

**ENTRY INTO DEFINITIVE AGREEMENTS
TO ACQUIRE PORTFOLIO OF FOOD OUTLET PROPERTIES**

1. INTRODUCTION

The Board of Directors ("**Board**") of Kimly Limited ("**Company**") and together with its subsidiaries, ("**Group**") refers to the Company's announcement made on 22 October 2019 in relation to a non-binding term sheet entered into between its wholly-owned subsidiary, Jin Wei Food Holdings Pte Ltd ("**Jin Wei**") and a group of third party vendors for the proposed acquisition of interests in a portfolio of coffeeshop leases, coffeeshop units and industrial canteen units.

The Board is pleased to inform shareholders that Jin Wei, has, on 21 February 2020, entered into the following definitive agreements:

- (a) a share purchase agreement with Yew Lee Heng LP-Gas Trading Pte Ltd ("**YLH Trading**") and Mr Tan Koo Bock as vendors to acquire 100% of the issued and fully paid-up ordinary shares in the share capital of Wei Sheng Holdings Pte Ltd ("**Wei Sheng**"), which owns coffeeshop properties located at:

- (i) Block 7 Everton Park #01-01, Singapore 080007; and
- (ii) Block 246 Hougang Street 22 #01-161, Singapore 530246,

for a total consideration of S\$19,500,000, to be satisfied partly in cash of S\$14,000,000 and partly by the issuance of 22,000,000 new shares in the share capital of the Company (each a "**Consideration Shares**") at the issue price of S\$0.25¹ per Consideration Share ("**Issue Price**");

- (b) a share purchase agreement with Messrs Tan Leng Khim, Tan Leng Heok, Tan Kian Hwa, Tan Siew Khim and Tan Siew Cheng as vendors to acquire 100% of the issued and fully paid-up ordinary shares in the share capital of Din Yun Pte Ltd ("**Din Yun**"), which owns a restaurant property located at 38 Jalan Pemimpin #01-03 M38, Singapore 577178, for a consideration of S\$2,500,000, to be satisfied wholly in cash;

- (c) an asset sale and purchase agreement with YLH Trading as vendor to acquire the following properties:

- (i) a coffee shop property located at Block 380 Clementi Avenue 5 #01-376, Singapore 120380;
- (ii) an industrial canteen property located at 38 Jalan Pemimpin #01-04 M38, Singapore 577178; and
- (iii) two industrial canteen properties located at 28 Senang Crescent #02-11/12 Bizhub 28, Singapore 416601,

for a total consideration of S\$20,915,000, to be satisfied partly in cash of S\$16,415,000 and partly by issuance of 18,000,000 new Consideration Shares at the Issue Price; and

¹ The issue price per Consideration Share is at a premium of 8.7% to the volume weighted average price of S\$0.23 for trade done on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the full market day on 20 February 2020, being the last full market day prior to signing of the definitive agreements.

- (d) an asset sale and purchase agreement with Yi Kai Development Pte Ltd ("**Yi Kai Development**") as vendor for the acquisition of a coffeeshop property located at Block 347 Ang Mo Kio Avenue 3 #01-2150, Singapore 560347, for a consideration of S\$12,900,000, to be satisfied wholly in cash

(collectively the "**Proposed Acquisition**").

2. INFORMATION ON WEI SHENG, DIN YUN AND THE VENDORS

2.1 Information on Wei Sheng

Wei Sheng is a private company incorporated in Singapore on 8 November 2006 and has an issued and paid-up share capital of S\$42,000 comprising 42,000 ordinary shares. YLH Trading holds 33,600 ordinary shares in Wei Sheng, representing 80% of its issued and paid-up capital whilst Mr Tan Koo Bock holds 8,400 ordinary shares, being the balance 20%. The principal activities of Wei Sheng are letting of cafes and coffee houses and other holding companies.

2.2 Information on Din Yun

Din Yun is a private company incorporated in Singapore on 4 March 2017 and has an issued and paid-up share capital of S\$500,000 comprising 500,000 ordinary shares. Each of Messrs Tan Leng Khim, Tan Leng Heok, Tan Kian Hwa, Tan Siew Khim and Tan Siew Cheng holds 100,000 ordinary shares in Din Yun, representing 20% of its issued and paid-up capital. The principal activities of Din Yun are letting of food courts, coffee shops and eating houses (with mainly food and beverage income) and other holding companies.

