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

ANNOUNCEMENT IN CONNECTION WITH THE COMPANY'S AGM TO BE HELD ON 27 APRIL 2023 BY ELECTRONIC MEANS

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1. **Introduction**: QAF Limited ("**QAF**" or the "**Company**") refers to:

   (a) its Notice of Annual General Meeting ("**AGM**") dated 30 March 2023 notifying shareholders that the AGM of the Company will be held on 27 April 2023 at 11.00 a.m. by electronic means; and

   (b) the accompanying announcement issued by the Company on 30 March 2023 setting out the alternative arrangements relating to attendance and participation at the AGM by electronic means, and submission of substantial and relevant questions in advance.

2. **Group Financial & Business Highlights FY2022:** The FY2022 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 at **Annex B**.

By Order of the Board

Serene Yeo

Company Secretary
21 April 2023

ANNEX A

Group Financial & Business Highlights FY2022

QAF Limited

Group Financial & Business Highlights FY2022

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

FY2022 Financial Highlights

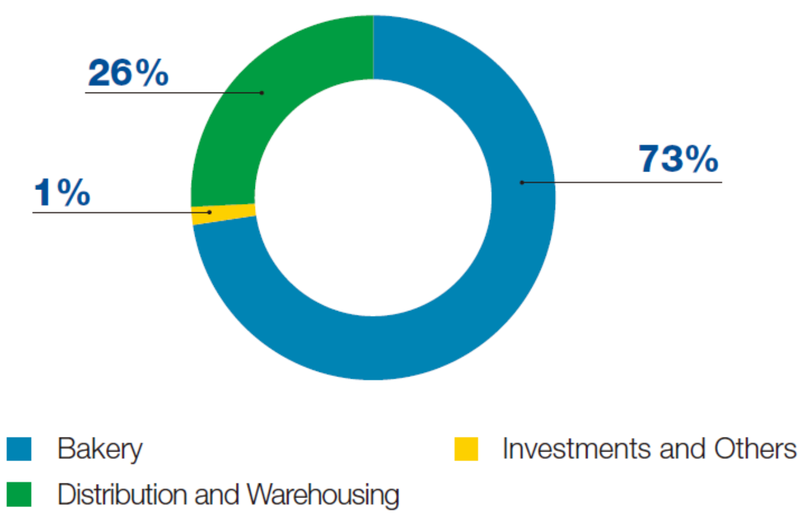
CONTINUING OPERATIONS	FY2022 $' millions	FY2021 $' millions	Change %
Revenue	577.5	559.0	3
Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") from continuing operations after exceptional items	65.2	64.9	0
– EBITDA margin from continuing operations after exceptional items (%)	*11.3%*	*11.6%*	
Proft before Taxation ("PBT") from continuing operations after exceptional items	37.2	28.7	29
– PBT margin from continuing operations after exceptional items (%)	*6.4%*	*5.1%*	
Proft after Taxation ("PAT") from continuing operations after exceptional items	26.0	22.4	16
– PAT margin from continuing operations after exceptional items (%)	*4.5%*	*4.0%*	
Underlying earnings[1]	37.1	29.1	27
– Underlying earnings margin (%)	*6.4%*	*5.2%*	

1 The Company considers Underlying earnings, which are used for internal reporting, to provide a more meaningful understanding of the Group's business performance. Underlying earnings is PBT excluding non-trading items. Non-trading items include non-cash foreign exchange translation gain and loss, non-cash impairment of assets, insurance receipts and one-off items like the loss sustained by the flood-damaged factory in FY2022. For purposes of better comparison, the earnings of the flood-damaged factory in FY2021 are also excluded.

