licensing fee payable by GBKL to the Company has been partly compensated by the Group's share of higher profits from GBKL.

With the deconsolidation of GBKL's financial results from that of the Group's with effect from April 2016, Segment EBITDA and Segment EBIT for the Investments & Others segment increased by $1.9 million and $1.8 million to $3.9 million and $3.6 million respectively in FY 2017, as the licensing fee income from GBKL is no longer eliminated after the deconsolidation of GBKL.

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 is exposed to heightened competition in certain markets, risks of volatility in regional currencies and escalating costs especially higher energy and fuel costs in line with higher oil prices as well as higher flour and other raw material prices in certain markets.

The Group has embarked on an expansion plan to increase its bakery production in FY 2017 and FY 2018. Including GBKL, the Group has incurred expansion capital expenditure of $67 million in 2017 and is expected to incur a further $116 million in 2018. With the expected completion of the Mindanao and Luzon plants in the Philippines by the end of 2018 and GBKL's plant in Bukit Kemuning, Selangor by the third quarter ending 30 September 2018, the Group will have a total of 15 bakery plants. This will enable the Group to increase its production facilities to meet market demand in these countries and to enjoy better economies of scale. Staff costs, utilities, amortisation and depreciation are expected to increase correspondingly. Going forward in 2019, expansion capital expenditure will be dependent on market conditions and the competitive environment, but is expected to be lower compared with 2017 and 2018. Maintenance expenditure is expected to increase particularly for older facilities of the Group. As a concerted response to heightened competition in the bakery business, the Group is expected to continue to incur higher Advertising and Promotion, Distribution and Transportation expenses, particularly in the Philippines and Singapore. The Group also intends to meet competitive challenges by the introduction of new products and variants of existing products. In addition, the Group intends to pursue synergy potential that exist between its distribution arm and the distribution channels of its bakery arm. All these steps will be taken to defend, if not to increase, market share in our key markets as part of the Group's long-term sustainable growth strategy.

In the Primary Production segment, the oversupply market condition is expected to continue to exert significant pressure on selling prices. This cyclical factor is expected to subsist in 2018. As a result of the market conditions, Rivalea faces the risk of reduced demand from its principal distribution channel, the supermarket chains. Operating expenses are also expected to increase, in particular feed and energy costs, and possibly higher environmental compliance cost. In addition, Rivalea may consider rationalising its secondary processing plant at Corowa. Although pork prices in the industry had fallen by approximately 30% in the first half of 2017, prices have since slightly improved and have stabilised. As the Group's investment in Rivalea is denominated in Australian dollars, the Group will be subject to foreign exchange exposure. Notwithstanding recent industry and pricing volatility, Rivalea believes that with its repositioning in recent years, it is well-placed to ride out the challenging industry conditions and to pursue growth opportunities arising from such conditions. Rivalea has identified certain growth opportunities including:

- Developing branded products that add value to commodity pork (including the expansion of export markets), such as ready-to-eat roasted pork products.
- Upgrading of its Melbourne processing plant with a capital expenditure investment of A$21 million to increase Rivalea's productivity and cost effectiveness, providing scope for increased price competitiveness.
- Pursuing value opportunities from offal products, including export markets in Asia
- Installing additional bio-gas cogeneration facilities to further reduce its energy costs

The Group is continuing to explore strategic options for its investment in Rivalea.

In the Trading & Logistics segment, the Group continues to see good opportunities in export sales to regional markets and e-commerce channels. However, the domestic trading business is expected to be adversely affected by the ammonia leak that occurred in the Group's warehouse at Fishery Port Road in January 2018. As announced on 30 January 2018, a stop work order was issued by the Ministry of Manpower ("MOM") requiring a subsidiary, NCS Cold Stores, to cease carrying on works at the premises until certain measures have been taken. Since then, both MOM and the Agri-Food and Veterinary Authority have given clearance for goods stored at the warehouse to be shifted out, and the re-location of goods to third-party warehouses has been completed. Clearance has also been given for staff to utilise unaffected parts of the premises which will allow operations to partially continue. With workplace safety as the priority, the Group continues to work with MOM to lift the stop work order and is considering replacing or refurbishing the refrigeration system at the warehouse. The Group expects to incur higher costs, including for repair and maintenance and use of third party warehouses. Based on preliminary assessment and subject to discussions with insurers, the adverse financial impact to this segment is approximately $2.0 million for the current year.

