

QAF LIMITED

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

PROFIT GUIDANCE – UNAUDITED FY2022 RESULTS

QAF Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to update shareholders that, based on review to-date of the Group’s unaudited consolidated financial results for the second half year ended 31 December 2022 (“**2H2022**”) as contained in the Group’s flash results, the Company expects, subject to, *amongst others*, the approval of its Audit & Risk Committee and Board of Directors, the results will be affected by:

- (i) Higher unrealised foreign exchange loss of approximately S\$10.4 million for FY2022, mainly arising from the Group’s holdings in AUD-denominated cash and deposits. The Group holds interest-bearing deposits in AUD following the completion of the sale of its Primary Production business in early 2022. As at 31 December 2022, these deposits amounted to approximately A\$147.6 million. For purposes of financial reporting for FY2022, these deposits are to be translated into an SGD-equivalent value of S\$134.5 million at the exchange rate of A\$1:S\$0.911 as at 31 December 2022. Any changes in the SGD-equivalent value, resulting from changes in foreign currency translation rates, would be reflected in the income statement as non-cash unrealised foreign exchange gain or loss. We do, at the appropriate time, convert some of these AUD deposits to SGD. For example, in early 2022, we converted part of the AUD holdings and realised a foreign exchange cash gain of S\$1 million. In the meantime, our AUD deposits are earning interest in a rising interest rate environment.
- (ii) Non-cash impairment of approximately S\$5 million on the Group’s investment in its joint venture, Gardenia Bakeries (KL) Sdn Bhd (“**GBKL**”). The Group reduced its shareholding in GBKL from 70% to 50% in April 2016 in order to comply with Malaysian regulatory conditions. GBKL accordingly ceased to be a subsidiary of the Group and became a 50/50 joint venture. Under the shareholders’ agreement, the parties are to work towards a listing of GBKL by a specified date, currently 31 March 2028, and if such listing cannot be achieved by then and there is no acquisition by one shareholder of the GBKL shares of the other, GBKL shall be wound up and the shareholders’ agreement shall terminate. The joint venture may however be extended by mutual agreement and, as previously announced in July 2020, the parties had agreed to an extension of the listing target date from April 2026 to the current March 2028 date. In accordance with Singapore’s Financial Reporting Standards, the Group was required to remeasure its remaining 50% investment in GBKL to its fair value as at 31 March 2016. An external valuer was appointed to perform this valuation. As a result, the Group recorded a net fair value uplift on identifiable assets of S\$28.9 million and a goodwill of S\$25.0 million arising from this valuation. SFRS(I) requires the Group to assess the recoverable amount of its investment in GBKL periodically. The Group has performed an assessment on the recoverable amount of its investment and determined that a partial, non-cash write-down of investment by approximately S\$5 million in 2022 is required. This write-down will be adjusted against the goodwill account. The Group cannot rule out future non-cash write-downs of its investment due to factors relating to, amongst other things, currency movements, interest rates, trading performance and a future decision by the joint venture parties concerning the business beyond 31 March 2028. As required by SFRS(I) 1-28, the impairment will be recognised as part of the Group’s share of profits or losses of joint venture.

- (iii) As disclosed in its announcement dated 27 October 2022, the Group has received total interim insurance payments of RM62 million (equivalent to approximately S\$20 million) for consequential loss and damage to stock, property, plant and equipment arising from the severe flooding in Peninsular Malaysia which affected one of the Group's Malaysian factories in December 2021. The insurance payouts would be recognised as exceptional gains for FY2022 with consequential tax liabilities estimated at RM13 million (equivalent to approximately S\$4 million).

The Company had in its announcement dated 5 August 2022 relating to its financial results for the first half year ended 30 June 2022 (“1H2022”) stated that “In the current volatile environment, it is challenging to comment on the trend for 2H 2022, although typically, the 2H operating performance would be better than the 1H operating performance. Accordingly, barring unforeseen circumstances, we expect operating performance of the Group before exceptional items for 2H 2022 to be better than that of 1H 2022”. The Company still expects the 2H2022 operating performance of the Group before exceptional items to exceed that of 1H2022.

The Group is in the process of finalising its 2H2022 and FY2022 Results. The Company wishes to highlight that details of the Group's 2H2022 and FY2022 Results, including analyses and commentary, will be set out in the Company's announcement of such results to be released in due course in February 2023. The above estimated figures remain subject, *inter alia*, to review and approval of the Company's Audit & Risk Committee and the Board. Shareholders are advised to exercise caution when dealing in the shares of the Company and to seek the advice of their stockbrokers, bank managers, solicitors or other professional advisers when dealing in the shares of the Company.

By Order of the Board

Serene Yeo
Company Secretary
17 January 2023