

FINANCIAL STATEMENTS AND RELATED ANNOUNCEMENT::HALF YEARLY RESULTS

Issuer & Securities

Issuer/ Manager

QAF LIMITED

Securities

QAF LIMITED - SG1A49000759 - Q01

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1H2023 Unaudited Results Announcement

Additional Details

For Financial Period Ended

30/06/2023

Attachments

[QAF_1H_2023_Unaudited_Results_Announcement_8.8.23.pdf](#)

Total size =531K MB

First Half Unaudited Financial Statements for the Period Ended 30 June 2023

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:-

<u>Income Statement</u> (in Singapore Dollars)	Group		
	1st Half Year ended		
Note	<u>30/06/2023</u> S\$'000	<u>30/06/2022</u> S\$'000	+ / (-) %
Continuing operations			
Revenue	301,625	270,472	12
<u>Costs and expenses</u>			
Costs of materials	164,033	148,435	11
Staff costs	59,721	54,242	10
Amortisation and depreciation	11,206	14,745	(24)
Repairs and maintenance	6,326	5,800	9
Utilities	10,295	9,223	12
Advertising and promotion	4,457	2,754	62
Other operating expenses	30,878	29,761	4
Total costs and expenses	286,916	264,960	8
Profit from operating activities	14,709	5,512	167
Finance costs	(1,099)	(818)	34
Share of (losses)/profits of joint venture	1(a)(ii)(b) (10,000)	3,834	n.m.
Exceptional items	1(a)(ii)(c) 7,485	9,609	(22)
Profit before tax from continuing operations	11,095	18,137	(39)
Income tax expense	1(e)(E)		
- Current period	(5,819)	(3,631)	60
- (Under)/over provision in prior periods	(306)	189	n.m.
	(6,125)	(3,442)	78
Profit after tax from continuing operations	4,970	14,695	(66)
Discontinued operations	1(a)(ii)(d)		
Loss after tax from discontinued operations	-	(6,339)	(100)
Profit after tax	4,970	8,356	(41)
<u>Attributable to:</u>			
Owners of the parent			
- Profit after tax from continuing operations	4,905	14,524	(66)
- Loss after tax from discontinued operations	-	(6,339)	(100)
	4,905	8,185	(40)
Non-controlling interests			
- Profit after tax from continuing operations	65	171	(62)
	4,970	8,356	(41)

n.m. = not meaningful

1(a)(i) Statement of Comprehensive Income

	Group	
	1st Half Year ended	
	<u>30/06/2023</u>	<u>30/06/2022</u>
	S\$'000	S\$'000
Profit after tax	4,970	8,356
Other comprehensive income:		
<i><u>Items that may be reclassified subsequently to profit or loss:</u></i>		
- Currency translation arising on consolidation	(1,163)	(8,834)
- Share of other comprehensive income of joint venture	(2,748)	(1,856)
Other comprehensive income for the period, net of tax	(3,911)	(10,690)
Total comprehensive income for the period	<u>1,059</u>	<u>(2,334)</u>
<u>Total comprehensive income attributable to:</u>		
Owners of the parent	936	(2,400)
Non-controlling interests	123	66
	<u>1,059</u>	<u>(2,334)</u>
<u>Total comprehensive income attributable to owners of the parent:</u>		
From continuing operations, net of tax	936	(3,790)
From discontinued operations, net of tax	-	1,390
	<u>936</u>	<u>(2,400)</u>

Notes to the Income Statement

Please see Section 8 for commentaries on the Income Statement.

1(a)(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:-

(a) Continuing operations

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

	Group		
	1st Half Year ended		
	<u>30/06/2023</u>	<u>30/06/2022</u>	+ / (-)
	S\$'000	S\$'000	%
Other income including interest income (included in Revenue)	3,470	1,193	191
Interest income (included in Other income disclosed above)	2,826	488	479
<u>Other Operating Expenses which include the following:</u>			
Operating lease expense	(7,728)	(7,190)	7
Distribution and transportation expense	(6,804)	(6,773)	0
Foreign currency translation loss - unrealised	(2,146)	(4,010)	(46)
Foreign currency translation (loss)/gain - realised	(23)	1,010	n.m.
Professional fees	(966)	(1,160)	(17)
Allowance for inventories charged and inventories written off, net	(440)	(603)	(27)
(Loss)/gain on disposal of property, plant and equipment	(116)	107	n.m.
Allowance for receivables charged and bad debts written off, net	(147)	(100)	47

1(a)(ii)

(b) Share of (losses)/profits of joint venture

As announced on 21 July 2023, following the periodic assessment of the recoverable amount of the Group's investment in its joint venture, Gardena Bakeries (KL) Sdn Bhd ("GBKL"), the Group had recognised a non-cash impairment of \$9.2 million, as part of the Group's share of profits or losses of joint venture.

The Group had reduced its shareholding in GBKL from 70% to 50% in April 2016 to comply with Malaysian regulatory conditions. GBKL accordingly ceased to be a subsidiary of the Group and became a 50/50 joint venture. Under the shareholders' agreement, the parties are to work towards a listing of GBKL by a specified date, currently 31 March 2028, and if such listing cannot be achieved by then and there is no acquisition by one shareholder of the GBKL shares of the other, GBKL shall be wound up and the shareholders' agreement shall terminate. The joint venture may however be extended by mutual agreement and as previously announced in July 2020, the parties had agreed to an extension of the listing target date from April 2026 to the current March 2028 date.

