

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

**ANNOUNCEMENT IN CONNECTION WITH THE COMPANY'S AGM TO BE HELD ON 22
APRIL 2022**

1. **Introduction:** QAF Limited (“**QAF**” or the “**Company**”) refers to:
 - (a) its Notice of Annual General Meeting (“**AGM**”) dated 25 March 2022 notifying shareholders that the AGM of the Company will be held on 22 April 2022 at 11.00 a.m. by electronic means; and
 - (b) the accompanying announcement issued by the Company on 25 March 2022 setting out the alternative arrangements relating to attendance at the AGM by electronic means and submission of substantial and relevant questions in advance.
2. **FY2021 Financial & Business Highlights:** The FY2021 Financial & Business Highlights of the QAF Group are attached at **Annex A**.
3. **Response to questions from shareholders:** The Company would like to thank shareholders for submitting their questions in advance of the AGM. Responses to substantial and relevant questions which have been submitted by verified shareholders are set out in **Annex B**.

By Order of the Board

Serene Yeo

Company Secretary
14 April 2022

ANNEX A

FY2021 Financial & Business Highlights

Group Financials & Business Highlights FY2021

“\$” means Singapore dollars unless otherwise indicated. Any discrepancies between individual amounts and totals are due to rounding.

Financial Highlights FY2021

	FY2021	FY2020	FY2019 (pre-Covid)
	\$' million	\$' million	\$' million
Revenue	559.0	561.8	497.0
Earnings before Interest, Tax, Depreciation and Amortisation (“EBITDA”)	63.4	90.5	56.8
– <i>EBITDA margin (%)</i>	11.3%	16.1%	11.4%
Profit before Taxation (“PBT”)	28.7	54.4	22.8
– <i>PBT margin (%)</i>	5.1%	9.7%	4.6%
Profit after Taxation (“PAT”)	22.4	42.3	18.3
– <i>PAT margin (%)</i>	4.0%	7.5%	3.7%
Underlying earnings ¹	33.5	42.6	23.1
– <i>Underlying earnings margin (%)</i>	6.0%	7.6%	4.6%

¹ Underlying earnings is PBT excluding foreign exchange translation gain and loss, and one-off items.

Financial Highlights FY2021

DISCONTINUED OPERATIONS

REVENUE \$416.8m	EBITDA \$46.5m	PBT² \$28.7m
PAT² \$11.4m	PAT MARGIN 2.7%	UNDERLYING EARNINGS³ \$26.3m

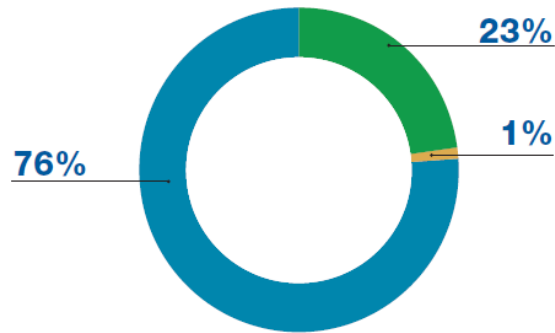
² Excludes remeasurement gain of \$5.7 million, cessation of depreciation of \$16.2 million and associated costs incurred for disposal of \$2.2 million.

³ Underlying earnings is PBT excluding fair value gain on biological assets of \$2.4 million.

Business Overview FY2021

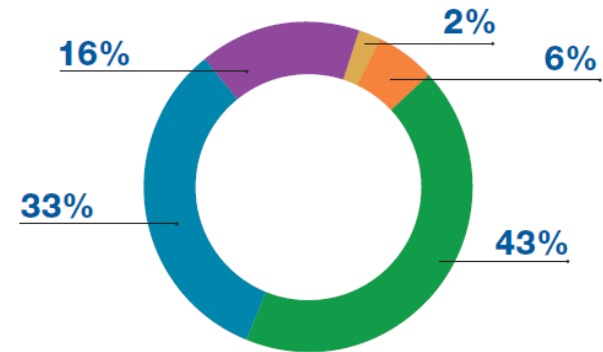
CONTINUING OPERATIONS

Segment Revenue



■ Bakery
■ Distribution and Warehousing
■ Investments and Others

Geography Revenue



■ Singapore
■ Philippines
■ Others
■ Australia
■ Malaysia

REVENUE

\$559m

GBKL² Revenue
\$353m

EBITDA¹

\$63.4m

GBKL² EBITDA
\$25.7m

PAT

\$22.4m

GBKL² PAT
\$8.4m

> 9,000
employees

c.30
major proprietary brands

¹ Includes segment EBITDA of Bakery, Distribution and Warehousing, and Investments and Others.

