QAF Limited

(Company Registration No : 195800035D)

Third Quarter Unaudited Financial Statements for the Period Ended 30 September 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		
	3rd Quarter ended		
	30/09/2016	30/09/2015	+ / (-)
	S$'000	S$'000	%
Revenue	212,426	243,190	(13)
Costs and expenses			
Costs of materials	109,155	128,294	(15)
Staff costs	46,345	55,487	(16)
Amortisation and depreciation	7,577	8,827	(14)
Repairs and maintenance	6,187	7,343	(16)
Utilities	5,670	7,190	(21)
Other operating expenses	17,197	21,919	(22)
Total costs and expenses	192,131	229,060	(16)
Profit from operating activities	20,295	14,130	44
Finance costs	(1,037)	(614)	69
Share of profits of joint venture	2,746	-	n.m.
Profit before taxation	22,004	13,516	63
Taxation			
- Current period	(2,813)	(2,858)	(2)
- (Under)/over provision in prior periods	(116)	123	n.m.
	(2,929)	(2,735)	7
Profit after taxation	19,075	10,781	77
Attributable to:			
Owners of the parent	19,364	10,547	84
Non-controlling interests	(289)	234	n.m.
	19,075	10,781	77

n.m. = not meaningful

(i) Statement of Comprehensive Income

	Group	
	3rd Quarter ended	
	30/09/2016	30/09/2015
	S$'000	S$'000
Profit after taxation	19,075	10,781
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
- Currency translation arising on consolidation	4,219	(12,091)
- Share of other comprehensive income of joint venture	(325)	-
Other comprehensive income for the period, net of tax	3,894	(12,091)
Total comprehensive income for the period	22,969	(1,310)
Total comprehensive income attributable to:		
Owners of the parent	23,177	(641)
Non-controlling interests	(208)	(669)
	22,969	(1,310)

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		
	3rd Quarter ended		+ / (-)
	30/09/2016	30/09/2015	%
	S$'000	S$'000	
Other income including interest income	1,333	1,614	(17)
Allowance for doubtful debts charged and bad debts written off, net	(67)	(209)	(68)
Allowance for inventory obsolescence charged	(295)	(68)	334
Foreign exchange loss	(356)	(1,178)	(70)
Gain on disposal of property, plant & equipment	14	206	(93)

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**	
	30/09/2016 S$'000	31/12/2015 S$'000	30/09/2016 S$'000	31/12/2015 S$'000
Current assets				
Biological assets	60,504	57,518	-	-
Inventories	50,411	78,654	-	-
Trade receivables	94,488	96,528	-	-
Other receivables	42,783	17,289	28,726	42,998
Tax recoverable	1,296	1,297	-	-
Short-term investments	2,465	2,500	2,465	2,500
Cash and short-term deposits	94,857	109,052	20,639	27,893
	346,804	362,838	51,830	73,391
Non-current assets				
Property, plant & equipment	271,611	298,174	2,288	2,471
Investment properties	20,266	26,929	-	-
Subsidiaries	-	-	98,973	98,973
Advances to subsidiaries	-	-	131,964	130,083
Joint venture	19,825	-	-	-
Pension assets	2,679	2,663	-	-
Long-term investments	11,025	13,488	9,998	12,459
Intangibles	168	196	1,554	1,696
Deferred tax assets	15,214	14,615	-	-
	340,788	356,065	244,777	245,682
Total assets	687,592	718,903	296,607	319,073
Current liabilities				
Trade payables	49,391	82,153	29	135
Other payables	55,216	69,679	7,530	8,182
Short-term borrowings	42,331	59,141	-	-
Long-term loans and finance leases - current portion	5,165	4,101	-	-
Provision for taxation	4,895	5,282	209	1,148
	156,998	220,356	7,768	9,465
Non-current liabilities				
Other payables	7,069	10,740	-	-
Long-term loans and finance leases	35,993	28,401	-	-
Deferred tax liabilities	8,521	12,353	318	318
	51,583	51,494	318	318
Total liabilities	208,581	271,850	8,086	9,783
Net assets	479,011	447,053	288,521	309,290
Capital and reserves				
Share capital	263,087	262,774	263,087	262,774
Reserves	210,612	164,101	25,434	46,516
Equity attributable to owners of the parent	473,699	426,875	288,521	309,290
Non-controlling interests	5,312	20,178	-	-
Total equity	479,011	447,053	288,521	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 30/09/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
11,314	36,182	20,276	42,966