2.3 Information on the Vendors

The vendors comprise individuals who are Singapore citizens as well as companies incorporated in Singapore, whose relevant particulars are set out in paragraphs 1(a) to (d) (collectively "**Vendors**").

To the best knowledge of the Board, the Vendors and their respective partners or directors and ultimate beneficial shareholders (as the case may be) are independent of the Company, directors and controlling shareholders of the Company and their respective associates.

3. INFORMATION ON THE FOOD OUTLET PROPERTIES

3.1 Description

A summary of salient information on each of the food outlet properties (collectively "Properties") is set out below:

(1) Block 7 Everton Park #01-01, Singapore 080007

<i>Type of Property</i>	: <i>A HDB coffeeshop with living quarters located on the 1st and 2nd storey of a part 1/part 12-storey commercial-cum-residential block</i>
<i>Age</i>	: <i>Approximately 40 years</i>
<i>Legal Description</i>	: <i>Lot U3609N Town Subdivision 23</i>
<i>Strata Floor Area</i>	: <i>381.0 sq m</i>
<i>Tenure</i>	: <i>84 years leasehold commencing from 1 January 1995</i>

(2) Block 246 Hougang Street 22 #01-161, Singapore 530246

<i>Type of Property</i>	: <i>A HDB coffeeshop with living quarters located on the 1st and 2nd storeys of a 4-storey commercial-cum-residential block</i>
<i>Age</i>	: <i>Approximately 34 years</i>
<i>Legal Description</i>	: <i>Lot U42603A Mukim 22</i>
<i>Strata Floor Area</i>	: <i>394.0 sq m</i>
<i>Tenure</i>	: <i>88 years leasehold commencing from 1 April 1995</i>

(3) 38 Jalan Pemimpin #01-03 M38, Singapore 577178

<i>Type of Property</i>	: <i>A restaurant unit with mezzanine level located on the 1st storey of M38, an 8-storey ramp-up multiple-user industrial development</i>
<i>Age</i>	: <i>Approximately five years</i>
<i>Legal Description</i>	: <i>Lot U112557N Mukim 18</i>
<i>Strata Floor Area</i>	: <i>231.0 sq m includes strata void of 94 sq m</i>
<i>Tenure</i>	: <i>Estate in Fee Simple (Freehold)</i>

- (4) Block 380 Clementi Avenue 5 #01-376, Singapore 120380
- Type of Property* : A HDB coffeeshop with living quarters located on the 1st and 2nd storey of a 4-storey commercial-cum-residential block
- Age* : Approximately 39 years
- Legal Description* : Lot U43410P Mukim 5
- Strata Floor Area* : 383.0 sq m
- Tenure* : 86 years leasehold commencing from 1 October 1993
- (5) 38 Jalan Pemimpin #01-04 M38, Singapore 577178
- Type of Property* : A canteen unit located on the 1st storey of M38, an 8-storey ramp-up multiple-user industrial development
- Age* : Approximately five years
- Legal Description* : Lot U112558X Mukim 8
- Strata Floor Area* : 456.0 sq m includes strata void of 224 sq m
- Tenure* : Estate in Fee Simple (Freehold)
- (6) 28 Senang Crescent #02-11/12 Bizhub 28, Singapore 416601
- Type of Property* : Two canteen units with mezzanine level located on the 2nd storey of a 6-storey block known as Bizhub28, an industrial development
- Age* : Approximately five years
- Legal Description* : #02-11 (Lot U101160P) #02-12 (Lot U101161T)
- Strata Floor Area* : 172.0 sq m includes strata void of 69 sq m 185.0 sq m includes strata void of 78 sq m
- Tenure* : Estate in Fee Simple (Freehold)
- (7) Block 347 Ang Mo Kio Avenue 3 #01-2150, Singapore 560347
- Type of Property* : A HDB coffeeshop with living quarters located on the 1st and 2nd storeys of a 2-storey commercial-cum-residential block
- Age* : Approximately 41 years
- Legal Description* : Lot U84646V Mukim 18
- Strata Floor Area* : 330.0 sq m
- Tenure* : 81 years leasehold commencing from 1 March 1996