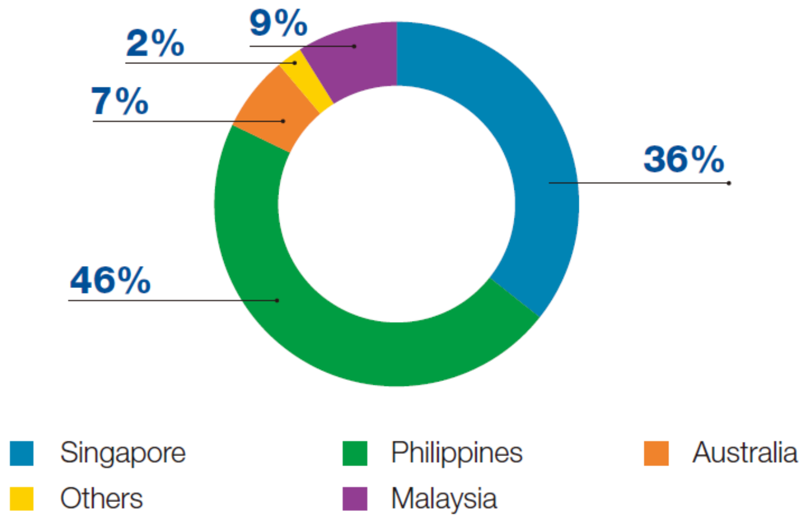
FY2022 Business Overview

CONTINUING OPERATIONS

Segment Revenue



Geography Revenue



REVENUE (EXCLUDING GBKL)
$578m
GBKL[2] Revenue $413m

EBITDA[1] (AFTER EXCEPTIONAL ITEMS)
$65.2m
GBKL[2] EBITDA $41.7m

PAT (AFTER EXCEPTIONAL ITEMS)
$26.0m
GBKL[2] PAT $15.4m

> 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.