In accordance with Singapore's Financial Reporting Standards, the Group was required to remeasure its remaining 50% investment in GBKL to its fair value as at 31 March 2016. An external valuer was appointed to perform this valuation. As a result, the Group recorded a net fair value uplift on identifiable assets of \$28.9 million and a goodwill of \$25.0 million arising from this valuation. SFRS(I) requires the Group to assess the recoverable amount of its investment in GBKL periodically. The Group has performed an assessment on the recoverable amount of its investment and determined that a partial, non-cash write-down of approximately \$9.2 million as at 30 June 2023 is required. The accumulated impairment recognised to-date amounts to approximately \$14.2 million. The Group cannot rule out non-cash write-downs of its investment in future years subject to, amongst other things, trading performance, a future decision by the joint venture parties concerning the business beyond 31 March 2028, currency movements and interest rates.

(c) Exceptional Items

The Group "Exceptional Items" relate to interim insurance payments received in connection with the severe flooding in Peninsular Malaysia which affected one of the Group's Malaysian factories in December 2021.

(d) Discontinued operations

With the completion of the disposal of its Primary Production business on 4 January 2022, the Group recognised a loss on disposal of \$3.8 million, and \$2.5 million of associated costs incurred in relation to the disposal. The total amount of \$6.3 million is reflected as Loss after tax from discontinued operations for 1H 2022.

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

(in Singapore Dollars)

	Note	Group		Company	
		30/06/2023 S\$'000	31/12/2022 S\$'000	30/06/2023 S\$'000	31/12/2022 S\$'000
<u>Current assets</u>					
Inventories		41,111	54,333	-	-
Trade receivables		83,782	78,514	-	-
Other receivables		19,830	17,300	46,372	52,783
Tax recoverable		7,400	7,527	-	-
Cash and cash equivalents		193,634	216,792	147,202	159,048
		<u>345,757</u>	<u>374,466</u>	<u>193,574</u>	<u>211,831</u>
<u>Non-current assets</u>					
Property, plant & equipment	1(e)(F)	216,575	203,313	3,298	3,604
Right-of-use assets		17,840	19,300	354	289
Investment in subsidiaries		-	-	101,532	101,532
Advances to subsidiaries		-	-	141,564	146,553
Investment in joint venture and associate		48,422	64,312	-	-
Intangibles	1(e)(G)	147	165	88	99
Deferred tax assets		3,494	3,203	-	-
		<u>286,478</u>	<u>290,293</u>	<u>246,836</u>	<u>252,077</u>
Total assets		632,235	664,759	440,410	463,908
<u>Current liabilities</u>					
Trade payables		43,526	57,536	84	80
Other payables		46,087	49,183	113,415	116,618
Short-term borrowings		11,929	676	-	-
Long-term borrowings - current portion		6,276	6,019	-	-
Lease liabilities - current portion		2,865	3,373	163	92
Income tax payable		3,079	2,596	587	492
		<u>113,762</u>	<u>119,383</u>	<u>114,249</u>	<u>117,282</u>
<u>Non-current liabilities</u>					
Other payables		8,814	8,677	2,528	2,865
Long-term borrowings		9,827	14,152	-	-
Lease liabilities		16,617	17,531	201	206
Deferred tax liabilities		5,708	5,557	697	754
		<u>40,966</u>	<u>45,917</u>	<u>3,426</u>	<u>3,825</u>
Total liabilities		154,728	165,300	117,675	121,107
Net assets		<u>477,507</u>	<u>499,459</u>	<u>322,735</u>	<u>342,801</u>
<u>Capital and reserves</u>					
Share capital		277,043	277,043	277,043	277,043
Reserves		198,590	220,665	45,692	65,758
Equity attributable to owners of the parent		<u>475,633</u>	<u>497,708</u>	<u>322,735</u>	<u>342,801</u>
Non-controlling interests		1,874	1,751	-	-
Total equity		<u>477,507</u>	<u>499,459</u>	<u>322,735</u>	<u>342,801</u>

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

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

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

As at 30/06/2023		As at 31/12/2022	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
11,929	9,141	220	9,848

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

As at 30/06/2023		As at 31/12/2022	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
-	26,444	-	31,683