The Group continues to explore strategic collaborations with other food related companies in regional markets. It has a strong balance sheet and sufficient financial capacity to embark on a steady growth path.

11. Dividends

(a) Current financial period reported on

Any dividend declared? Yes

	Interim (paid)	Proposed Final Dividend
Dividend type	Cash/Scrip	Cash/Scrip
Dividend rate	1 cent per ordinary share	4 cents per ordinary share
Tax rate	Exempt 1 tier	Exempt 1 tier

(b) Previous corresponding period

Any dividend declared? Yes

	Interim	Final Dividend
Dividend type	Cash	Cash/Scrip
Dividend rate	1 cent per ordinary share	4 cents per ordinary share
Tax rate	Exempt 1 tier	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 FY2017 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) (S$'000)
Salim Group [1] - Sale of unsold and returned bread	778
Salim Group - Purchase of raw materials, including flour	2,209
TOTAL	2,987

(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. 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.

15. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the company's most recently audited financial statements, with comparative information for the immediately preceding year.

<u>Segment Information</u>
(In Singapore Dollars)

	Bakery $'000	Primary production $'000	Trading & Logistics $'000	Investments & others $'000	Eliminations $'000	Consolidated $'000
Revenue and expenses 2017						
Revenue from external customers	337,043	389,798	108,410	4,757	-	840,008
Other revenue from external customers	3,412	3,355	148	23	-	6,938
Inter-segment revenue	50	-	55	13,386	(13,491)	-
	340,505	393,153	108,613	18,166	(13,491)	846,946
Unallocated revenue						1,643
Total revenue						848,589
Segment EBITDA	43,165	23,847	7,319	3,874	-	78,205
Amortisation and depreciation	(20,071)	(9,746)	(2,310)	(243)	-	(32,370)
Segment EBIT	23,094	14,101	5,009	3,631	-	45,835
Unallocated revenue						1,643
Unallocated expenses						(11,897)
Profit from operating activities						35,581
Finance costs						(3,062)
Share of profits of joint venture	7,583	-	-	-	-	7,583
Profit before taxation						40,102
Taxation						(10,402)
Profit after taxation						29,700
Revenue and expenses 2016						
Revenue from external customers	375,508	395,434	105,804	3,700	-	880,446
Other revenue from external customers	4,243	2,850	251	34	-	7,378
Inter-segment revenue	-	-	39	16,279	(16,318)	-
	379,751	398,284	106,094	20,013	(16,318)	887,824
Unallocated revenue						1,696
Total revenue						889,520
Segment EBITDA	53,731	51,774	5,112	2,036	-	112,653
Amortisation and depreciation	(21,468)	(8,877)	(2,166)	(249)	-	(32,760)
Segment EBIT	32,263	42,897	2,946	1,787	-	79,893
Unallocated revenue						1,696
Unallocated expenses						(13,794)
Profit from operating activities						67,795
Finance costs						(2,940)
Exceptional items						59,375
Share of profits of joint venture	6,385	-	-	-	-	6,385
Profit before taxation						130,615
Taxation						(14,244)
Profit after taxation						116,371

15. Segment Information (cont'd)

(In Singapore Dollars)