² Reflects 100% of Gardenia Bakeries (KL) Sdn Bhd of which QAF's share of 50% has been reflected in the Group's EBITDA and PAT.

Business Overview FY2021

BAKERY

REVENUE 2021

\$425m

EBITDA 2021

\$60.3m

EBITDA MARGIN 2021

14%

DISTRIBUTION AND WAREHOUSING

REVENUE 2021

\$129m

EBITDA 2021

\$6.4m

EBITDA MARGIN 2021

5%



16
Factories

Singapore: 2
Philippines: 5
Malaysia: 8
Australia: 1

Produced > **1.1 billion**
units of bread products annually

c.74,000
Third party
outlets

c.2,000
routes

c.1,800
trucks

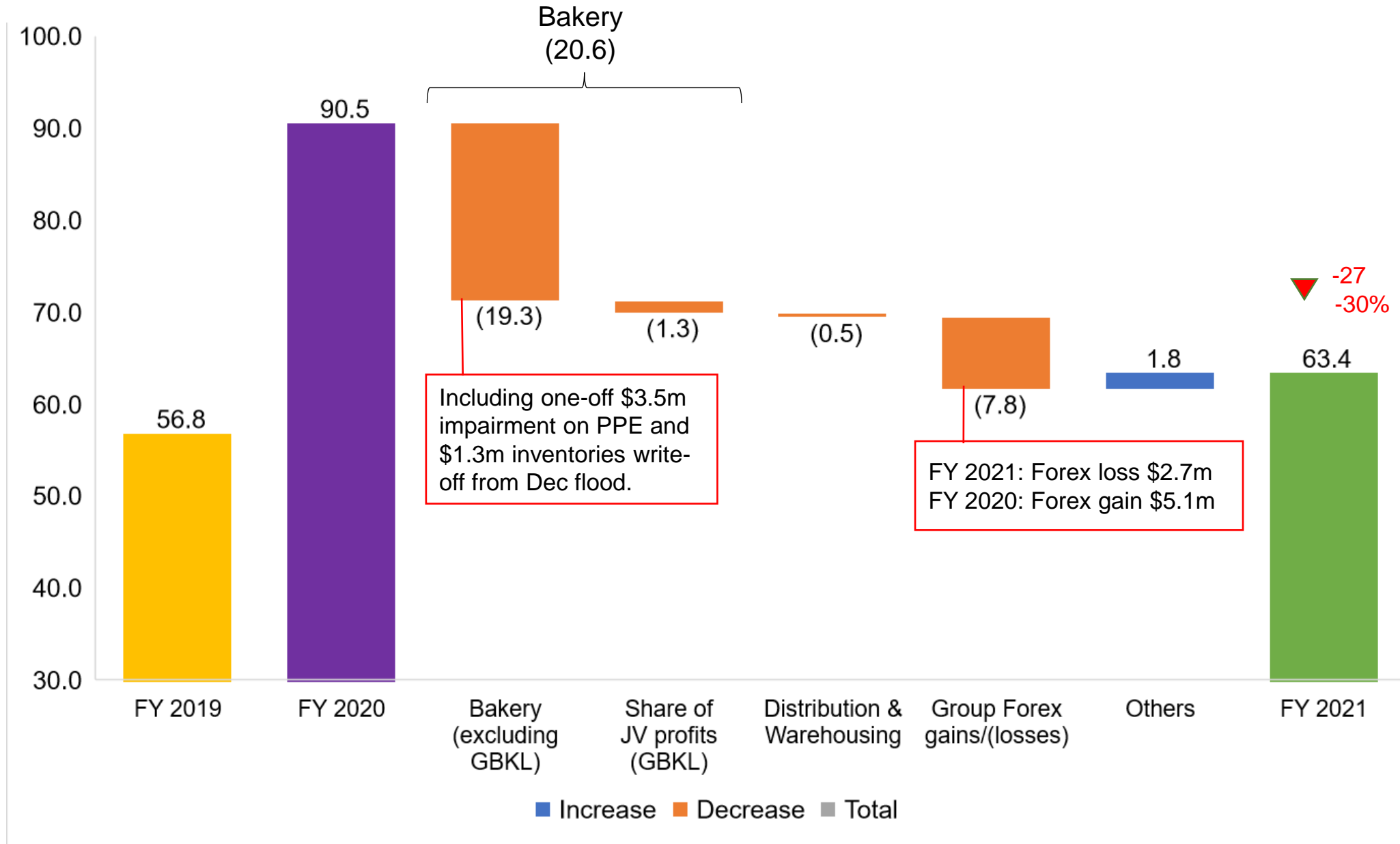
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export markets

