

**ANNOUNCEMENT IN CONNECTION WITH THE COMPANY'S EGM TO BE HELD ON 21
DECEMBER 2021 RELATING TO THE DISPOSAL BY THE QAF GROUP OF THE PRIMARY
PRODUCTION BUSINESS IN AUSTRALIA ("DISPOSAL") AND THE SPECIAL DIVIDEND**

1. **Introduction:** QAF Limited ("**QAF**" or the "**Company**") refers to:
 - (a) its Circular to Shareholders and Notice of Extraordinary General Meeting ("**EGM**") dated 6 December 2021 ("**Circular**") notifying shareholders that the EGM of the Company will be held on 21 December 2021 at 11.00 a.m. by electronic means, and the Company's announcement dated 14 December 2021 relating to a proposed amendment to Ordinary Resolution 2; and
 - (b) the announcement issued by the Company on 6 December 2021 setting out the alternative arrangements relating to attendance at the EGM by electronic means and submission of substantial and relevant questions in advance.

2. **Response to questions from shareholders:** The Company would like to thank shareholders for submitting their questions in advance of the EGM. Responses to substantial and relevant questions which have been submitted by verified shareholders are set out in **Annex A**.

By Order of the Board

Serene Yeo

Company Secretary
18 December 2021

ANNEX A

Responses to Substantial and Relevant Questions

Based on questions received from shareholders, the Company sets out its responses below, focussing on substantial and relevant questions. As some of the questions submitted overlap, the Company has set out its responses by way of subject matter/ themes. The information released in this announcement should be read in conjunction with the Company's Circular.

