QAF Limited

(Company Registration No : 195800035D)

Third Quarter Unaudited Financial Statements for the Period Ended 30 September 2018

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)	3rd Quarter ended			Year-to-date ended		
		*(Restated)			*(Restated)	
	30/09/2018	30/09/2017	+ / (-)	30/09/2018	30/09/2017	+ / (-)
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	205,587	206,477	(0)	601,474	617,051	(3)
Costs and expenses						
Costs of materials	113,976	107,241	6	325,957	313,977	4
Staff costs	47,121	50,076	(6)	144,274	149,018	(3)
Amortisation and depreciation	7,925	8,290	(4)	25,923	23,881	9
Repairs and maintenance	5,800	5,795	0	17,540	17,099	3
Utilities	7,053	6,215	13	20,140	17,804	13
Advertising and promotion	3,838	3,527	9	10,054	8,987	12
Other operating expenses	19,568	17,475	12	54,079	49,677	9
Total costs and expenses	205,281	198,619	3	597,967	580,443	3
Profit from operating activities	306	7,858	(96)	3,507	36,608	(90)
Finance costs	(744)	(786)	(5)	(2,540)	(2,155)	18
Share of profits of joint venture	2,429	2,624	(7)	6,591	5,416	22
Profit before taxation	1,991	9,696	(79)	7,558	39,869	(81)
Taxation						
- Current period	(1,711)	(2,013)	(15)	(3,322)	(10,291)	(68)
- Over/(under) provision in prior periods	10	(7)	n.m.	185	150	23
	(1,701)	(2,020)	(16)	(3,137)	(10,141)	(69)
Profit after taxation	290	7,676	(96)	4,421	29,728	(85)
Attributable to:						
Owners of the parent	(200)	7,587	n.m.	4,002	30,138	(87)
Non-controlling interests	490	89	451	419	(410)	n.m.
	290	7,676	(96)	4,421	29,728	(85)

n.m. = not meaningful

* Relates to retrospective effects upon application of Singapore Financial Reporting Framework (International) ("SFRS(I)") and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* (see Section 5 for further details).

(i) **Statement of Comprehensive Income**

	Group			
	3rd Quarter ended		Year-to-date ended	
		*(Restated)		*(Restated)
	30/09/2018	30/09/2017	30/09/2018	30/09/2017
	S$'000	S$'000	S$'000	S$'000
Profit after taxation	290	7,676	4,421	29,728
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
- Currency translation arising on consolidation	(5,262)	231	(10,585)	(1,440)
- Share of other comprehensive income of joint venture	(1,964)	266	(110)	39
Other comprehensive income for the period, net of tax	(7,226)	497	(10,695)	(1,401)
Total comprehensive income for the period	(6,936)	8,173	(6,274)	28,327
Total comprehensive income attributable to:				
Owners of the parent	(7,546)	8,087	(6,726)	28,728
Non-controlling interests	610	86	452	(401)
	(6,936)	8,173	(6,274)	28,327

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		+ / (-)	Year-to-date ended		+ / (-)
		*(Restated)			*(Restated)	
	30/09/2018	30/09/2017	%	30/09/2018	30/09/2017	%
	S$'000	S$'000		S$'000	S$'000	
Other income including interest income	1,001	1,505	(33)	3,246	3,957	(18)
Other Operating Expenses which include the following:						
Operating lease rental expense	(4,101)	(3,376)	21	(11,971)	(10,046)	19
Distribution and transportation expense	(2,684)	(2,466)	9	(7,351)	(7,193)	2
Foreign currency translation (loss)/gain, net	(1,621)	423	n.m.	(2,864)	279	n.m.
Legal and professional fees	(1,106)	(1,311)	(16)	(2,542)	(2,547)	(0)
Allowance for inventories (charged)/ written-back and inventories written off, net	(38)	111	n.m.	(425)	(994)	(57)
Allowance for doubtful receivables written-back/(charged) and bad debts written off, net	19	(664)	n.m.	(252)	(899)	(72)
(Loss)/gain on disposal of property, plant & equipment and investment properties	(382)	(4)	n.m.	1	(22)	n.m.

* Relates to retrospective effects upon application of Singapore Financial Reporting Framework (International) ("SFRS(I)") and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* (see Section 5 for further details).

