

First Half Unaudited Financial Statements for the Period Ended 30 June 2020

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:-

<u>Income Statement</u> (in Singapore Dollars)	Group		
	1st Half Year ended		
	<u>30/06/2020</u> S\$'000	<u>30/06/2019</u> S\$'000	+ / (-) %
Revenue	462,623	421,302	10
<u>Costs and expenses</u>			
Costs of materials	229,951	232,005	(1)
Staff costs	101,904	96,541	6
Amortisation and depreciation	23,312	22,524	3
Repairs and maintenance	12,797	12,043	6
Utilities	12,321	13,150	(6)
Advertising and promotion	4,813	5,908	(19)
Other operating expenses	39,945	33,896	18
Total costs and expenses	425,043	416,067	2
Profit from operating activities	37,580	5,235	618
Finance costs	(2,442)	(3,111)	(22)
Share of profits of joint venture	2,332	2,124	10
Profit before tax	37,470	4,248	782
Income tax expense			
- Current period	(8,735)	(1,947)	349
- (Under)/Over provision in prior periods	(42)	234	n.m.
	(8,777)	(1,713)	412
Profit after tax	28,693	2,535	1,032
<u>Attributable to:</u>			
Owners of the parent	28,202	2,166	1,202
Non-controlling interests	491	369	33
	28,693	2,535	1,032

n.m. = not meaningful

(i) **Statement of Comprehensive Income**

	Group	
	1st Half Year ended	
	<u>30/06/2020</u>	<u>30/06/2019</u>
	S\$'000	S\$'000
Profit after tax	28,693	2,535
Other comprehensive income:		
<u>Items that may be reclassified subsequently to profit or loss:</u>		
- Currency translation arising on consolidation	4,802	(1,443)
- Share of other comprehensive income of joint venture	(873)	(749)
Other comprehensive income for the period, net of tax	3,929	(2,192)
Total comprehensive income for the period	32,622	343
<u>Total comprehensive income attributable to:</u>		
Owners of the parent	32,193	(75)
Non-controlling interests	429	418
	32,622	343

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 Half Year ended		
	<u>30/06/2020</u>	<u>30/06/2019</u>	+ / (-)
	S\$'000	S\$'000	%
Other income including interest income and government grants	5,340	3,043	75
<u>Other Operating Expenses which include the following:</u>			
Operating lease rental expense	(7,262)	(5,935)	22
Loss allowance for receivables charged and bad debts written off, net	(5,937)	(261)	2,175
Distribution and transportation expense	(4,807)	(4,983)	(4)
Other professional fees	(1,859)	(1,825)	2
Foreign currency translation gain/(loss)	1,616	(943)	n.m.
Loss allowance for inventories (charged)/ written-back and inventories written off, net	(510)	(449)	14
(Loss)/gain on disposal of property, plant & equipment and investment properties	(1)	15	n.m.

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

Statements of Financial Position

(in Singapore Dollars)

	Group		Company	
	30/06/2020 S\$'000	31/12/2019 S\$'000	30/06/2020 S\$'000	31/12/2019 S\$'000
Current assets				
Biological assets	60,744	58,573	-	-
Inventories	71,558	75,745	-	-
Trade receivables	106,129	106,847	-	-
Other receivables	33,878	30,479	48,144	46,468
Tax recoverable	1,937	3,054	-	-
Short-term investments	1,618	-	1,618	-
Cash and cash equivalents	91,482	73,167	13,192	22,186
	367,346	347,865	62,954	68,654
Non-current assets				
Property, plant & equipment	355,124	355,550	3,698	3,770
Right-of-use assets	39,193	41,328	304	354
Investment in subsidiaries	-	-	100,132	100,132
Advances to subsidiaries	-	-	140,870	152,091
Investment in joint venture and associate	77,989	79,814	-	-
Pension assets	2,837	2,795	-	-
Long-term investments	-	1,618	-	1,618
Intangibles	104	109	848	942
Deferred tax assets	21,801	21,394	-	-
	497,048	502,608	245,852	258,907
Total assets	864,394	850,473	308,806	327,561
Current liabilities				
Trade payables	76,851	88,855	163	173
Other payables	74,151	65,398	4,626	4,359
Short-term borrowings	63,515	58,522	-	-
Long-term borrowings - current portion	7,879	6,679	-	-
Lease liabilities - current portion	8,560	8,629	94	94
Income tax payable	5,525	3,652	945	708
	236,481	231,735	5,828	5,334
Non-current liabilities				
Other payables	15,736	15,009	4,367	4,826
Long-term borrowings	51,180	57,577	-	-
Lease liabilities	31,817	34,248	220	266
Deferred tax liabilities	11,406	11,584	1,086	1,164
	110,139	118,418	5,673	6,256
Total liabilities	346,620	350,153	11,501	11,590
Net assets	517,774	500,320	297,305	315,971
Capital and reserves				
Share capital	277,043	277,043	277,043	277,043
Reserves	239,824	230,542	20,262	38,928
Equity attributable to owners of the parent	516,867	507,585	297,305	315,971
Non-controlling interests	907	(7,265)	-	-
Total equity	517,774	500,320	297,305	315,971

