QAF Limited

(Company Registration No : 195800035D)

First Quarter Unaudited Financial Statements for the Period Ended 31 March 2017

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

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

Income Statement (in Singapore Dollars)	Group		
	1st Quarter ended		
	31/03/2017	31/03/2016	+ / (-)
	S$'000	S$'000	%
Revenue	212,734	250,852	(15)
Costs and expenses			
Costs of materials	108,947	127,816	(15)
Staff costs	49,342	56,868	(13)
Amortisation and depreciation	7,730	9,830	(21)
Repairs and maintenance	5,609	7,292	(23)
Utilities	5,515	6,707	(18)
Other operating expenses	18,775	21,016	(11)
Total costs and expenses	195,918	229,529	(15)
Profit from operating activities	16,816	21,323	(21)
Finance costs	(672)	(752)	(11)
Share of profits of joint venture	2,335	-	n.m.
Profit before taxation	18,479	20,571	(10)
Taxation			
- Current period	(4,616)	(3,510)	32
- Overprovision in prior periods	36	26	38
	(4,580)	(3,484)	31
Profit after taxation	13,899	17,087	(19)
Attributable to:			
Owners of the parent	14,220	16,418	(13)
Non-controlling interests	(321)	669	n.m.
	13,899	17,087	(19)

n.m. = not meaningful

(i) Statement of Comprehensive Income

	Group	
	1st Quarter ended	
	31/03/2017	31/03/2016
	S$'000	S$'000
Profit after taxation	13,899	17,087
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
- Actuarial loss on defined benefit plans	-	(410)
Items that may be reclassified subsequently to profit or loss:		
- Currency translation arising on consolidation	(137)	3,304
- Share of other comprehensive income of joint venture	(1,437)	-
Other comprehensive income for the period, net of tax	(1,574)	2,894
Total comprehensive income for the period	12,325	19,981
Total comprehensive income attributable to:		
Owners of the parent	12,586	19,043
Non-controlling interests	(261)	938
	12,325	19,981

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		
	1st Quarter ended		+ / (-)
	31/03/2017	31/03/2016	%
	S$'000	S$'000	
Other income including interest income	936	1,787	(48)
Allowance for doubtful debts charged and bad debts written off, net	(135)	(102)	32
Allowance for inventory obsolescence charged and inventory obsolescence written off	(826)	(276)	199
Foreign exchange gain	787	139	466
Gain on disposal of property, plant & equipment	5	61	(92)

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**	
	31/03/2017 S$'000	31/12/2016 S$'000	31/03/2017 S$'000	31/12/2016 S$'000
Current assets				
Biological assets	61,347	60,803	-	-
Inventories	53,987	60,159	-	-
Trade receivables	88,363	96,910	-	-
Other receivables	18,817	33,121	38,811	75,457
Tax recoverable	1,224	1,245	-	-
Short-term investments	3,968	3,968	2,968	2,968
Cash and cash equivalents	124,670	104,903	64,367	27,070
	352,376	361,109	106,146	105,495
Non-current assets				
Property, plant & equipment	298,610	289,585	2,236	2,290
Investment properties	18,039	18,248	-	-
Subsidiaries	-	-	98,973	98,973
Advances to subsidiaries	-	-	123,884	123,805
Joint venture	77,216	76,318	-	-
Pension assets	2,718	2,654	-	-
Long-term investments	7,242	7,226	7,215	7,198
Intangibles	-	-	1,460	1,507
Deferred tax assets	15,452	17,267	-	-
	419,277	411,298	233,768	233,773
Total assets	771,653	772,407	339,914	339,268
Current liabilities				
Trade payables	48,461	65,188	71	225
Other payables	58,116	59,007	7,990	9,725
Short-term borrowings	29,223	32,642	-	-
Long-term loans and finance leases - current portion	2,134	2,456	-	-
Provision for taxation	7,129	6,099	1,243	1,167
	145,063	165,392	9,304	11,117
Non-current liabilities				
Other payables	14,991	15,241	7,355	7,584
Long-term loans and finance leases	58,885	51,128	-	-
Deferred tax liabilities	12,237	12,494	1,695	1,734
	86,113	78,863	9,050	9,318
Total liabilities	231,176	244,255	18,354	20,435
Net assets	540,477	528,152	321,560	318,833
Capital and reserves				
Share capital	263,087	263,087	263,087	263,087
Reserves	276,566	263,980	58,473	55,746
Equity attributable to owners of the parent	539,653	527,067	321,560	318,833
Non-controlling interests	824	1,085	-	-
Total equity	540,477	528,152	321,560	318,833

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

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

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

As at 31/3/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
10,151	21,206	12,272	22,826

(b) Amount repayable after one year

As at 31/3/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
14,997	43,888	14,736	36,392

(c) Details of any collaterals

At the end of the financial period, property, plant & equipment and inventories with total net book values of $28,988,000 (as at 31/12/2016: $29,807,000) were pledged to secure certain credit facilities for the Group.