(c) **Details of any collaterals**

At the end of the financial period, property, plant & equipment with total net book values of \$8,022,000 (as at 31/12/2022: \$220,000) 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	
	1st Half Year ended	
	<u>30/06/2023</u>	<u>30/06/2022</u>
	S\$'000	S\$'000
<u>Cash flows from operating activities:</u>		
Profit before tax from continuing operations	11,095	18,137
Loss before tax from discontinued operations	-	(6,339)
Profit before tax, total	<u>11,095</u>	<u>11,798</u>
Adjustments for:		
Amortisation and depreciation	11,206	14,745
Loss/(gain) on disposal of property, plant and equipment	116	(107)
Share of losses/(profits) of joint venture	10,000	(3,834)
Allowance for receivables charged and bad debts written off, net	147	100
Loss on disposal of disposal group classified as held for sale	-	3,861
Interest expense	1,099	818
Interest income	(2,826)	(488)
Exchange differences	<u>1,458</u>	<u>1,823</u>
Operating profit before working capital changes	32,295	28,716
(Increase)/decrease in trade and other receivables	(6,568)	11,625
Decrease in inventories	13,292	4,939
Decrease in trade and other payables	<u>(19,062)</u>	<u>(24,247)</u>
Cash from operations	19,957	21,033
Interest paid	(1,072)	(845)
Interest received	2,826	488
Income tax paid	<u>(5,262)</u>	<u>(5,618)</u>
Net cash from operating activities	<u>16,449</u>	<u>15,058</u>
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment	(23,514)	(10,516)
Proceeds from disposal of property, plant and equipment	381	140
Purchase of intangibles	-	(28)
Dividends received from joint venture	2,994	3,122
Net proceeds from disposal of disposal group classified as held for sale	-	111,489
Net cash (used in)/from investing activities	<u>(20,139)</u>	<u>104,207</u>
<u>Cash flows from financing activities:</u>		
Dividends paid during the period	(23,011)	(34,516)
Proceeds from borrowings	12,099	-
Repayment of borrowings	(5,183)	(4,864)
Payment of lease liabilities	<u>(1,797)</u>	<u>(1,711)</u>
Net cash used in financing activities	<u>(17,892)</u>	<u>(41,091)</u>
Net (decrease)/increase in cash and cash equivalents	(21,582)	78,174
Cash and cash equivalents at beginning of period	216,792	130,488
Effect of exchange rate changes on cash and cash equivalents	<u>(1,576)</u>	<u>(3,396)</u>
Cash and cash equivalents at end of period	<u><u>193,634</u></u>	<u><u>205,266</u></u>

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

Statement of Changes in Equity

(In Singapore Dollars)

Group	Share capital \$'000	Capital reserve \$'000	Revenue reserve \$'000	Foreign currency translation reserve \$'000	Reserve of disposal group classified as held for sale \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2023	277,043	(1,511)	245,407	(23,231)	-	1,751	499,459
Total comprehensive income for the period							
Net profit for the period	-	-	4,905	-	-	65	4,970
<u>Other comprehensive income</u>							
<i>Currency translation arising on consolidation</i>	-	-	-	(1,221)	-	58	(1,163)
<i>Share of other comprehensive income of joint venture</i>	-	-	-	(2,748)	-	-	(2,748)
Other comprehensive income for the period, net of tax	-	-	-	(3,969)	-	58	(3,911)
Total comprehensive income for the period	-	-	4,905	(3,969)	-	123	1,059
Transactions with owners in their capacity as owners							
<u>Contributions by and distributions to owners</u>							
Dividends	-	-	(23,011)	-	-	-	(23,011)
Total transactions with owners in their capacity as owners	-	-	(23,011)	-	-	-	(23,011)
Balance at 30 June 2023	<u>277,043</u>	<u>(1,511)</u>	<u>227,301</u>	<u>(27,200)</u>	<u>-</u>	<u>1,874</u>	<u>477,507</u>
Balance at 1 January 2022	277,043	(1,511)	267,662	(3,360)	(9,280)	1,774	532,328
Total comprehensive income for the period							
Net profit for the period	-	-	8,185	-	-	171	8,356
<u>Other comprehensive income</u>							
<i>Currency translation arising on consolidation</i>	-	-	-	(8,729)	-	(105)	(8,834)
<i>Share of other comprehensive income of joint venture</i>	-	-	-	(1,856)	-	-	(1,856)
Other comprehensive income for the period, net of tax	-	-	-	(10,585)	-	(105)	(10,690)
Total comprehensive income for the period	-	-	8,185	(10,585)	-	66	(2,334)
Transactions with owners in their capacity as owners							
<u>Contributions by and distributions to owners</u>							
Dividends	-	-	(34,516)	-	-	-	(34,516)
Total contributions by and distributions to owners	-	-	(34,516)	-	-	-	(34,516)
<u>Change in ownership interest in subsidiaries</u>							
Disposal of subsidiaries	-	-	(1,551)	-	9,280	-	7,729
Total change in ownership interest in subsidiaries	-	-	(1,551)	-	9,280	-	7,729
Total transactions with owners in their capacity as owners	-	-	(36,067)	-	9,280	-	(26,787)
Balance at 30 June 2022	<u>277,043</u>	<u>(1,511)</u>	<u>239,780</u>	<u>(13,945)</u>	<u>-</u>	<u>1,840</u>	<u>503,207</u>

1(d)(i)

Company	Share capital \$'000	Revenue reserve \$'000	Total equity \$'000
Balance at 1 January 2023	277,043	65,758	342,801
<i>Net profit for the period</i>	-	2,945	2,945
<u>Contributions by and distributions to owners</u>			
Dividends	-	(23,011)	(23,011)
Total transactions with owners in their capacity as owners	-	(23,011)	(23,011)
Balance at 30 June 2023	<u>277,043</u>	<u>45,692</u>	<u>322,735</u>
Balance at 1 January 2022	277,043	92,786	369,829
<i>Net profit for the period</i>	-	2,940	2,940
<u>Contributions by and distributions to owners</u>			
Dividends	-	(34,516)	(34,516)
Total transactions with owners in their capacity as owners	-	(34,516)	(34,516)
Balance at 30 June 2022	<u>277,043</u>	<u>61,210</u>	<u>338,253</u>

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

There has been no change to the issued and paid-up share capital of the Company since 31 December 2022 up to 30 June 2023.