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 30/06/2020		As at 31/12/2019	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
21,062	58,892	22,597	51,233

(b) **Amount repayable after one year**

As at 30/06/2020		As at 31/12/2019	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
13,731	69,266	11,985	79,840

(c) **Details of any collaterals**

At the end of the financial period, property, plant & equipment and inventories with total net book values of \$39,709,000 (as at 31/12/2019: \$39,627,000) 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:-

Statement of Cash Flows (in Singapore Dollars)	Group	
	1st Half Year ended	
	30/06/2020 S\$'000	30/06/2019 S\$'000
Cash flows from operating activities:		
Profit before tax	37,470	4,248
Adjustments for:		
Amortisation and depreciation	23,312	22,524
Loss/(gain) on disposal of property, plant & equipment and investment properties	1	(15)
Share of profits of joint venture	(2,332)	(2,124)
Loss allowance for receivables charged and bad debts written off, net	5,937	261
Interest expense	2,442	3,111
Interest income	(274)	(448)
Exchange differences	(2,524)	561
Operating profit before working capital changes	64,032	28,118
(Increase)/decrease in trade and other receivables	(7,695)	10,177
Decrease in inventories and biological assets	3,696	972
Decrease in trade and other payables	(5,745)	(129)
Cash from operations	54,288	39,138
Interest paid, net	(2,166)	(2,526)
Income tax paid	(4,207)	(4,908)
Net cash from operating activities	47,915	31,704
Cash flows from investing activities:		
Purchase of property, plant & equipment and investment properties	(12,895)	(18,512)
Proceeds from disposal of property, plant & equipment and investment properties	48	55
Investment in associate	(8)	-
Dividends received from joint venture	4,955	4,935
Proceeds from redemption of investment securities	-	1,681
Net cash used in investing activities	(7,900)	(11,841)
Cash flows from financing activities:		
Dividends paid during the period	(23,011)	(23,011)
Proceeds from borrowings	6,233	9,149
Repayment of borrowings	(1,615)	(6,995)
Repayment of lease liabilities	(4,419)	(4,001)
Proceeds from long-term loans from non-controlling interests	225	-
Net cash used in financing activities	(22,587)	(24,858)
Net increase/(decrease) in cash and cash equivalents	17,428	(4,995)
Cash and cash equivalents at beginning of period	73,167	60,259
Effect of exchange rate changes on cash and cash equivalents	887	(216)
Cash and cash equivalents at end of period	91,482	55,048