Question	Response																																												
Topic 1: Rationale for the Disposal																																													
<p>We have received a question relating to the rationale for the Disposal.</p>	<p>The Board's rationale for the Disposal has been provided in section 5 of the Circular to Shareholders. We would reiterate that the disposal of the Primary Production Business would enable the Group to focus on and support the growth of the Bakery and Distribution and Warehousing Businesses through funding any equity contribution requirement of these capital expenditures, and enable the Group to invest in new business opportunities related to these core businesses. Further, the Primary Production business has historically been a cyclical and volatile business being significantly dependent on and affected by factors such as commodity pork prices, grain costs and weather, compared with the Group's core Bakery and Distribution & Warehousing businesses, which have generated relatively higher and more stable margins and returns. Please see Chart (including Notes) below on the historical EBITDA of the three segments of the Group's business.</p> <div style="text-align: center;"> <p>EBITDA (S\$'m)</p> <table border="1" style="margin: 10px auto;"> <caption>Historical EBITDA (S\$m)</caption> <thead> <tr> <th>Year</th> <th>Bakery</th> <th>Primary Production</th> <th>Distribution</th> </tr> </thead> <tbody> <tr><td>2011</td><td>82</td><td>20</td><td>5</td></tr> <tr><td>2012</td><td>75</td><td>17</td><td>6</td></tr> <tr><td>2013</td><td>78</td><td>12</td><td>4</td></tr> <tr><td>2014</td><td>79</td><td>20</td><td>5</td></tr> <tr><td>2015</td><td>85</td><td>25</td><td>5</td></tr> <tr><td>2016</td><td>54</td><td>51</td><td>5</td></tr> <tr><td>2017</td><td>43</td><td>24</td><td>7</td></tr> <tr><td>2018</td><td>49</td><td>3</td><td>3</td></tr> <tr><td>2019</td><td>50</td><td>27</td><td>8</td></tr> <tr><td>2020</td><td>80</td><td>36</td><td>7</td></tr> </tbody> </table> </div>	Year	Bakery	Primary Production	Distribution	2011	82	20	5	2012	75	17	6	2013	78	12	4	2014	79	20	5	2015	85	25	5	2016	54	51	5	2017	43	24	7	2018	49	3	3	2019	50	27	8	2020	80	36	7
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	<p><i>Note 1: The drop in the EBITDA of the Bakery segment from approximately S\$85 million in 2015 to S\$54 million in 2016 is attributable to the divestment of 20% of GBKL held by the Group, resulting in a reduction of the Group's shareholding from 70% to 50% and GBKL ceasing to be a subsidiary.</i></p> <p><i>Note 2: The increase in the EBITDA of the Bakery segment from approximately S\$50 million in 2019 to S\$80 million in 2020 is attributable to higher demand from panic buying during the Covid-19 pandemic, especially at its onset.</i></p>																							
Topic 2: Financial Matters																								
<p>We have received various questions relating to financial aspects of the Disposal.</p>	<p>The Disposal will monetize our Primary Production Business and is expected to bring in approximately S\$150 million in cash. Please see the table below. The financials in the table are based on the defined financial condition of the Primary Production entities as at 30 November 2021.</p> <table border="1" data-bbox="472 539 2033 1166"> <thead> <tr> <th data-bbox="472 539 1435 632"></th> <th data-bbox="1435 539 1704 632">Estimate based on 30-Nov-21</th> <th data-bbox="1704 539 2033 632">Final computation</th> </tr> </thead> <tbody> <tr> <td data-bbox="472 632 1435 719">Agreed Enterprise Value of Target Group</td> <td data-bbox="1435 632 1704 719">A\$ 175m</td> <td data-bbox="1704 632 2033 719">Agreed as per Sale and Purchase Agreement</td> </tr> <tr> <td data-bbox="472 719 1435 807">Adjustments for Net external debt, net working capital and related party balances</td> <td data-bbox="1435 719 1704 807">(A\$ 56m)</td> <td data-bbox="1704 719 2033 1166" rowspan="8">To be updated with the defined financial condition immediately before the Completion Date</td> </tr> <tr> <td data-bbox="472 807 1435 863">Estimated proceeds for sale of shares</td> <td data-bbox="1435 807 1704 863">A\$ 119m</td> </tr> <tr> <td data-bbox="472 863 1435 911">Add: Settlement of related party balances</td> <td data-bbox="1435 863 1704 911">A\$ 38m</td> </tr> <tr> <td data-bbox="472 911 1435 967">Total proceeds</td> <td data-bbox="1435 911 1704 967">A\$ 157m</td> </tr> <tr> <td data-bbox="472 967 1435 1015">Exchange rate</td> <td data-bbox="1435 967 1704 1015">S\$0.974 per A\$</td> </tr> <tr> <td data-bbox="472 1015 1435 1062">Total proceeds in S\$</td> <td data-bbox="1435 1015 1704 1062">S\$153m</td> </tr> <tr> <td data-bbox="472 1062 1435 1110">Less: Approximate Disposal expenses incurred from FY2021 onwards</td> <td data-bbox="1435 1062 1704 1110">(S\$5m)</td> </tr> <tr> <td data-bbox="472 1110 1435 1166">Net Cash Proceeds</td> <td data-bbox="1435 1110 1704 1166">S\$148m</td> </tr> </tbody> </table> <p>The final cash proceeds will be based on the defined financial condition of the Primary Production entities immediately before the Completion Date. The final numbers can only be determined after the financials, as at the relevant time immediately before Completion, are available. On Completion, we will receive an initial payment of the estimated sale price of an amount of approximately A\$157 million.