QAF Limited

(Company Registration No : 195800035D)

Full Year Unaudited Financial Statements for the Year Ended 31 December 2016

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

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

Income Statement (in Singapore Dollars)	Group		
	Full year ended		
	31/12/2016	31/12/2015	+ / (-)
	S$'000	S$'000	%
Revenue	889,520	998,278	(11)
Costs and expenses			
Costs of materials	453,121	521,069	(13)
Staff costs	200,975	226,958	(11)
Amortisation and depreciation	32,760	36,310	(10)
Repairs and maintenance	24,104	30,038	(20)
Utilities	23,617	28,562	(17)
Other operating expenses	87,148	83,978	4
Total costs and expenses	821,725	926,915	(11)
Profit from operating activities	67,795	71,363	(5)
Finance costs	(2,940)	(2,597)	13
Exceptional items	59,375	-	n.m.
Share of profits of joint venture	6,385	-	n.m.
Profit before taxation	130,615	68,766	90
Taxation			
- Current year	(14,247)	(14,270)	(0)
- Overprovision in prior years	3	233	(99)
	(14,244)	(14,037)	1
Profit after taxation	116,371	54,729	113
Attributable to:			
Owners of the parent	120,390	52,536	129
Non-controlling interests	(4,019)	2,193	n.m.
	116,371	54,729	113

n.m. = not meaningful

(i) Statement of Comprehensive Income

	Group	
	Full year ended	
	31/12/2016	31/12/2015
	S$'000	S$'000
Profit after taxation	116,371	54,729
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
- Actuarial loss on defined benefit plans	(804)	(318)
Items that may be reclassified subsequently to profit or loss:		
- Currency translation arising on consolidation	14,368	(20,196)
- Share of other comprehensive income of joint venture	(5,226)	-
Other comprehensive income for the year, net of tax	8,338	(20,514)
Total comprehensive income for the year	124,709	34,215
Total comprehensive income attributable to:		
Owners of the parent	128,470	34,037
Non-controlling interests	(3,761)	178
	124,709	34,215

Notes to the Income Statement

Please see Section 8 for commentaries on the Income Statement.

Group "Exceptional Items" relate to the Group's sale of its 20% shareholding interest in Gardenia Bakeries (KL) Sdn Bhd ('GBKL') which was completed and announced by the Group on 6 April 2016. The purpose of the sale of the 20% shareholding interest was to comply with the Malaysian governmental regulatory condition imposed on GBKL's manufacturing license. Accordingly, GBKL has ceased to be a subsidiary of the Group and has become a Joint Venture of the Group.

Previously, the Group has recognised an exceptional gain of $9.7 million as a result of the sale of its 20% shareholding in GBKL, as announced in the Group's financial results for the second Quarter ended 30 June 2016 on 12 August 2016. Subsequently, in compliance with Singapore Financial Reporting Standards, the Group, with the assistance of external independent advisors, carried out an exercise to determine the fair values of the Group's remaining 50% stake in GBKL's identifiable assets and liabilities.

As a result, a net exceptional gain of $59.4 million arising from the sale of 20% stake in GBKL and the remeasurement of the remaining 50% stake in GBKL has been recognised during the year.

(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		
	Full year ended		+ / (-)
	31/12/2016	31/12/2015	%
	S$'000	S$'000	
Other income including interest income	5,695	6,296	(10)
Allowance for doubtful debts charged and bad debts written off, net	(451)	(967)	(53)
Allowance for inventory obsolescence charged	(723)	(1,282)	(44)
Foreign exchange loss	(3,134)	(2,824)	11
(Loss)/gain on disposal of property, plant & equipment	(145)	50	n.m.
Gain on disposal of investment securities	16	193	(92)
Impairment loss on investment securities	(819)	-	n.m.
Impairment loss on property, plant & equipment and investment properties	(8,602)	-	n.m.