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)	30/09/2018 S$'000	* (Restated) 31/12/2017 S$'000	* (Restated) 1/1/2017 S$'000	30/09/2018 S$'000	* (Restated) 31/12/2017 S$'000
Current assets					
Biological assets	55,692	57,245	60,803	-	-
Inventories	57,871	69,361	60,159	-	-
Trade receivables	96,411	97,292	96,910	-	-
Other receivables	23,419	22,804	33,121	49,446	53,516
Tax recoverable	1,849	1,518	1,245	-	-
Short-term investments	3,732	-	3,968	3,732	-
Cash and cash equivalents	67,279	136,454	104,903	14,820	54,224
	306,253	384,674	361,109	67,998	107,740
Non-current assets					
Property, plant & equipment	344,939	317,448	289,585	4,036	4,147
Investment properties	6,316	17,872	18,248	-	-
Subsidiaries	-	-	-	100,132	100,132
Advances to subsidiaries	-	-	-	147,893	128,445
Joint venture	82,294	75,813	76,318	-	-
Pension assets	2,481	2,620	2,654	-	-
Long-term investments	3,119	6,892	7,226	3,095	6,866
Intangibles	132	-	-	1,177	1,319
Deferred tax assets	17,618	16,140	17,267	-	-
	456,899	436,785	411,298	256,333	240,909
Total assets	763,152	821,459	772,407	324,331	348,649
Current liabilities					
Trade payables	65,044	73,376	65,188	15	85
Other payables	65,074	71,596	59,007	8,295	9,886
Short-term borrowings	39,835	44,154	32,642	-	-
Long-term borrowings - current portion	4,646	6,268	2,456	-	-
Provision for taxation	2,621	4,030	6,099	777	1,131
	177,220	199,424	165,392	9,087	11,102
Non-current liabilities					
Other payables	14,502	15,218	15,241	5,974	6,665
Long-term borrowings	56,133	62,715	51,128	-	-
Deferred tax liabilities	12,503	13,541	12,494	1,428	1,545
	83,138	91,474	78,863	7,402	8,210
Total liabilities	260,358	290,898	244,255	16,489	19,312
Net assets	502,794	530,561	528,152	307,842	329,337
Capital and reserves					
Share capital	273,403	272,009	263,087	273,403	272,009
Reserves	235,424	264,919	263,980	34,439	57,328
Equity attributable to owners of the parent	508,827	536,928	527,067	307,842	329,337
Non-controlling interests	(6,033)	(6,367)	1,085	-	-
Total equity	502,794	530,561	528,152	307,842	329,337

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

* Relates to retrospective effects upon application of Singapore Financial Reporting Framework (International) ("SFRS(I)") and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* (see Section 5 for further details).

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 30/09/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
18,491	25,990	23,498	26,924

(b) Amount repayable after one year

As at 30/09/2018		As at 31/12/2017	
Secured	Unsecured	Secured	Unsecured
$'000	$'000	$'000	$'000
11,429	44,704	13,170	49,545

(c) Details of any collaterals

At the end of the financial period, property, plant & equipment and inventories with total net book values of $32,566,000 (as at 31/12/2017: $39,695,000) 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	
		* (Restated)
Statement of Cash Flows	30/09/2018	30/09/2017
(in Singapore Dollars)	S$'000	S$'000
Cash flows from operating activities:		
Profit before taxation	1,991	9,696
Adjustments for:		
Amortisation and depreciation	7,925	8,290
Loss on disposal of property, plant & equipment and investment properties	382	4
Share of profits of joint venture	(2,429)	(2,624)
Fair value adjustment on investment securities	-	(6)
Fair value changes on biological assets	348	-
Allowance for doubtful receivables (written-back)/charged and bad debts written off, net	(19)	664
Interest expense	744	786
Interest income	(243)	(441)
Exchange differences	1,870	(305)
Operating profit before working capital changes	10,569	16,064
Increase in trade and other receivables	(7,595)	(9,356)
Decrease in inventories and biological assets	3,997	857
Increase in trade and other payables	8,596	7,279
Cash from operations	15,567	14,844
Interest paid, net	(458)	(346)
Income tax paid	(2,978)	(3,426)
Net cash from operating activities	**12,131**	**11,072**
Cash flows from investing activities:		
Purchase of property, plant & equipment and investment properties	(24,019)	(9,516)
Progress payment for purchase of property, plant & equipment	-	(2,653)
Proceeds from disposal of property, plant & equipment and investment properties	203	173
Dividends received from joint venture	5,018	-
Proceeds from redemption of investment securities	-	1,000
Net cash used in investing activities	**(18,798)**	**(10,996)**
Cash flows from financing activities:		
Proceeds from borrowings	2,085	4,905
Repayment of borrowings	(1,097)	-
Repayment of finance lease liabilities	(126)	(22)
Proceeds from long-term loans from non-controlling interests	-	90
Net cash from financing activities	**862**	**4,973**
Net (decrease)/increase in cash and cash equivalents	(5,805)	5,049
Cash and cash equivalents at beginning of period	74,459	125,833
Effect of exchange rate changes on cash and cash equivalents	(1,375)	(69)
Cash and cash equivalents at end of period	67,279	130,813