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	Fair value reserve \$'000	Revenue reserve \$'000	Foreign currency translation reserve \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 January 2020	277,043	244	(3,306)	(21)	245,427	(11,802)	(7,265)	500,320
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	28,202	-	491	28,693
<u>Other comprehensive income</u>								
<i>Currency translation arising on consolidation</i>	-	-	-	-	-	4,864	(62)	4,802
<i>Share of other comprehensive income of joint venture</i>	-	-	-	-	(156)	(717)	-	(873)
Other comprehensive income for the period, net of tax	-	-	-	-	(156)	4,147	(62)	3,929
Total comprehensive income for the period	-	-	-	-	28,046	4,147	429	32,622
Transactions with owners in their capacity as owners								
<u>Contributions by and distributions to owners</u>								
Waiver of debt from shareholder of a subsidiary	-	-	-	-	100	-	8,103	8,203
Transfer to other payables	-	-	-	-	-	-	(360)	(360)
Dividends	-	-	-	-	(23,011)	-	-	(23,011)
Total transactions with owners in their capacity as owners	-	-	-	-	(22,911)	-	7,743	(15,168)
Balance at 30 June 2020	<u>277,043</u>	<u>244</u>	<u>(3,306)</u>	<u>(21)</u>	<u>250,562</u>	<u>(7,655)</u>	<u>907</u>	<u>517,774</u>
Balance at 1 January 2019	277,043	244	(2,410)	146	247,429	(11,048)	(6,385)	505,019
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	2,166	-	369	2,535
<u>Other comprehensive income</u>								
<i>Currency translation arising on consolidation</i>	-	-	-	-	-	(1,492)	49	(1,443)
<i>Share of other comprehensive income of joint venture</i>	-	-	-	-	-	(749)	-	(749)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(2,241)	49	(2,192)
Total comprehensive income for the period	-	-	-	-	2,166	(2,241)	418	343
Transactions with owners in their capacity as owners								
<u>Contributions by and distributions to owners</u>								
Transfer to other payables	-	-	-	-	-	-	(245)	(245)
Dividends	-	-	-	-	(23,107)	-	(24)	(23,131)
Total transactions with owners in their capacity as owners	-	-	-	-	(23,107)	-	(269)	(23,376)
Balance at 30 June 2019	<u>277,043</u>	<u>244</u>	<u>(2,410)</u>	<u>146</u>	<u>226,488</u>	<u>(13,289)</u>	<u>(6,236)</u>	<u>481,986</u>

1(d)(i)

Company	Share capital \$'000	Fair value reserve \$'000	Revenue reserve \$'000	Total equity \$'000
Balance at 1 January 2020	277,043	(21)	38,949	315,971
<i>Net profit for the period</i>	-	-	4,345	4,345
<u>Contributions by and distributions to owners</u>				
Dividends	-	-	(23,011)	(23,011)
Total transactions with owners in their capacity as owners	-	-	(23,011)	(23,011)
Balance at 30 June 2020	<u>277,043</u>	<u>(21)</u>	<u>20,283</u>	<u>297,305</u>
Balance at 1 January 2019	277,043	146	44,131	321,320
<i>Net profit for the period</i>	-	-	2,275	2,275
<u>Contributions by and distributions to owners</u>				
Dividends	-	-	(23,011)	(23,011)
Total transactions with owners in their capacity as owners	-	-	(23,011)	(23,011)
Balance at 30 June 2019	<u>277,043</u>	<u>146</u>	<u>23,395</u>	<u>300,584</u>

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

Since 31 December 2019 up to 30 June 2020, 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.

	<u>As at</u> <u>30/06/2020</u>	<u>As at</u> <u>31/12/2019</u>
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 2020.

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 2019. However, the Group adopted new or amended Singapore Financial Reporting Standards (International) ("SFRS(I)") that are mandatory for financial years beginning on or after 1 January 2020. The adoption of these standards 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 Half Year ended	
	<u>30/06/2020</u>	<u>30/06/2019</u>
Basic and Diluted EPS	4.9 cents	0.4 cents
<u>Number of shares used for the calculation of Basic and Diluted EPS:</u>		
Weighted average number of ordinary shares in issue	575,268,000	575,268,000

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 <u>30/06/2020</u>	As at <u>31/12/2019</u>
Group	89.8 cents	88.2 cents
QAF Limited	51.7 cents	54.9 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

1H 2020 vs 1H 2019

Segment	Revenue [^]			EBITDA			EBITDA margin	
	1H 2020 \$'million	1H 2019 \$'million	+ / (-) %	1H 2020 \$'million	1H 2019 \$'million	+ / (-) %	1H 2020 %	1H 2019 %
Bakery	220.7	179.5	23	43.1	20.2	113	20	11
Royalty income from joint venture	3.1	2.9	7	3.1	2.9	7		
Share of profits of joint venture	-	-	-	2.3	2.1	10		
Bakery and joint venture contribution	223.8	182.4	23	48.5	25.2	92		
Primary Production	178.4	185.4	(4)	15.4	6.7	130	9	4
Distribution & Warehousing	60.0	53.3	13	4.4	4.0	10	7	8
Others *	0.4	0.2	100	(5.3)	(6.5)	(18)		
	<u>462.6</u>	<u>421.3</u>	<u>10</u>	<u>63.0</u>	<u>29.4</u>	<u>114</u>	<u>14</u>	<u>7</u>

* Exclude share of profits and royalty income from joint venture Gardenia Bakeries (KL) Sdn Bhd ("GBKL")