c.20
overseas
distributors

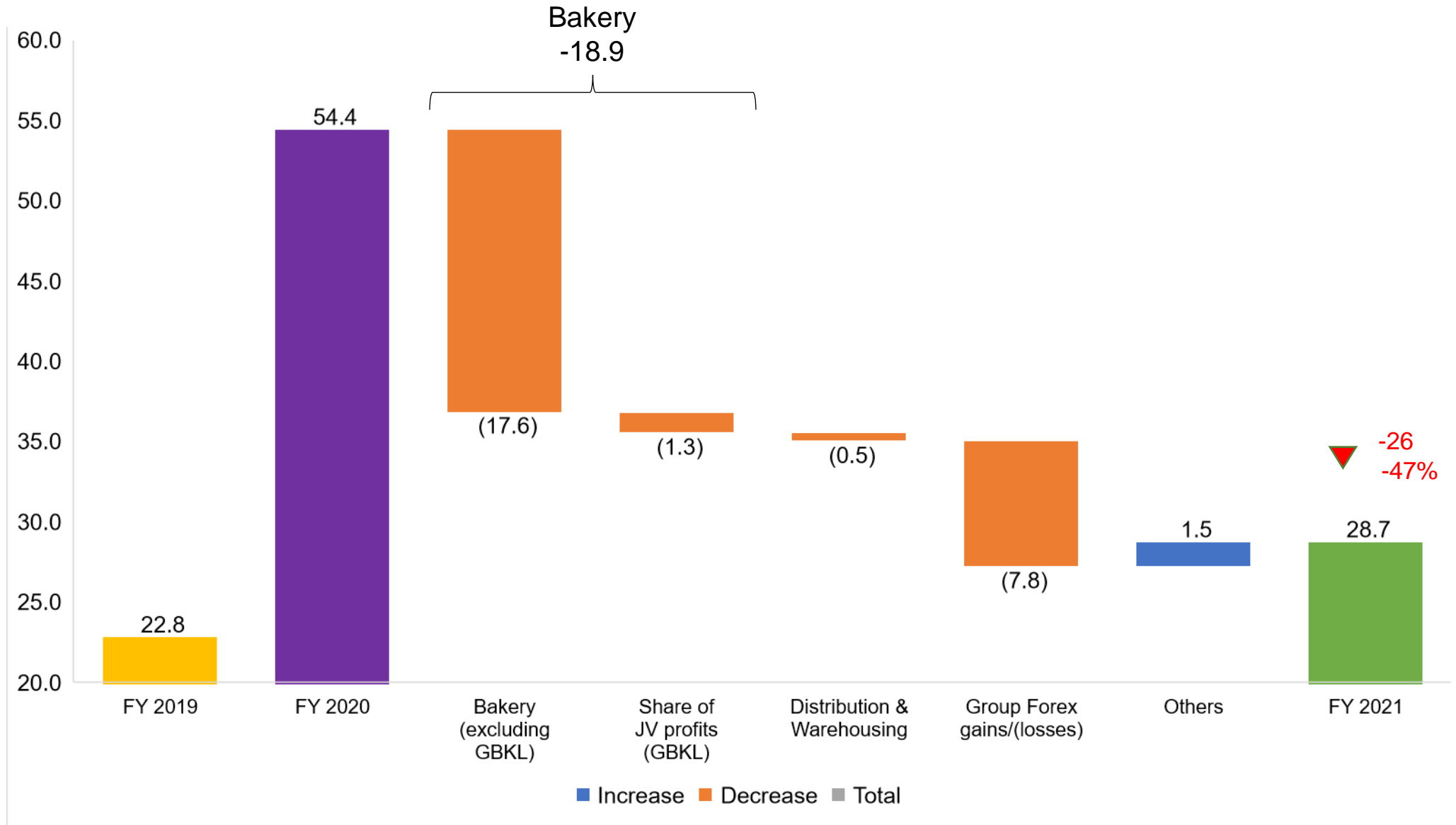
3
Warehouses &
cold store facilities

c.35,000 sqm
of gross floor area

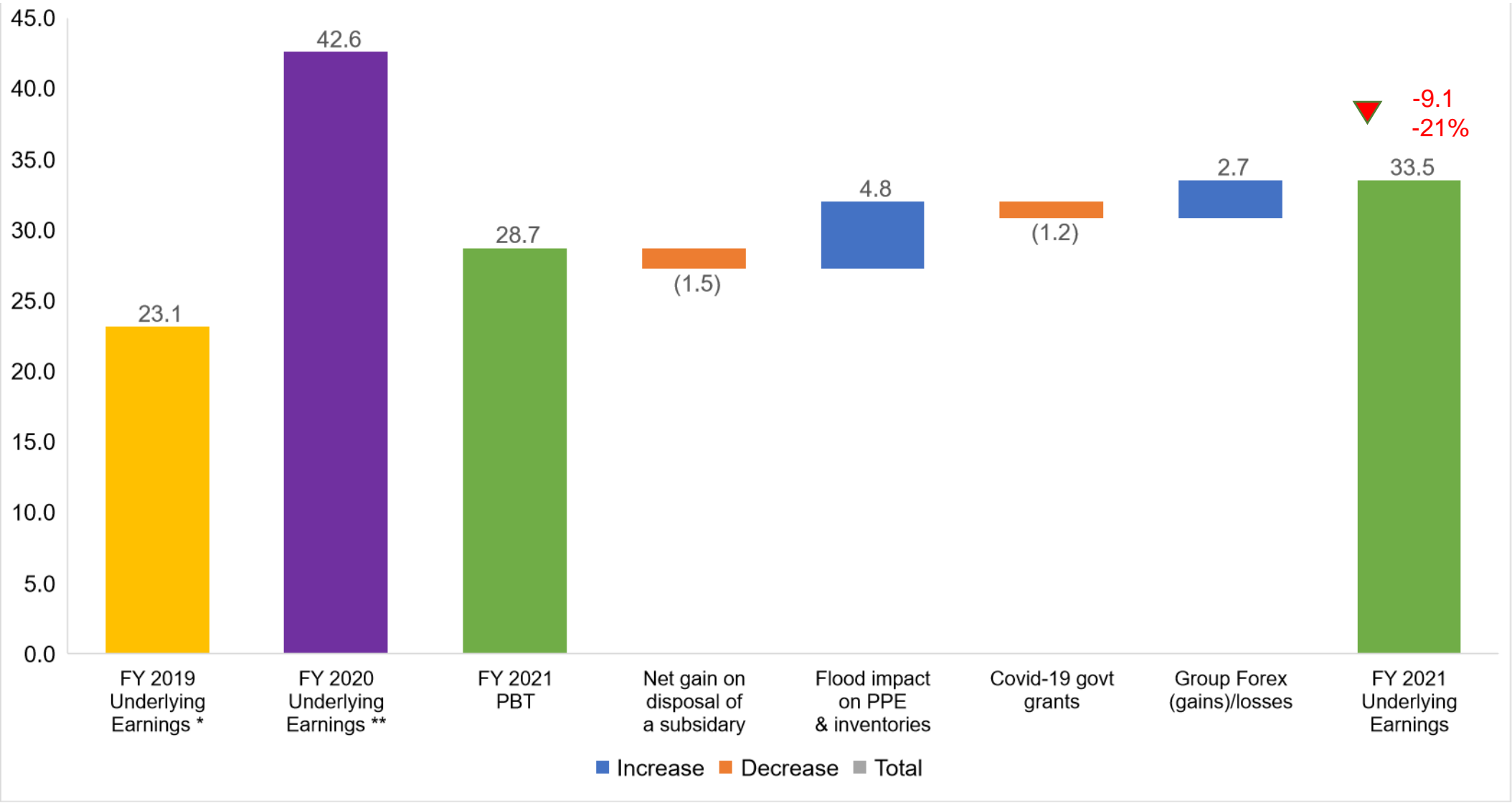
EBITDA Waterfall (\$m) – FY 2021



PBT Waterfall (\$m) – FY 2021



Underlying Earnings (\$m) – FY 2021



* FY 2019 Underlying Earnings represents PBT (\$22.8m) adjusted for