1(b)(i) A statement of financial position for the company and group, together with a comparative statement as at the end of the immediately preceding financial year:-

Statement of Financial Position (in Singapore Dollars)	**Group**		**Company**	
	31/12/2016 S$'000	31/12/2015 S$'000	31/12/2016 S$'000	31/12/2015 S$'000
Current assets				
Biological assets	60,803	57,518	-	-
Inventories	60,159	78,654	-	-
Trade receivables	96,910	96,528	-	-
Other receivables	33,121	17,289	75,457	42,998
Tax recoverable	1,245	1,297	-	-
Short-term investments	3,968	2,500	2,968	2,500
Cash and short-term deposits	104,903	109,052	27,070	27,893
	361,109	362,838	105,495	73,391
Non-current assets				
Property, plant & equipment	289,585	298,174	2,290	2,471
Investment properties	18,248	26,929	-	-
Subsidiaries	-	-	98,973	98,973
Advances to subsidiaries	-	-	123,805	130,083
Joint venture	76,318	-	-	-
Pension assets	2,654	2,663	-	-
Long-term investments	7,226	13,488	7,198	12,459
Intangibles	-	196	1,507	1,696
Deferred tax assets	17,267	14,615	-	-
	411,298	356,065	233,773	245,682
Total assets	772,407	718,903	339,268	319,073
Current liabilities				
Trade payables	65,188	82,153	225	135
Other payables	59,007	69,679	9,725	8,182
Short-term borrowings	32,642	59,141	-	-
Long-term loans and finance leases - current portion	2,456	4,101	-	-
Provision for taxation	6,099	5,282	1,167	1,148
	165,392	220,356	11,117	9,465
Non-current liabilities				
Other payables	15,241	10,740	7,584	-
Long-term loans and finance leases	51,128	28,401	-	-
Deferred tax liabilities	12,494	12,353	1,734	318
	78,863	51,494	9,318	318
Total liabilities	244,255	271,850	20,435	9,783
Net assets	528,152	447,053	318,833	309,290
Capital and reserves				
Share capital	263,087	262,774	263,087	262,774
Reserves	263,980	164,101	55,746	46,516
Equity attributable to owners of the parent	527,067	426,875	318,833	309,290
Non-controlling interests	1,085	20,178	-	-
Total equity	528,152	447,053	318,833	309,290

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 31/12/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
12,272	22,826	20,276	42,966

(b) Amount repayable after one year

As at 31/12/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
14,736	36,392	7,044	21,357

(c) Details of any collaterals

At the end of the financial year, property, plant & equipment and inventories with total net book values of $29,807,000 (as at 31/12/2015: $31,024,000) were pledged to secure certain credit facilities for the Group.

1(c) A statement of cash flows for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year:-

	Group	
	Full year ended	
Statement of Cash Flows	31/12/2016	31/12/2015
(in Singapore Dollars)	S$'000	S$'000
Cash flows from operating activities:		
Profit before taxation	130,615	68,766
Adjustments for:		
Amortisation and depreciation	32,760	36,310
Loss/(gain) on disposal of property, plant & equipment	145	(50)
Share of profits of joint venture	(6,385)	-
Fair value adjustment on investment securities	(29)	35
Impairment loss on investment securities	819	-
Impairment loss on property, plant & equipment and investment properties	8,602	-
Gain on disposal of investment securities	(16)	(193)
Fair value changes on biological assets	(879)	(1,236)
Intangibles written off	196	-
Allowance for doubtful debts charged and bad debts written off, net	451	967
Gain on dilution of interest in a subsidiary company	(59,375)	-
Interest expense	2,940	2,597
Interest income	(1,696)	(1,995)
Exchange differences	2,480	2,163
Operating profit before working capital changes	110,628	107,364
Increase in receivables	(7,737)	(7,638)
Decrease/(increase) in inventories and biological assets	3,954	(7,678)
Increase in payables	7,014	7,781
Cash from operations	113,859	99,829
Interest paid, net	(1,260)	(621)
Income tax paid	(10,783)	(12,459)
Net cash from operating activities	**101,816**	**86,749**
Cash flows from investing activities:		
Purchase of property, plant & equipment and investment properties	(74,242)	(60,406)
Progress payment for purchase of property, plant & equipment	-	(2,209)
Proceeds from disposal of property, plant & equipment	502	507
Purchase of investment securities	-	(251)
Dividends received from joint venture	2,526	-
Proceeds from redemption/sale of investment securities	4,025	2,704
Net cash inflow from dilution of interest in a subsidiary company (Note A)	986	-
Net cash used in investing activities	**(66,203)**	**(59,655)**
Cash flows from financing activities:		
Proceeds from issuance of share capital	313	1,144
Dividends paid during the year	(28,087)	(20,674)
Dividends paid to non-controlling interests	(4,880)	(3,374)
Proceeds from long-term borrowings	16,174	13,259
Repayment of short-term borrowings	(25,035)	(75)
Proceeds from long-term loans from non-controlling interests	1,671	3,375
Net cash used in financing activities	**(39,844)**	**(6,345)**
Net (decrease)/increase in cash and cash equivalents	(4,231)	20,749
Cash and cash equivalents at beginning of year	109,052	91,956
Effect of exchange rate changes on cash and cash equivalents	82	(3,653)
Cash and cash equivalents at end of year	104,903	109,052