[^] GBKL's revenue is not consolidated as it is accounted for as a joint venture. GBKL's revenue increased 13% or \$20.1 million to \$178.4 million in 1H 2020 from \$158.3 million in 1H 2019

Group revenue increased by 10% to \$462.6 million for the first half year ended 30 June 2020 ("1H 2020") from \$421.3 million for the first half year ended 30 June 2019 ("1H 2019"). In constant currency terms, Group revenue increased by 11% in 1H 2020 over 1H 2019. Group earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 114% to \$63.0 million for 1H 2020 from \$29.4 million for 1H 2019. The increase was largely due to better performances in all three business segments, ie Bakery, Primary Production, and Distribution & Warehousing.

Sales in the Group's Bakery segment increased by 23% (20% in constant currency terms) to \$220.7 million for 1H 2020. Gardenia Philippines ("GBPI"), Gardenia Singapore ("GFS"), Gardenia Malaysia (excluding GBKL) achieved higher sales with higher demand during the coronavirus ("Covid-19") pandemic. Bakers Maison Australia recorded lower sales with many food service outlets being adversely affected during the lockdown period. Bakery segment EBITDA increased by 113%, from \$20.2 million for 1H 2019 to \$43.1 million for 1H 2020, with better utilisation of plants from higher sales and more streamlined production.

In the Primary Production segment, 1H 2020 revenue was flat in constant currency terms compared to 1H 2019, though revenue decreased 4% year-on-year in Singapore dollar terms because of foreign currency translation. Despite lower sales volume, Primary Production continued to benefit from higher average selling prices arising from tightening of general market supply and lower grain prices and better performance from its pork processing business. Pork prices were 12% higher in 1H 2020 compared to 1H 2019. In 1H 2019, high grain prices were experienced by the Primary Production segment due to the lagging effects of the severe drought conditions in Eastern Australia in 2018. In 1H 2020, average wheat and barley prices were down approximately 5% and 23% compared with 1H 2019. Primary Production's EBITDA for 1H 2020 increased to \$15.4 million as compared to \$6.7 million for 1H 2019.

For 1H 2020, Distribution & Warehousing revenue increased by 13% or \$6.7 million to \$60.0 million, up from \$53.3 million for 1H 2019, mainly contributed by higher domestic sales to retail supermarkets and exports. EBITDA for 1H 2020 increased to \$4.4 million as compared to \$4.0 million for 1H 2019.

Other income including interest income increased by 75% or \$2.3 million to \$5.3 million in 1H 2020 mainly due to the recognition of one-off government grants of \$3.5 million in connection with the Covid-19 pandemic.

Despite higher sales, the Group's costs of materials decreased by 1% or \$2.1 million to \$230.0 million in 1H 2020 mainly due to lower grain prices from the Primary Production segment. Within Bakery and Distribution & Warehousing, costs of materials increased in line with the higher sales.

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

INCOME STATEMENT (cont'd)

1H 2020 vs 1H 2019 (cont'd)

Advertising and promotion expenses decreased by \$1.1 million to \$4.8 million in 1H 2020 as compared to 1H 2019, in line with lower advertising activities in Bakery segment.

Other operating expenses increased by 18% or \$6.0 million to \$39.9 million in 1H 2020 as compared to \$33.9 million in 1H 2019 due mainly to higher loss allowance for receivables and higher operating lease rental expense, partially offset by foreign currency translation gain. Rental expenses increased as more commercial vehicles were added to expand our distribution network. The Group recorded foreign currency translation gain of \$1.6 million in 1H 2020 as compared to foreign currency translation loss of \$0.9 million in 1H 2019 as Australian Dollar had appreciated.

In 1H 2020, there were additional provisions and expenses of \$7.1 million, including \$4.2 million for trade receivables relating to Gardenia Philippines' Big Smile and Bakers Maison franchise operations and \$1.7 million for Covid-19 relief efforts.

Group finance costs (interest expense) decreased by 22% or \$0.7 million to \$2.4 million in 1H 2020 from \$3.1 million in 1H 2019 due mainly to lower interest rates.

The Group's share of profits of GBKL joint venture increased by 10% or \$0.2 million to \$2.3 million in 1H 2020 from \$2.1 million in 1H 2019 due to better operating performance from higher sales. GBKL's revenue increased 13% or \$20.1 million to \$178.4 million in 1H 2020 from \$158.3 million in 1H 2019.

