



KOUFU GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number 201732833D)

PROPOSED ACQUISITION OF DELI ASIA (S) PTE. LTD., DELISNACKS PTE. LTD., DOUGH CULTURE PTE. LTD. AND DOUGH HERITAGE PTE. LTD. BY KOUFU PTE. LTD.

1. INTRODUCTION

The Board of Directors (the "**Board**") of Koufu Group Limited (the "**Company**" and together with its subsidiaries and subsidiary entity, the "**Group**") wishes to announce that Koufu Pte. Ltd. (the "**Purchaser**"), a wholly-owned subsidiary of the Company, has today entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Lee Wai Lan ("**LWL**"), Ong Soo Heng ("**OSH**") and Ong Jui Khoo ("**OJK**") (collectively, the "**Vendors**" and each, a "**Vendor**") for the purchase and acquisition of all the issued and fully-paid ordinary shares in the capital of each of the following companies (the "**Sale Shares**"):

- (i) Deli Asia (S) Pte. Ltd. ("**Deli Asia**");
- (ii) Delisnacks Pte. Ltd. ("**Delisnacks**");
- (iii) Dough Culture Pte. Ltd. ("**Dough Culture**"); and
- (iv) Dough Heritage Pte. Ltd. ("**Dough Heritage**"),

(collectively, the "**Target Group**" and each, a "**Target Company**"), on the terms and subject to the conditions set out in the Sale and Purchase Agreement (the "**Proposed Acquisition**"). Upon completion of the Proposed Acquisition ("**Completion**"), the Purchaser shall become the sole shareholder of each of the Target Companies. Please refer to the Appendix to this announcement for further information on the Target Companies.

2. INFORMATION ON THE TARGET GROUP

The Target Group is principally involved in the business of the manufacture and production of fried food and dough products, supply of frozen and partial fried food products to third party businesses and retail of fried food and dough products under its *Delisnacks* and *Dough Culture* brands, respectively.

The Target Group has production facilities and a warehouse in Singapore for the production and manufacture of its food products and its customers are mainly food & beverage ("**F&B**") restaurants and F&B stalls at food courts, coffee shops and hawker centres. There are approximately 60 franchised F&B stalls at coffee shops and hawker centres carrying fried food and dough products under the *Delisnacks* brand. In addition, the Target Group also operates seven retail kiosks in Singapore for the sale of fried food and dough products, such as fried dough and fritter snacks, and related products, including Chinese desserts and drinks under the *Dough Culture* brand.

The latest available unaudited net tangible asset value attributable to the Sale Shares as at 30 April 2020 was S\$7.1 million.

3. INFORMATION ON THE VENDORS

Each of the Vendors is an independent third party unrelated to any of the directors, controlling shareholders and their respective associates (as defined in the Listing Manual of the Singapore Exchange Trading Securities Limited ("**SGX-ST**")) of the Company.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Group's strategy to establish joint ventures, strategic alliances, acquisitions or investments in complementary business segments and markets as previously disclosed in the Company's prospectus dated 11 July 2018, which includes potential vertical integration with suppliers and manufacturers to gain access to new markets, strengthen our market position and/or develop its supply chain.

The Board believes that the business of the Target Group is complementary and will have synergistic effects as the Group will be able to develop its supply chain for its food and beverage ("**F&B**") retail business segment. The Group operates F&B stalls within its food courts and coffee shops, including dim sum stalls which also offer a variety of fried food and dough snacks. Through the Proposed Acquisition, the Group will in the interim be able to utilise the production facilities of the Target Group to prepare and manufacture the fried food and dough products for sale at most of its dim sum stalls and quick-service restaurants. The Proposed Acquisition is also timely as the Group's new integrated facility is expected to obtain its Temporary Occupational Permit in Q3 of 2020, and upon the completion of the integrated facility, the Group intends to shift the production facilities and warehouse of the Target Group to its integrated facility to consolidate the food preparation and processing of the Target Group with its central kitchens.

In addition, the Proposed Acquisition will provide the Group with a new revenue stream from the sale of food products to third party businesses and the overseas markets. The Proposed Acquisition will offer the Group an opportunity to expand its F&B retail business segment for the supply of frozen and partial fried food products to third party businesses, including supermarkets and exports to overseas markets. The Group intends to expand the current network of kiosks under the *Dough Culture* brand from the current seven to at least 20 in the next five years. In connection with the Proposed Acquisition, LWL and OSH, who each have more than 25 years of experience in the F&B industry, have also entered into a one-year service agreement with the Group and will join the Group as company advisers upon completion of the Proposed Acquisition, and will thereafter continue to provide consultancy services to the Group for a period of one year. Accordingly, the Proposed Acquisition will present the Group with the opportunity to tap into the expertise and experience of the Vendors.

5. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

5.1. Sale Shares

Each Vendor shall sell to the Purchaser his / her respective portion of the Sale Shares (and not part thereof only), and the Purchaser shall purchase the Sale Shares free from all encumbrances and with the benefit of all rights, benefits and entitlements attaching thereto as at the date of completion of the Proposed Acquisition ("**Completion Date**") and thereafter (including the right to any dividends or other distributions declared and payable thereon on or after that date).

5.2. Consideration

The aggregate consideration for the Sale Shares is S\$22,040,000, which was arrived at on a willing buyer willing seller basis, taking into consideration various factors such as the earnings and growth

prospects of the Target Group and the synergistic value that the Proposed Acquisition will bring to the Group. No independent valuation was conducted on the Sale Shares, but the Company had reviewed comparable and/or similar transactions in the F&B industry.

5.3. Pre-Completion Undertakings

Each Vendor undertakes to procure and ensure, *inter alia*, that between the date of the Sale and Purchase Agreement and the Completion Date, the Target Group maintains a minimum net working capital on a consolidated basis of S\$2.5 million and a minimum net asset value on a consolidated basis of S\$7.1 million.