forex loss (\$1.4m) and insurance claims from ammonia leakage (\$1.1m).

** FY 2020 Underlying Earnings represents PBT (\$54.4m) adjusted for adjusted for government grants (\$6.7m) and forex gain (\$5.1m).

EARNINGS & DIVIDENDS

Earnings and Dividends

	2021	2020
Earnings per share (continuing business only)	3.9¢	7.3¢
Earnings per share (continuing and discontinuing business)	9.1¢	4.8¢
Dividend per share	5.0¢	5.0¢
Net gearing ratio (times) ¹	(0.06)	(0.02)
Net asset value per share	\$0.92	\$0.90
Share price ²	\$0.87	\$1.03
Market capitalization ²	\$500m	\$593m

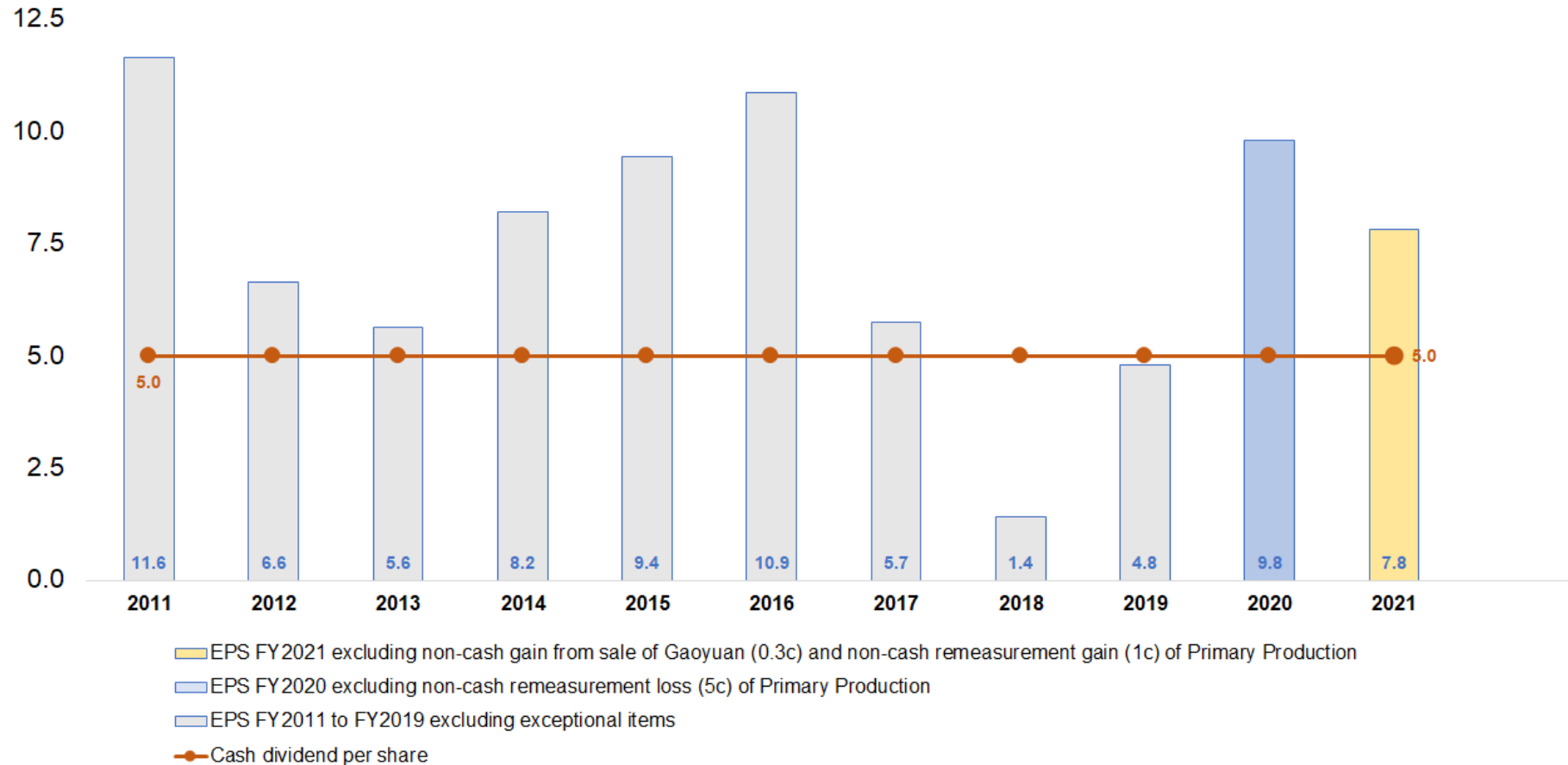
¹ Net gearing ratio is calculated by dividing net debt against equity attributable to owners of the Company.