Group PBT increased by 782% from \$4.2 million for 1H 2019 to \$37.5 million for 1H 2020 with margin improving from 1.0% to 8.1%. Group income tax expense increased by 412% to \$8.8 million for 1H 2020 as compared to \$1.7 million for 1H 2019 in line with increased profitability in the Group's operations.

Group PAT increased 11-fold to \$28.7 million for 1H 2020 as compared to \$2.5 million for 1H 2019. PAT margin improved from 0.6% in 1H 2019 to 6.2% in 1H 2020. Group PATMI increased by 13-fold to \$28.2 million for 1H 2020 as compared to \$2.2 million for 1H 2019 with margin improving from 0.5% to 6.1%.

STATEMENT OF FINANCIAL POSITION

Other receivables increased by 11% or \$3.4 million as at end of 1H 2020 largely due to increase in prepayment of insurance premia.

Tax recoverable decreased by 37% or \$1.1 million as at end 1H 2020 due mainly to utilisation of minimum corporate income tax paid by the Philippine subsidiaries during the period.

Short-term and long-term investments relate to the Company's investments in bonds. Long-term investments of \$1.6 million have been reclassified to short-term as the maturity period is now less than 1 year.

Cash and cash equivalents for the Group increased by \$18.3 million to \$91.5 million as at end of 1H 2020, resulting mainly from \$47.9 million cash from operating activities and \$5.0 million dividends received from GBKL, offset by dividend payment of \$23.0 million and capital expenditure of \$12.9 million. Company cash position fell from \$22.2 million to \$13.2 million after the dividend payment made in June 2020.

Trade payables decreased by 14% to \$76.9 million as at end of 1H 2020 due mainly to the settlement of unpaid purchases.

Other payables (current) increased by 13% to \$74.2 million as at end of 1H 2020 due mainly to higher operating expenses incurred in line with the higher revenue.

Total long-term borrowings decreased by \$5.2 million to \$59.1 million as at end of 1H 2020 due mainly to the waiver of certain loans from a shareholder of a subsidiary.

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

No deviation.

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 global economic outlook is expected to be poor due to the pandemic. Singapore's economy shrank 12.6% year on year in 2Q 2020 with the economy expected to contract between 4% and 7% for the full year. IMF has projected negative GDP growth in 2020 for most countries including the Philippines (-3.6%), Malaysia (-3.5%); Australia (-4.5%). The Group's business, being mainly in the consumer staples sector, is expected to remain resilient amidst the Covid-19 pandemic. This pandemic will continue to impact each QAF business segment differently.

Various forms of pandemic-related restrictions have been imposed by governments in Singapore, Malaysia, the Philippines and Australia in response to the pandemic. Apart from Bakers Maison Australia, the Group's primary bakery businesses in these countries have successfully coped with new challenges. This was achieved by changing product mix and production scheduling to maintain cost efficiency and profitability. Higher demand for bakery products and stable flour prices in 1H 2020 were key factors in the resiliency of these businesses. Although 1H 2020 was a significant improvement over 1H 2019, the bakery business is expected to normalize from 2H 2020 onwards, with gradual easing of restrictions and re-opening of businesses. In Australia, Bakers Maison faced a challenging business environment due to a re-emergence of Covid-19 cases in the country and food service businesses being adversely impacted. Sales, however, have recovered in June 2020.

As such, the Group's focus continues to be on sustainable long-term growth. Pursuant to such objective, our joint venture company, GBKL, will add a new line at Bukit Kemuning. Investment for plant and equipment will be mainly funded by external bank loans and the remaining by internal resources. Expected to complete by late 2021 or early 2022, the line will allow GBKL to increase its product range and strengthen its market share in Malaysia. GBPI is also reviewing a plan to expand its production facilities at North Luzon. An additional bread line at Farmland Malaysia to supply both Malaysia and Singapore markets, and an upgrade to the bread production lines in Singapore are currently being studied.

In the Distribution & Warehousing segment, there has been no material disruption to supply chains resulting from the pandemic. Suppliers have been able to continue to support the Group's operational requirements. There has been strong growth in sales to major supermarkets and in export markets. Long shelf life bakery products have been recently added to the Myanmar export portfolio this year. Sales increase from major supermarkets and export markets more than offset a decline in sales to food service customers, whose business were adversely affected by circuit breaker measures. Monitoring of inventory and trade receivables have become more important during this pandemic. The Group does not expect any significant inventory allowances or difficulties in collections for the rest of the year.