* Relates to retrospective effects upon application of Singapore Financial Reporting Framework (International) ("SFRS(I)") and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers* (see Section 5 for further details).

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 July 2018	273,403	244	(2,410)	397	248,440	(3,701)	(6,566)	509,807
Total comprehensive income for the period								
Net (loss)/profit for the period	-	-	-	-	(200)	-	490	290
Other comprehensive income								
Currency translation arising on consolidation	-	-	-	-	-	(5,382)	120	(5,262)
Share of other comprehensive income of joint venture	-	-	-	-	-	(1,964)	-	(1,964)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(7,346)	120	(7,226)
Total comprehensive income for the period	-	-	-	-	(200)	(7,346)	610	(6,936)
Transactions with owners in their capacity as owners								
Contributions by and distributions to owners								
Transfer to other payables	-	-	-	-	-	-	(77)	(77)
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	(77)	(77)
Balance at 30 September 2018	273,403	244	(2,410)	397	248,240	(11,047)	(6,033)	502,794
Balance at 1 July 2017								
- as previously reported	267,504	244	(1,795)	-	300,225	(38,322)	(2,469)	525,387
- effects of adopting SFRS(I) 1	-	-	-	-	(36,412)	36,412	-	-
- as restated	267,504	244	(1,795)	-	263,813	(1,910)	(2,469)	525,387
Net profit/(loss) for the period	-	-	-	-	7,587	-	89	7,676
Other comprehensive income								
Currency translation arising on consolidation	-	-	-	-	-	234	(3)	231
Share of other comprehensive income of joint venture	-	-	-	-	-	266	-	266
Other comprehensive income for the period, net of tax	-	-	-	-	-	500	(3)	497
Total comprehensive income for the period	-	-	-	-	7,587	500	86	8,173
Transactions with owners in their capacity as owners								
Contributions by and distributions to owners								
Transfer to other payables	-	-	-	-	-	-	(132)	(132)
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	(132)	(132)
Balance at 30 September 2017	267,504	244	(1,795)	-	271,400	(1,410)	(2,515)	533,428

1(d)(i)

Company	Share capital $'000	Fair value reserve $'000	Revenue reserve $'000	Total equity $'000
Balance at 1 July 2018	273,403	397	33,823	307,623
Net profit for the period, representing total comprehensive income for the period	-	-	219	219
Balance at 30 September 2018	273,403	397	34,042	307,842
Balance at 1 July 2017	267,504	-	36,256	303,760
Net profit for the period, representing total comprehensive income for the period	-	-	1,791	1,791
Balance at 30 September 2017	267,504	-	38,047	305,551

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

Since 30 June 2018 up to 30 September 2018, 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 30/09/2018	As at 31/12/2017
Total number of issued shares (excluding treasury shares)	570,631,752	569,216,421

No treasury shares are 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.

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to International Financial Reporting Standards. Accordingly, the Group has adopted SFRS(I) on 1 January 2018.

On transition to SFRS(I), the Group elected the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group reclassified an amount of $36,685,000 of foreign currency translation reserve to the opening revenue reserve as at 1 January 2017.

Other than the effects of the matter as described above and the impact on adoption of the SFRS(I) 9 and SFRS(I) 15 that are effective on 1 January 2018, the adoption of SFRS(I) is currently assessed to have no material impact on the financial statements in the year of initial application.