1(c) Note A : Analysis of dilution of interest in a subsidiary company

	Group 31/12/2016 $'000
Property, plant & equipment	51,710
Inventories	13,572
Trade and other receivables	22,610
Trade and other payables	(59,212)
Provision for taxation and Deferred tax liabilities	(4,861)
Cash and cash equivalents	22,184
Non-controlling interests	(13,785)
Net assets deconsolidated	32,218
Gain on dilution of interest in a subsidiary company	59,375
Release of reserves upon dilution of interest	11,700
Recognition of deferred income	9,193
Reclassification to Joint venture	(81,906)
Consideration	30,580
Deferred cash settlement	(6,440)
Exchange difference	(970)
Cash and cash equivalents disposed	(22,184)
Net cash inflow	986

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

Statement of Changes in Equity
(In Singapore Dollars)

Group	Share capital $'000	Revaluation reserve $'000	Capital reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 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)
Changes in ownership interests in subsidiaries							
Dilution of interest in a subsidiary	-	(1,874)	(16,236)	18,110	-	(13,785)	(13,785)
Total changes in ownership interests in subsidiaries	-	(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)

Group	Share capital $'000	Revaluation reserve $'000	Capital reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 January 2015	254,520	2,167	17,941	164,971	(27,231)	24,461	436,829
Net profit for the year	-	-	-	52,536	-	2,193	54,729
Other comprehensive income							
Currency translation arising on consolidation	-	-	-	-	(18,212)	(1,984)	(20,196)
Transfer between reserves	-	(49)	-	49	-	-	-
Actuarial loss on defined benefit plans	-	-	-	(287)	-	(31)	(318)
Total comprehensive income for the year	-	(49)	-	52,298	(18,212)	178	34,215
Contributions by and distributions to owners							
Issuance of ordinary shares from exercise of options	1,144	-	-	-	-	-	1,144
Issuance of ordinary shares in lieu of cash dividends	7,110	-	-	-	-	-	7,110
Expiry of employee share options	-	-	(1,053)	1,053	-	-	-
Dividends	-	-	-	(27,784)	-	(4,461)	(32,245)
Total transactions with owners in their capacity as owners	8,254	-	(1,053)	(26,731)	-	(4,461)	(23,991)
Balance at 31 December 2015	262,774	2,118	16,888	190,538	(45,443)	20,178	447,053

Company	Share capital $'000	Capital reserve $'000	Revenue reserve $'000	Total equity $'000
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
Balance at 1 January 2015	254,520	1,705	35,997	292,222
Net profit for the year, representing total comprehensive income for the year	-	-	36,598	36,598
Contributions by and distributions to owners				
Issuance of ordinary shares from exercise of options	1,144	-	-	1,144
Issuance of ordinary shares in lieu of cash dividends	7,110	-	-	7,110
Expiry of employee share options	-	(1,053)	1,053	-
Dividends	-	-	(27,784)	(27,784)
Total transactions with owners in their capacity as owners	8,254	(1,053)	(26,731)	(19,530)
Balance at 31 December 2015	262,774	652	45,864	309,290

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

For the year ended 31 December 2016, the issued and paid-up share capital of the Company was increased from 561,299,968 shares to 561,854,968 shares due to the allotment and issue of 555,000 ordinary shares pursuant to the exercise by option holders.