FY2022 Business Overview

BAKERY

REVENUE 2022
$420m

EBITDA 2022[3]
(AFTER EXCEPTIONAL ITEMS)
$70.1m

EBITDA MARGIN 2022
17%

16
Factories

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

Produced >
1.3 billion
units of bread products annually

c.78,000
Third party outlets

c.2,000
routes

c.1,900
trucks

DISTRIBUTION AND WAREHOUSING

REVENUE 2022
$150m

EBITDA 2022[4]
$7.8m

EBITDA MARGIN 2022
5%

> 10
export markets

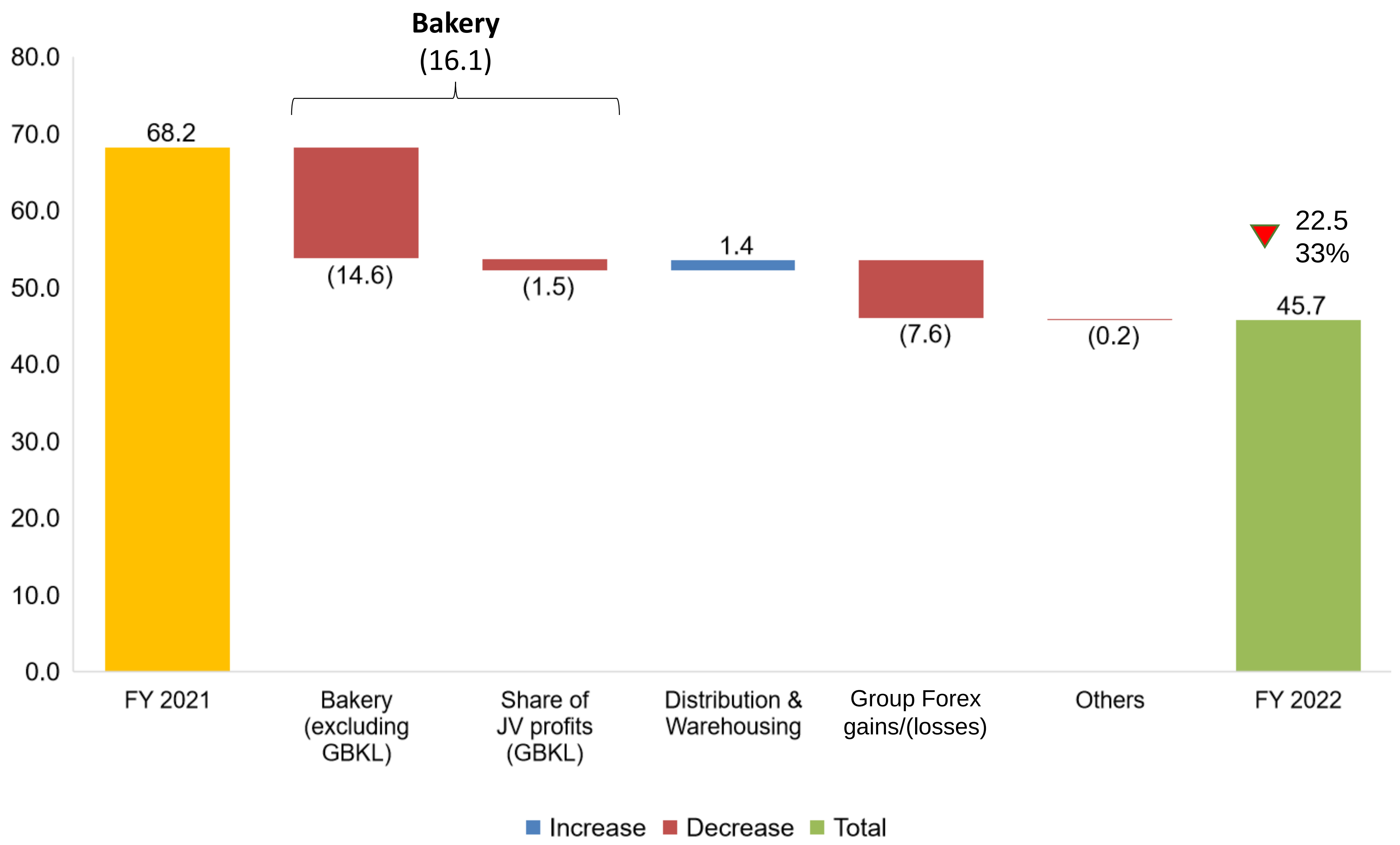
3
Warehouses & cold store facilities

c.20
overseas distributors

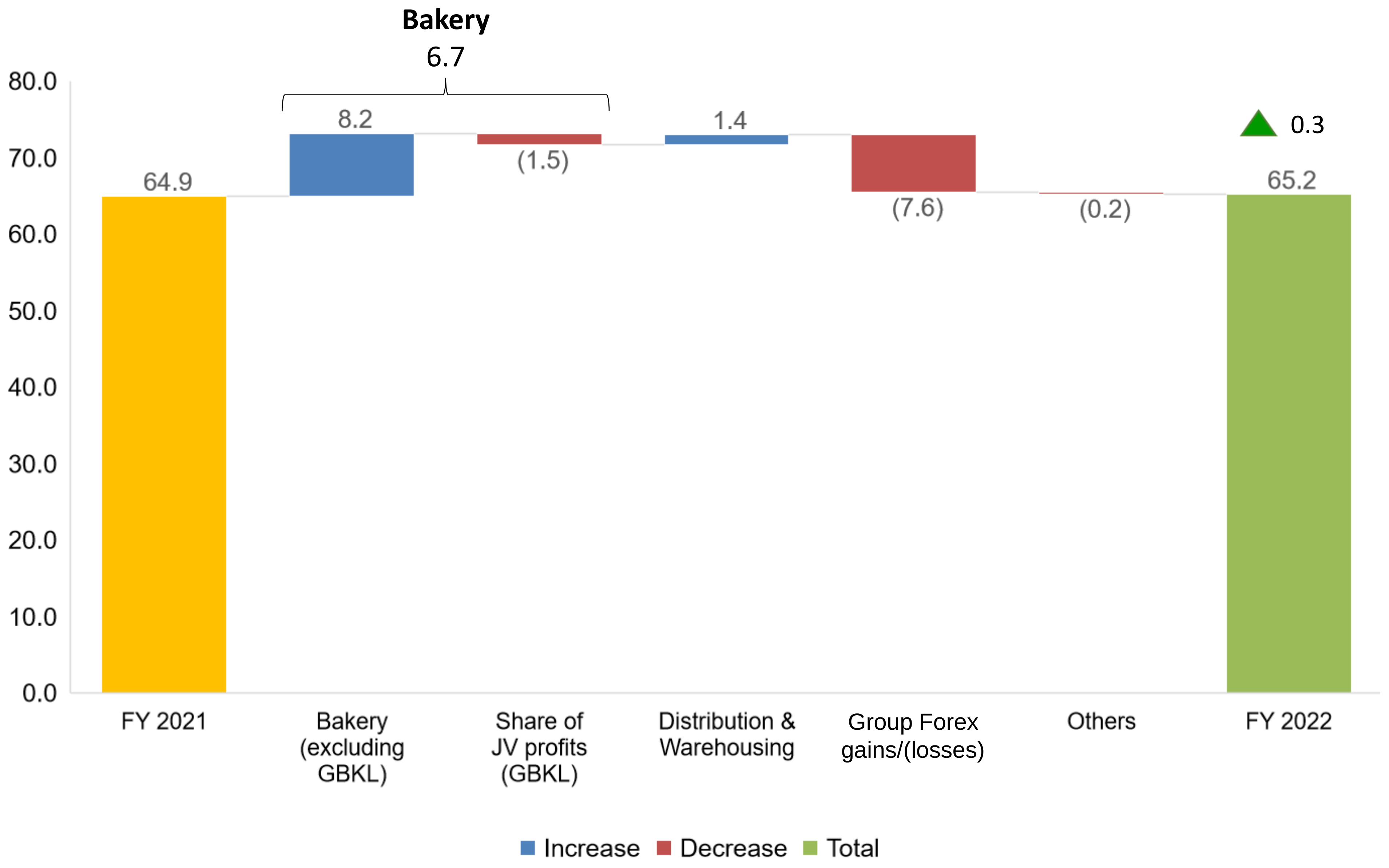
c.38,000 sqm
of gross floor area

3 Excludes head office expenses and joint venture (GBKL) contribution.
4 Excludes head office expenses.

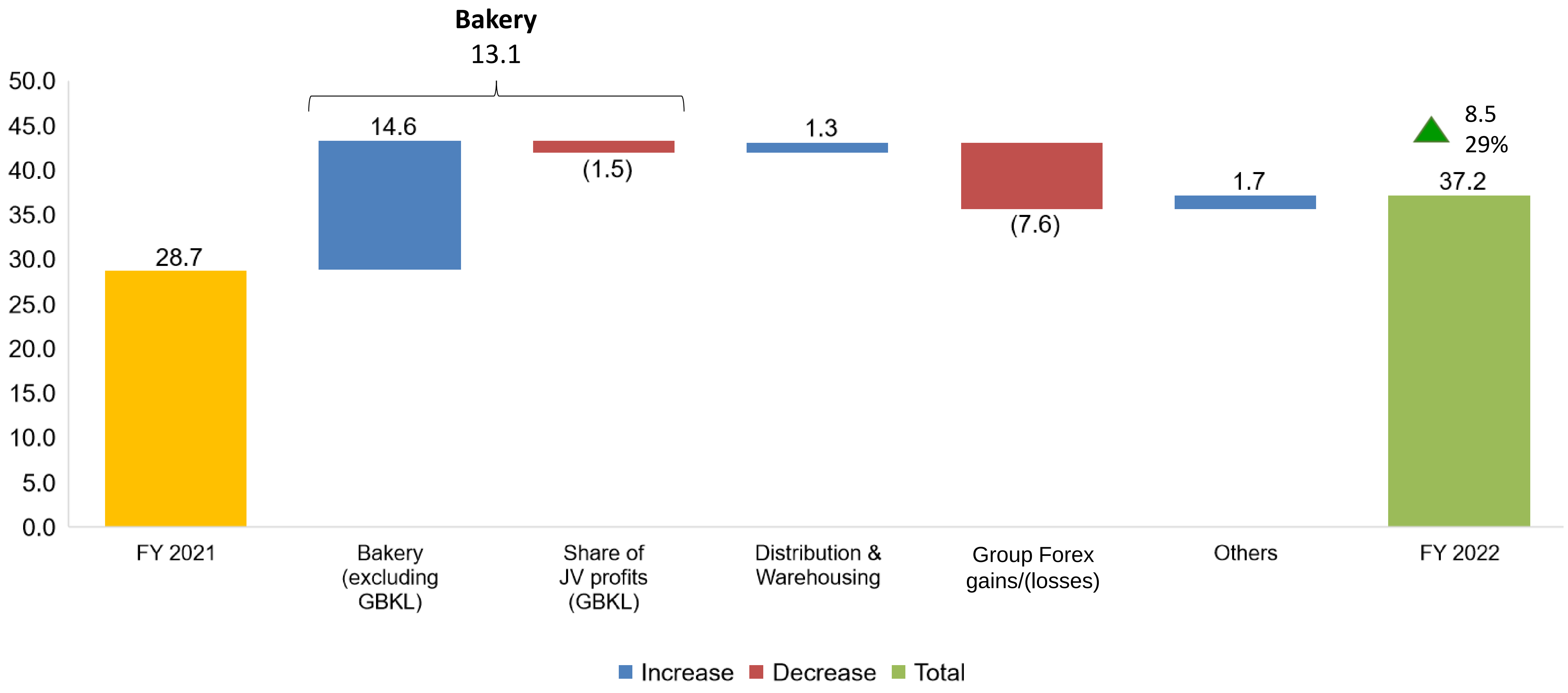
EBITDA before Exceptional Items Waterfall ($m) – FY2022