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.

<u>SFRS(I) 9 *Financial Instruments*</u>

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group adopted the new standard on the required effective date without restating prior periods' information and recognised any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening revenue reserve.

<u>SFRS(I) 15 *Revenue from Contracts with Customers*</u>

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has applied the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. As such, the comparative 2017 figures in this report is not comparable to previously announced 2017 figures

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	
		(Restated)
	30/09/2018	30/09/2017
Basic and Diluted EPS	(0.0) cents	1.3 cents
Number of shares used for the calculation of Basic and Diluted EPS:		
Weighted average number of ordinary shares in issue	569,754,000	562,182,000

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 30/09/2018	As at 31/12/2017
Group	89.2 cents	94.3 cents
QAF Limited	53.9 cents	57.9 cents
Number of shares used for the calculation of Net asset value:	570,631,752	569,216,421

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

3Q 2018 vs 3Q 2017

	Revenue			EBITDA			EBITDA margin	
	3Q 2018 $'million	3Q 2017 $'million	+ / (-) %	3Q 2018 $'million	3Q 2017 $'million	+ / (-) %	3Q 2018 %	3Q 2017 %
Segment								
Bakery	88.4	85.0	4	12.5	11.3	11	14	13
Primary Production	88.6	92.7	(4)	(3.5)	4.0	n.m.	(4)	4
Distribution & Warehousing	27.0	27.3	(1)	1.1	1.8	(39)	4	7
Others	1.6	1.5	7	0.3	1.2	(75)		
	205.6	206.5	(0)	10.4	18.3	(43)	5	9

The Group's overall performance in 3Q 2018 has been substantially affected by the weak performance of Rivalea Limited ("Rivalea"), the Group's integrated producer of meat located in Australia. The Primary Production segment is divided into three core businesses, namely meat production and sales (meat sales division), meat processing and stockfeed milling. Rivalea's main business (the meat sales division), which constitutes about 64% of its FY2018 year-to-date revenue, is cyclical in nature as it is involved in the production and sale of commodity pork. Based on the historical performance of Rivalea since 2001 when the business was acquired by the Group, Rivalea's financial performance has gone through 3 main business cycles each lasting between 3 to 7 years with 3 peaks in FY2006, FY2009 and FY2016. Since the peak in FY2016, its performance is currently undergoing a down cycle which began in FY2017. The cyclical nature of the business is mainly influenced by general market prices of commodity pork. As the Primary Production segment contributed about 44% of the Group's FY2018 year-to-date revenue, the cyclical nature of Rivalea's business has in turn affected the Group's performance. On the other hand, the Bakery segment has continued to record stable performance to balance Rivalea's weak results.

Group revenue decreased marginally by $0.9 million to $205.6 million for the third quarter ended 30 September 2018 ("3Q 2018") from $206.5 million for the third quarter ended 30 September 2017 ("3Q 2017"). In constant currency terms, Group revenue increased by 4% in 3Q 2018 over 3Q 2017.

Group earnings before interest, tax, depreciation and amortisation ("EBITDA") decreased by 43% or $7.9 million to $10.4 million for 3Q 2018 from $18.3 million for 3Q 2017 due to a decrease in Primary Production segment of $7.5 million and Distribution & Warehousing segment of $0.7 million, partly offset by an increase in Bakery segment of $1.2 million.

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

INCOME STATEMENT (cont'd)

3Q 2018 vs 3Q 2017 (cont'd)

The Group's Bakery segment achieved overall increase in sales by 4% or $3.4 million to $88.4 million for 3Q 2018. Gardenia Bakeries (Philippines) Inc ("GBPI") achieved higher sales through the successful launch of new products and increased market penetration. Bakers Maison (M) Sdn Bhd ("BMM"), which supplies bakery products to the Group's joint venture, Gardenia Bakeries (KL) Sdn Bhd ("GBKL"), achieved higher bread sales in 3Q 2018. In constant currency terms, Bakery revenue increased by 6% in 3Q 2018 over 3Q 2017.