As previously announced, the Group intends to focus on the Bakery and Distribution and Warehousing segments in the core markets of Singapore, Malaysia and the Philippines, catering to a growing 650 million population of ASEAN countries. The Group intends to pursue a sale of the Primary Production business since it is in the animal protein segment, which is very different from the Bakery and Distribution and Warehousing businesses, and operates in a different geographical region. Following nearly 20 years of ownership by QAF, the Primary Production business is now an ideal platform and has reached the necessary scale for a new owner with a strong focus on the animal protein segment to bring it to its next growth phase and take the business to the next level. The Group will launch the sale process of the Primary Production business in 2H 2020. The sale will be subject to various conditions including where applicable, anti-competition clearance and Foreign Investment Review Board approval under Australian law, and the Company's shareholders' approval.

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

Although the pandemic has had a material adverse effect on pork sales to food service customers in Australia, Rivalea's overall business has performed positively despite these impacts. The Group's two processing plants, in particular Diamond Valley Pork ("DVP"), saw significant increase in processing volumes during 1H 2020. Market prices for commodity pork were considerably higher in the first two months of 2020 compared to that in 2019. It then declined by about 25% from March 2020 to June 2020 due to excess inventory resulting from lower demand because of the pandemic. Although prices have stabilized since June 2020, current market prices for commodity pork are about 20% below the average prices in 2H 2019. However Rivalea's selling prices to retail have largely remained stable during the pandemic, thus resulting in overall higher average selling prices of the Primary Production business in 1H 2020 compared to 1H 2019. Furthermore, favourable early rains across Eastern Australia provide some optimism of a good grain harvest for this year, which may result in a further reduction in grain prices, resulting in lower cost of production for 2021. To facilitate strategic purchases of grains to take advantage of any short-term price falls, plans to expand grain storage capacity are currently being evaluated.

Rivalea has a leading Integrated pork production platform with feed mills, pig genetics, pig breeding and grower farms (both owned and contractor) and pork processing plants. As the number one pork processor in Australia, it has 26% share of pork processing volumes in Australia and processed around 1.4 million pigs in 2019. With 40,000 breeding sows, it accounted for about 15% share of Australia's pig production in 2019. Its three feed mills produced about 320,000MT in 2019, catering to multiple species of farm animals. Rivalea also owns 7,600ha of freehold land with permanent water rights sufficient for all its operations.

In connection with preparatory work for the sale process of the Primary Production business, Rivalea is projecting to achieve net revenues and EBITDA (excluding fair value changes on biological assets) of A\$404 million and A\$38 million respectively for FY2020, which is higher than FY2019's A\$384 million and A\$21.1 million (excluding fair value gain on biological assets of A\$7.7 million). The cash position of Rivalea remains strong. These projections have been prepared based on currently available information barring any unforeseen circumstances, noting the impact of Covid-19 continues to evolve. For example, the recent resurgence of Covid-19 cases in Australia has resulted in food service operators limiting number of on-site customers and some inter-state border closures. A state of disaster has been declared for Melbourne, Victoria. If the Covid-19 situation worsens and more Australian states go into lockdowns, sales volumes and pork prices are likely to be adversely affected. Despite the responsiveness of the Victorian state government, the situation has deteriorated rapidly with various meat processing plants in Victoria having been closed or severely impacted due to Covid-19 infections. The resurgence of Covid-19 cases will translate to increased risk of Primary Production segment being associated with any Covid-19 cases. As of 5 Aug 2020, 23 of 312 employees at Diamond Valley Pork plant in Laverton, Melbourne had recorded positive Covid-19 test results. Rivalea's operations, other than the boning room which is a section of the Laverton processing plant, remain in operation. Victorian government has stipulated that DVP is required to reduce its processing capacity by one-third and will be subject to prescribed strict safety protocols from 7 Aug 2020 for 6 weeks. Contingency plans, which were in place before such developments, were set in motion. DVP is working with customers to mitigate any supply chain disruptions which may arise from this temporary closure. A long and substantial closure of the DVP plant may have an adverse impact on the Primary Production business and as this latest development has not been factored into the FY2020 forecast above, it may result in a deviation in the forecast. As the Covid-19 pandemic is an unprecedented event and the situation is evolving, the impact cannot be reliably estimated with certainty at this point in time. Losses arising from the pandemic are not covered by insurance policies in Australia.