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

	<u>As at</u> <u>30/06/2023</u>	<u>As at</u> <u>31/12/2022</u>
Total number of issued shares (excluding treasury shares)	575,268,440	575,268,440

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

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

Not applicable.

1(d)(v) Statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. No subsidiary holdings (as defined in the Listing Manual) were held by the Company as at 30 June 2023.

1(e) Selected Notes to the Interim Financial Statements

For the half year ended 30 June 2023

A. CORPORATE INFORMATION

QAF Limited (the “Company”) is a public limited liability company incorporated and domiciled in Singapore. The registered address and principal place of business of the Company is 150 South Bridge Road, #09-03 Fook Hai Building, Singapore 058727.

The principal activities of the Company are those of an investment holding and management company. The principal activities of the Group consist of the manufacture and distribution of bread, bakery and confectionery products; provision for warehousing logistics for food items; trading and distribution of food and beverages.

B. BASIS OF PREPARATION

The condensed interim financial statements for the financial period ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Committee. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2022.

C. USE OF JUDGEMENTS AND ESTIMATES

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements and estimates made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at end of the year ended 31 December 2022.

D. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2023 and 31 December 2022:

	Group	
	30/06/2023	31/12/2022
	S\$'000	S\$'000
<i>Financial assets measured at amortised cost</i>		
Trade receivables	83,782	78,514
Other receivables	6,805	5,556
Cash and cash equivalents	193,634	216,792
	<u>284,221</u>	<u>300,862</u>
<i>Financial liabilities measured at amortised cost</i>		
Trade payables	43,526	57,536
Other payables	43,215	46,566
Short-term borrowings	11,929	676
Long-term borrowings	16,103	20,171
	<u>114,773</u>	<u>124,949</u>

1(e) Selected Notes to the Interim Financial Statements (cont'd)
For the half year ended 30 June 2023 (cont'd)

E. INCOME TAX EXPENSE

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated income statement are:

	1st Half Year ended	
	<u>30/06/2023</u>	<u>30/06/2022</u>
	S\$'000	S\$'000
Current income tax expense	(6,168)	(3,638)
Deferred tax relating to origination and reversal of temporary differences	43	196
	<u>(6,125)</u>	<u>(3,442)</u>

F. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets amounting to \$23,766,000 (30 June 2022: \$10,570,000) and disposed of assets amounting to \$497,000 (30 June 2022: \$33,000). Capital commitments not provided for in the financial statements amounted to \$10,986,000 as at 30 June 2023.

G. INTANGIBLES

	Group			
	Trademark	Intellectual property	Software	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Cost:				
At 1.1.2022	2,750	141	83	2,974
Additions	-	-	27	27
Currency realignment	-	(10)	-	(10)
At 31.12.2022 and 1.1.2023	<u>2,750</u>	<u>131</u>	<u>110</u>	<u>2,991</u>
Currency realignment	-	(2)	-	(2)
At 30.06.2023	<u>2,750</u>	<u>129</u>	<u>110</u>	<u>2,989</u>
Accumulated amortisation and impairment loss:				
At 1.1.2022	2,750	56	-	2,806
Amortisation for the year	-	14	11	25
Currency realignment	-	(5)	-	(5)
At 31.12.2022 and 1.1.2023	<u>2,750</u>	<u>65</u>	<u>11</u>	<u>2,826</u>
Amortisation for the period	-	7	11	18
Currency realignment	-	(2)	-	(2)
At 30.06.2023	<u>2,750</u>	<u>70</u>	<u>22</u>	<u>2,842</u>
Net carrying amount:				
At 30.06.2023	<u>-</u>	<u>59</u>	<u>88</u>	<u>147</u>
At 31.12.2022	<u>-</u>	<u>66</u>	<u>99</u>	<u>165</u>

Trademark, intellectual property and software with finite lives are amortised on a straight-line basis over their useful lives of 20, 10 and 5 years respectively.

1(e) Selected Notes to the Interim Financial Statements (cont'd)
For the half year ended 30 June 2023 (cont'd)

H. DIVIDENDS

	1st Half Year ended	
	<u>30/06/2023</u>	<u>30/06/2022</u>
	S\$'000	S\$'000
Ordinary dividends paid:		
Final tax-exempt (one-tier) dividend of 4 cents per share in respect of the financial year ended 31 December 2022	23,011	-
Final tax-exempt (one-tier) dividend of 4 cents per share in respect of the financial year ended 31 December 2021	-	23,010
Special tax-exempt (one-tier) dividend of 2 cents per share paid in the financial year ended 31 December 2022	-	11,506
	<u>23,011</u>	<u>34,516</u>

I. RELATED PARTY TRANSACTIONS

The following significant transactions took place during the financial period on terms agreed by the parties concerned:

	1st Half Year ended	
	<u>30/06/2023</u>	<u>30/06/2022</u>
	S\$'000	S\$'000
Royalty income from joint venture	2,900	2,884
Purchase of goods from joint venture	1,690	1,743
Sales of goods to joint venture	20,266	15,433
Dividend income from joint venture	3,000	3,170
Purchase of goods from a company in which Mr Lam Sing Chung and an immediate family member of Ms Rachel Liem Yuan Fang have an interest	1,805	1,450
Sales of goods to a company in which Mr Lam Sing Chung and an immediate family member of Ms Rachel Liem Yuan Fang have an interest (Proceeds of the sales is covered by the personal guarantee by Mr Lam Sing Chung of up to \$1 million)	1,419	2,141
Shared services income from a company in which Mr Lin Kejian has an interest	30	-
	<u>30</u>	<u>-</u>

J. FAIR VALUE OF ASSETS AND LIABILITIES

The Group does not have any financial instruments carried at fair value.