Bakery segment EBITDA increased by 11% or $1.2 million, from $11.3 million for 3Q 2017 to $12.5 million for 3Q 2018, mainly due to the one-off reversal of provision for cessation costs of $1.3 million no longer required for Gardenia Food (Fujian) Co Ltd's ("Gardenia Fujian") operations following its closure. Excluding the one-off reversal of provision for cessation costs, Bakery segment EBITDA would have fallen by $0.1 million to $11.2 million for 3Q2018 due to higher material prices and operating costs.

Revenue for the Primary Production business segment dropped by approximately 4% or $4.1 million as Rivalea continued to face lower average selling prices partially offset by higher sales volume. Operating costs also increased with higher feed and energy costs. While the meat processing and stockfeed milling divisions have performed satisfactorily, the difficult operating conditions for Rivalea's meat sales division resulted in EBITDA for 3Q 2018 falling significantly as compared to 3Q 2017. Rivalea's performance was the main reason for the drop in the Group's revenue and earnings.

Revenue for the Distribution & Warehousing business segment decreased by $0.3 million to $27.0 million for 3Q 2018 over 3Q 2017. Domestic sales were adversely affected by the ammonia leak that occurred in the Group's warehouse at Fishery Port Road in January 2018. This resulted in a decrease in Distribution & Warehousing segment's EBITDA of $0.7 million from $1.8 million for 3Q 2017 to $1.1 million for 3Q 2018. The decrease is mainly attributable to the ammonia leak resulting in operating losses of $0.4 million and write-off of the residual book value of the old refrigeration system of $0.5 million. The Group is still in discussions with the insurer concerning the recovery of these losses.

The Group's cost of materials increased by 6% or $6.7 million to $114.0 million in 3Q 2018 in line with higher sales volume and material costs in the Bakery and Primary Production segments.

The Group's utilities increased by 13% or $0.8 million to $7.1 million in 3Q 2018 due mainly to an increase in Rivalea's electricity and gas prices. Advertising and promotion expenses increased by 9% or $0.3 million to $3.8 million in 3Q 2018 due to the launch of new bakery and meat products and efforts made to counter competition.

The Group's other operating expenses increased by 12% or $2.1 million to $19.6 million in 3Q 2018 as compared to $17.5 million in 3Q 2017. The Group recorded foreign currency translation loss of $1.6 million in 3Q 2018 as compared to foreign currency translation gain of $0.4 million in 3Q 2017. This loss was mainly due to the depreciation of the Group's AUD denominated intercompany loans against the Singapore dollar in 3Q 2018.

Group finance costs (interest expense) decreased by 5% or $0.1 million to $0.7 million in 3Q 2018 from $0.8 million in 3Q 2017 due to lower Group's borrowings over the same period last year.

The Group's share of profits of joint venture decreased by 7% or $0.2 million to $2.4 million in 3Q 2018 from $2.6 million in 3Q 2017, due to higher operating costs.

Group profit before taxation ("PBT") decreased by 79% or $7.7 million from $9.7 million for 3Q 2017 to $2.0 million for 3Q 2018. The decline was mainly attributable to Rivalea and, to a smaller extent, to the foreign currency translation loss of $1.6 million recorded in 3Q 2018 and losses of $0.9 million in connection with the ammonia leak in the Group's warehouse at Fishery Port Road.

Group profit after taxation ("PAT") decreased by 96% or $7.4 million to $0.3 million for 3Q 2018 as compared to $7.7 million for 3Q 2017. Group taxation decreased by 16% or $0.3 million to $1.7 million for 3Q 2018 as compared to $2.0 million for 3Q 2017. Due to the difficult operating conditions for Rivalea, the company has decided not to recognise deferred tax assets arising from its current period's tax losses.

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

INCOME STATEMENT (cont'd)

3Q 2018 vs 3Q 2017 (cont'd)

Group loss attributable to owners of the parent ("PATMI") is $0.2 million for 3Q 2018 as compared to a profit of $7.6 million for 3Q 2017.