The number of shares that may be issued on conversion of all outstanding options were as follows:

	As at 31/12/2016	As at 31/12/2015
Outstanding options	-	725,000

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

	As at 31/12/2016	As at 31/12/2015
Total number of issued shares (excluding treasury shares)	561,854,968	561,299,968

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 are no treasury shares held by the 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 2015. However, the Group adopted new and revised Financial Reporting Standards ("FRS") and interpretations that are mandatory for financial years beginning on or after 1 January 2016. 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 31/12/2016	Full year ended 31/12/2015
Basic EPS		
- excluding Exceptional Items	10.9 cents	9.4 cents
- including Exceptional Items	21.4 cents	9.4 cents
Diluted EPS		
- excluding Exceptional Items	10.9 cents	9.4 cents
- including Exceptional Items	21.4 cents	9.4 cents
Number of shares used for the calculation of:		
i) Basic EPS Weighted average number of ordinary shares in issue	561,721,000	557,598,000
ii) Diluted EPS Weighted average number of ordinary shares in issue	561,721,000	557,941,000

7. Net asset value for the company and group per ordinary share based on issued share capital of the company at the end of the period reported on:

	As at 31/12/2016	As at 31/12/2015
Group	93.8 cents	76.1 cents
QAF Limited	56.7 cents	55.1 cents
Number of shares used for the calculation of Net asset value:	561,854,968	561,299,968

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

Group revenue decreased by 11% to $889.5 million for financial year ended 31 December 2016 ('FY 2016') from $998.3 million for financial year ended 31 December 2015 ('FY 2015'). The decrease in Group revenue is mainly attributable to deconsolidation of financial results of GBKL from that of the Group's, 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 of the Group and has become a Joint Venture of the Group.

Other than the abovementioned deconsolidation of the financial results of GBKL, increases in sales were achieved by all business segments of the Group – Bakery, Primary Production and Trading & Logistics. The Group's Bakery segment achieved overall increase in sales through the launch of new products, increased market penetration as well as from newly installed additional production facilities. Rivalea (Australia) Pty Ltd ('Rivalea'), the Group's integrated producer of meat located in Australia, achieved increases in sales from higher volume and higher average selling prices. The Group's Trading & Logistics business segment achieved higher sales due to higher volume of trading activities in FY 2016.

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

INCOME STATEMENT (cont'd)

Expenses of the Group decreased in FY 2016 over that of FY 2015 due to the deconsolidation of GBKL. In FY 2016, Costs of Materials, Staff Costs, Amortisation and Depreciation, Repairs and Maintenance and Utilities decreased to $453.1 million, $201.0 million, $32.8 million, $24.1 million and $23.6 million, respectively. In addition, the Bakery business segment enjoyed lower raw material costs such as lower flour costs while Rivalea saw lower operating costs, in particular lower feed costs.

Other Operating Expenses increased by 4% to $87.1 million in FY 2016 and this is attributable mainly to one-off impairment losses to write down the net book values of certain Property, Plant and Equipment and Investment Properties due to weakened market conditions, as well as the write down of certain bond investments to the latest market price.

Other Income including Interest Income decreased by 10% to $5.7 million in FY 2016 as compared to $6.3 million in FY 2015 because Rivalea saw lower miscellaneous income in FY 2016.

Group Finance Costs (interest expense) increased by 13% to $2.9 million in FY 2016 as compared to $2.6 million in FY 2015 due to higher borrowings.

Group Exceptional Items of $59.4 million resulted from the Group's sale of its 20% shareholding interest in GBKL. In compliance with FRS, the Group has recognised further non-cash fair value gains in the income statement, as the accounting fair values of the Group's remaining 50% stake in GBKL's identifiable assets and liabilities are higher than the carrying values (please refer to page 2, item 1(a), under Notes to the Income Statement).

The Group recognised Share of Profits of Joint Venture of $6.4 million in FY 2016 due to the Group's share of the profits of GBKL since April 2016.

Despite the deconsolidation of the financial results of GBKL and the resulting declassification and exclusion of GBKL's operating profits from the Group's consolidated operating profits from April 2016 onwards, the Group still achieved an increase in Profit Before Taxation ('PBT') of 90% to $130.6 million in FY 2016 from $68.8 million in FY 2015. Excluding the one-off Exceptional Items of $59.4 million, Group PBT of $71.2 million increased by 4% and this increase is mainly attributable to the increased profitability in Rivalea. Rivalea achieved increases in profitability through higher average selling prices from a better product mix, increased sales volumes, productivity gains, increased meat processing activities and lower operating costs, in particular, lower feed costs.

