QAF Limited

(Company Registration No : 195800035D)

Second Quarter Unaudited Financial Statements for the Period Ended 30 June 2019

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

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

Income Statement	Group					
(in Singapore Dollars)	2nd Quarter ended			1st Half Year ended		
	30/06/2019	30/06/2018	+ / (-)	30/06/2019	30/06/2018	+ / (-)
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	216,924	199,298	9	421,302	395,887	6
Costs and expenses						
Costs of materials	119,584	109,049	10	232,005	211,981	9
Staff costs	48,853	48,770	0	96,541	97,153	(1)
Amortisation and depreciation	11,267	9,040	25	22,524	17,998	25
Repairs and maintenance	6,179	5,834	6	12,043	11,740	3
Utilities	6,890	6,743	2	13,150	13,087	0
Advertising and promotion	3,529	2,707	30	5,908	6,216	(5)
Other operating expenses	17,305	16,293	6	33,896	34,511	(2)
Total costs and expenses	213,607	198,436	8	416,067	392,686	6
Profit from operating activities	3,317	862	285	5,235	3,201	64
Finance costs	(1,552)	(841)	85	(3,111)	(1,796)	73
Share of profits of joint venture	111	1,243	(91)	2,124	4,162	(49)
Profit before tax	1,876	1,264	48	4,248	5,567	(24)
Income tax expense						
- Current period	(1,069)	(210)	409	(1,947)	(1,611)	21
- Overprovision in prior periods	-	51	(100)	234	175	34
	(1,069)	(159)	572	(1,713)	(1,436)	19
Profit after tax	807	1,105	(27)	2,535	4,131	(39)
Attributable to:						
Owners of the parent	556	1,161	(52)	2,166	4,202	(48)
Non-controlling interests	251	(56)	n.m.	369	(71)	n.m.
	807	1,105	(27)	2,535	4,131	(39)

n.m. = not meaningful

(i) Statement of Comprehensive Income

	Group			
	2nd Quarter ended		1st Half Year ended	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	S$'000	S$'000	S$'000	S$'000
Profit after tax	807	1,105	2,535	4,131
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
- Currency translation arising on consolidation	(452)	1,082	(1,443)	(5,323)
- Share of other comprehensive income of joint venture	(1,243)	(237)	(749)	1,854
Other comprehensive income for the period, net of tax	(1,695)	845	(2,192)	(3,469)
Total comprehensive income for the period	(888)	1,950	343	662
Total comprehensive income attributable to:				
Owners of the parent	(1,251)	1,944	(75)	820
Non-controlling interests	363	6	418	(158)
	(888)	1,950	343	662

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					
	2nd Quarter ended		+ / (-)	1st Half Year ended		
	30/06/2019	30/06/2018	%	30/06/2019	30/06/2018	+ / (-)
	S$'000	S$'000		S$'000	S$'000	%
Other income including interest income	1,970	957	106	3,043	2,245	36
Other Operating Expenses which include the following:						
Operating lease rental expense	(2,819)	(4,059)	(31)	(5,935)	(7,870)	(25)
Distribution and transportation expense	(2,606)	(2,371)	10	(4,983)	(4,667)	7
Other professional fees	(934)	(631)	48	(1,825)	(1,436)	27
Foreign currency translation (loss)/gain	(922)	603	n.m.	(943)	(1,243)	(24)
Loss allowance for inventories charged and inventories written off, net	(247)	(146)	69	(449)	(387)	16
Loss allowance for receivables charged and bad debts written off, net	(216)	(150)	44	(261)	(271)	(4)
Gain on disposal of property, plant & equipment and investment properties	13	106	(88)	15	383	(96)