YTD Sep 2018 vs YTD Sep 2017

	Revenue			EBITDA			EBITDA margin	
	YTD Sep 2018	YTD Sep 2017	+ / (-)	YTD Sep 2018	YTD Sep 2017	+ / (-)	YTD Sep 2018	YTD Sep 2017
	$'million	$'million	%	$'million	$'million	%	%	%
Segment								
Bakery	254.6	249.5	2	33.7	33.7	-	13	14
Primary Production	263.0	282.6	(7)	0.5	24.8	(98)	0	9
Distribution & Warehousing	79.1	80.5	(2)	2.1	5.1	(59)	3	6
Others	4.8	4.5	7	(1.4)	1.1	n.m.		
	601.5	617.1	(3)	34.9	64.7	(46)	6	10

Group revenue decreased by 3% or $15.6 million to $601.5 million for 9 months ended 30 September 2018 ("YTD Sep 2018") from $617.1 million for the 9 months ended 30 September 2017 ("YTD Sep 2017"). In constant currency terms, Group revenue increased by 1% in YTD Sep 2018 over YTD Sep 2017.

Group EBITDA decreased by 46% or $29.8 million to $34.9 million for YTD Sep 2018 from $64.7 million for YTD Sep 2017 due to a decrease in Primary Production segment of $24.3 million and Distribution & Warehousing segment of $3.0 million.

The Group's Bakery segment achieved overall increase in sales by 2% or $5.1 million to $254.6 million for YTD Sep 2018. In constant currency terms, Bakery revenue increased by 5% in YTD Sep 2018 over YTD Sep 2017. GBPI achieved higher sales through the successful launch of new products and increased market penetration while Bakers Maison Pty Ltd also achieved higher revenue through better market reach and BMM achieved higher bread sales in YTD Sep 2018. The bakery operations in Singapore recorded a marginal decrease in sales as a result of lower market demand for white bread due to healthier eating habits.

Bakery segment EBITDA was flat in YTD Sep 2018 over YTD Sep 2017 as the segment was affected by higher material prices and operating costs (including costs of $0.6 million incurred in connection with upgrading of older facilities at the Singapore bakery plants), partly offset by the one-off reversal of provision for cessation costs of $1.3 million no longer required for Gardenia Fujian operations following its closure.

Revenue for the Primary Production segment decreased by 7% or $19.6 million as Rivalea continued to face lower average selling prices partially offset by higher sales volume. Operating costs also increased with higher feed and energy costs. These conditions have led to difficult operating conditions for Rivalea, with EBITDA for YTD Sep 2018 falling significantly as compared to YTD Sep 2017. Rivalea's performance was the main reason for the drop in the Group's revenue and earnings.

Revenue for the Distribution & Warehousing business segment decreased by 2% or $1.4 million to $79.1 million for YTD Sep 2018 over YTD Sep 2017. Domestic sales were adversely affected by the ammonia leak that occurred in the Group's warehouse at Fishery Port Road in January 2018. This resulted in a decrease in Distribution & Warehousing Segment's EBITDA of $3.0 million from $5.1 million for YTD Sep 2017 to $2.1 million for YTD Sep 2018. The decrease is mainly attributable to the ammonia leak resulting in operating losses of $2.1 million and write-off of the residual book value of the old refrigeration system of $0.5 million. The Distribution & Warehousing business segment was also impacted by higher material cost, especially in dairy prices.

The Group's cost of materials increased by 4% or $12.0 million to $326.0 million in YTD Sep 2018 in line with higher sales volume and material costs in the Bakery and Primary Production segments.

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

INCOME STATEMENT (cont'd)

YTD Sep 2018 vs YTD Sep 2017 (cont'd)

The Group's utilities increased by 13% or $2.3 million to $20.1 million in YTD Sep 2018 due mainly to an increase in Rivalea's electricity and gas prices. Advertising and promotion expenses increased by 12% or $1.1 million to $10.1 million in YTD Sep 2018 mainly due to the launch of new bakery and meat products and efforts made to counter competition.

The Group's other operating expenses increased by 9% or $4.4 million to $54.1 million in YTD Sep 2018 as compared to $49.7 million in YTD Sep 2017. The Group recorded foreign currency translation loss of $2.9 million in YTD Sep 2018 as compared to a gain of $0.3 million in YTD Sep 2017. This loss was mainly due to the depreciation of the Group's AUD denominated intercompany loans against the Singapore dollar in YTD Sep 2018.

Group finance costs (interest expense) increased by 18% or $0.3 million to $2.5 million in YTD Sep 2018 from $2.2 million in YTD Sep 2017 due to higher Group's borrowings over the same period last year.