(b) Amount repayable after one year

As at 30/09/2016		As at 31/12/2015	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
10,929	25,064	7,044	21,357

(c) Details of any collaterals

At the end of the financial period, property, plant & equipment and inventories with total net book values of $24,910,000 (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	
	3rd Quarter ended	
Statement of Cash Flows	30/09/2016	30/09/2015
(in Singapore Dollars)	S$'000	S$'000
Cash flows from operating activities:		
Profit before taxation	22,004	13,516
Adjustments for:		
Amortisation and depreciation	7,577	8,827
Gain on disposal of property, plant & equipment	(14)	(206)
Share of profits of joint venture	(2,746)	-
Gain on disposal of investment securities	-	(110)
Allowance for doubtful debts charged and bad debts written off, net	67	209
Interest expense	1,037	614
Interest income	(388)	(432)
Exchange differences	515	1,778
Operating profit before working capital changes	28,052	24,196
(Increase)/decrease in receivables	(1,813)	5,607
Decrease in inventories and biological assets	6,790	1,152
(Decrease)/increase in payables	(5,071)	2,940
Cash from operations	27,958	33,895
Interest paid, net	(649)	(191)
Income tax paid	(2,806)	(3,647)
Net cash from operating activities	**24,503**	**30,057**
Cash flows from investing activities:		
Purchase of property, plant & equipment and investment properties	(17,898)	(22,121)
Proceeds from disposal of property, plant & equipment	82	272
Purchase of investment securities	-	(251)
Proceeds upon redemption/sale of investment securities	2,000	700
Net cash used in investing activities	**(15,816)**	**(21,400)**
Cash flows from financing activities:		
Proceeds from issuance of share capital	-	58
Dividends paid during the period	(5,619)	(5,613)
Dividends paid to non-controlling interests	(1,165)	(11)
Proceeds from long-term borrowings	2,715	8,829
Repayment of short-term borrowings	(6,858)	(3,779)
Proceeds from long-term loan from a non-controlling interest	-	900
Net cash (used in)/from financing activities	**(10,927)**	**384**
Net (decrease)/increase in cash and cash equivalents	(2,240)	9,041
Cash and cash equivalents at beginning of period	97,065	82,446
Effect of exchange rate changes on cash and cash equivalents	32	(2,332)
Cash and cash equivalents at end of period (Note A)	94,857	89,155

1(c) Note A : Cash and cash equivalents

	Group	
	30/09/2016	30/09/2015
	$'000	$'000
Cash and short-term deposits	94,857	89,554
Less: Fixed deposits pledged as security for credit facilities granted to a subsidiary	-	(399)
	94,857	89,155

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 July 2016	263,087	244	-	231,736	(38,590)	6,349	462,826
Total comprehensive income for the period							
Net profit/(loss) for the period	-	-	-	19,364	-	(289)	19,075
Other comprehensive income							
Currency translation arising on consolidation	-	-	-	-	4,138	81	4,219
Share of other comprehensive income of joint venture	-	-	-	-	(325)	-	(325)
Other comprehensive income for the period, net of tax	-	-	-	-	3,813	81	3,894
Total comprehensive income for the period	-	-	-	19,364	3,813	(208)	22,969
Transactions with owners in their capacity as owners							
Contributions by and distributions to owners							
Dividends - Cash	-	-	-	(5,955)	-	(829)	(6,784)
Total transactions with owners in their capacity as owners	-	-	-	(5,955)	-	(829)	(6,784)
Balance at 30 September 2016	263,087	244	-	245,145	(34,777)	5,312	479,011
Balance at 1 July 2015	262,716	2,167	17,941	168,101	(39,605)	25,045	436,365
Total comprehensive income for the period							
Net profit for the period	-	-	-	10,547	-	234	10,781
Other comprehensive income							
Currency translation arising on consolidation	-	-	-	-	(11,188)	(903)	(12,091)
Total comprehensive income for the period	-	-	-	10,547	(11,188)	(669)	(1,310)
Transactions with owners in their capacity as owners							
Contributions by and distributions to owners							
Issuance of ordinary shares from exercise of options	58	-	-	-	-	-	58
Dividends - Cash	-	-	-	(5,613)	-	(4,471)	(10,084)
Total transactions with owners in their capacity as owners	58	-	-	(5,613)	-	(4,471)	(10,026)
Balance at 30 September 2015	262,774	2,167	17,941	173,035	(50,793)	19,905	425,029

