QAF LIMITED

(Company Registration No.: 195800035D)
(Incorporated in the Republic of Singapore)
(the "**Company**")

PROPOSED SALE OF SHARES IN GARDENIA BAKERIES (K.L.) SDN BHD

1. INTRODUCTION

1.1 **Proposed Sale.** The board of directors (the "**Board**" or the "**Directors**") of the Company (which together with its subsidiaries, are collectively referred to as the "**Group**") wishes to announce that the Company has today entered into a conditional sale and purchase agreement (the "**Sale Agreement**") with Padiberas Nasional Berhad (the "**Purchaser**" or "**BERNAS**"), pursuant to which the Company has agreed to procure the sale by its wholly-owned subsidiary, Gardenia International (S) Pte. Ltd. ("**GIPL**") of, and the Purchaser has agreed to purchase from GIPL, 13,714,286 issued and paid-up ordinary shares of RM1.00 each (the "**Gardenia KL Sale Shares**") in Gardenia Bakeries (K.L.) Sdn Bhd ("**Gardenia KL**"), representing 20% of the issued and paid-up share capital of Gardenia KL, for a total cash consideration of RM90,000,000.00 (equivalent to approximately S$30 million[1]) (the "**Sale Consideration**"), upon the terms and subject to the conditions of the Sale Agreement (the "**Proposed Sale**"). GIPL presently owns 70% of the total issued share capital of Gardenia KL, with the remaining 30% of the total issued share capital of Gardenia KL owned by BERNAS.

1.2 **Sale Consideration.** The Sale Consideration was arrived at after negotiations and taking into account, *inter alia*, the financial position and performance of Gardenia KL. The Sale Consideration represents an implied 268% premium over the net asset value of Gardenia KL as of 31 December 2015 and a price-to-earnings ratio of approximately 12.2 times based on the net profits of Gardenia KL for the financial year ended 31 December 2015.

Based on the latest unaudited consolidated financial statements of the Group for the financial year ended 31 December 2015 ("**FY 2015**"), the net tangible assets ("**NTA**") value of the Gardenia KL Sale Shares attributable to the Group is approximately S$8.15 million.

1.3 **Gardenia KL.** Gardenia KL is incorporated in Malaysia, and as at the date of this Announcement, has an issued and paid-up share capital of RM68,571,428.00 divided into 68,571,428 ordinary shares of RM1.00 each. As stated above, Gardenia KL is held as to 70% by GIPL and 30% by BERNAS. Gardenia KL is principally engaged in the manufacture and distribution of bread and bread-based products in Peninsular Malaysia. The financial performance of Gardenia KL is set out below:

	Financial year ended 31 December 2012	**Financial year ended 31 December 2013**	**Financial year ended 31 December 2014**	**Financial year ended 31 December 2015**
Revenue (S$'000)	281,340	291,689	297,990	279,350
Profit before taxation (S$'000)	14,068	5,724	10,744	16,336

[1] Based on exchange rate of S$1:MYR3.0001 as at 22 February 2016

Profit after taxation (S$'000)	10,400	3,785	8,026	12,324

1.4 **BERNAS.** BERNAS is a subsidiary of Tradewinds (M) Berhad. Tradewinds (M) Berhad is an investment holding company incorporated in Malaysia, primarily engaging in the rice, plantation, and sugar businesses. BERNAS is involved in the procurement and processing of paddy, as well as the import, warehousing, distribution and marketing of rice in Malaysia. (Source: Bloomberg, Padiberas Nasional Berhad's website)

2. RATIONALE FOR THE PROPOSED SALE

2.1 Gardenia KL holds three manufacturing licences (the "**Licences**") issued by the Malaysian Ministry of Trade and Industry ("**MITI**"). A condition of the Licences imposed by MITI is that, *inter alia*, at least 70% of the total issued share capital of Gardenia KL must be owned by Malaysian citizens (the "**Equity Condition**"). Following exemption sought by Gardenia KL from the Equity Condition, MITI approved extension of time for compliance with the Equity Condition until 7 May 2016. MITI however still required that Gardenia KL complies with the Equity Condition. Under the Sale Agreement, it is a condition, *inter alia*, that MITI approval is obtained for the Equity Condition to be revised to allow up to 50% equity in the capital of Gardenia KL to be acquired and held by non-Malaysians and to allow BERNAS to own the balance of the equity not held by non-Malaysians ("**Revised Equity Condition**"). The Proposed Sale will, upon completion, result in Gardenia KL being held as to 50% by GIPL and 50% by BERNAS.