The Group's share of profits of joint venture increased by 22% or $1.2 million to $6.6 million in YTD Sep 2018 from $5.4 million in YTD Sep 2017, due to the recognition of tax incentives by GBKL from its new bakery plant that was completed in 2018.

Group PBT decreased by 81% from $39.9 million for YTD Sep 2017 to $7.6 million for YTD Sep 2018. The decline was mainly attributable to Rivalea and, to a smaller extent, to losses of $3.2 million in connection with the ammonia leak in the Group's warehouse at Fishery Port Road and the upgrading of older bakery facilities, and foreign currency translation loss of $2.9 million recorded in YTD Sep 2018. Excluding the reversal of provision for cessation costs $1.3 million no longer required for Gardenia Fujian, foreign currency translation loss of $2.9 million, losses of $3.2 million in connection with the ammonia leak and the upgrading of older bakery facilities, and fair value loss on biological assets of $1.2 million, the underlying earnings would be $12.8 million representing a 68% year-on-year decline from YTD Sep 2017 of $40.3 million.

Group PAT decreased by 85% to $4.4 million for YTD Sep 2018 as compared to $29.7 million for YTD Sep 2017. Group taxation decreased by 69% or $7.0 million to $3.1 million for YTD Sep 2018 as compared to $10.1 million for YTD Sep 2017. Rivalea will evaluate the deferred tax credits of $1.1 million arising from tax losses recognised in the first half of 2018, at the year end.

Group PATMI decreased by 87% to $4.0 million for YTD Sep 2018 as compared to $30.1 million for YTD Sep 2017.

STATEMENT OF FINANCIAL POSITION

Inventories declined by 17% or $11.5 million to $57.9 million as at end of YTD Sep 2018, due mainly to reduction of inventory holdings in Distribution & Warehousing and Primary Production business segments, as these inventories were sold.

Short-term and long-term investments relate to the Company's investments in bonds. Certain long-term investments of $3.7 million have been reclassified to short-term as the maturity period is now less than 1 year.

Investment properties decreased by 65% or $11.6 million as at end of YTD Sep 2018, due to the transfer of a commercial property that was previously held as investment property to owner-occupied property and reflected as property, plant and equipment as the Group has increased its usage.

Trade payables decreased by 11% to $65.0 million as at end of YTD Sep 2018 due mainly to the settlement of unpaid grain purchases.

Short-term borrowings and total long-term borrowings decreased by 10% and 12% to $39.8 million and $60.8 million, respectively, as at end of YTD Sep 2018, due to the partial repayment of loans.

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 achieving a balance between long term growth and short term performance so as to position the Group for more sustainable growth. In pursuit of this strategy, the Group continues

- to invest heavily in its downstream bakery business to expand production capacity
- to upgrade older bakery and warehousing facilities.

From FY2017 to date, the Group's Bakery segment (excluding GBKL) has invested approximately $94 million in capital expenditure, including building new plants in Malaysia and Philippines which will increase the Group's production capacity to support growth in the business going forward and upgrading of older bakery facilities. This will enable the Group's Bakery segment to enjoy greater economies of scale.

In the Philippines, the Group has invested Peso 3 billion (approximately $77 million) in FY2017 and FY2018 for the construction of two new plants in Pampanga (North Luzon) and Mindanao. The Mindanao plant is now operational and the Pampanga (North Luzon) plant is expected to commence operation by early next year. Going forward, depending on the utilisation rate of the existing and new production facilities, the Group is prepared to consider further investments in the Philippines to meet projected market demands.

In Malaysia, GBKL has invested RM 184 million (approximately $61 million) in FY2017 and FY2018 for the construction of a new plant in Bukit Kemuning which was completed in 3Q2018. GBKL will be diversifying into a new and different food segment in FY2019 so as to broaden its earnings base.

One of the major bakery facilities in Singapore, which is more than 25 years old, will undergo a further upgrade. The capital expenditure for this upgrade is estimated to be $5 million, of which $2.5 million is expected to be incurred in FY2019 and the remaining in FY2020.