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

Statements of Financial Position	Group		Company	
(in Singapore Dollars)	30/06/2019 S$'000	31/12/2018 S$'000	30/06/2019 S$'000	31/12/2018 S$'000
Current assets				
Biological assets	54,891	52,121	-	-
Inventories	62,380	67,481	-	-
Trade receivables	93,573	105,037	-	-
Other receivables	24,401	28,538	31,933	52,772
Tax recoverable	2,676	1,999	-	-
Short-term investments	3,001	4,676	3,001	4,676
Cash and cash equivalents	55,048	60,259	12,252	19,647
	295,970	320,111	47,186	77,095
Non-current assets				
Property, plant & equipment	351,979	356,675	3,875	3,983
Right-of-use assets	39,209	-	237	-
Investment properties	6,069	6,215	-	-
Investment in subsidiaries	-	-	100,132	100,132
Advances to subsidiaries	-	-	157,092	149,383
Investment in joint venture	81,859	80,483	-	-
Pension assets	2,301	2,338	-	-
Long-term investments	1,801	1,801	1,776	1,776
Intangibles	116	125	1,036	1,130
Deferred tax assets	17,596	15,885	-	-
	500,930	463,522	264,148	256,404
Total assets	796,900	783,633	311,334	333,499
Current liabilities				
Trade payables	73,122	75,510	22	209
Other payables	65,571	66,725	3,235	3,903
Short-term borrowings	49,233	52,551	-	-
Long-term borrowings - current portion	4,338	4,269	-	-
Lease liabilities - current portion	7,786	599	144	-
Income tax payable	3,000	2,990	689	967
	203,050	202,644	4,090	5,079
Non-current liabilities				
Other payables	12,924	12,988	5,286	5,744
Long-term borrowings	56,387	51,564	-	-
Lease liabilities	32,902	986	96	-
Deferred tax liabilities	9,651	10,432	1,278	1,356
	111,864	75,970	6,660	7,100
Total liabilities	314,914	278,614	10,750	12,179
Net assets	481,986	505,019	300,584	321,320
Capital and reserves				
Share capital	277,043	277,043	277,043	277,043
Reserves	211,179	234,361	23,541	44,277
Equity attributable to owners of the parent	488,222	511,404	300,584	321,320
Non-controlling interests	(6,236)	(6,385)	-	-
Total equity	481,986	505,019	300,584	321,320

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 30/06/2019		As at 31/12/2018	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
18,472	42,885	23,298	34,121

(b) Amount repayable after one year

As at 30/06/2019		As at 31/12/2018	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
9,720	79,569	10,914	41,636

(c) Details of any collaterals

At the end of the financial period, property, plant & equipment and inventories with total net book values of $30,923,000 (as at 31/12/2018: $37,421,000) 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	
	2nd Quarter ended	
Statement of Cash Flows	30/06/2019	30/06/2018
(in Singapore Dollars)	S$'000	S$'000
Cash flows from operating activities:		
Profit before tax	1,876	1,264
Adjustments for:		
Amortisation and depreciation	11,267	9,040
Gain on disposal of property, plant & equipment and investment properties	(13)	(106)
Share of profits of joint venture	(111)	(1,243)
Fair value changes on biological assets	-	824
Loss allowance for receivables charged and bad debts written off, net	216	150
Interest expense	1,552	841
Interest income	(227)	(412)
Exchange differences	566	(499)
Operating profit before working capital changes	15,126	9,859
Decrease/(increase) in trade and other receivables	1,242	(1,295)
(Increase)/decrease in inventories and biological assets	(3,563)	1,814
Increase in trade and other payables	12,403	3,872
Cash from operations	25,208	14,250
Interest paid, net	(1,218)	(398)
Income tax paid	(2,479)	(3,168)
Net cash from operating activities	**21,511**	**10,684**
Cash flows from investing activities:		
Purchase of property, plant & equipment and investment properties	(10,556)	(21,308)
Proceeds from disposal of property, plant & equipment and investment properties	31	113
Dividends received from joint venture	2,463	-
Proceeds from redemption of investment securities	681	-
Net cash used in investing activities	**(7,381)**	**(21,195)**
Cash flows from financing activities:		
Dividends paid during the period	(23,011)	(21,375)
Dividends paid to non-controlling interests	-	(1,634)
Proceeds from borrowings	3,175	11,835
Repayment of borrowings	(2,728)	(5,430)
Repayment of lease liabilities	(2,018)	(134)
Net cash used in financing activities	**(24,582)**	**(16,738)**
Net decrease in cash and cash equivalents	(10,452)	(27,249)
Cash and cash equivalents at beginning of period	65,559	101,288
Effect of exchange rate changes on cash and cash equivalents	(59)	420
Cash and cash equivalents at end of period	55,048	74,459