3.2 Independent Valuation

The market values of the Properties, based on the independent valuation reports of Edmund Tie & Company (SEA) Pte Ltd, dated 19 February 2020 ("**Valuation Reports**") as commissioned by the Company, are as follows:

S/N	Property	Valuation (S\$)
1.	Block 7 Everton Park #01-01, Singapore 080007	13,500,000
2.	Block 246 Hougang Street 22 #01-161, Singapore 530246	6,000,000
3.	38 Jalan Pemimpin #01-03 M38, Singapore 577178	2,500,000
4.	Block 380 Clementi Avenue 5 #01-376, Singapore 120380	7,500,000
5.	38 Jalan Pemimpin #01-04 M38, Singapore 577178	9,000,000
6.	28 Senang Crescent #02-11/12 Bizhub 28, Singapore 416601	4,500,000
7.	Block 347 Ang Mo Kio Avenue 3 #01-2150, Singapore 560347	13,000,000
Total		56,000,000

The valuation was made on the basis of market value based on their existing continued use by direct comparison with transaction of comparable properties. Adjustments were made for differences between the subject properties and comparables in terms of location, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions and the prevailing market conditions amongst other factors affecting their values. The market value was also cross-checked by the independent valuer using the income approach.

4. RATIONALE

The Proposed Acquisition is in line with the Group's strategy to expand its network of food outlets in Singapore and to establish new food outlets and food stalls as and when suitable strategic locations become available. The Proposed Acquisition will also enable the Group to have direct ownership in properties where the Group operates and manages its food outlets, so as to enhance long term shareholder value.

The Group expects to strengthen its presence in the market by opening more food stalls under its food retail division, which is complemented by its newly expanded central kitchen, and will continue to explore opportunities to acquire and/or operate more strategically-located coffeeshops in mature estates with established footfalls.

5. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

5.1 Conditions Precedent

Completion of the Proposed Acquisition is conditional, *inter alia*, upon:

- (a) results of due diligence investigations being satisfactory to Jin Wei;
- (b) replies to legal requisitions from relevant government departments, bodies and authorities being satisfactory to Jin Wei; and
- (c) approvals, consents and permissions from relevant government departments, bodies and authorities being obtained.

5.2 Aggregate Consideration

The aggregate consideration payable by Jin Wei for the Proposed Acquisition is S\$55,815,000, to be satisfied partly in cash of S\$45,815,000 (utilising internal resources of the Group, including the net proceeds from the Company's initial public offering ("IPO") and S\$19,815,000 through external financing) and partly by the issuance of 40,000,000 Consideration Shares at the Issue Price. The aggregate consideration paid may be subject to deductions from any amount owing by Wei Sheng and/or Din Yun to any financial institutions pursuant to any borrowings or loan facilities as at the date falling five business days prior to the completion date, and all cash standing to the credit of any account held by Wei Sheng and/or Din Yun with a bank or other financial institution.

Jin Wei has also paid a deposit of S\$3,381,500 to YLH Trading and Yi Kai Development for the asset acquisitions in paragraphs 1(c) and (d) ("**Asset Acquisition**"), which is equivalent to 10% of the aggregate consideration payable. The deposit is refundable, in the event that the Asset Acquisition is not completed.

As at the date of this announcement, the use of the net proceeds from the IPO of the Company and the expected balance of net proceeds post completion of the Proposed Acquisition is as follows:

	Amount allocated as stated in the offer document S\$'000	Amount utilised S\$'000	Balance of net proceeds S\$'000	Balance of net proceeds (post completion) S\$'000
Acquisitions and joint ventures and general business expansion (including establishment of new food outlets)	30,363	(20,556)	9,807	–
Balance Consideration pursuant to Rescission [^]	–	(2,600)	(2,600)	(2,600)
Refurbishment and renovation of existing food outlets	3,000	(1,899)	1,101	1,101
Headquarters/Central Kitchen upgrading	5,000	(2,151)	2,849	2,849
Productivity initiatives/IT	2,000	(1,544)	456	456
Listing expenses	3,087	(3,087)	–	–
Total	43,450	(31,837)	11,613	1,806

^ On 29 November 2018, the Company has rescinded *ab initio* its acquisition of Asian Story Corporation Pte. Ltd. ("**ASC**") ("**Rescission**"). Pursuant to the Rescission, out of the S\$16.0 million consideration previously paid to the vendor for the acquisition of ASC, S\$13.4 million has been repaid by the vendor and the balance amount of S\$2.6 million is to be repaid over three years from 29 November 2018. The balance amount is secured over certain quoted equity securities held by the vendor of ASC, which market value amounts to S\$2.1 million based on quoted prices as at 20 February 2020.