2.2 In addition to undertaking the Proposed Sale for the purpose of complying with the Malaysian regulatory condition above, the Company is of the view that it is in the interests of the Company to continue to collaborate with its long-standing local partner, BERNAS, in relation to Gardenia KL's business in Malaysia.

3. CERTAIN KEY TERMS OF THE PROPOSED SALE

3.1 **Gardenia KL Sale Shares**. The Gardenia KL Sale Shares will be sold free of all encumbrances and with all rights attaching to the Gardenia KL Sale Shares, including without limitation all bonuses, rights, dividends and distributions declared in respect thereof, as from the date of completion of the Proposed Sale.

3.2 **Sale Consideration**. The aggregate cash consideration for the Gardenia KL Sale Shares shall be RM90,000,000.00. The Sale Consideration is payable in cash as follows:

(a) RM30,000,000.00 on the date of completion of the Proposed Sale;

(b) RM40,000,000.00 by a date which is no later than six (6) months from the date of completion of the Proposed Sale; and

(c) RM20,000,000.00 by a date which is no later than one (1) year from the date of completion of the Proposed Sale.

3.3 **Conditions Precedent**. The Proposed Sale is conditional upon*, inter alia,* the following conditions precedent:

(a) MITI approval for the Revised Equity Condition having been obtained and not being revoked and Gardenia KL, the Purchaser and the Company ensuring that the

Revised Equity Condition is complied with as at the date of completion of the Proposed Sale;

(b) the entry by GIPL, BERNAS and Gardenia KL into an amended shareholders agreement which shall, *inter alia*, provide (i) for equal board representation for GIPL and BERNAS and that GIPL shall have the right to appoint the Chief Executive Officer/Managing Director of Gardenia KL and the Vice-Chairman of the board of directors of Gardenia KL and that the Purchaser shall have the right to appoint the Chairman of the board of directors of Gardenia KL and (ii) that if Gardenia KL is not listed by the 10th anniversary of the date of completion of the Proposed Sale, the joint venture between BERNAS and GIPL in respect of Gardenia KL shall terminate and Gardenia KL shall be wound up;

(c) the unconditional approval or consent of the financiers of the Purchaser, or the financiers for the Purchaser's holding company, Perspective Lane Sdn Bhd, where required, in accordance with the terms of any financing arrangements or facilities taken by the Purchaser or by the Purchaser's holding company;

(d) Gardenia KL and Machind Realty Berhad (a subsidiary of the Purchaser) ("**MRB**") entering into a sale and purchase agreement, which shall be in form and substance satisfactory to the Company and the Purchaser, pursuant to which MRB shall sell to Gardenia KL certain freehold industrial land of approximately 10 acres located in Bukit Kemuning, Selangor Darul Ehsan (which is adjacent to the existing plant of Gardenia KL in Bukit Kemuning) ("**Bukit Kemuning Land**"). The consideration for the purchase of the Bukit Kemuning Land will be separately negotiated between Gardenia KL and MRB and is subject to a professional valuation of the Bukit Kemuning Land;

(e) there being no material breach of warranties under the Sale Agreement on the part of the Company; and

(f) there being no material breach of warranties under the Sale Agreement on the part of the Purchaser.

3.4 **Completion**. Completion of the Proposed Sale shall take place on a date to be determined by the Purchaser and in any event no later than five Business Days from the date when all the conditions precedent have been fulfilled or waived in accordance with the Sale Agreement, which shall be no later than 30 March 2016.

4. USE OF PROCEEDS

The net proceeds of approximately S$29.6 million (after taking into account professional fees and other relevant transaction costs in connection with the Proposed Sale) will be applied for working capital and general business purposes and/or to fund business expansion and investments.

