

QAF LIMITED

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

UPDATE ANNOUNCEMENT – INSURANCE CLAIMS IN RELATION TO FLOODING AT THE GROUP’S MALAYSIAN BAKERY FACTORY

QAF Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to its announcements dated 20 July 2022 and 5 August 2022 which provided information on the Group seeking recovery under the applicable insurance policies for losses arising from the severe flooding in Peninsular Malaysia in December 2021 which affected one of the Malaysian factories.

The Company wishes to update shareholders that the Group (for the avoidance of doubt, excluding Gardenia Bakeries (KL) Sdn Bhd (“**GBKL**”)) has to-date made claims under its consequential loss insurance policy totalling approximately S\$10 million (equivalent to RM33 million)¹ (“**Estimated Total Consequential Loss Claim**”). To-date, the Group has received an interim payment of approximately S\$4 million (equivalent to RM12 million) (“**Consequential Loss Interim Payment**”). The Consequential Loss Interim Payment will be recognised as an exceptional gain in the Group’s financial results for 2H2022. Insurance payments received or to be received will be subject to Malaysian income tax. The estimated tax liability arising from the receipt of the Consequential Loss Interim Payment is approximately S\$1 million (equivalent to RM3 million). Assuming that the claims are paid in full, the estimated tax liability arising from the receipt of the Estimated Total Consequential Loss Claim is approximately S\$3 million (equivalent to RM8 million).

Apart from the consequential loss claims, the Group has also submitted insurance claim(s) for damage to stock, property, plant and equipment of an amount totalling approximately S\$40 million (equivalent to RM126 million). Two interim insurance payments totalling approximately S\$16 million (equivalent to RM50 million) for damage to stock, property, plant and equipment were received in April 2022 and July 2022. The April 2022 interim payment of S\$10 million (equivalent to RM30 million) has been recognised as an exceptional gain in the Group’s unaudited financial results for 1H2022, whilst the July 2022 interim payment of S\$6 million (equivalent to RM20 million) will be recognised as an exceptional gain in the Group’s financial results for 2H2022. It is estimated that tax liabilities for FY2022 arising from such insurance payments received to-date will be approximately S\$3 million (equivalent to RM10 million).

In summary, assuming all submitted insurance claims are accepted by the insurer, the Group is expected to recognise an estimated exceptional gain of S\$20 million for FY2022 and a further estimated exceptional gain of up to S\$30 million for FY2023. It is estimated that tax liabilities of S\$4 million each year may be recognised for FY2022 and FY2023. In addition, there are consultants’ costs to be recognised. Insurance payments received will be used to pay for the replacement or reinstatement of the damaged production lines and tax liabilities arising from the receipt of such insurance payments. The Group may submit further claims under the relevant insurance policies.

Separately, the Group’s joint venture, GBKL, intends to submit insurance claim(s) for consequential losses to the insurer (subject to a policy limit of approximately S\$13 million (equivalent to RM42 million)). An assessment of the losses is being undertaken and analysed in conjunction with its consultant.

It is highlighted that, as the replacement or reinstatement of the damaged production lines and other related matters, as well as the processing of the insurance claims, are ongoing, and as the audit of the financial statements for FY2022 (for determining consequential losses) will only be undertaken at a later date, there is no assurance that insurance claims made or to be made will materialise and/or that insurance payments received will be equivalent to the amount claimed under such insurance policies. The claims referred to above are based on current estimates and may be subject to variation. In addition, the Group’s tax position as set out above arising from the receipt of the insurance payments is a current estimate and subject to finalisation with the tax authority.

¹ Figures in this announcement have been rounded to the nearest million.

Where there are any forward-looking statements as to future matters including projections in this announcement, please note that actual future outcomes 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. Forward-looking statements are typically identified by words such as "may", "could", "believes", "estimates", "expects", "anticipates", "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. 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
27 October 2022