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

	Group	
	1st Quarter ended	
Statement of Cash Flows	31/03/2017	31/03/2016
(in Singapore Dollars)	S$'000	S$'000
Cash flows from operating activities:		
Profit before taxation	18,479	20,571
Adjustments for:		
Amortisation and depreciation	7,730	9,830
Gain on disposal of property, plant & equipment	(5)	(61)
Share of profits of joint venture	(2,335)	-
Fair value changes on biological assets	645	-
Allowance for doubtful debts charged and bad debts written off, net	135	102
Interest expense	672	752
Interest income	(237)	(510)
Exchange differences	(896)	(340)
Operating profit before working capital changes	24,188	30,344
Decrease in receivables	9,610	777
Decrease in inventories and biological assets	6,833	5,061
Decrease in payables	(15,975)	(11,837)
Cash from operations	24,656	24,345
Interest paid, net	(421)	(258)
Income tax paid	(1,752)	(3,154)
Net cash from operating activities	**22,483**	**20,933**
Cash flows from investing activities:		
Purchase of property, plant & equipment and investment properties	(19,244)	(14,116)
Progress payment for purchase of property, plant & equipment	-	(1,473)
Proceeds from disposal of property, plant & equipment	407	69
Dividends received from joint venture	6,452	-
Proceeds from redemption/sale of investment securities	-	500
Receipt of 3rd and final tranche from sale of interest in a subsidiary company in prior year	6,314	-
Net cash used in investing activities	**(6,071)**	**(15,020)**
Cash flows from financing activities:		
Proceeds from issuance of share capital	-	147
Dividends paid to non-controlling interests	-	(3,035)
Proceeds from long-term borrowings	7,368	401
Repayment of short-term borrowings	(4,208)	(5,649)
Proceeds from long-term loans from a non-controlling interest	281	900
Net cash from/(used in) financing activities	**3,441**	**(7,236)**
Net increase/(decrease) in cash and cash equivalents	19,853	(1,323)
Cash and cash equivalents at beginning of period	104,903	109,052
Effect of exchange rate changes on cash and cash equivalents	(86)	1,168
Cash and cash equivalents at end of period	124,670	108,897

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 2017	263,087	244	-	300,421	(36,685)	1,085	528,152
Net profit/(loss) for the period	-	-	-	14,220	-	(321)	13,899
Other comprehensive income							
Currency translation arising on consolidation	-	-	-	-	(197)	60	(137)
Share of other comprehensive income of joint venture	-	-	-	-	(1,437)	-	(1,437)
Other comprehensive income for the period, net of tax	-	-	-	-	(1,634)	60	(1,574)
Total comprehensive income for the period	-	-	-	14,220	(1,634)	(261)	12,325
Balance at 31 March 2017	263,087	244	-	314,641	(38,319)	824	540,477
Balance at 1 January 2016	262,774	2,118	16,888	190,538	(45,443)	20,178	447,053
Net profit for the period	-	-	-	16,418	-	669	17,087
Other comprehensive income							
Currency translation arising on consolidation	-	-	-	-	2,912	392	3,304
Actuarial loss on defined benefit plans	-	-	-	(287)	-	(123)	(410)
Other comprehensive income for the period, net of tax	-	-	-	(287)	2,912	269	2,894
Total comprehensive income for the period	-	-	-	16,131	2,912	938	19,981
Contributions by and distributions to owners							
Issuance of ordinary shares from exercise of options	147	-	-	-	-	-	147
Dividends	-	-	-	-	-	(418)	(418)
Total transactions with owners in their capacity as owners	147	-	-	-	-	(418)	(271)
Balance at 31 March 2016	262,921	2,118	16,888	206,669	(42,531)	20,698	466,763

1(d)(i)