1(d)(i)

Company	Share capital $'000	Capital reserve $'000	Revenue reserve $'000	Total equity $'000
Balance at 1 July 2016	263,087	-	27,052	290,139
Net profit for the period, representing total comprehensive income for the period	-	-	4,001	4,001
Contributions by and distributions to owners				
Dividends - Cash	-	-	(5,619)	(5,619)
Total transactions with owners in their capacity as owners	-	-	(5,619)	(5,619)
Balance at 30 September 2016	263,087	-	25,434	288,521
Balance at 1 July 2015	262,716	1,705	17,302	281,723
Net profit for the period, representing total comprehensive income for the period	-	-	721	721
Contributions by and distributions to owners				
Issuance of ordinary shares from exercise of options	58	-	-	58
Dividends - Cash	-	-	(5,613)	(5,613)
Total transactions with owners in their capacity as owners	58	-	(5,613)	(5,555)
Balance at 30 September 2015	262,774	1,705	12,410	276,889

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

For the period ended 30 September 2016, there has been no change to the issued and paid-up share capital of the Company.

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

	As at 30/09/2016	As at 30/09/2015
Outstanding options	-	725,000

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

	As at 30/09/2016	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 period under review.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

N.A.

4. Whether the same accounting policies and methods of computation as in the company's most recently audited financial statements have been applied.

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:

	3rd Quarter ended	
	30/09/2016	30/09/2015
Basic EPS	3.4 cents	1.9 cents
Diluted EPS	3.4 cents	1.9 cents
Number of shares used for the calculation of:		
i) Basic EPS Weighted average number of ordinary shares in issue	561,676,000	556,351,000
ii) Diluted EPS Weighted average number of ordinary shares in issue	561,676,000	556,696,000

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 30/09/2016	As at 31/12/2015
Group	84.3 cents	76.1 cents
QAF Limited	51.4 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 13% to $212.4 million for the third quarter ended 30 September 2016 ('3Q 2016') from $243.2 million for the third quarter ended 30 September 2015 ('3Q 2015'). The decrease in Group revenue is mainly attributable to the deconsolidation of the financial results of Gardenia Bakeries (KL) Sdn Bhd ('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.

Other than the abovementioned deconsolidation of the financial results of GBKL, increases in sales were achieved by all the business segments of the Group – Bakery, Primary Production and Trading & Logistics. The Group's Bakery segment achieved overall increases 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 fully integrated producer of meat located in Australia, achieved increases in sales from a higher general sales volume as well as higher average selling prices. The Group's Trading & Logistics business segment achieved higher sales which resulted from a higher volume of trading activities in 3Q 2016.

Certain expenses of the Group decreased in 3Q 2016 over that of 3Q 2015 due to the deconsolidation of GBKL's financial results from that of the Group's. As a result of the said deconsolidation, Costs of Materials, Staff Costs, Amortisation and Depreciation, Repairs and Maintenance, Utilities and Other Operating Expenses decreased to $109.2 million, $46.3 million, $7.6 million, $6.2 million, $5.7 million and $17.2 million, respectively, in 3Q 2016. In addition, the Bakery business segment enjoyed lower raw material costs such as lower flour costs while Rivalea also saw lower feed costs.

Other Income including Interest Income decreased by 17% to $1.3 million in 3Q 2016 as compared to $1.6 million in 3Q 2015 because Rivalea saw lower miscellaneous income in 3Q 2016.

Group Finance Costs (interest expense) increased by 69% to $1.0 million in 3Q 2016 as compared to $0.6 million in 3Q 2015 due to higher borrowings.

The Group recognised a Share of Profits of Joint Venture of $2.7 million in 3Q 2016 and this is attributable to the Group's share of the profits of GBKL.