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:-

<u>Statement of Changes in Equity</u>
(In Singapore Dollars)

Group	Share capital $'000	Revaluation reserve $'000	Capital reserve $'000	Fair value reserve $'000	Revenue reserve $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 April 2019	277,043	244	(2,410)	146	249,039	(11,482)	(6,413)	506,167
Net profit for the period	-	-	-	-	556	-	251	807
<u>Other comprehensive income</u>								
Currency translation arising on consolidation	-	-	-	-	-	(564)	112	(452)
Share of other comprehensive income of joint venture	-	-	-	-	-	(1,243)	-	(1,243)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(1,807)	112	(1,695)
Total comprehensive income for the period	-	-	-	-	556	(1,807)	363	(888)
Transactions with owners in their capacity as owners								
<u>Contributions by and distributions to owners</u>								
Transfer to other payables	-	-	-	-	-	-	(162)	(162)
Dividends - Cash	-	-	-	-	(23,107)	-	(24)	(23,131)
Total transactions with owners in their capacity as owners	-	-	-	-	(23,107)	-	(186)	(23,293)
Balance at 30 June 2019	277,043	244	(2,410)	146	226,488	(13,289)	(6,236)	481,986
Balance at 1 April 2018	272,009	244	(2,410)	397	270,048	(4,484)	(6,523)	529,281
Net profit/(loss) for the period	-	-	-	-	1,161	-	(56)	1,105
<u>Other comprehensive income</u>								
Currency translation arising on consolidation	-	-	-	-	-	1,020	62	1,082
Share of other comprehensive income of joint venture	-	-	-	-	-	(237)	-	(237)
Other comprehensive income for the period, net of tax	-	-	-	-	-	783	62	845
Total comprehensive income for the period	-	-	-	-	1,161	783	6	1,950
Transactions with owners in their capacity as owners								
<u>Contributions by and distributions to owners</u>								
Issuance of ordinary shares in lieu of cash dividends	1,394	-	-	-	-	-	-	1,394
Transfer to other payables	-	-	-	-	-	-	(49)	(49)
Dividends - Cash	-	-	-	-	(21,375)	-	-	(21,375)
Dividends - Scrip	-	-	-	-	(1,394)	-	-	(1,394)
Total transactions with owners in their capacity as owners	1,394	-	-	-	(22,769)	-	(49)	(21,424)
Balance at 30 June 2018	273,403	244	(2,410)	397	248,440	(3,701)	(6,566)	509,807

1(d)(i)

Company	Share capital $'000	Fair value reserve $'000	Revenue reserve $'000	Total equity $'000
Balance at 1 April 2019	277,043	146	45,673	322,862
Net profit for the period, representing total comprehensive income for the period	-	-	733	733
Contributions by and distributions to owners				
Dividends - Cash	-	-	(23,011)	(23,011)
Total transactions with owners in their capacity as owners	-	-	(23,011)	(23,011)
Balance at 30 June 2019	277,043	146	23,395	300,584
Balance at 1 April 2018	272,009	397	55,261	327,667
Net profit for the period, representing total comprehensive income for the period	-	-	1,331	1,331
Contributions by and distributions to owners				
Issuance of ordinary shares in lieu of cash dividends	1,394	-	-	1,394
Dividends - Cash	-	-	(21,375)	(21,375)
Dividends - Scrip		-	(1,394)	(1,394)
Total transactions with owners in their capacity as owners	1,394	-	(22,769)	(21,375)
Balance at 30 June 2018	273,403	397	33,823	307,623

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

Since 31 March 2019 up to 30 June 2019, there has been no change to the issued and paid-up share capital of the Company.

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

	As at 30/06/2019	As at 31/12/2018
Total number of issued shares (excluding treasury shares)	575,268,440	575,268,440

No treasury shares are 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.

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

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.

The Company did not have any subsidiary holdings as at 30 June 2019.

There was no sale, transfer, cancellation and/or use of subsidiary holdings 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 2018. However, the Group adopted new or amended Singapore Financial Reporting Framework (International) ("SFRS(I)") and interpretations that are mandatory for financial years beginning on or after 1 January 2019.