The Group's operating entities have adopted stringent health and safety measures as a risk management measure. Nevertheless, business risks remain as the situation may worsen with multiple waves of infection rate and increased restrictions in movement of goods and people. Such risks include, but are not limited to, disruption of supply chains, temporary closure of production, processing and warehousing facilities in case a cluster is detected, labour shortages, transition to split operations/additional shifts resulting in higher costs, increased sanitation requirements and production downtime, as well as credit risks, especially for retail food service sector, as more companies go into financial difficulties.

The Group remains committed to its corporate social responsibility and continues to give back to the community. For example, products were distributed to essential service, healthcare and frontline workers in Singapore, Malaysia and the Philippines. More than S\$2.8 million additional expenses and donations have been incurred or committed by the Group in 1H 2020, of which S\$0.6 million has yet to be disbursed.

Capital management strategy remains unchanged, where the Company aims to pay consistent and sustainable dividends having regard, amongst others, to the long term and cyclical nature of the Group's business. In consideration of relevant factors, the Company had decided to declare an interim dividend of 1 cent per share for FY2020.

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

Important Notice

The information released in this announcement has been prepared without regard to the objectives, financial situation and/or needs of any specific persons. For the avoidance of doubt, this announcement does not constitute or form any part of any offer, recommendation, invitation, inducement or solicitation to enter into any transaction including to buy or subscribe for any securities in the Company. Where there are any forward-looking statements as to future matters including projections, if any, on the Group's anticipated future performance, please note that actual future performance, outcomes and results may differ materially from those expressed or implied in such forward-looking statements (if any) as a result of, inter alia, known and unknown risks, uncertainties, bases and assumptions including matters beyond the Group's control, including the evolving COVID-19 situation and its impact. Examples of these factors include (without limitation) regulatory orders and policies on business operations and closures, lock-down and movement restrictions, quarantines, travel and border restrictions, shutdown or potential shutdown of our facilities due to outbreak of the disease (if any) and/or infection of employees/ other persons at our facilities and disruption to supply chains. Forward-looking statements are typically identified by words such as "may", "could", "believes", "estimates", "anticipates", "expects", "intends", "considers" and other similar words. Undue reliance should not be placed on any such forward-looking statements, which are based on current view on, amongst others, future events, trends and developments. There can be no assurance that such statements will be realised or prove to be correct. It is highlighted, in particular, that the FY2020 projection herein in respect of the Primary Production business ("FY2020 Projection") is a forward-looking statement, which was produced for the purpose of the sale process being undertaken for the Primary Production business. The FY2020 Projection has been set out herein solely for reasons of disclosure. The actual future performance, outcome and results of the Primary Production business may differ materially from the FY2020 Projection as a result of, inter alia, known and unknown risks, uncertainties, bases and assumptions including uncertainty arising from the pandemic and/or matters beyond the Group's control. Reliance should accordingly not be placed on the FY2020 Projection, which is based on current view of the Rivalea management on, amongst others, future events, trends and developments. There can be no assurance that the FY2020 Projection will be realised or prove to be correct. Save as may be required by any applicable Singapore law, the Company assumes no obligation to update or revise or publicise any statements, whether because of new information, circumstances, future events or otherwise. Where in doubt on any of the above matters, please seek independent professional advice.

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
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	Nature of Relationship	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than \$100,000) (\$'000)
Salim Group - Sale of unsold and returned bread	See Note ⁽¹⁾	433
Tiong Lian Food Pte Ltd - Sale of products (pork products)	See Note ⁽²⁾	1,132
Austral Dairy Group Sdn. Bhd. - Sale of products (cheese)	Entity in which Mr Andree Halim has an interest	2,639
Salim Group - Purchase of raw materials including flour	See Note ⁽¹⁾	8,840
Salim Group - Purchase of finished products (noodles)	See Note ⁽¹⁾	161
Austral Dairy Group Sdn. Bhd. - Purchase of finished products (processed cheese)	Entity in which Mr Andree Halim has an interest	467
	TOTAL	13,672

Note:

- ⁽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⁾ Entity in which the Salim Group has shareholding interest.

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 six months ended 30 June 2020 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

Serene Yeo
Company Secretary
7 August 2020