5.3 Completion

Completion of the Proposed Acquisition is expected to take place within 12 weeks of the date hereof.

6. RELATIVE FIGURES ON THE BASES SET OUT IN RULE 1006 OF THE CATALIST RULES

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of Section B of the Listing Manual of the SGX-ST: Rules of Catalist ("**Catalist Rules**") are as follows:

Rule 1006	Bases	Relative Figure (%)
(a)	The net asset value of the assets to be disposed of, compared with the group's net asset value. The basis is not applicable to an acquisition of assets.	Not applicable as the Proposed Acquisition is not a disposal.
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	1.7% ⁽¹⁾
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	21.2% ⁽²⁾
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	3.5% ⁽³⁾
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. The basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such asset.	Not applicable as the Proposed Acquisition is not mineral, oil nor gas related.

Notes:

- (1) The relative figure is derived using: (a) unaudited net profits attributable to Wei Sheng for the four-months' financial period from 1 June 2019 to 30 September 2019 and adjusted audited net profit attributable for the eight-months' financial period from 1 October 2018 to 31 May 2019 of S\$384,000; (b) unaudited net profit attributable to Din Yun for the financial period from 1 October 2018 to 30 September 2019 of S\$30,000; and (c) the audited net profits attributable to the Group for the financial year ended 30 September 2019 ("**FY2019**") of S\$23,943,000. No profit is attributable to the Properties to be acquired in the Asset Acquisition as they relate to asset purchases.
- (2) The Company's market capitalisation was approximately S\$264,247,674, determined by multiplying the 1,148,902,932 shares in issue (excluding treasury shares) by the volume weighted average price of S\$0.23 per share on 20 February 2020 (being the last trading day prior to the date of signing of definitive agreements). The aggregate consideration is S\$55,815,000.
- (3) The number of new ordinary shares to be issued by the Company as consideration for the Proposed Acquisition is an aggregate of 40,000,000 new ordinary shares. The number of ordinary shares in issue as at the date of this announcement is 1,148,902,932 shares (excluding treasury shares).

Following the receipt of shareholders' approval for proposed diversification of the Group to include outlet investment business, which includes investments in properties (freehold or leasehold) for rental income and/or capital growth on 21 January 2020, the Proposed Acquisition is deemed to be in the Group's ordinary course of business, and therefore do not fall under the definition of a "transaction" under Chapter 10 of the Catalist Rules. However, when the Group enters into its first major transaction as defined under Rule 1014 of the Catalist Rules involving the outlet investment business, or where any of the Catalist Rule 1006 figures in respect of several transactions are aggregated over the course of a financial year exceeds 75.0%, such first major transaction or the last of such aggregated transactions will be made conditional upon approval of the shareholders of the Company.

As the relative figures computed on the basis set out in Rule 1006 do not in aggregate exceed 75.0%, no shareholders' approval is required for the Proposed Acquisition. Accordingly, this announcement is released by the Company on a voluntary basis and the disclosures are referenced from the disclosure requirements of a "discloseable transaction" as set out under Chapter 10 of the Catalist Rules.

7. FINANCIAL EFFECTS

The pro forma financial effects are presented for illustration purposes only and are not intended to reflect the actual future financial situation of the Group after the completion of the Proposed Acquisition. The pro forma financial effects below were prepared based on the audited financial statements of the Group for FY2019.