Other than the impact on adoption of the SFRS(I) 16 *Leases* that is effective on 1 January 2019, the adoption of new or amended standards and interpretations is assessed to have no material impact 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.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use ("ROU") asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset in the income statement.

The Group adopted SFRS(I) 16 on 1 January 2019, using the modified retrospective approach, without restating prior years' information.

On adoption of SFRS(I) 16, the Group and the Company recognised an amount of ROU assets equal to the lease liabilities of $39.0 million and $0.3 million, respectively, as at 1 January 2019. Subsequent to initial recognition, the Group and the Company will depreciate the ROU assets over the shorter of the useful life of the ROU assets and the lease term, and recognise interest expenses on the lease liabilities.

The adoption of SFRS(I) 16 resulted in an increase in total assets and total liabilities, Earnings before Interest, Tax, Depreciation and amortisation ("EBITDA") and gearing ratio.

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:

	2nd Quarter ended	
	30/06/2019	30/06/2018
Basic and Diluted EPS	0.1 cents	0.2 cents
Number of shares used for the calculation of Basic and Diluted EPS:		
Weighted average number of ordinary shares in issue	575,268,000	569,302,000

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 30/06/2019	As at 31/12/2018
Group	84.9 cents	88.9 cents
QAF Limited	52.3 cents	55.9 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

2Q 2019 vs 2Q 2018

	Revenue ^			EBITDA			EBITDA margin	
	2Q 2019 $'million	2Q 2018 $'million	+ / (-) %	2Q 2019 $'million	2Q 2018 $'million	+ / (-) %	2Q 2019 %	2Q 2018 %
Segment								
Bakery	*90.2*	*81.5*	*11*	*9.5*	*9.4*	*1*	*11*	*12*
Share of profits and royalty income from joint venture	*1.4*	*1.2*	*17*	*1.5*	*2.5*	*(40)*		
Bakery and joint venture contribution	91.6	82.7	11	11.0	11.9	(8)		
Primary Production	96.8	89.8	8	4.2	0.5	740	4	1
Distribution & Warehousing	28.4	26.5	7	2.8	0.9	211	10	3
Others *	0.1	0.3	(67)	(3.5)	(2.6)	35		
	216.9	199.3	9	14.5	10.7	35	7	5

* *Exclude share of profits and royalty income from joint venture GBKL*

^ *GBKL's revenue is not consolidated as it is accounted for as a joint venture. GBKL's revenue increased 7% or $5.1 million to $75.6 million in 2Q 2019 from $70.5 million in 2Q 2018.*

Group revenue increased by 9% to $216.9 million for the second quarter ended 30 June 2019 ("2Q 2019") from $199.3 million for the second quarter ended 30 June 2018 ("2Q 2018"). In constant currency terms, Group revenue increased by 11% in 2Q 2019 over 2Q 2018. Group earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 35% to $14.5 million for 2Q 2019 from $10.7 million for 2Q 2018. Excluding the impact of the adoption of SFRS(I) 16 *Leases* (as explained in Section 5 on page 8), which resulted in an increase in EBITDA of $2.1 million, Group EBITDA would have increased by $1.7 million or 16%.

The Group's Bakery segment achieved overall increase in sales by 11% (10% in constant currency terms) to $90.2 million for 2Q 2019. Gardenia Bakeries (Philippines) Inc ("GBPI") achieved higher sales through the successful launch of new products, increased market penetration and increased production capacity from completion of additional bakery production lines and facilities in Mindanao and North Luzon. Bakery segment EBITDA remained relatively flat at $9.5 million for 2Q 2019, due to higher operating costs, including start-up costs related to the two new Philippine plants.

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

INCOME STATEMENT (cont'd)

2Q 2019 vs 2Q 2018 (cont'd)

In the Primary Production segment, Rivalea Holdings Pty Limited ("Rivalea"), the Group's leading integrated meat producer in Australia, is seeing signs of tightening general market supply, with improvement in wholesale selling prices. Despite lower sales volume, Primary Production revenue increased by 8% (14% in constant currency terms) in 2Q 2019 over 2Q 2018. However, performance of Rivalea, in particular the meat sales division, has been moderated by significantly higher grain costs in 2Q 2019 compared to 2Q 2018, due to the severe drought conditions experienced in Eastern Australia in 2018. EBITDA for 2Q 2019 increased to $4.2 million as compared to $0.5 million for 2Q 2018.