K. SUBSEQUENT EVENTS

There are no known subsequent events which led to adjustments to this set of interim financial statements.

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 modifications or emphasis of matter).

Not applicable.

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 2022. However, the Group adopted new or amended Singapore Financial Reporting Standards (International) ("SFRS(I)") that are mandatory for financial years beginning on or after 1 January 2023. The adoption of these standards did not have any material 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.

Not applicable.

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 Half Year ended	
	<u>30/06/2023</u>	<u>30/06/2022</u>
Basic and Diluted EPS	0.9 cents	1.4 cents
- continuing operations	0.9 cents	2.5 cents
- discontinued operations	- cents	(1.1) cents

Number of shares used for the calculation of Basic and Diluted EPS:

Weighted average number of ordinary shares in issue	575,268,440	575,268,440
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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 <u>30/06/2023</u>	As at <u>31/12/2022</u>
Group	82.7 cents	86.5 cents
QAF Limited	56.1 cents	59.6 cents
Number of shares used for the calculation of Net asset value:	575,268,440	575,268,440

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

Note: Any discrepancies in percentages included in Section 8 between the amounts shown and the corresponding percentage are due to rounding. Accordingly, figures shown as percentages in Section 8 may not be derived directly from such amounts shown.

Continuing operations

	1H 2023	1H 2022	+ / (-)
	\$'million	\$'million	%
<u>Segment Revenue</u> ^			
Bakery	216.1	195.8	10
Royalty income from joint venture	3.2	3.2	-
Bakery and joint venture contribution	219.3	199.0	10
Distribution & Warehousing	80.3	71.6	12
Others * (including head office financials)	2.0	(0.1)	n.m.
	301.6	270.5	12

Segment EBITDA before exceptional items

Bakery	24.8	22.1	12
Royalty income from joint venture	3.2	3.2	-
Share of (losses)/profits of joint venture	(10.0)	3.8	n.m.
Bakery and joint venture contribution	18.0	29.1	(38)
Distribution & Warehousing	4.5	3.2	41
Others * (including head office financials)	(9.4)	(8.7)	8
	13.1	23.6	(44)

Segment EBITDA Margin

	1H 2023	1H 2022
	%	%
Bakery	11	11
Distribution & Warehousing	6	4
Group	4	9

^ Gardenia Bakeries (KL) Sdn Bhd ("GBKL") revenue is not consolidated as it is accounted for as a joint venture. GBKL revenue increased marginally by \$0.3 million from \$194.2 million in 1H 2022 to \$194.5 million in 1H 2023. In constant currency terms, GBKL revenue increased by 7%.

* Exclude share of (losses)/profits and royalty income from joint venture, GBKL. Includes net unrealised foreign currency translation loss recorded at head office of \$2.2 million in 1H 2023 and \$3.0 million in 1H 2022.

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

INCOME STATEMENT (cont'd)

Continuing operations (cont'd)

Group revenue increased by 12% to \$301.6 million for the first half year ended 30 June 2023 ("1H 2023") from \$270.5 million for the first half year ended 30 June 2022 ("1H 2022"). In constant currency terms, Group revenue increased by 16% in 1H 2023 compared to 1H 2022.

The Group's Bakery segment sales increased by 10% (17% in constant currency) to \$216.1 million for 1H 2023. The increased sales contributed to the improved Bakery EBITDA.

For 1H 2023, Distribution & Warehousing segment achieved increase in revenue by 12% or \$8.7 million to \$80.3 million, up from \$71.6 million for 1H 2022, mainly contributed by higher sales to food services, export and retail supermarkets. EBITDA for 1H 2023 increased to \$4.5 million as compared with \$3.2 million for 1H 2022, in line with the increase in revenue.

Other income including interest income increased by 191% or \$2.3 million from \$1.2 million in 1H 2022 to \$3.5 million in 1H 2023 due to higher interest income earned in the rising interest rate environment (see section 1(a)(ii) on page 2).

The Group's costs of materials, staff costs, repairs and maintenance and utilities increased in 1H 2023 in line with higher sales in the Bakery and Distribution & Warehousing segments (see section 1(a)(i) on page 1).

Amortisation and depreciation decreased by 24% or \$3.5 million from \$14.7 million in 1H 2022 to \$11.2 million in 1H 2023 mainly due to a one-off adjustment made in 1H 2023 to revise the useful life of certain property, plant and equipment. Advertising and promotion expenses increased by 62% or \$1.7 million to \$4.5 million in 1H 2023 due to continued efforts by Gardenia Bakeries (Philippines) Inc. ("GBPI") to counter competition.