</p>		Estimate based on 30-Nov-21	Final computation	Agreed Enterprise Value of Target Group	A\$ 175m	Agreed as per Sale and Purchase Agreement	Adjustments for Net external debt, net working capital and related party balances	(A\$ 56m)	To be updated with the defined financial condition immediately before the Completion Date	Estimated proceeds for sale of shares	A\$ 119m	Add: Settlement of related party balances	A\$ 38m	Total proceeds	A\$ 157m	Exchange rate	S\$0.974 per A\$	Total proceeds in S\$	S\$153m	Less: Approximate Disposal expenses incurred from FY2021 onwards	(S\$5m)	Net Cash Proceeds	S\$148m
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	<p>After Completion, the final adjustment to the sale price, if any, is expected to be in 1H2022 (subject to the terms of the Sale & Purchase Agreement).</p> <p>By way of illustration, on a proforma basis, the Disposal would improve the QAF Group's net cash position from approximately S\$10 million to S\$145 million at the end of FY2020, assuming the sale had been completed in FY2020. The significant net cash position will enable the QAF Group to focus on and support the expansion of the Bakery operations in Singapore, Malaysia and Philippines as well as the Distribution and Warehousing division. Please see Chart 1 below for the illustration described above.</p> <p><u>CHART 1</u></p> <p>Impact on Group's Net Cash Position (assuming Completion in FY2020)</p> <p>The chart displays the net debt and cash positions in S\$m for three scenarios. The y-axis ranges from 0 to 250 S\$m. Red bars represent Debt and blue bars represent Cash. Brackets indicate the net cash position for each scenario.</p> <table border="1"> <caption>Net Debt / Cash Position (S\$m)</caption> <thead> <tr> <th>Scenario</th> <th>Debt (S\$m)</th> <th>Cash (S\$m)</th> <th>Net Cash (S\$m)</th> </tr> </thead> <tbody> <tr> <td>Actual 31-Dec-20 (Primary Production held for sale) - Pre-Completion</td> <td>~70</td> <td>~80</td> <td>\$10m</td> </tr> <tr> <td>Proforma 31-Dec-20 (Primary Production consolidated line-by-line) - Pre-Completion</td> <td>~155</td> <td>~115</td> <td>\$39m</td> </tr> <tr> <td>Proforma 31-Dec-20 (Disposal completed in June after Disposal expenses and 2c dividend) - Post-Completion</td> <td>~70</td> <td>~215</td> <td>\$145m</td> </tr> </tbody> </table>	Scenario	Debt (S\$m)	Cash (S\$m)	Net Cash (S\$m)	Actual 31-Dec-20 (Primary Production held for sale) - Pre-Completion	~70	~80	\$10m	Proforma 31-Dec-20 (Primary Production consolidated line-by-line) - Pre-Completion	~155	~115	\$39m	Proforma 31-Dec-20 (Disposal completed in June after Disposal expenses and 2c dividend) - Post-Completion	~70	~215	\$145m
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	<p>The Disposal however will result in the Primary Production entities ceasing to be a part of the QAF Group. This means that post-completion, the financials of the Primary Production entities will no longer form part the QAF Group's financial results. See please see Chart 2 below:</p> <p><u>CHART 2</u></p> <p>Impact on Proforma Group's Revenue, EBITDA and EPS (assuming Completion in FY2020)</p> <p>Revenue (\$\$'m)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Continuing Operations</th> <th>Primary Production</th> <th>Group total</th> </tr> </thead> <tbody> <tr> <td>FY2019</td> <td>497</td> <td>367</td> <td>864</td> </tr> <tr> <td>FY2020</td> <td>562</td> <td>373</td> <td>935</td> </tr> </tbody> </table> <p>EBITDA (\$\$'m)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Continuing Operations</th> <th>Primary Production</th> <th>Group total</th> </tr> </thead> <tbody> <tr> <td>FY2019</td> <td>57</td> <td>27</td> <td>83</td> </tr> <tr> <td>FY2020</td> <td>91</td> <td>36</td> <td>126</td> </tr> </tbody> </table> <p>EPS (cents per share)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Continuing Operations</th> <th>Primary Production</th> <th>Group total</th> </tr> </thead> <tbody> <tr> <td>FY2019</td> <td>3</td> <td>2</td> <td>5</td> </tr> <tr> <td>FY2020</td> <td>7</td> <td>(2)</td> <td>5</td> </tr> </tbody> </table> <p>■ Continuing Operations ■ Primary Production</p> <p>Note:</p> <ol style="list-style-type: none"> Continuing Operations comprise the Bakery and Distribution & Warehousing businesses. Red arrows show the movement of the Group's position after Completion based on FY2019 and FY2020 figures. Including the Disposal's one-off loss and costs, the FY2020 EPS would be 1.79 cents. However, excluding these one-off loss and costs, the FY2020 EPS would be 7 cents. 	Year	Continuing Operations	Primary Production	Group total	FY2019	497	367	864	FY2020	562	373	935	Year	Continuing Operations	Primary Production	Group total	FY2019	57	27	83	FY2020	91	36	126	Year	Continuing Operations	Primary Production	Group total	FY2019	3	2	5	FY2020	7	(2)	5
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