The Group's Distribution & Warehousing segment achieved higher local sales in 2Q 2019. Additionally, it also recognised other income of $1.1 million from its insurer, being compensation for loss of revenue and costs associated with the ammonia leak incident at the Group's warehouse at 1 Fishery Port Road in 2Q 2018. The impacts of the above, coupled with the absence of losses of $0.8 million incurred in connection with the ammonia leak incident in 2Q 2018, resulted in an improvement in the performance of this segment. EBITDA for 2Q 2019 increased to $2.8 million as compared to $0.9 million for 2Q 2018.

The Group's costs of materials increased by 10% or $10.5 million to $119.6 million in 2Q 2019 in line with higher sales volume in the Bakery segment and higher grain prices experienced by the Primary Production segment due to the severe drought conditions in Eastern Australia in 2018.

Amortisation and depreciation increased by 25% or $2.2 million to $11.3 million in 2Q 2019 due primarily to additional depreciation charge of $2.0 million incurred from the recognition of ROU assets due to new accounting standard on leases (as explained in Section 5 on page 8). This was offset by a corresponding decrease in operating lease rental expense and costs of materials in 2Q 2019. There was also higher depreciation of $0.7 million with the commencement of operations of the new plants in the Philippines.

Advertising and promotion expenses increased by 30% or $0.8 million to $3.5 million in 2Q 2019 in line with higher advertising activities, particularly by Rivalea, in 2Q 2019 as compared to 2Q 2018.

Other operating expenses increased by 6% or $1.0 million to $17.3 million in 2Q 2019 as compared to $16.3 million in 2Q 2018 due mainly to higher foreign currency translation loss. The Group recorded foreign currency translation loss of $0.9 million in 2Q 2019 as compared to foreign currency translation gain of $0.6 million in 2Q 2018 as the Australian Dollar depreciated slightly in 2Q 2019, as compared to a slight appreciation of the Australian Dollar in 2Q 2018.

Group finance costs (interest expense) increased by 85% or $0.7 million to $1.5 million in 2Q 2019 from $0.8 million in 2Q 2018 due mainly to higher interest expense of $0.4 million as a result of the new accounting standard (as explained in Section 5 on page 8), and to a smaller extent, an increase of $0.3 million in line with higher Group's borrowings to fund capital expenditure of the new plants in the Philippines.

The Group's share of profits of joint venture decreased by 91% or $1.1 million to $0.1 million in 2Q 2019 from $1.2 million in 2Q 2018 due to the absence of tax incentives that were recognised in 2Q 2018 by GBKL following the completion of its new bakery plant in Bukit Kemuning in 2018. In addition, higher depreciation of $0.8 million and finance costs of $0.4 million were incurred in 2Q 2019 mainly in connection with the plant. GBKL's revenue increased 7% or $5.1 million to $75.6 million in 2Q 2019 from $70.5 million in 2Q 2018.

Group PBT increased by 48% from $1.3 million for 2Q 2018 to $1.9 million for 2Q 2019. Excluding the impact of new accounting standard, Group PBT would have increased by 69% from $1.3 million for 2Q 2018 to $2.2 million for 2Q 2019. Excluding the insurance compensation of $1.1 million associated with the ammonia leak incident in 2018, Group PBT would have decreased by 39% to $0.8 million for 2Q 2019. The decline was mainly attributable to an increase in depreciation of $0.7 million as a result of the 2018 completion of 2 Philippine new plants, the higher advertising and promotion expenses of $0.8 million, the lower share of profits of joint venture of $1.1 million and the foreign currency translation loss of $0.9 million recorded in 2Q 2019, partly offset by improvement from Primary Production and Distribution & Warehousing segments.

From segmental perspective, there was lesser EBITDA contribution from the Bakery and joint venture contribution segment ($0.9 million) offset by improved performance from Primary Production segment ($3.7 million) and Distribution & Warehousing segment ($1.9 million).