² As at 14 April 2022 (2020: 16 April 2021)

Earnings & Ordinary Dividends per Share

- We have paid 5 cents ordinary dividends since 2011.
- Exceptional items for FY2020 and FY2021 relates to non-cash remeasurement gain/loss on discontinued operations and sale of subsidiary.
- EPS for FY2018 was affected by operating losses incurred by the Primary Production as a result of the severe drought conditions in Australia.
- Our dividend yield (excluding special dividends) is 5.7% based on closing share price of 87 cents for 14 April 2022.

EPS and DPS (cents)



ANNEX B

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.

Topic	Question	Response
Topic 1: Inflationary Pressures		
	<p>The Company received questions on the implications of the inflationary environment on its business and steps taken to mitigate its effect.</p>	<p>Global inflationary pressures on commodity prices caused by the pandemic have affected our performance. As mentioned on page 18 of our announcement dated 25 February 2022, inflation of raw material prices, as well as higher sales volume, resulted in increased costs of materials by 6% and a \$15.6 million impact on earnings for FY2021. From page 25 of the same announcement, we have mentioned that this increase in costs does not fully reflect the impact of the increase in the cost of flour in the last quarter of FY2021, which increase will be felt in FY2022 due to the lagging effect of flour price increases. Typically, we purchase flour in advance on a quarterly basis and thus any increase in such costs will only be felt subsequently. In the case of one of our units, we purchased flour in advance on a monthly basis. Average flour price since the end of FY2020 has gone up by more than 20%, the increase having started from the last quarter of FY2021. Global inflationary pressures on commodity prices have now been exacerbated by the geopolitical crisis in Europe. As disclosed on page 6 of our FY2021 Annual Report, the operating performance of the continuing operations in 1H2022 is expected to be challenging as compared to 1H2021. The ongoing pandemic situation, inflationary pressures and geopolitical tensions have created heightened uncertainty, and this has made it challenging to comment on the trend for 2H2022, although typically, the 2H operating performance would be better than the 1H operating performance.</p> <p>As mentioned on page 5 of our FY2021 Annual Report, in FY2021, we saw the beginning of the increase of our costs of operations, including higher raw material, distribution and utility costs. Such costs are expected to increase significantly in 1H2022, due not only to the pandemic situation but also to the recent geopolitical crisis in Europe. Climate changes also resulted in lower crop yield for ingredients such as sugar, wheat and raisins resulting in increased ingredient costs. Our performance will be affected adversely but we aim to mitigate partially such impact by adjustment to product mix and selling prices, and product innovations. Selling price adjustments are however moderated by keeping our prices competitive. To further address this issue, we have also expanded our sources of ingredients and raw materials and secured additional warehouse space for the storage. Productivity improvements will also help to mitigate the adverse impact of increase in such costs.</p>