7.1 Net Asset Value ("NAV")

Assuming the Proposed Acquisition had been completed or had taken place as at 30 September 2019, the pro forma NAV of the Group would have been as follows:

	Before Proposed Acquisition	After Proposed Acquisition
NAV (S\$'000)	87,893	87,893
Number of Shares ('000)	1,149,183	1,189,183
NAV per Share (Singapore cents)	7.65	7.39

7.2 Net Tangible Assets ("NTA")

Assuming the Proposed Acquisition had been completed or had taken place as at 30 September 2019, the pro forma NTA of the Group would have been as follows:

	Before Proposed Acquisition	After Proposed Acquisition
NTA (S\$'000)	81,932	81,932
Number of Shares ('000)	1,149,183	1,189,183
NTA per Share (Singapore cents)	7.13	6.89

7.3 Earnings per Share ("EPS")

Assuming the Proposed Acquisition had been effected on 1 October 2018, the pro forma EPS of the Group for FY2019 would have been as follows:

	Before Proposed Acquisition	After Proposed Acquisition ⁽¹⁾⁽²⁾
Profit after tax attributable to Shareholders (S\$'000)	20,053	20,388
Weighted average number of Shares ('000)	1,153,685	1,193,685
EPS per Share (Singapore cents)	1.74	1.71

Notes:

- (1) The pro forma financial effects are determined based on the assumption of interest costs on the bank loans obtained by the Group to finance the Proposed Acquisition as well as other costs incurred in relation to the Properties such as depreciation charges and property tax, offset against rental income from the existing stall tenants in the Properties.
- (2) The coffeeshop property at Block 347 Ang Mo Kio Avenue 3 #01-2150, Singapore 560347 is currently operated by the Group, and the net profit from operating the outlet has been consolidated to the Group's profit after tax for FY2019. The pro forma financial effect is determined based on the assumption of the interest cost on the bank loan obtained by the Group to finance the Proposed Acquisition as well as other costs incurred in relation to the said property such as depreciation charges and property tax, offset against the saving on rental expense.

8. CONSIDERATION SHARES

The Consideration Shares will be made pursuant to the authority under the general share issue mandate granted by the Shareholders at the annual general meeting of the Company held on 21 January 2020 ("AGM") pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Catalist Rules ("**General Mandate**"). The General Mandate authorises the Directors to allot and issue not more than 1,148,902,932 Shares, being 100% of the total number of issued Shares (excluding treasury shares) as at the date of the AGM, of which the aggregate number of Shares that may be issued other than on a pro-rata basis to existing Shareholders must not be more than 574,451,466 Shares, being 50% of the total number of issued Shares (excluding treasury shares) as at the date of AGM. No Shares were previously issued under the General Mandate prior to the date of this Announcement. Accordingly, the allotment and issue of 40,000,000 new Shares pursuant to the Consideration Shares fall within the limits of the General Mandate. Following the issuance of Consideration Shares, the Company's issued and paid-up share capital will increase from 1,148,902,932 Shares to 1,188,902,932 Shares (excluding treasury shares). The Consideration Shares represent 3.48% of the total number of issued Shares as at the date of this Announcement and approximately 3.36% of the enlarged total number of issued Shares.

The Consideration Shares to be allotted and issued by the Company will be free from all charges, liens and other encumbrances and shall, upon allotment and issue, rank pari passu with, and carry all rights similar to, the existing issued Shares, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the issue of such new Shares, as the case may be.

The sponsor of the Company, PrimePartners Corporate Finance Pte. Ltd. will be making an application on behalf of the Company to the SGX-ST for the dealing in, listing of and quotation for the Consideration Shares on Catalist of the SGX-ST.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed herein, none of the directors and controlling shareholders of the Company have any interest, direct or indirect, in the Proposed Acquisition other than through their respective directorships and shareholdings in the Company.

10. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with any of the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

11. FURTHER ANNOUNCEMENTS

It was contemplated in the earlier announcement of 22 October 2019 that there would be another three short term coffeeshop leases acquired by the Group through joint venture arrangements, whereby the Group would acquire 49.0% interest in these leases through the setting up of joint venture arrangements through its wholly-owned subsidiary, Kimly Makan Place Pte. Ltd. Discussions on such acquisition is ongoing, and further announcements will be made in compliance with the Catalist Rules upon the execution of definitive agreements and/or when there are material developments.

12. DOCUMENTS FOR INSPECTION

Copies of the definitive agreements entered into in relation to the Proposed Acquisition and Valuation Reports are available for inspection during normal business hours at the Company's registered office at 13 Woodlands Link, Singapore 738725 for a period of three months from the date of this announcement.

BY ORDER OF THE BOARD

Hoon Chi Tern
Company Secretary
21 February 2020

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).