Worldwide, major consumer companies are starting to raise prices as escalating costs of materials and energy spread through global supply chains. In line with this global trend, the Bakery segment is expected to face continued cost pressures due to higher material costs, particularly flour (refer to the next paragraph for higher grain prices), and fuel prices (refer to the next paragraph for oil prices), the implementation of the Sales and Services Tax in Malaysia with effect from 1 September 2018 and higher imported material costs in the Philippines as a result of the weakening Peso. Faced with escalating cost pressures in their local environments, the Bakery units continue to implement cost management programs, with selected price reviews of products taking place to mitigate the cost impact which is felt globally.

For the Primary Production segment, the meat sales division is expected to remain challenging this year as the oversupply situation, a cyclical factor facing the industry, is expected to continue into 4Q 2018 and 2019. Prices for its commodity meat are expected to remain low, which are in line with industry market prices. The severe drought in Eastern Australia, where Rivalea's operations are situated, has exacerbated the challenging market trading conditions. The drought is expected to reduce grain output significantly for Australia and benchmark prices have risen to their highest since 2007/08 amid concerns over a supply shortfall (a situation facing not only Australia, but also major grain producers in other parts of the world which are affected by adverse climatic conditions). Grain prices in Australia have increased by approximately 80% since the beginning of the year. Oil prices have also increased by 20% over the same period. The higher prices are expected to adversely impact Rivalea's FY2019 results. Costs are expected to remain high, particularly feed costs. The industry is also facing significant increases in insurance premia across the board. The other smaller divisions namely meat processing under Diamond Valley Pork and stockfeed milling are expected to perform satisfactorily.

In recent weeks, Rivalea is seeing some signs of stabilisation in market supply, with some improvement in selling prices. However, Rivalea does not expect performance for its meat sales division to improve significantly due to expected higher feed costs.

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

To mitigate the challenges currently facing the Primary Production segment, Rivalea has embarked on a strategy of increasing the sales of its branded and value added downstream products, so as to achieve less volatility in selling prices and margins. The percentage of branded products has now grown to more than 20% of its total revenue for YTD Sep 2018 as compared to approximately 15% for YTD Sep 2017. The strategy to move towards introducing more branded and value-added products will entail an increase in advertising and promotion expenses, an investment to grow its brand equity. The company is increasing its exports of meat products to overseas markets. However, Australian pork producers, including the Rivalea Group, are still not permitted to export pork to the PRC market as import protocols between Australia and the People's Republic of China have not been implemented under the China-Australia Free Trade Agreement 2015. Rivalea is embarking on a programme to reduce overheads and other operational costs. In particular, Rivalea is working to expand upon its biogas production capabilities with a second electricity generator expected to be operational in late 2018 to further defray energy costs. A third electricity generator has been ordered, with planned commissioning in 1Q 2019.

In the Distribution & Warehousing segment, the domestic distribution business was adversely affected by the ammonia leak that occurred in the Group's warehouse. The Group has reinstated the refrigeration system. The aggregate expenditure in respect of the reinstatement of the Group's warehouse is expected to be approximately $7.2 million in FY2018, of which $5.7 million has been invested to date. The impact on the Group's profit and loss for FY2018 is expected to be approximately $3.9 million, of which approximately $1.3 million relates to a non-cash write-off of the residual book value of the property, plant and equipment being reinstated. Of this $3.9 million, $2.7 million has been recognised to date and the remaining $1.2 million will be recognised in the last quarter. The Group is still in discussions with its insurer to recover costs associated with the ammonia leak.

Given its strong balance sheet and cash reserves of approximately $67 million as at 30 September 2018, the Group is in the position to fund further Bakery investments through its internal resources and bank borrowings. At QAF Limited, there is $54 million of unutilised banking facilities.

Barring unforeseen circumstances, the Primary Production and Distribution & Warehousing segments are expected to continue to report weaker financial performance, whilst the Bakery segment is expected to perform better, in 4Q 2018 as compared to 3Q 2018.

11. Dividends

a.	***Current financial period reported on*** Any dividends declared?	 No
b.	***Previous corresponding period*** Any dividends 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 during the three months ended 30 September 2018.

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 3rd quarter ended 30 September 2018 under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) (S$'000)
Salim Group [1] - Sale of unsold and returned bread	250
Salim Group - Purchase of raw materials, including flour	3,524
TOTAL	3,774

(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.

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 September 2018 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 November 2018