Other operating expenses increased by 4% or \$1.1 million from \$29.8 million in 1H 2022 to \$30.9 million in 1H 2023 which includes operating lease expense, distribution and transportation expense and foreign currency translation loss. The Group recorded a net unrealised foreign currency translation loss of \$2.2 million in 1H 2023 as compared with \$3.0 million in 1H 2022 (see section 1(a)(ii) on page 2). The major component of the foreign currency translation loss arose from the translation effects from AUD to SGD of the Group's substantial holdings in AUD-denominated cash and cash equivalents.

Group finance costs (interest expense) increased by 34% or \$0.3 million from \$0.8 million in 1H 2022 to \$1.1 million in 1H 2023 due to the higher interest rate environment.

The Group recognised a non-cash impairment of \$9.2 million on the Group's investment in its joint venture in 1H 2023. Please refer to page 3 of this announcement. When combined with the share of operating losses of the joint venture of \$0.8 million for 1H 2023, the Group recorded a total share of losses of \$10.0 million in the joint venture for 1H 2023 as compared to a share of operating profits of \$3.8 million in 1H 2022. The decline in the joint venture operating results is due to the effects of higher raw material costs, higher utilities and increased staff costs associated with the mandatory increase in minimum wage rates.

Exceptional items relate to interim payments received in connection to the claim for insurance relating to the damage sustained at one of the Group's Malaysian factories in December 2021. Insurance payments received to-date were RM25 million (equivalent to \$7.5 million) in 1H 2023 and RM30 million (equivalent to \$9.6 million) in 1H 2022.

Group earnings before interest, tax, depreciation and amortisation ("EBITDA") and exceptional items decreased by 44% from \$23.6 million for 1H 2022 to \$13.1 million for 1H 2023. The decrease in performance of 1H 2023 as compared with 1H 2022 was largely due to the share of losses in the joint venture of \$10.0 million for 1H 2023 as compared to \$3.8 million share of profits for 1H 2022. On the other hand, better performance by both the Bakery and Distribution & Warehousing segments improved the Group's performance.

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

INCOME STATEMENT (cont'd)

Continuing operations (cont'd)

In relation to the profits before and after tax for the Group, please refer to the table below which sets out a summary:

	1H 2023	1H 2022	+ / (-)
	\$'million	\$'million	%
Group profit before tax from continuing operations ("PBT")	11.1	18.1	(39)
Group PBT excluding exceptional items and GBKL impairment	12.8	8.5	51
PBT Margin excluding exceptional items and GBKL impairment (%)	4.2%	3.1%	
Group income tax expense	(6.1)	(3.4)	78
Group profit after tax from continuing operations ("PAT")	5.0	14.7	(66)
PAT Margin (%)	1.7%	5.4%	
Group profit attributable to owners of the parent ("PATMI") from continuing operations	4.9	14.5	(66)

The increase in Group PBT excluding exceptional items and GBKL impairment for 1H 2023 as compared to 1H 2022 was largely due to lower amortisation and depreciation expense as well as effects of overall increased sales and higher interest income. Group PBT excluding exceptional items and GBKL impairment improved by 51% from \$8.5 million for 1H 2022 to \$12.8 million for 1H 2023. Group income tax expense increased by 78% or \$2.7 million to \$6.1 million for 1H 2023 as compared with \$3.4 million for 1H 2022 in line with the higher PBT.

Group PAT from continuing operations reduced by \$9.7 million or 66% to \$5.0 million in 1H 2023 as compared with \$14.7 million for 1H 2022 mainly due to the impairment of \$9.2 million on the Group's investment in its joint venture. Group PATMI from continuing operations decreased by \$9.6 million to \$4.9 million for 1H 2023 as compared with \$14.5 million for 1H 2022.

Discontinued operations

With the completion of the disposal of the Primary Production business in 2022, the Group recognised a loss on disposal, and associated costs incurred for the disposal, of \$6.3 million for 1H 2022.

STATEMENT OF FINANCIAL POSITION

Inventories declined by 24% from \$54.3 million as at end of financial year 2022 ("FY 2022") to \$41.1 million as at end of 1H 2023 due mainly to the reduction of inventory holdings in the Distribution & Warehousing business segment, as these inventories were sold during the festive season in the first quarter of the financial year 2023.

Other receivables increased by 14% or \$2.5 million from \$17.3 million as at end of FY 2022 to \$19.8 million as at end of 1H 2023. This was largely due to timing in receipt of royalty income from the joint venture and the prepayment of insurance premia. The royalty income from the joint venture was received subsequently.

Investment in joint venture and associate decreased by 25% or \$15.9 million from \$64.3 million as at end of FY 2022 to \$48.4 million as at end of 1H 2023 due to the Group's share of losses of \$10.0 million on the Group's investment in its Malaysian joint venture (Please refer to page 3 of this announcement), and lower Singapore Dollar equivalent on the Malaysian investment due to a weaker Malaysian Ringgit in 1H 2023.

Trade payables decreased by 24% from \$57.5 million at end of FY 2022 to \$43.5 million as at end of 1H 2023, due to lower inventory holdings.