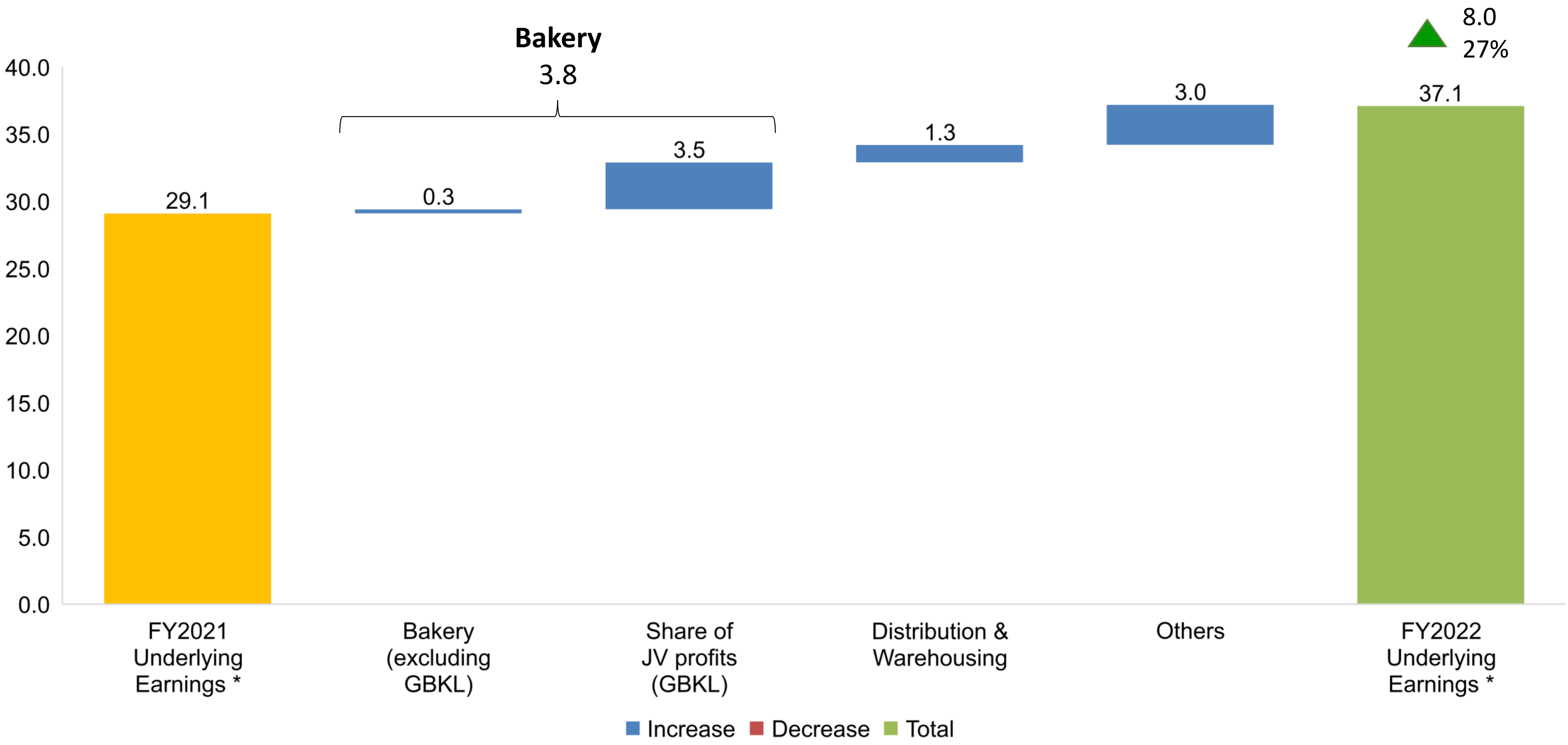
EBITDA after Exceptional Items Waterfall ($m) – FY2022



PBT after Exceptional Items Waterfall ($m) – FY2022



Underlying Earnings Waterfall ($m) – FY2022



(*) The Company considers Underlying earnings, which are used for internal reporting, to provide a more meaningful understanding of the Group's business performance. Underlying earnings is PBT excluding non-trading items. Non-trading items include non-cash foreign exchange translation gain and loss, non-cash impairment of assets, insurance receipts and one-off items like the loss sustained by the flood-damaged factory in FY2022. For purposes of better comparison, the earnings of the flood-damaged factory in FY2021 are also excluded.

