

**REPLIES TO SGX-ST QUERIES**

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The Company wishes to announce the following in reply to questions received from the SGX-ST:

**Question 1: We refer to the announcement made the Company’s SGXNet announcement dated 21 July 2020 in relation to Gardenia Bakeries (K.L.) Sdn Bhd (“GBKL”), a 50:50 joint venture of the QAF Group. Please respond to us via SGXNET by 28 July 2020 (Tue) on the following queries.**

**Please clarify who are the joint venture partners, in this 50:50 joint venture of GBKL?**

**Response:** The joint venture partner of the QAF Group is Padiberas Nasional Berhad (“Bernas”). This has been disclosed by the Company previously on several occasions including in February and April 2016 in relation to the sale by the Group of 20% in GBKL to Bernas (“Sale”), and subsequent financial results announcements and annual reports. Please see for example, page 18 of the Company’s FY2016 Annual Report and the Company’s announcement dated 8 June 2016.

**Question 2: It is stated:**

***“The licensing fee for the renewed term (“Renewed Licence Fee”) will remain unchanged at 1.5% of the gross sales of each approved bakery, and the existing cap of maximum gross sales of RM800 million for each financial year (“Gross Sales Cap”) shall cease to apply……***

***With the removal of the Gross Sales Cap, the contribution from GBKL would be lowered, arising from the higher licensing fees required to be paid by GBKL to the Company.”*** (emphasis added).

**Please clarify what is meant by the sentence underlined above.**

**Response:** In its announcement of 6 April 2016 on the completion of the Sale, the Company had announced that GBKL has been accounted for as an investment in a joint venture in the books of the QAF Group following the Sale. This was repeated in page 126 of the Company’s FY2016 Annual Report, which stated that: *“With the Group’s sale of its partial shareholdings representing 20% of Gardenia Bakeries (KL) Sdn Bhd (“GBKL”) in April 2016 in compliance with regulatory requirements, the Group’s stake in GBKL has been reduced to 50%. Accordingly, GBKL ceased to be a subsidiary of the Group and has become a Joint Venture of the Group.”*

As GBKL is accounted for as an investment in a joint venture, GBKL’s profit after tax is recorded in QAF Group income statement under the line “share of profits of joint venture”. With the removal of the Gross Sales Cap, GBKL will incur higher licensing fees and therefore, record lower profit before and after tax. The share of profits from joint venture in QAF books will be lowered. The reference to “contribution” in the underlined sentence above refers to the “share of GBKL’s profits attributable to QAF Group”.

By Order of the Board

Serene Yeo  
Company Secretary  
28 July 2020