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, the Group Profit Before Taxation ('PBT') increased by 63% to $22.0 million for 3Q 2016 from $13.5 million for 3Q 2015. The significant increase in Group PBT 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 meat processing activities and lower operating costs. The Group's bakery operations also saw improved profitability. In particular, the bakery operations in the Philippines achieved higher profits due to increased sales which resulted from its newly installed additional production facilities.

Group Profit After Taxation ('PAT') increased by a significant 77% to $19.1 million for 3Q 2016 as compared to a Group PAT of $10.8 million for 3Q 2015. The increase in Group PAT is higher than the increase in Group PBT due to lower taxes paid by certain subsidiaries. In addition, the Group's Share of Profits of Joint Venture is not subjected to further tax.

Group Profit Attributable to Owners of the Parent increased by a significant 84% to $19.4 million in 3Q 2016 as compared to $10.5 million in 3Q 2015.

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 in April 2016 resulted in reductions in the Group's Cash and Short-Term Deposits, Other Payables – Current and Non-current, and Deferred Tax Liabilities.

Inventories declined by 36% to $50.4 million as at the end of 3Q 2016 as compared to $78.7 million as at the end of the financial year ended 31 December 2015 ('FYE 2015'). The decrease is mainly due to the reduction of inventory holdings in the Primary Production and Trading & Logistics business segments, as these inventories were sold, as well as from the deconsolidation of inventories pertaining to GBKL.

Other Receivables increased by 147% to $42.8 million as at the end of 3Q 2016. The increase is largely due to the 2nd and 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. These investments were made so as to achieve better returns for the Group. Total Investments decreased by 16% to $13.5 million as at the end of 3Q 2016 due to the redemption of certain investments upon maturity.

Properties, Plant and Equipment decreased by 9% to $271.6 million as at the end of 3Q 2016 and this is mainly attributable to the deconsolidation of Property, Plant and Equipment of GBKL. On the other hand, there were further investments made to upgrade and expand the Group's bakery production facilities and equipment.

Investment Properties decreased to $20.3 million as at the end of 3Q 2016 from $26.9 million as at end of FYE 2015, mainly due to the reclassification of certain land and building to Property, Plant and Equipment upon the Group's change in usage of certain land and building for internal purposes.

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.

Trade Payables decreased by 40% to $49.4 million as at the end of 3Q 2016. The reduction is largely due to the deconsolidation of Trade Payables relating to GBKL, as well as the payment of balances owed to creditors.

Short-Term Borrowings declined by 28% to $42.3 million as at the end of 3Q 2016. The reduction is largely due to the repayment of loans.

Total Long-Term Borrowings increased by 27% to $41.2 million as at the end of 3Q 2016. The increase in Long-Term Borrowings resulted from the increase in funding for the Group's new additional production facilities.

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

The Group's revenue and profits are in line with prior announcements.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As announced by the Group previously on 26 April 2016, in compliance with FRS, the Group is required to determine the fair value of the Group's remaining 50% stake in GBKL. The Group has engaged external valuers to support the determination of the fair value and an announcement will be made when the fair valuation is completed. In the event where the fair value is higher than the carrying value of the 50% stake in GBKL, the Group will recognise the excess as a gain in the income statement. Subsequently, the resultant carrying value of the joint venture will be subjected to a yearly impairment review including depreciation, if any.

Save for the effects as described above, the Group is expected to perform satisfactorily for the full financial year ending 31 December 2016, barring any unforeseen circumstances.

11. Dividends

(a)	***Current financial period reported on***	
	Any dividend declared?	No
(b)	***Corresponding period of immediate financial year***	
	Any dividend declared?	No
(c)	***Date payable***	N.A.
(d)	***Book closing date***	N.A.

12. If no dividend has been declared or recommended, a statement to the effect.

No dividend has been declared/recommended for the quarter ended 30 September 2016.

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 does not have an IPT general mandate for the current financial year 2016.

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

To the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the unaudited financials of the Group and the Company for the 3rd Quarter ended 30 September 2016 to be false or misleading in any material respect.

15. Confirmation that the Issuer has procured undertakings from all its Directors and Executive Officers

The Company confirms that it has procured undertakings from all its directors and executive officers in compliance with Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Ms Lee Woan Ling
Company Secretary
11 November 2016