	Bakery $'000	Primary production $'000	Trading & Logistics $'000	Investments & others $'000	Consolidated $'000
Assets and liabilities 31 December 2017					
Segment assets	311,672	277,041	68,142	71,133	727,988
Joint venture	75,813	-	-	-	75,813
Total assets	387,485	277,041	68,142	71,133	803,801
Deferred tax assets					16,140
Tax recoverable					1,518
Total assets per consolidated statement of financial position					821,459
Segment liabilities	76,201	65,672	17,502	11,942	171,317
Provision for taxation					4,030
Deferred tax liabilities					13,541
Bank borrowings					102,010
Total liabilities per consolidated statement of financial position					290,898
Assets and liabilities 31 December 2016					
Segment assets	288,323	257,008	65,667	66,579	677,577
Joint venture	76,318	-	-	-	76,318
Total assets	364,641	257,008	65,667	66,579	753,895
Deferred tax assets					17,267
Tax recoverable					1,245
Total assets per consolidated statement of financial position					772,407
Segment liabilities	68,807	53,691	14,606	12,658	149,762
Provision for taxation					6,099
Deferred tax liabilities					12,494
Bank borrowings					75,900
Total liabilities per consolidated statement of financial position					244,255
Other segment information 2017					
Expenditure for non-current assets	50,360	8,419	2,796	2,406	63,981
Impairment loss/(write-back of impairment loss)	-	600	-	(645)	(45)
Allowance for inventories charged and inventories written off, net	920	-	595	-	1,515
Allowance for doubtful receivables charged/(written-back) and bad debts written off, net	981	7	(183)	-	805
Other segment information 2016					
Expenditure for non-current assets	59,438	14,299	2,183	70	75,990
Impairment loss	6,460	-	2,142	819	9,421
Allowance for inventories charged/(written-back) and inventories written off, net	10	(154)	867	-	723
Allowance for doubtful receivables charged/(written-back) and bad debts written off, net	75	44	332	-	451

15. **Segment Information (cont'd)**
(In Singapore Dollars)

	Revenue		*Non-current assets*	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Australia	414,621	408,846	147,755	140,909
Philippines	173,357	160,095	59,006	47,493
Singapore	173,059	179,229	46,241	44,542
Malaysia	70,245	123,893	82,318	74,863
Other countries	17,307	17,457	-	26
	848,589	889,520	335,320	307,833

16. **In the review of performance, the factors leasing to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to Section 8.

17. **A breakdown of sales as follows:**

	Group		
	2017	2016	+ / (-)
	$'000	$'000	%
Revenue reported for first half year	422,572	459,272	(8)
Profit after tax excluding exceptional items, before deducting non-controlling interests for the first half year	21,779	35,788	(39)
Profit after tax before deducting non-controlling interests for the first half year	21,779	45,478	(52)
Revenue reported for second half year	426,017	430,248	(1)
Profit after tax excluding exceptional items, before deducting non-controlling interests for the second half year	7,921	21,208	(63)
Profit after tax before deducting non-controlling interests for the second half year	7,921	70,893	(89)

18. **A breakdown of the total annual dividend for the company's latest full year and its previous full year as follows:-**

	Full Year 2017	Full Year 2016
	$'000	$'000
Ordinary dividend	28,422	28,093

19. Persons occupying managerial positions who are related to the directors, chief executive officer or substantial shareholder

Pursuant to Rule 704(13) of the Listing Manual of the SGX-ST, set out below are details of each person occupying a managerial position in the Company and/or its principal subsidiaries who is a relative of a Director or chief executive officer or substantial shareholder of the Company:

Name	Age	Family relationship with any director, CEO and/or substantial shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Lin Kejian	39	Son of Mr Andree Halim (Vice Chairman and a controlling shareholder of the Company)	Mr Lin was appointed as Joint Group Managing Director with effect from 1 January 2017. As Joint Group Managing Director, Mr Lin together with the other Joint Group Managing Director, is responsible for the leadership and overall management of the affairs of QAF and overall oversight of the QAF group of companies and is tasked to set strategic objectives and implement strategies to achieve the long-term growth of the QAF Group.	N.A.

BY ORDER OF THE BOARD

Ms Serene Yeo
Company Secretary
23 February 2018