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

INCOME STATEMENT (cont'd)

2Q 2019 vs 2Q 2018 (cont'd)

Group PAT decreased by 27% to $0.8 million for 2Q 2019 as compared to $1.1 million for 2Q 2018. Excluding the impact of new accounting standard, Group PAT would have been flat at $1.1 million for 2Q 2019. Group income tax expense increased by $0.9 million to $1.1 million for 2Q 2019 as compared to $0.2 million for 2Q 2018. This is largely due to Rivalea not recognising its deferred tax assets arising from its 2Q 2019 tax losses, as compared with 2Q 2018 when $0.9 million deferred tax assets were recognised.

Group PATMI decreased by 52% to $0.6 million for 2Q 2019 as compared to $1.2 million for 2Q 2018.

1H 2019 vs 1H 2018

	Revenue ^			EBITDA			EBITDA margin	
	1H 2019	1H 2018	+ / (-)	1H 2019	1H 2018	+ / (-)	1H 2019	1H 2018
	$'million	$'million	%	$'million	$'million	%	%	%
Segment								
Bakery	*179.5*	*166.2*	*8*	*20.2*	*21.2*	*(5)*	*11*	*13*
Share of profits and royalty income from joint venture	*2.9*	*2.6*	*12*	*5.0*	*6.8*	*(26)*		
Bakery and joint venture contribution	182.4	168.8	8	25.2	28.0	(10)		
Primary Production	185.4	174.4	6	6.7	3.9	72	4	2
Distribution & Warehousing	53.3	52.1	2	4.0	1.0	300	8	2
Others *	0.2	0.6	(67)	(6.5)	(8.4)	(23)		
	421.3	395.9	6	29.4	24.5	20	7	6

* *Exclude share of profits and royalty income from joint venture GBKL*

^ *GBKL's revenue is not consolidated as it is accounted for as a joint venture. GBKL's revenue increased 6% or $8.9 million to $158.3 million in 1H 2019 from $149.4 million in 1H 2018.*

Group revenue increased by 6% to $421.3 million for first half year ended 30 June 2019 ("1H 2019") from $395.9 million for the first half year ended 30 June 2018 ("1H 2018"). In constant currency terms, Group revenue increased by 9% in 1H 2019 over 1H 2018. Group EBITDA increased by 20% to $29.4 million for 1H 2019 from $24.5 million for 1H 2018. Excluding the impact of new accounting standard, which resulted in an increase in EBITDA of $4.2 million, Group EBITDA would have increased by $0.7 million to $25.2 million.

The Group's Bakery segment achieved overall increase in sales by 8% (unchanged in constant currency terms) to $179.5 million for 1H 2019. GBPI achieved higher sales through the successful launch of new products, increased market penetration and increased production capacity from completion of additional bakery production lines and facilities. Bakery segment EBITDA decreased by 5%, from $21.2 million for 1H 2018 to $20.2 million for 1H 2019, due to higher operating costs, including start-up costs related to the two new Philippine plants.

In the Primary Production segment, Rivalea is seeing signs of tightening general market supply, with improvement in wholesale selling prices. Despite lower sales volume, Primary Production revenue increased by 6% (13% in constant currency terms) in 1H 2019 over 1H 2018. However, the performance of Rivalea, in particular the meat sales division, has been moderated by significantly higher grain costs in 1H 2019, due to the severe drought conditions experienced in Eastern Australia in 2018. EBITDA for 1H 2019 increased to $6.7 million as compared to $3.9 million for 1H 2018.

Excluding the insurance compensation of $1.1 million associated with the ammonia leak incident in 2018, Distribution & Warehousing segment revenue was flat in 1H 2019. The recognition of the above other income, coupled with the absence of losses of $1.7 million incurred in connection with the ammonia leak incident in 1H 2018, resulted in an improvement in the performance of this segment. EBITDA for 1H 2019 increased to $4.0 million as compared to $1.0 million for 1H 2018.

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

INCOME STATEMENT (cont'd)

1H 2019 vs 1H 2018 (cont'd)

The Group's costs of materials increased by 9% or $20.0 million to $232.0 million in 1H 2019 in line with higher sales volume in the Bakery segment and higher grain prices in the Primary Production segment.

Amortisation and depreciation increased by 25% or $4.5 million to $22.5 million in 1H 2019 due primarily to additional depreciation charge of $3.9 million incurred from the recognition of ROU assets (as explained in Section 5 on page 8). This was offset by a corresponding decrease in operating lease rental expense and costs of materials in 1H 2019. There was also higher depreciation of $1.5 million with the commencement of operations of the new plants in the Philippines.