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

STATEMENT OF FINANCIAL POSITION (cont'd)

Total short-term and long-term borrowings increased by 35% from \$20.8 million as at end of FY 2022 to \$28.0 million as at end of 1H 2023 due to the drawdown of loans for the replacement and reinstatement of the damaged production lines in connection with the severe flooding at one of the Group's Malaysian factories in December 2021, whilst awaiting the finalisation of the insurance claims. Including lease liabilities, the Group's gross gearing ratio is 0.10 times as at 30 June 2023 compared to 0.08 times as at 31 December 2022.

At the end of 1H 2023, the Group's cash and cash equivalent of \$193.6 million is higher than its debt of \$47.5 million, resulting in a net cash position of \$146.1 million. This has decreased from \$175.0 million as at end of FY 2022 mainly due to the dividend payment \$23.0 million.

STATEMENT OF CASH FLOWS

Cash and cash equivalents for the Group decreased by 11% or \$23.2 million from \$216.8 million as at end of FY 2022 to \$193.6 million as at end of 1H 2023, resulting mainly from capital expenditure outflow of \$23.5 million and dividend payment of \$23.0 million, offset by cash from operating activities of \$16.4 million and net financing inflows from borrowings and leasing of \$5.1 million.

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

No deviation. In line with the Company's announcement, Profit Guidance dated 21 July 2023, 1H 2023 operating performance is satisfactory.

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 first half of 2023 has seen the Group operating in an uncertain global economic environment, with unstable geopolitical tensions, active application of monetary and government policies, and financial sector vulnerabilities persisting.

As a major player in the consumer food staples sector, the Group has been affected by a heightened cost environment, especially in relation to key raw material commodity costs, electricity and labour. In addition, global supply chain disruptions, tight labour supply and foreign currency exchange rate volatility have continued to affect the Group's business environment.

Although expectations are that inflation rates are abating, and interest rates are nearing their peaks, the Group will continue operating in a high-cost environment. The global supply chain appears to be returning to a more normal cycle, however, there are increasing signs of a global economic slowdown. The foreign currency exchange rate movements will also continue to be volatile, impacting both our business operations and the reported results of our foreign operations.

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

Despite these headwinds, the Group remains committed to implementing key strategic initiatives that can leverage our strengths to build more resilience.

- The Group will continue to concentrate on stable revenue growth by expanding our distribution channels, developing new products, and making strategic pricing and product mix adjustments to maintain our competitive position.
- The Group will also remain focused on expanding its trading and distribution business. As mentioned previously, this capital-light, scalable approach, will concentrate on the sale and distribution of long shelf-life products and is complementary to our expansive distribution and supply chain network across ASEAN, with the potential to expand into China and the Australasia region.
- Additionally, the Group will continue to review manufacturing and distribution efficiency, capacity utilization and cost management.

In respect of the flood damage at one of our Malaysian factories, the Group has recently provided an update of the insurance claims on 3 July 2023. The Group remains focused on reinstating the affected lines and expects them to be operational before the end of 2023.

As explained in Section 1(a)(ii)(b) on page 3 and in the profit guidance dated 21 July 2023 a non-cash impairment relating to the Group's investment in its joint venture, GBKL, was recognised in 1H 2023. Looking forward, the Group cannot rule out non-cash write-downs of this investment in future years subject to, amongst other things, trading performance, a future decision by the joint venture parties concerning the business beyond 31 March 2028, currency movements and interest rates.

Our strong balance sheet continues with a healthy net asset and cash position. This will allow the Group to pursue any suitable growth opportunities. Our cash reserves are available to assist the Group to withstand unexpected financial stress that may arise.

Given our strong financial position and the resilience of our consumer-focused business, barring unforeseen circumstances, we expect the Group's 2H 2023 operating performance to be satisfactory.

The Board has decided to declare an interim dividend of \$0.01 per share for FY2023.

11. Dividends

- (a) Current financial period reported on**
Any dividend declared Yes

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

- (b) Previous corresponding period**
Any dividend declared Yes

	Interim	Special
Dividend type	Cash	Cash
Dividend rate	1 cent per ordinary share	2 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 and the reason(s) for the decision.

Not applicable.

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	Nature of Relationship	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than \$100,000) (S\$'000)
Austral Dairy Group Sdn. Bhd. - Sale of products (cheese)	Entity in which Mr Lam Sing Chung and an immediate family member of Ms Rachel Liem Yuan Fang have an interest	1,419
Salim Group - Purchase of raw materials including flour	See Note ⁽¹⁾	10,067
Austral Dairy Group Sdn. Bhd. - Purchase of finished products (processed cheese)	Entity in which Mr Lam Sing Chung and an immediate family member of Ms Rachel Liem Yuan Fang have an interest	1,805
	TOTAL	13,291

Note:

- ⁽¹⁾ Salim Group refers to Mr Anthony Salim and the group of companies controlled by him or, if the context requires, Mr Anthony Salim. Mr Anthony Salim is an immediate family member of Mr Lam Sing Chung.