Company	Share capital $'000	Capital reserve $'000	Revenue reserve $'000	Total equity $'000
Balance at 1 January 2017	263,087	-	55,746	318,833
Net profit for the period, representing total comprehensive income for the period	-	-	2,727	2,727
Balance at 31 March 2017	263,087	-	58,473	321,560
Balance at 1 January 2016	262,774	652	45,864	309,290
Net profit for the period, representing total comprehensive income for the period	-	-	3,531	3,531
Contributions by and distributions to owners				
Issuance of ordinary shares from exercise of options	147	-	-	147
Total transactions with owners in their capacity as owners	147	-	-	147
Balance at 31 March 2016	262,921	652	49,395	312,968

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

Since 31 December 2016 up to 31 March 2017, 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 31/3/2017	As at 31/3/2016
Outstanding options	-	425,000

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

	As at 31/3/2017	As at 31/12/2016
Total number of issued shares (excluding treasury shares)	561,854,968	561,854,968

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

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

There was no sale, transfer, disposal, cancellation and/or use of treasury shares of Company during the period under review.

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

The figures have not been audited or reviewed.

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

N.A.

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

The Group has applied the same accounting policies and methods of computation as in the Group's audited financial statements for the previous year ended 31 December 2016. However, the Group adopted revised Financial Reporting Standards ("FRS") and interpretations that are mandatory for financial years beginning on or after 1 January 2017. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

N.A.

6. Earnings per ordinary share ("EPS") of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year:

	1st Quarter ended	
	31/03/2017	31/03/2016
Basic EPS	2.5 cents	2.9 cents
Diluted EPS	2.5 cents	2.9 cents
Number of shares used for the calculation of:		
i) Basic EPS Weighted average number of ordinary shares in issue	561,855,000	561,406,000
ii) Diluted EPS Weighted average number of ordinary shares in issue	561,855,000	561,595,000

7. Net asset value for the company and group per ordinary share based on the total number of issued shares excluding treasury shares of the company at the end of the period reported on and immediately preceding financial year:

	As at 31/03/2017	As at 31/12/2016
Group	96.0 cents	93.8 cents
QAF Limited	57.2 cents	56.7 cents
Number of shares used for the calculation of Net asset value:	561,854,968	561,854,968

8. Review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

INCOME STATEMENT

Group revenue decreased by 15% to $212.7 million for first quarter ended 31 March 2017 ("1Q 2017") from $250.9 million for first quarter ended 31 March 2016 ("1Q 2016"). The decrease in Group revenue is attributable to deconsolidation of financial results of Gardenia Bakeries (KL) Sdn Bhd ("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.

If not for the abovementioned deconsolidation of the financial results of GBKL, the Group would have reported a growth in revenue arising from increases in sales 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 and increased market penetration due to an increase in production capacity.

Rivalea (Australia) Pty Ltd ("Rivalea"), the Group's integrated producer of meat located in Australia, achieved increases in sales from higher volume despite lower average selling prices. The Group's Trading & Logistics business segment achieved higher sales due to higher volume of trading activities in 1Q 2017, especially in the exports to regional markets.

Expenses of the Group decreased in 1Q 2017 over that of 1Q 2016 due to the deconsolidation of GBKL. In 1Q 2017, Costs of Materials, Staff Costs, Amortisation and Depreciation, Repairs and Maintenance, Utilities and Other Operating Expenses decreased to $108.9 million, $49.3 million, $7.7 million, $5.6 million, $5.5 million and $18.8 million, respectively.

As GBKL ceased to be a subsidiary of the Group in April 2016 and has become a Joint Venture of the Group, the Group recognised Share of Profits of Joint Venture of $2.3 million for 1Q 2017.

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, led mainly to a decrease in Profit Before Taxation ("PBT") of 10% to $18.5 million for 1Q 2017 from $20.6 million for 1Q 2016.

The bakery operations in Singapore/Johor achieved lower profitability due mainly to one-off write-off for stock obsolescence, one-off provision for costs relating to the closure of the old Johor plant, as well as higher staff costs. Bakers Maison (M) Sdn Bhd, which supplied bakery products solely to GBKL, achieved lower profitability due to lower bread sales to GBKL in 1Q 2017. However, Gardenia Bakeries (Philippines) Inc ("GBPI") contributed significantly to the Group's profitability in 1Q 2017 compared to 1Q 2016.

Although Rivalea faced weaker than expected selling prices on an overall basis in 1Q 2017 as compared to 1Q 2016, the company maintained its level of profitability as a result of a better product mix, increased productivity and efficiency as well as lower operating costs, especially cost of feed.

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.