QAF Limited

Earnings & Dividends

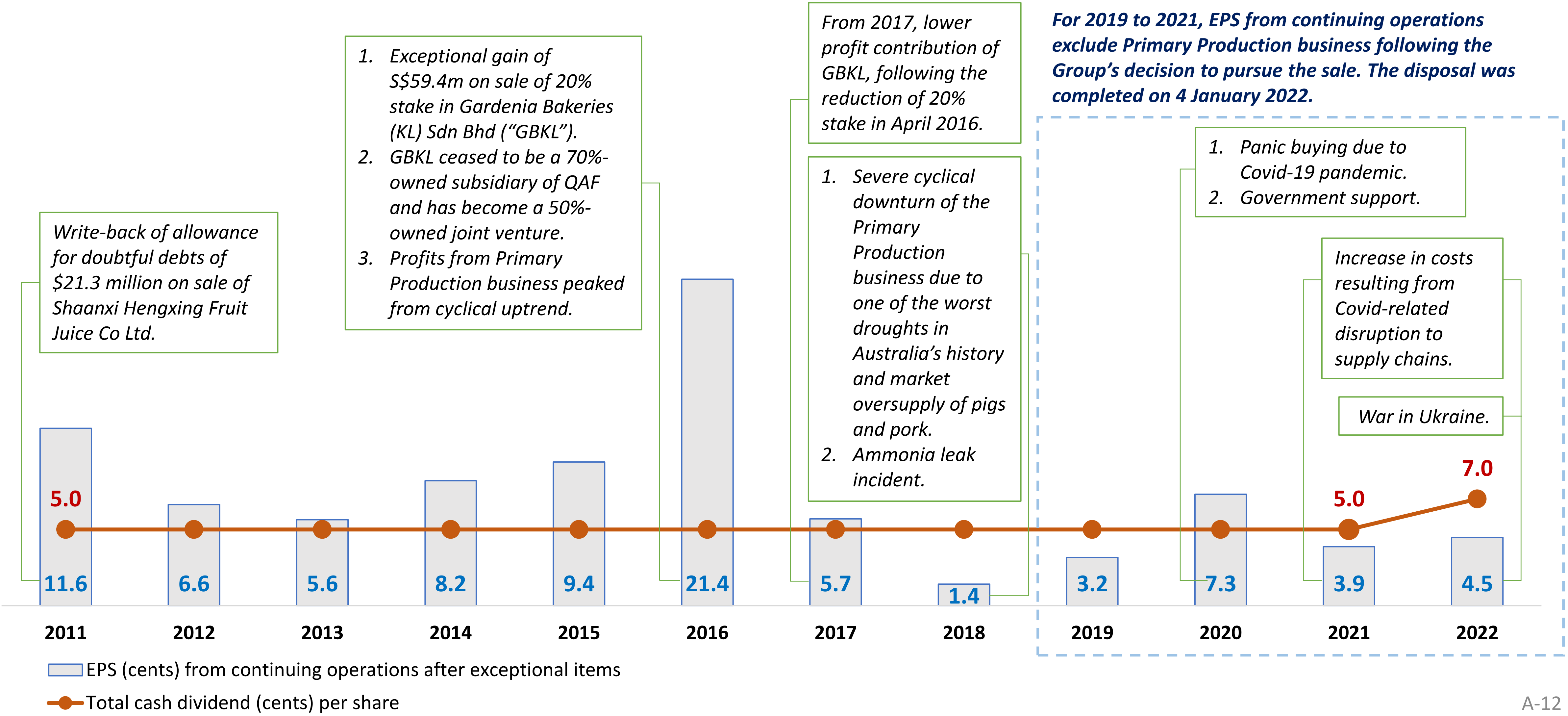
FY2022 Earnings and Dividends

	FY2022	FY2021
Earnings per share from continuing operations	4.5₵	3.9₵
Ordinary dividend per share	5.0₵	5.0₵
Special dividend per share	2.0₵	-
Net gearing ratio (no. of times)[1]	(0.35)	(0.06)
Net asset value per share	86.5₵	92.2₵
Share price[2]	83₵	88₵
Market capitalization[2]	$477m	$506m

1 Net gearing ratio is calculated by dividing net debt against equity attributable to owners of the Company.
2 As at 30 December 2022 (2021: 31 December 2021)

Earnings & Dividends per Share (cents)

- QAF has paid at least 5 cents of total dividends since 2011.
- QAF total dividend yield is 8% based on closing share price of 83 cents at the end of 2022.



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 may overlap, the Company has set out its responses by way of subject matter/ themes.

Topic	Question	Response
Topic 1: Volatility of Commodity Prices and Hedging		

1.	The Company received a question on the volatility of commodity prices and hedging strategies of the Company.	• As previously announced in our 1H 2021 results announcement on 6 August 2021, and 1H 2022 results announcement on 5 August 2022, we do not as a policy undertake financial hedging of the risk of the volatility of future commodity prices.
		• Financial hedging can be costly and there are also risks of price moving in a different direction which may result in losses.
		    o For example, a major Singapore listed company reported significant volatile hedging impact on their results. For example, in one year, they suffered more than $700 million in hedging losses. In recent times, a major Taiwanese listed insurance company is reported to have suffered a significant loss due to hedging costs against foreign exchange risks.
		• In addition, we recognise that raw materials and energy costs is an issue that affects the entire industry and our strategy is to focus on improving our competitive advantage. We recognise that commodity price volatility is a risk and we take the following operational steps to mitigate the cost impacts arising from the volatility in commodity prices:
		    o Operations procure on a pre-commitment basis (for example we do contract future flour supply on a quarterly basis in advance after reviewing the forward pricing received from multiple suppliers). In one case, we contract 3 quarters in advance.
		    o We undertake coordinated purchases of flour to increase our purchasing power, especially within Singapore and Malaysia.
		    o We engage in long-term supply agreements where possible (for example, Gardenia Singapore and Ben Foods have 1-year fixed electricity rate contracts).
		    o We do also shift towards more sustainable energy, where feasible, such as solar energy, to mitigate the impact of volatile oil and gas prices on electricity (for example, Gardenia Malaysia and Bakers Maison Australia have installed solar panels, while Gardenia Singapore and Ben Foods are exploring the option).
		    o We undertake strategic adjustments to our price from time to time to mitigate against rising