The bakery operations in the Philippines achieved higher profits due to increased sales which resulted from its newly installed additional production facilities. Ben Foods (S) Pte Ltd, a distributor of food products in the Group's Trading & Logistics business segment, achieved increased profitability due to a higher proportion of sales of higher margin products in its total sales mix.

Group Profit After Taxation ('PAT') increased by 113% to $116.4 million for FY 2016 as compared to a Group PAT of $54.7 million for FY 2015. The increase in Group PAT is higher than the increase in Group PBT as the one-off Exceptional Items as abovementioned is not subject to tax. In addition, the Group's Share of Profits of Joint Venture is also not subjected to further tax. Excluding the one-off Exceptional Items as abovementioned, Group PAT of $57.0 million would have increased by 4%.

The Group's subsidiary in the Philippines received a notification from the Philippines tax authority in 2016 for alleged deficiency in income and various taxes for the taxable year 2011, of approximating $24.4 million. The subsidiary's tax consultant has advised that there is no merit to this notification and an objection letter has been lodged.

Group Profit Attributable to Owners of the Parent increased by 129% to $120.4 million in FY 2016 as compared to $52.5 million in FY 2015. Excluding the one-off Exceptional Items as abovementioned, Group Profit Attributable to Owners of the Parent of $61.0 million would have increased by 16%.

Group Total Comprehensive Income Attributable to Owners of the Parent increased by 277% to $128.5 million in FY 2016 as compared to $34.0 million in FY 2015. Excluding the one-off Exceptional Items as abovementioned, Group Total Comprehensive Income Attributable to Owners of the Parent of $69.1 million would have increased by 103%.

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

STATEMENT OF FINANCIAL POSITION

The deconsolidation of GBKL's financial results from that of the Group's with effect from April 2016 resulted in reductions in the Group's Inventories, Trade Payables and Other Payables (Current).

Other Receivables increased by 92% to $33.1 million as at the end of FY 2016. The increase is largely due to the 3rd tranche of the sales consideration receivable from the sale of GBKL under the sales agreement, as well as an interim dividend receivable from GBKL.

Short-Term and Long-Term Investments relate mainly to the Company's and the Group's investments in bonds and market-linked notes. Total Investments decreased by 30% to $11.2 million as at the end of FY 2016 mainly due to the redemption and sale of certain investments, as well as an impairment charge to write down the book value of certain bond investments to latest market price.

Total Properties, Plant and Equipment and Investment Properties decreased by 5% to $307.8 million as at the end of FY 2016 from $325.1 million as at the end of FY 2015, mainly attributable to the deconsolidation of Property, Plant and Equipment of GBKL. In addition, the Group had made an impairment charge to write down the net book value of certain Property, Plant and Equipment and Investment Properties due to weakened market conditions. However, this is partially offset by further investments made to upgrade and expand the Group's bakery production facilities and equipment.

As GBKL has become a joint venture company within the Group, the Group's cost of investment in GBKL is now reclassified as an investment in Joint Venture. In addition, the Group had recognised a fair value gain on its remaining 50% stake in GBKL.

Short-Term Borrowings declined by 45% to $32.6 million as at the end of FY 2016 due largely to the repayment of loans.

Total Long-Term Borrowings increased by 65% to $53.6 million as at the end of FY 2016. The increase in Long-Term Borrowings resulted from the increase in funding for the Group's new additional production facilities.

Other Payables (Non-current) increased by 42% to $15.2 million as at the end of FY 2016, mainly due to deferred income arising from the renewal of the licensing agreement between the Company and GBKL.

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

BAKERY

	2016	2015	Increase/(decrease)	
	$'million	$'million	$'million	%
Segment revenue	379.8	516.2	(136.4)	(26)
Segment EBIT	32.3	60.1	(27.8)	(46)

Sales revenue from the Bakery segment decreased by 26% to $379.8 million for FY 2016 from $516.2 million for FY 2015, due mainly to the deconsolidation of the financial results of GBKL from that of the Group's, as the Group has sold 20% of its shareholdings in GBKL in April 2016 thereby reducing the Group's stake to 50% of GBKL's total shareholdings. Accordingly, GBKL has ceased to be a subsidiary of the Group and has become a Joint Venture of the Group, resulting in the deconsolidation of the financial results of GBKL from the Group.