Group finance costs (interest expense) increased by 73% or $1.3 million to $3.1 million in 1H 2019 from $1.8 million in 1H 2018 due mainly to higher interest expense of $0.8 million as a result of new accounting standard (as explained in Section 5 on page 8), and to a smaller extent, an increase of $0.5 million in line with higher Group's borrowings to fund capital expenditure of the new plants in the Philippines.

The Group's share of profits of joint venture decreased by 49% or $2.1 million to $2.1 million in 1H 2019 from $4.2 million in 1H 2018 due mainly to the absence of tax incentives that were recognised in 1H 2018 by GBKL from its new bakery plant in Bukit Kemuning which was completed in 2018. In addition, higher depreciation of $1.0 million and finance costs of $0.7 million were incurred in 1H 2019 mainly in connection with the plant. GBKL's revenue increased 6% or $8.9 million to $158.3 million in 1H 2019 from $149.4 million in 1H 2018.

Group PBT decreased by 24% from $5.6 million for 1H 2018 to $4.2 million for 1H 2019. Excluding the impact of new accounting standard, Group PBT would have decreased by 16% from $5.6 million for 1H 2018 to $4.7 million for 1H 2019. The decrease was mainly attributable to an increase in depreciation of $1.5 million as a result of the 2018 completion of 2 Philippine new plants, lower share of profits of joint venture of $2.1 million and higher Group finance costs of $0.5 million in line with higher Group's borrowings.

From segmental perspective, there was lesser contribution of $2.8 million from the Bakery and joint venture contribution segment offset by improved performance from Primary Production segment ($2.8 million) and Distribution & Warehousing segment ($3 million).

Group PAT decreased by 39% to $2.5 million for 1H 2019 as compared to $4.1 million for 1H 2018. Excluding the impact of new accounting standard, Group PAT would have decreased by 27% from $4.1 million for 1H 2018 to $3.0 million for 1H 2019. Group income tax expense increased by $0.3 million to $1.7 million for 1H 2019 as compared to $1.4 million for 1H 2018. This is largely due to Rivalea not recognising its deferred tax assets arising from its 1H 2019 tax losses, as compared with 1H 2018 when $1.1 million deferred tax assets were recognised.

Group PATMI decreased by 48% to $2.2 million for 1H 2019 as compared to $4.2 million for 1H 2018.

STATEMENT OF FINANCIAL POSITION

Trade receivables decreased by 11% to $93.6 million as at end of 1H 2019 due to improvement in debtors' turnover.

Other receivables decreased by 14% to $24.4 million as at end of 1H 2019 mainly due to receipt of dividend receivable from GBKL.

Short-term bond investments of $1.7 million were fully redeemed upon maturity in 1H 2019.

Cash and cash equivalents declined by $5.2 million to $55.0 million as at end 1H 2019, resulting mainly from dividend payment of $23 million, capital expenditures of $18.5 million offset by $31.7 million cash from operations and $4.9 million dividends received from GBKL.

With the adoption of SFRS(I) 16 *Leases* as mentioned in Section 5 on page 8, the ROU assets as at end of 1H 2019 mainly related to leases of certain office premises, factories, warehousing/trading/farm facilities and motor vehicles. Accordingly, there was also a corresponding increase in total lease liabilities of approximately $39.4 million as at end of 1H 2019, resulting in an increase in net gearing ratio as at 30 June 2019 to 0.20 times, as compared to 0.10 times as at 31 December 2018.

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 continues to focus on implementing its strategy of investing in organic growth in its core markets. This will continue to position the Group for more sustainable long-term growth. Rolling out this strategy of investing for the future has resulted in Revenue and EBITDA growth, but earnings will be moderated by, in particular, higher and significant depreciation, distribution expenses, and advertising and marketing.

In the Bakery segment, the Group has expanded its production capacity in the Philippines and Malaysia to enable better execution of its growth strategy. It will continue to invest in its brand equity, product innovation and its production and distribution capabilities to forestall and counter competition. In Malaysia, Gardenia has started the production and sale of *NuMee* noodles following the completion of a new noodle plant in 1H 2019.