14. **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.**

Segment Information

(In Singapore Dollars)

	Bakery \$'000	Distribution & warehousing \$'000	Investments & others \$'000	Adjustments & eliminations \$'000	Consolidated \$'000
<u>Revenue and expenses 1H 2023</u>					
Revenue from external customers	213,342	79,515	3,238	-	296,095
Other revenue from external customers	2,383	224	97	-	2,704
Inter-segment revenue	395	531	8,543	(9,469)	-
	<u>216,120</u>	<u>80,270</u>	<u>11,878</u>	<u>(9,469)</u>	<u>298,799</u>
Unallocated revenue					2,826
Total revenue					<u>301,625</u>
Segment EBITDA	24,804	4,458	1,634	-	30,896
Amortisation and depreciation	(9,254)	(1,758)	(194)	-	(11,206)
Segment EBIT	<u>15,550</u>	<u>2,700</u>	<u>1,440</u>	-	<u>19,690</u>
Unallocated revenue					2,826
Unallocated expenses					(7,807)
Profit from operating activities					<u>14,709</u>
Finance costs					(1,099)
Exceptional items					7,485
Share of losses of joint venture	(10,000)	-	-	-	(10,000)
Profit before tax					<u>11,095</u>
Income tax expense					(6,125)
Profit after tax					<u>4,970</u>
<u>Timing of transfer of goods or services</u>					
At a point in time	215,717	77,307	93	-	293,117
Over time	222	2,442	5,844	-	8,508
	<u>215,939</u>	<u>79,749</u>	<u>5,937</u>	-	<u>301,625</u>
<u>Revenue and expenses 1H 2022</u>					
Revenue from external customers	193,273	70,880	3,221	-	267,374
Other revenue from external customers	2,346	193	71	-	2,610
Inter-segment revenue	174	548	8,061	(8,783)	-
	<u>195,793</u>	<u>71,621</u>	<u>11,353</u>	<u>(8,783)</u>	<u>269,984</u>
Unallocated revenue					488
Total revenue					<u>270,472</u>
Segment EBITDA	22,059	3,234	341	-	25,634
Amortisation and depreciation	(12,934)	(1,668)	(143)	-	(14,745)
Segment EBIT	<u>9,125</u>	<u>1,566</u>	<u>198</u>	-	<u>10,889</u>
Unallocated revenue					488
Unallocated expenses					(5,865)
Profit from operating activities					<u>5,512</u>
Finance costs					(818)
Exceptional items					9,609
Share of profits of joint venture	3,834	-	-	-	3,834
Profit before tax					<u>18,137</u>
Income tax expense					(3,442)
Profit after tax					<u>14,695</u>
<u>Timing of transfer of goods or services</u>					
At a point in time	195,607	68,784	99	-	264,490
Over time	125	2,261	3,596	-	5,982
	<u>195,732</u>	<u>71,045</u>	<u>3,695</u>	-	<u>270,472</u>

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

	Bakery \$'000	Distribution & warehousing \$'000	Investments & others \$'000	Consolidated \$'000
<u>Assets and liabilities 30 June 2023</u>				
Segment assets	336,906	82,570	153,443	572,919
Investment in joint venture and associate	48,422	-	-	48,422
Total assets	<u>385,328</u>	<u>82,570</u>	<u>153,443</u>	<u>621,341</u>
Deferred tax assets				3,494
Tax recoverable				7,400
Total assets per consolidated statement of financial position				<u><u>632,235</u></u>
Segment liabilities	85,505	26,640	5,764	117,909
Income tax payable				3,079
Deferred tax liabilities				5,708
Bank borrowings				28,032
Total liabilities per consolidated statement of financial position				<u><u>154,728</u></u>
<u>Assets and liabilities 31 December 2022</u>				
Segment assets	333,941	91,350	164,426	589,717
Investment in joint venture and associate	64,312	-	-	64,312
Total assets	<u>398,253</u>	<u>91,350</u>	<u>164,426</u>	<u>654,029</u>
Deferred tax assets				3,203
Tax recoverable				7,527
Total assets per consolidated statement of financial position				<u><u>664,759</u></u>
Segment liabilities	91,544	37,099	7,657	136,300
Income tax payable				2,596
Deferred tax liabilities				5,557
Bank borrowings				20,847
Total liabilities per consolidated statement of financial position				<u><u>165,300</u></u>
<u>Other segment information 1H 2023</u>				
Expenditure for non-current assets	22,821	945	-	23,766
Allowance for inventories charged and inventories written off, net	40	400	-	440
Allowance for receivables charged and bad debts written off, net	105	42	-	147
<u>Other segment information 1H 2022</u>				
Expenditure for non-current assets	8,102	2,171	324	10,597
Allowance for inventories charged and inventories written off, net	103	498	2	603
Allowance for receivables charged and bad debts written off, net	100	-	-	100

14. Segment Information (cont'd)
(In Singapore Dollars)

	Revenue		Non-current assets	
	30/06/2023	30/06/2022	30/06/2023	31/12/2022
	\$'000	\$'000	\$'000	\$'000
Philippines	139,032	126,428	80,852	79,707
Singapore	109,055	98,803	59,065	60,928
Malaysia	26,038	21,879	74,821	61,712
Australia	21,730	17,452	19,824	20,431
Other countries	5,770	5,910	-	-
	<u>301,625</u>	<u>270,472</u>	<u>234,562</u>	<u>222,778</u>

Non-current assets information presented above consist of property, plant and equipment, right-of-use assets and intangibles as presented in the consolidated statement of financial position.

15. 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 six months ended 30 June 2023 herein to be false or misleading in any material respect.

16. 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

Serene Yeo
Company Secretary
8 August 2023