Excluding GBKL, the Segment revenue would have increased by 11% to $263.7 million for FY 2016 from $238.3 million for FY 2015 and this is due to the successful launch of new products, increased production capacities and increased market shares.

Excluding GBKL, the Segment Earnings before Interest and Tax ('Segment EBIT') would have decreased by 20% to $24.1 million for FY 2016 from $30.1 million for FY 2015 due to continued losses being incurred by Gardenia Food (Fujian) Co Ltd, the Group's bakery operation in China as well as impairment of its assets. Excluding GBKL and effects of one-off impairment charge in 2016, the Segment EBIT would have increased by 2% to $30.5 million for FY 2016 from $30.1 million for FY 2015.

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

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

PRIMARY PRODUCTION

	2016	2015	Increase/(decrease)	
	$'million	$'million	$'million	%
Segment revenue	398.2	374.6	23.6	6
Segment EBIT	42.1	16.8	25.3	151

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

The 6% increase in Segment revenue was attributable to increases in sales from a higher general sales volume as well as higher average selling prices due to a better product mix.

Segment EBIT increased by 151% to $42.1 million in FY 2016 as compared to $16.8 million in FY 2015. This substantial increase in profitability was achieved by an increased sales volume, higher average selling prices, productivity gains and lower operating costs, including lower cost of feed.

TRADING & LOGISTICS

	2016	2015	Increase/(decrease)	
	$'million	$'million	$'million	%
Segment revenue	106.1	104.7	1.4	1
Segment EBIT	2.9	3.6	(0.7)	(19)

Sales revenue from the Group's Trading & Logistics segment increased by 1% to $106.1 million in FY 2016 from $104.7 million in FY 2015. 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, especially in the e-commerce and export markets.

Segment EBIT for the Trading & Logistics segment decreased by 19% to $2.9 million in FY 2016 as the Group had recognised an impairment charge of $2.1 million to write down the net book value of a certain cold storage investment property due to weakened market conditions.

INVESTMENTS & OTHERS

	2016	2015	Increase/(decrease)	
	$'million	$'million	$'million	%
Segment revenue	20.1	27.0	(6.9)	(26)
Segment EBIT	2.5	(0.6)	3.1	n.m.

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 gross sales 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 EBIT for the Investments & Others segment increased by $3.1 million to $2.5 million in FY 2016 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 certain markets in the region which are expected to experience continuing slow growth in 2017. Furthermore, the regional currencies may face volatility and pressure. These factors may result in reduced consumer spending and higher costs. The Group also faces risks of escalating costs especially higher energy and fuel costs in line with higher oil prices as well as higher flour prices in certain markets. In the bakery business, the Group is facing heightened competition; in Singapore with an existing bread company and in the Philippines with a new entrant to the market. In Malaysia, any further weakening in Malaysian Ringgit ("MYR") will result in higher import prices, in particular, raw materials and distribution costs. While the Group is taking steps to mitigate the above, these factors are expected to continue to be challenging.

The Group is establishing new bakery plants in its core countries. In Philippines, the Group has announced a S$31.2 million expansion plan, to build a new Mindanao plant and purchase land at Luzon province for another plant. In Malaysia, a new MYR 175 million plant in Johor will come into production this year while another MYR 178 million plant in Bukit Kemuning, Selangor, will be completed by 2018. These new plants when completed, will increase the Group's total bakery plants to 16.

In the Primary Production segment, the increasing dominance of supermarket chains, which are the Group's principal distribution channel, has led to increasingly stricter specifications and requirements for products supplied by Rivalea. This, coupled with increased market supply and competition, may result in lower average prices and pressure on margins. Rivalea will also experience some increased operating costs in its meat processing plants because of expansion activities which will be completed in the later part of 2017. This expansion will deliver increased capacity to process the additional market supply. As its investment in Rivalea is denominated in Australian dollars, the Group is subject to foreign exchange exposure. However, such challenges are expected to be mitigated by Rivalea's efficiency, economies of scale and technical expertise which have been built up over many years. Rivalea has an established market presence with its own brands and value added products. Over the past few years, Rivalea has not been paying income tax due to its carry forward tax losses which have been fully utilised in 2016. Going forward, there may be an issue of whether Rivalea will be subject to income tax, which is currently 30% of taxable income. This will be subject to further review and advice by the company's tax advisors.