<table>
<tr><th>Topic</th><th>Question</th><th>Response</th></tr>
<tr><td></td><td></td><td>costs arising from many factors, including volatility in foreign exchange rates.
• To mitigate exposures from foreign exchange translation risks, our overseas subsidiaries only borrow in their local currency.</td></tr>
<tr><td colspan="3">Topic 2: Financial Performance and Plans, and Foreign Exchange Risks</td></tr>
<tr><td>2.</td><td>The Company received questions on the Return on Equity, which has declined since 2016, and the expansion plans going forward.</td><td>• Amongst other factors affecting our existing business, our FY2022 Return on Equity has been driven by the transitioning of our business. We completed the sale of our Primary Production business on 4 January 2022 and have monetised the business. This has increased our cash component in our equity base, although the performance from the Primary Production business is no longer being recognised from FY2022 onwards.

Table for Equity attributable to owners of the Company excluding net cash
<table>
<tr><th></th><th>S$'m</th><th>FY 2022</th><th>FY 2016</th></tr>
<tr><td>(A)</td><td>Equity attributable to owners of the Company</td><td>498</td><td>527</td></tr>
<tr><td>(B)</td><td>Net cash</td><td>175</td><td>19</td></tr>
<tr><td>(A) –(B)</td><td>Other net assets excluding net cash</td><td>323</td><td>508</td></tr>
<tr><td>(B) / (A)</td><td>Net cash as a % of equity attributable to owners of the Company</td><td>35%</td><td>4%</td></tr>
</table>
• Our financial position in FY2022 is significantly stronger than our financial position in FY2016, especially important in these turbulent times.
• In addition to the sale of our Primary Production business, our Return on Equity pre-2016 is structurally different due to the change of our shareholding in GBKL. In April 2016, we reduced our shareholding in GBKL from 70% to 50% in order to comply with Malaysian regulatory conditions. As a result, GBKL ceased to be a subsidiary of the Group and became a 50/50 joint venture. This exercise has impacted our Return on Equity since 2016, as amongst others, a lower stake in GBKL results in the recognition of a smaller percentage of returns from GBKL.
• Apart from Return on Equity, there is a range of other financial and valuation metrics that can also be considered to evaluate a company. Please refer to the Financial Highlights on page 8 of the FY2022 Annual Report. In particular, our dividend yield, which is a cash metric (compared to Return on Equity which is an accounting metric), has consistently delivered more than 6% over the past 5 years. For FY2022, our total dividend yield is 8% (7 cents) vs 4% (5 cents) for FY2016.

• Following the divestment of our Primary Production business, our strategy is to focus on expanding the trading and distribution business.
• We will leverage on our expansive distribution and</td></tr>
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<table>
<tr><th>Topic</th><th>Question</th><th>Response</th></tr>
<tr><td></td><td></td><td>supply chain network and with a capital-light, scalable approach, concentrate on expanding the sale and distribution of long shelf-life products.
Currently, our policy is to focus on organic growth through the expansion of our distribution business. However, this will take several years. If we want an immediate replacement of the loss in revenue and returns from the Primary Production business, this may be achieved through an acquisition or investment.
Given the current global volatility and uncertainty in the macroeconomic and geopolitical environments, with high inflationary pressures and recessionary risks, (“Macroeconomic and Geopolitical Environments”), we are prudent in our approach to such a strategy. We do not proactively look for acquisition or investment targets, but we are open to opportunistic acquisitions or investments if such situations arise.
In fact, we have been approached on various occasions with potential opportunities but have rejected such opportunities thus far, for a range of factors, including global uncertainties and challenges, and the adverse financial performance and condition of some of the targets which were affected by Covid-19.</td></tr>
<tr><td>3.</td><td>The Company received a question relating to bakery opportunities given its strong market position.</td><td>The bakery businesses located in the key geographical markets of Singapore, Malaysia and the Philippines already have leadership and significant market shares. Whilst the Group remains committed to the bakery segment, future growth will be more moderated. More importantly, any investments in the expansion of the production capacity of the bakery business typically require heavy capex. The current Macroeconomic and Geopolitical Environments call for a prudent stance in such investments.

