

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

GARDENIA BAKERIES (K.L.) SDN BHD

The Board of Directors of QAF Limited (“**QAF**” or the “**Company**”, and together with its subsidiaries, the “**QAF Group**”) wishes to announce the following in relation to Gardenia Bakeries (K.L.) Sdn Bhd (“**GBKL**”), a 50:50 joint venture of the QAF Group:

Following negotiations, the Company and GBKL have agreed to renew the existing 5-year Licensing Agreement relating to, *inter alia*, the grant by the Company to GBKL of the right to use “*Gardenia*” trademarks in West Malaysia on bread and other bakery products manufactured by GBKL, which was due to expire on 31 March 2021, for a 7-year period from 1 April 2021 to 31 March 2028. 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.

The gross sales of the approved bakeries for FY2019 amounted to approximately RM1.03 billion. Based on the existing licensing fee applicable which includes the Gross Sales Cap, the licensing fee for FY2019 was RM12 million (approximately S\$4 million). Assuming the Renewed Licence Fee had been applicable at the beginning of FY2019, the licensing fee for FY2019 would have amounted to RM15.5 million (approximately S\$5.1 million). 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. The net financial effects on EPS and NTA for the current financial year are not expected to be material. Nothing herein is indicative of the actual financial effects of the revised arrangement on the Group or of the future actual financial performance of the Group.

In line with the above extension of the Licensing Agreement, the shareholders’ agreement between the QAF Group and its joint venture partner has been varied to provide for an extension of the date by which the parties are to work towards a listing for GBKL, namely, by March 2028, instead of the original date in April 2026. In this connection, the revised shareholders’ agreement provides, *inter alia*, that if such listing cannot be achieved by March 2028 by reason of any shareholder not providing the requisite co-operation, the non-defaulting shareholder may purchase the other shareholder’s shares in GBKL at the fair value of such shares. In the event such sale and purchase is not completed under certain circumstance(s), GBKL shall be wound-up.

By Order of the Board

Serene Yeo

Company Secretary

21 July 2020