In the trading business, the Group sees good opportunities in export sales to the regional markets.

In addition, the Group is exploring strategic acquisitions of and collaboration with other food related companies. It is also conducting strategic reviews of its primary production business, Rivalea Australia, and its bakery business in China. Further announcements will be made at the appropriate time.

The strategy outlined above will require significant capital expenditure and consequently increase the Group's depreciation charge. The Group has a strong balance sheet and has sufficient 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	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
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.

The Group did not have an IPT general mandate for the financial year ended 31 December 2016.

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.

Segment Information
(In Singapore Dollars)

	Bakery $'000	Primary production $'000	Trading & Logistics $'000	Investments & others $'000	Eliminations $'000	Consolidated $'000
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	2,759	251	125	-	7,378
Inter-segment revenue	-	-	39	16,279	(16,318)	-
	379,751	398,193	106,094	20,104	(16,318)	887,824
Unallocated revenue						1,696
Total revenue						889,520
Segment EBIT	32,263	42,140	2,946	2,544	-	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
Revenue and expenses 2015						
Revenue from external customers	511,547	371,612	104,447	-	-	987,606
Other revenue from external customers	4,637	2,995	242	803	-	8,677
Inter-segment revenue	-	-	53	26,170	(26,223)	-
	516,184	374,607	104,742	26,973	(26,223)	996,283
Unallocated revenue						1,995
Total revenue						998,278
Segment EBIT	60,119	16,777	3,559	(560)	-	79,895
Unallocated revenue						1,995
Unallocated expenses						(10,527)
Profit from operating activities						71,363
Finance costs						(2,597)
Profit before taxation						68,766
Taxation						(14,037)
Profit after taxation						54,729

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 2016					
Segment assets	288,323	247,594	65,667	75,993	677,577
Joint venture	76,318	-	-	-	76,318
Total assets	364,641	247,594	65,667	75,993	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	53,680	14,606	12,669	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
Assets and liabilities 31 December 2015					
Segment assets	329,267	236,717	67,842	69,165	702,991
Deferred tax assets					14,615
Tax recoverable					1,297
Total assets per consolidated statement of financial position					718,903
Segment liabilities	104,268	49,037	14,252	2,578	170,135
Provision for taxation					5,282
Deferred tax liabilities					12,353
Bank borrowings					84,080
Total liabilities per consolidated statement of financial position					271,850
Other segment information 2016					
Expenditure for non-current assets	59,438	11,300	2,183	3,069	75,990
Amortisation and depreciation	21,468	8,592	2,166	534	32,760
Impairment loss	6,460	-	2,142	819	9,421
Allowance for inventory obsolescence charged/(written back)	10	(154)	867	-	723
Allowance for doubtful debts charged and bad debts written off, net	75	44	332	-	451
Other segment information 2015					
Expenditure for non-current assets	44,522	10,559	2,637	6,649	64,367
Amortisation and depreciation	25,247	8,624	1,923	516	36,310
Allowance for inventory obsolescence charged	197	155	930	-	1,282
Allowance for doubtful debts charged and bad debts written off, net	633	70	264	-	967

15. Segment Information (cont'd)

(In Singapore Dollars)

	Revenue		*Non-current assets*	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore	179,229	173,460	44,542	48,137
Malaysia	123,893	282,660	74,863	95,624
Australia	408,846	386,603	140,909	128,391
Philippines	160,095	140,889	47,493	47,580
Other countries	17,457	14,666	26	5,567
	889,520	998,278	307,833	325,299

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		
	2016 $'000	2015 $'000	+ / (-) %
Revenue reported for first half year	459,272	508,916	(10)
Profit after tax before deducting non-controlling interests for the first half year	45,478	26,760	70
Revenue reported for second half year	430,248	489,362	(12)
Profit after tax before deducting non-controlling interests for the second half year	70,893	27,969	153

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

	Full Year 2016 $'000	Full Year 2015 $'000
Ordinary dividend	28,093	28,081

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	38	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.	In FY 2016, Mr Lin was the Deputy Group Managing Director, and in conjunction with the then Group Managing Director, he was responsible for the overall management of the operations and affairs of the QAF Group.

BY ORDER OF THE BOARD

Ms Serene Yeo
Company Secretary
24 February 2017