Topic	Question	Response
		Please also refer to pages 21, 23, 24, 28, 29 and 39 of the FY2021 Annual Report for more details.
Topic 2: Financial Information		
	The Company received a question on its financial performance by country.	As required by Financial Reporting Standard 108 on Operating Segments, we have provided EBIT, EBITDA and total assets by business segment. We have also provided the revenue and non-current assets by country. Please refer to Note 36 to the Financial Statements of our FY2021 Annual Report for more details. The segmental reporting does not cover EBIT, EBITDA and total assets on a country basis.
	The Company received questions on its expansion and capital expenditure plans.	As mentioned on page 7 of our FY2021 Annual Report, we plan to further invest in expanding production capacity for our core markets in Singapore, Malaysia and the Philippines. The aggregate investment is estimated to be approximately \$116 million. This is part of our strategy for organic growth and represents what we consider to be expansion capex which is in addition to our regular maintenance capex. We also have plans for expansion of our Distribution & Warehousing segment, currently focusing on ASEAN. Please refer to page 23 of our announcement dated 25 February 2022 for more details.
Topic 3: Bakery Segment		
	The Company received a question on the non-availability of some of the Group's specific bakery products on store shelves.	As mentioned on pages 21 and 39 of our FY2021 Annual Report, Gardenia Singapore streamlined its product mix to focus on main bread products that consumers need, and temporarily halted the production of some slower-moving products which were in lower demand during the pandemic. This led to some instances where specific products, such as the <i>Gardenia Corn Loaf</i> , were temporarily not available to consumers. The <i>Gardenia Brown Rice & Oat Soft Grain Loaf</i> and the <i>Gardenia Purple Wheat Soft Grain Loaf</i> were also permanently discontinued, as the consumer demand for both loaves had decreased significantly over the years, and the focus is on other SKUs that are in higher demand such as white and selected wholemeal bread products. We also continue to invest in product innovation, such as the <i>Gardenia Hokkaido Butter Rolls</i> , which was launched in February 2022. Please also refer to pages 18, 21, 24 and 39 of the FY2021 Annual Report for more details on the change in product mix.
	The Company received a question on market competition.	Based on Nielsen market share data released for FY2021, our major competitor in the Philippines is Marby. Based on Marby's corporate website, Marby's strategy is delivery service; its effective distribution system allowed its products

Topic	Question	Response
		to reach consumers regardless of proximity. Monde Nissin is a potential major competitor. As announced in its IPO prospectus dated 14 May 2021, it sees enormous potential in the bread sector and aims to expand its bread business through its established distribution networks and investment in new production facilities and advertising.
Topic 4: Distribution and Warehousing Segment		
	The Company received a question relating to its Distribution and Warehousing business.	Performance of the Distribution and Warehousing business in recent years has been affected by one-off events. This includes the ammonia leak incident in FY2018 and the roof repair of a warehouse in FY2021 - FY2022 resulting in impairment of assets and reduction in capacity. In addition, disruption to global supply chains (arising from the pandemic and the geopolitical crisis in Europe) has resulted in escalating food prices and operational costs, especially in distribution costs, due to shortage of supply, unavailability of freight containers and restricted shipping facilities. As mentioned on page 29 of the FY2021 Annual Report, we have taken a strategic position to increase our stock holding to lower the risk of stockout situations and maximise potential market opportunities. This has also resulted in an increase in our warehousing costs. These costs should reduce once the supply situation reverts to normal. In addition, we are undertaking price adjustments to mitigate the increase in costs. We are also expanding our product range, with a focus on our proprietary branded products which typically carry higher gross profit margins.
Topic 5: Discontinued Operations - Disposal of Primary Production Business		
	The Company received a question on the disposal of the Primary Production business.	The sale of the Primary Production business was fully supported by the Board of Directors of the Company, taking into account the reasons set out in the Company's Circular dated 6 December 2021, including (1) the strategy of focusing on the QAF Group's core business in the Bakery and Distribution & Warehousing segments in the core Singapore, Malaysian and Philippines markets, catering to the growing 650 million population of ASEAN countries; and (2) unlocking shareholders' value, through amongst others, the payment to Shareholders of the Special Dividend of S\$0.02 per share. The Special Dividend was paid on 15 February 2022. As stated in the Circular, the disposal of the Primary Production business was a strategic sale, pursued as such business is in a very different segment (namely, animal protein) from the Bakery and Distribution and Warehousing businesses and operates in a different geographical region. The Company believes that this strategic sale will better position the Group to leverage on existing synergies within the Bakery and Distribution and Warehousing businesses to capture opportunities for growth. Further, the Primary Production business had historically been a cyclical, volatile business dependent on and affected by risk factors referred to in the Circular. With the disposal, the earnings volatility of the Group is also expected to reduce over the long run. The Group's Bakery