The cyclical business of the Primary Production segment has turned the corner due to a tightening general market supply following a severe oversupply in 2018. Average commodity pork prices were up 25% in 1H 2019 compared to 1H 2018 and 4% in 2Q 2019 compared to 1Q 2019, which is based on reported market pricing for the industry during the respective periods. However, the performance of this segment for the rest of 2019 will be moderated primarily by the high feed cost which is a lagging effect of the severe drought conditions in 2018, one of the worst in Eastern Australian history. Average price of grain crops had increased by 42% in 1H 2019 compared to 1H 2018, which is based on average spot price for wheat during the respective periods. Whilst imports of grain into Australia are restricted, permits have recently been granted for the shipment of Canadian wheat for the milling sector only. Planting for the winter grain crop for the 2019/2020 season has been completed in April & May. However, it is still too early to project grain production levels and its impact on our feed costs. Harvesting typically falls in November and December and good rain is required during the growing phase before harvest. Weather conditions being inherently challenging to predict, adverse weather conditions for grain production remain a risk.

The African Swine Flu (ASF) outbreak in certain parts of Europe and Asia, in particular China, has led to increasing global pork prices. Imports of pork products into Australia are restricted. However, frozen pork imports, which must be pre-cooked before they are sold to the market, are permitted. Prices of such products are increasing which may also benefit local Australian producers. Australia remains free of ASF due in part to its strict biosecurity laws and practices. Australia's strict border biosecurity arrangements to protect against the disease and pathways for ASF into the country are constantly monitored by the authorities. Rivalea has strict farm biosecurity policies and procedures in place.

Rivalea, as an integrated producer, is currently pursuing investments which will focus on upgrading business efficiencies and capacities. In its farming operations, which have a total of 7 owned farms and 18 contracted farms, it is evaluating a staged expansion of one of its larger owned farms over a few years to increase production capacity. Subject to regulatory approval, it also plans on upgrading one of its farms to improve the environmental management system by the installation of a state-of-the-art integrated biofilter system at the site, at a cost of approximately A$8.0 million. The biofilter system would enhance airflow and better manage emissions, augmenting Rivalea's sustainable practices. Its 80%-owned meat processing subsidiary, Diamond Valley Pork (DVP), will invest up to A$15 million to increase processing capacity and chiller space and improve product yield. Rivalea has also completed installing the third biogas powered electricity generator which uses methane produced from its farming operations on the Corowa site, in 2Q 2019, and this will help further defray energy costs and augment its sustainable practices.

In the Distribution & Warehousing segment, the Group will enter Myanmar with new longer shelf life bakery products in 3Q 2019. In Singapore, the Group has invested in QAF Fruits Cold Store Pte Ltd by increasing its shareholding from 62% to 74%. This company, which has been consistently profitable over the past 10 years, owns leasehold cold store and warehouse premises at Pandan Loop with a total land area of about 11,000 sqm.

Barring unforeseen circumstances, operating performance in second half 2019 is expected to be better than second half 2018 and accordingly, the Group expects to achieve better operating performance in FY 2019 compared to FY 2018.

11. Dividends

(a)	***Current financial period reported on***	
	Name of dividend	Interim
	Dividend type	Cash
	Dividend rate	1 cent per ordinary share
	Tax rate	Exempt 1 tier
(b)	***Previous corresponding period***	
	Name of dividend	Interim
	Dividend type	Cash/Scrip
	Dividend rate	1 cent per ordinary share
	Tax rate	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.

N.A.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of Interested Person	Aggregate value of all interested person transactions conducted in 2nd quarter ended 30 June 2019 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) (S$'000)
Salim Group [1] - Sale of unsold and returned bread	267
Salim Group - Purchase of raw materials, including flour	2,798
Salim Group - Purchase of finished products	1,573
TOTAL	4,638

(1) Salim Group refers to Mr Anthoni Salim and the group of companies controlled by him or, if the context requires, Mr Anthoni Salim. Mr Anthoni Salim is an immediate family member of Mr Andree Halim.
(2) Figures in the table are rounded to the nearest 1,000.

14. 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 three months ended 30 June 2019 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
8 August 2019