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

INCOME STATEMENT (cont'd)

Group Profit After Taxation ("PAT") decreased by 19% to $13.9 million for 1Q 2017 as compared to $17.1 million for 1Q 2016 due mainly to the deconsolidation of GBKL and Rivalea's higher tax expense. Group Taxation increased by 31% to $4.6 million for 1Q 2017 as compared to $3.5 million for 1Q 2016 due mainly to higher tax expense recorded by Rivalea. Rivalea has fully utilised its tax losses in 2016 and now records deferred tax expense based on approximately 30% on its taxable profits. The deferred tax expense mainly relates to tax adjustments on its biological assets resulting in no tax being payable for financial year ending 31 December 2017. Rivalea expects to pay taxes only when the temporary differences on these tax adjustments are reversed in the future.

Group Profit Attributable to Owners of the Parent ("PATMI") decreased by 13% to $14.2 million for 1Q 2017 as compared to $16.4 million for 1Q 2016, mainly due to the deconsolidation of GBKL and Rivalea's higher tax expense.

Group Total Comprehensive Income Attributable to Owners of the Parent decreased by 34% to $12.6 million for 1Q 2017 as compared to $19.0 million for 1Q 2016 mainly due to weaker Malaysian Ringgit ("MYR") in 1Q 2017 as compared to 1Q 2016.

STATEMENT OF FINANCIAL POSITION

Inventories declined by 10% to $54.0 million as at the end of 1Q 2017 from $60.2 million as at the end of the financial year ended 31 December 2016 ("FYE 2016") due mainly to reduction of inventory holdings in the Trading & Logistics business segments, as these inventories were sold.

Other Receivables decreased by 43% to $18.8 million as at the end of 1Q 2017. The reduction is largely due to receipt of the 3rd and final tranche of the sales consideration receivable from the sale of GBKL and receipt of the interim dividend receivable from GBKL.

Trade Payables decreased by 26% to $48.5 million as at 1Q 2017 due to the payment of balances owed to creditors resulting from seasonal highs as at end of FYE 2016.

Short-Term Borrowings declined by 10% to $29.2 million as at the end of 1Q 2017 due largely to the repayment of loans.

Total Long-Term Borrowings increased by 14% to $61.0 million as at the end of 1Q 2017. 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.

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's performance is expected to be affected by a number of factors, including competition, currency volatility and increasing costs arising from higher flour prices and energy costs in certain markets.

In the bakery business, the Group is facing heightened competition. In response, advertising and promotional expenses are expected to increase, particularly in the Philippines.

The Group's bread plant in Johor, Malaysia, is expected to commence operations by the 2nd half of 2017; the Group will incur start-up cost and higher depreciation charges.

In Malaysia, a weaker MYR will result in higher import prices, in particular, raw materials, energy and distribution costs.

While the Group is taking steps to mitigate the above, these factors are expected to continue to be challenging.

In the Primary Production segment, Rivalea is beginning to face increased competition resulting from a general oversupply situation in the industry. As such, the company expects some pressure on selling prices and margins. However, Rivalea is expected to mitigate this situation by its efficiency, productivity, benefits accruing from the scale of its operations, the continued development of a good product mix and lower production costs, particularly the cost of feed.

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. Rivalea now records deferred tax expense based on approximately 30% on its taxable profits. The deferred tax expense mainly relates to tax adjustments on its biological assets resulting in no tax being payable for financial year ending 31 December 2017. Rivalea expects to pay taxes only when the temporary differences on these tax adjustments are reversed in the future. The recording of income tax expense on an accounting basis will have the effect of reducing Rivalea's profit after tax.

Including GBKL, the Group is expected to incur capital expenditure of about $130 million mainly for the expansion of bakery production capacity in 2017.

The Group is still conducting strategic review of its primary production business, Rivalea, to enhance shareholders' value. Please refer to the Company's announcement made on 5 May 2017 relating to the strategic review.

11. Dividends

(a)	***Current financial period reported on***	
	Any dividend declared?	No
(b)	***Previous corresponding period***	
	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 three months ended 31 March 2017.

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 three months ended 31 March 2017.

An IPT general mandate was approved by Shareholders of the Company at the Company's annual general meeting held on 24 April 2017.

14. Negative 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 Financial Statements for the three months ended 31 March 2017 herein to be false or misleading in any material respect.

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

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

BY ORDER OF THE BOARD

Ms Serene Yeo
Company Secretary
9 May 2017