5. CHAPTER 10 OF THE SGX-ST LISTING MANUAL

5.1 **Rule 1006.** The relative figures for the Proposed Sale computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), based on the latest unaudited consolidated financial statements of the Group for FY 2015, are set out below:

Rule 1006 of the Listing Manual	Bases	Proposed Sale (S$'000)	Group (S$'000)	Relative figure (%)
(a)	The net asset value of the Gardenia KL Sale Shares, as compared with Group's net asset value as at 31 December 2015.	8,150	426,875	1.91
(b)	The net profit attributable to the Gardenia KL Sale Shares, as compared with Group's net profit for FY 2015[(1)].	3,267	68,766	4.75
(c)	The aggregate value of the consideration to be received for the Gardenia KL Sale Shares, as compared with the Company's market capitalisation as at 23 February 2016.	30,000	570,122[(2)]	5.26
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable to a disposal		

Notes:-

(1) Based on profit before income tax, minority interest and extraordinary items.

(2) The Company's market capitalisation is based on 561,419,968 shares in the capital of the Company ("**Shares**") in issue as at 23 February 2016 (being the market day immediately preceding the date of the Sale Agreement), excluding treasury shares, at a weighted average price of S$1.0155 per Share on 23 February 2016.

5.2 **Discloseable Transaction.** As the relative figure under Rule 1006(c) exceeds 5% but is less than 20%, the Proposed Sale is considered a discloseable transaction under Chapter 10 of the Listing Manual.

6. CERTAIN FINANCIAL EFFECTS

6.1 **Net Gain Attributable to the Proposed Sale**. The net gain from the Proposed Sale attributable to the Group, after taking into account transaction costs, is expected to be approximately S$26.5 million.

6.2 **Financial Effects.** The financial effects have been prepared for illustrative purposes only and are neither indicative of the actual financial effects of the Proposed Sale on the NTA per Share and earnings per Share ("**EPS**") of the Group, nor of the future actual financial performance of the Group.

6.3 Based on the unaudited consolidated financial statements of the Group for FY 2015, the financial effects of the Proposed Sale are as follows:-

(a) **NTA per Share**. Assuming that the Proposed Sale had been effected on 31 December 2015, the NTA per Share of the Group as at 31 December 2015 would be as follows:

	As at 31 December 2015	
	Before Proposed Sale	**After Proposed Sale**
NTA (S$ million)	426.7	453.2
Number of issued Shares	561,299,968	561,299,968
NTA per Share (Singapore cents)	76.02	80.74

(b) **Earnings per Share.** The financial effect of the Proposed Sale on the EPS of the Group for FY 2015, assuming that the Proposed Sale had been effected on 1 January 2015 would be as follows:

	For FY 2015	
	Before Proposed Sale	**After Proposed Sale**
Earnings attributable to shareholders (S$ million)	52.5	76.6
Weighted average number of issued Shares	557,598,000	557,598,000
Earnings per Share (Singapore cents)	9.42	13.73

7. LICENSING

Under a licensing agreement between the Company and Gardenia KL, the Company has granted Gardenia KL a licence to use in West Malaysia the “Gardenia” trademarks on bread and other bakery products manufactured by Gardenia KL (“**Licensing Agreement**”). Under the Licensing Agreement, Gardenia KL is required to pay the Company quarterly licensing fees of 5.25% of the gross sales of each approved bakery owned and operated by Gardenia KL. The Licensing Agreement will, pursuant to its terms, expire on 31 March 2016. In view of this, the Company and the Purchaser will engage in negotiations on the Licensing Agreement after the completion of the Proposed Sale and will explore various possible options, including variation of the terms of the existing Licensing Agreement and/or Gardenia KL eventually developing its own localised brands in Malaysia. The Proposed Sale is not conditional upon

the status of the Licensing Agreement. Further announcements will be made by the Company on this, as appropriate.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors nor (so far as the Directors are aware) any controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Sale.

9. SERVICE CONTRACT

No person is proposed to be appointed as a Director of the Company in connection with the Proposed Sale.

10. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Sale Agreement is available for inspection by the shareholders of the Company at the registered office of the Company at 150 South Bridge Road, #09-04 Fook Hai Building, Singapore 058727 during normal business hours for a period of three (3) months from the date of this Announcement.

By Order of the Board

Lee Woan Ling
Company Secretary

24 February 2016