Topic	Question	Response
		<p>and Distribution and Warehousing businesses have generated relatively higher and more stable margins and returns. Please refer to pages 9 and 10 of the Circular for more information.</p> <p>The sale was also supported by Shareholders of the Company. Please see the results of the Extraordinary General Meeting held in December 2021 to approve the sale (“EGM”), which were announced on 21 December 2021. 100% of votes cast by Shareholders at the EGM voted in favour of the sale. In fact, at the FY2018 annual general meeting of the Company, several minority shareholders had asked about the strategic fit of the Primary Production business to the Group, and no less than five minority shareholders specifically called upon the Company to consider exiting the business.</p> <p>The sale of the Primary Production business has significantly bolstered our financial position. This, in hindsight, has provided and is expected to continue to provide a substantial buffer against the present crises caused by the pandemic and, in particular, the geopolitical tensions in Europe which escalated in February 2022.</p>
Topic 6: Annual General Meeting		
	<p>The Company received a question regarding the Annual General Meeting convened for 22 April 2022</p>	<p>The recent relaxation of Covid-19 rules was only announced on 24 March 2022. Preparations for our annual general meetings begin several months in advance, as there are many logistical preparations involved including securing service providers and venue (webcast studio). For the current AGM, plans began in about December 2021. Assessing the uncertainties arising from the constantly evolving Covid-19 situation and in particular the risk of infection for large-scale events, the Company decided to proceed with an online AGM given that this route is permitted by law, i.e., the <i>Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020</i> (“Legally Permissible Online Route”), and thus has the advantage of certainty in planning.</p> <p>In 2H2021, from August, Singapore’s Covid-19 measures allowed for events of up to 1,000 attendees, provided all are vaccinated or up to 50, if unvaccinated. However, Singapore saw its first locally transmitted case of the highly transmissible Covid-19 Omicron variant in December 2021 and also the emergence of its first Omicron cluster later that month. Further, in late February 2022, it was announced that the planned easing of pandemic curbs which had been scheduled for 4 March 2022, was halted due to a surge in Covid-19 cases. There are logistical challenges in planning an in-person AGM to take into account uncertainties such as potential changes at short notice in safe management measures for such in-person events. A priority of the Company is amongst others, the consideration of the risk of</p>

Topic	Question	Response
		<p>infection in the context of the then prevailing pandemic situation.</p> <p>Assuming the Legally Permissible Online Route has been revoked by the time preparations for the next AGM to be held in 2023 are being made, the Company will revert to holding in-person AGMs. If however the Legally Permissible Online Route remains in place at such time, the Company will assess the Covid-19 situation then prevailing and may continue holding its AGM via electronic means.</p>

IMPORTANT NOTICE:

The information released in this announcement should be read in conjunction with the Company's FY2021 Annual Report including the Appendix thereto. Such information has been prepared without regard to the objectives, financial situation and/or needs of any specific persons. For the avoidance of doubt, it does not constitute or form any part of any offer, recommendation, invitation, inducement or solicitation to enter into any transaction including to buy, subscribe for or dispose of 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 geopolitical crisis in Europe, the 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 wholly or partially 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 views on, amongst others, future events, trends and developments. There can be no assurance that such statements 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.**