Nevertheless, we are focusing on protecting our market position through more extensive distribution channels, product development and strategic adjustments to our product mix and prices. In addition, operational management have been tasked with improving overall financial performance. Programmes will focus on production and distribution efficiency and cost reduction and may also include sustainability initiatives which save energy costs such as expanding our use of solar electricity generation and evaluating the use of electric vehicles in our Singapore bakery fleet. Where there is a need to expand the bakery production capacity, as a policy we would require our bakery units to rely on funds which are self-generated or from external sources. This is to, amongst others, mitigate against foreign exchange risks if the funding were otherwise to come from head office.</td></tr>
<tr><td>4.</td><td>The Company received questions relating to AUD proceeds arising from the sale of the Primary</td><td>As indicated in our previous announcements, the coming year presents a period of potential uncertainty and volatility. The prudent strategy for such a situation is a strong balance sheet and higher cash reserves. We have announced our</td></tr>
</table>

Topic	Question	Response
	Production business.	intention to grow our trading business and they will require some working capital funding over time. Although there is no immediate need for funds, these reserves may be necessary for us to withstand any financial stress arising from any unforeseen contingencies in our business units, such as the funding of retirement benefits, withdrawal of bank credit facilities, operating cost increases, or the temporary shutdown of operations (for example arising from natural calamities such as flood, earthquake and typhoon), amongst others. These reserves would also be necessary to fund regular dividend payments, in line with the Company's strategy mentioned in our Corporate Governance Report on page 124 of our FY2022 Annual Report, during any periods of financial stress. Cash reserves which are mainly denominated in AUD represent the proceeds of the sale of the Primary Production business in early 2022. They are generating relatively risk-free interest returns in a rising interest rate environment. The higher foreign exchange losses reported during FY2022 are due to currency translation effects of the strong SGD and are unrealised. This means that they have affected accounting profit, but no cash loss has been realised. Realised foreign exchange gains or losses only occur upon the physical conversion of AUD to SGD. As at 31 December 2022, the rate of A$1:S$0.911 was applied to translate the AUD balances for accounting reporting purposes. Going forward, there will be an accounting gains or losses, in the event AUD appreciates or depreciates against this rate, as at the end of the financial reporting period (i.e. 30 June or 31 December of the relevant financial year). The gains or losses will be unrealised. In the event we were to convert AUD to SGD, the gains or losses measured against the above rate would be realised. Management holds a longer-term view regarding the underlying strength of the Australian economy. We expect the Australian economy to grow based upon the reopening of the Chinese economy and the improving relationship between China and Australia. We also note that the Monetary Authority of Singapore (MAS) has recently announced that it will pause its monetary policy tightening in light of Singapore GDP growth concerns. The MAS reported a marginal 0.1% GDP growth in 1Q2023 (3.7% in 1Q2022) and projected GDP growth of 0.5-2.5% in 2023 (3.6% in 2022). As QAF has no requirement for additional SGD funds, there is no immediate need to convert our AUD deposits. However, we will convert when the occasion calls for it, as we did in early 2022, in connection with funding the special dividend of 2 cents per share and realised a cash gain of approximately $1 million.
Topic 3: Capital expenditure		
5.	The Company received a question relating to capital expenditure plans.	Consistent with our practice, we do not disclose detailed information regarding the Group's budgeted capital expenditure for the current or future Financial Years. Nonetheless, capital expenditure for 2023 will be in line with previous years and focus upon maintenance capex and production optimisation. Attention will also be devoted to the

Topic	Question	Response
		completion of insurance-funded reinstatement works at the Malaysian bakery plant which was impacted by severe flooding in December 2021. Given the current Macroeconomic and Geopolitical Environments, the timing and/or execution of these plans are continuously being reassessed. Excluding the reinstatement works at the flooded Malaysian bakery plant, we expect our annual maintenance capital expenditure to range between $15 million to $25 million.

IMPORTANT NOTICE:

The information released in this announcement should be read in conjunction with the Company's FY2022 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. Examples of these factors include (without limitation) geopolitical uncertainties from events such as the Russia-Ukraine war and geopolitical tensions between China and the United States in relation to Taiwan, global economic instability in our markets, foreign currency exchange volatility, increase in cost of operations, the Covid-19 situation and its impact, supply chain disruptions and other risk factors set out in this Annual Report including in the Corporate Governance Report. 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.**