5.4. Conditions Precedent

Completion of the Proposed Acquisition is conditional upon the fulfilment of certain conditions. The material conditions are, *inter alia*, as follows:

- (i) change of control approvals from landlords of the Target Companies; and
- (ii) all relevant approvals, consents, licences, permits, waivers and exemptions (collectively, "**Approvals**") for the sale and purchase of the Sale Shares and its Completion and the transactions contemplated under the Sale and Purchase Agreement being granted by third parties including all legislative, executive, regulatory, judicial or other authorities in Singapore, and where any such Approval is subject to conditions, such conditions being acceptable to the Purchaser, and if such conditions are required to be fulfilled before Completion, such conditions being fulfilled before Completion, and such Approvals remaining in full force and effect as at the Completion Date.

5.5. The Company will make further announcements upon the completion of the Proposed Acquisition.

6. SOURCE OF FUNDS FOR THE PROPOSED ACQUISITION AND USE OF IPO PROCEEDS

The Consideration will be funded by internal resources of the Group, including the net proceeds from the Company's initial public offering ("**IPO**"). The Company received net proceeds amounting to approximately S\$43.0 million from the IPO, after deducting listing expenses of approximately S\$2.5 million, as set out in the section entitled "Use of Proceeds" in the Prospectus.

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

	Amount Allocated	Amount Utilised	Balance of Net Proceeds	Balance of Net Proceeds (post completion)
Use of Net Proceeds	(S\$'000)	(S\$'000)	(S\$'000)	(S\$'000)
Capital expenditure for integrated facility	30,000	(18,570) ⁽¹⁾	11,430	11,430
Refurbishment and renovation of new and existing F&B Outlets	8,000	(8,000) ⁽¹⁾	-	-
Acquisitions, joint ventures, strategic alliances or investments	5,000	-	5,000	-
Total	43,000	(26,570)	16,430	11,430

Notes:

- (1) Since the Company's last announcement dated 3 April 2020 on the use of proceeds from the IPO, S\$1,149,000 was utilised for payment relating to the construction of the integrated facility and S\$300,000 was utilised for refurbishment and renovation of new and existing F&B Outlets from 4 April 2020 to 30 June 2020.

7. RELATIVE FIGURES COMPUTED PURSUANT TO RULE 1006 OF THE LISTING MANUAL

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST ("**Listing Manual**") 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. This basis is not applicable to an acquisition of assets	Not applicable
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits	8.4% ⁽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 ⁽²⁾	5.8% ⁽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 ⁽⁴⁾	Not applicable
(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. This 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

Notes:

- (1) "Net profits" means profit or loss before income tax and extraordinary items. The net profits attributable to the assets acquired pursuant to the Proposed Acquisition (calculated based on the unaudited pro forma consolidated net profits of the Target Group for the year ended 31 December 2019 ("**FY2019**"), after taking into consideration provision for income and deferred tax and recognition of deferred grant income ("**FY2019 Adjustments**")) is S\$2,849,000 and the net profits of the Group for FY2019 is S\$33,958,000.
- (2) Computed based on the consideration of S\$22,040,000 and the market capitalisation of the Company of approximately S\$382,685,316, determined by multiplying the 554,616,400 Shares as at the date of this announcement (excluding treasury shares) and the Company's volume weighted average price of S\$0.69 per Share on 30 June 2020 (being the last trading day for the Shares prior to the date of this announcement).

Having regard to the above, as the relative figures computed based on Rules 1006(b) and 1006(c) of the Listing Manual exceed 5.0% but not 20.0%, the Proposed Acquisition constitutes a "discloseable transaction" under Rule 1010 of the Listing Manual.

8. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

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 on the basis of the audited financial statements of the Group for FY2019.

8.1. Net Asset Value ("NAV")

Assuming that the Proposed Acquisition had been effected on 31 December 2019 (being the end of the most recently completed financial year ended 31 December 2019), the effect of the Proposed Acquisition on the NAV per Share is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NAV (S\$'000)	102,285	102,285 ⁽¹⁾
Number of Shares⁽²⁾	554,616,400	554,616,400
NAV per Share (cents)	18.44	18.44 ⁽¹⁾

Note:

- (1) The unaudited consolidated pro forma NAV of the Target Group as at 31 December is S\$6,488,000, after (i) taking into consideration the FY2019 Adjustments; and (ii) adjustment for the capitalisation of the shareholders' loans from the Vendors to the Target Group of an aggregate amount of S\$810,000 in April 2020. The NAV of the Group after the Proposed Acquisition has taken into account the total consideration of \$22,040,000, which includes estimated goodwill of S\$15,552,000.
- (2) Calculated based on 554,616,400 Shares as at the date of this announcement (excluding treasury shares).

8.2. Net Tangible Assets ("NTA")

Assuming that the Proposed Acquisition had been effected on 31 December 2019 (being the end of the most recently completed financial year ended 31 December 2019), the effect of the Proposed Acquisition on the NTA per Share is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	102,135	86,583 ⁽¹⁾
Number of Shares⁽²⁾	554,616,400	554,616,400
NTA per Share (cents)	18.38	15.61 ⁽¹⁾

Note:

- (1) The unaudited consolidated pro forma NTA of the Target Group as at 31 December is S\$6,488,000, after (i) taking into consideration the FY2019 Adjustments; and (ii) adjustment for the capitalisation of the shareholders' loans from the Vendors to the Target Group of an aggregate amount of S\$810,000 in April 2020. The NTA of the Group after the Proposed Acquisition has taken into account of the total consideration of \$22,040,000, which includes estimated goodwill of S\$15,552,000.
- (2) Calculated based on 554,616,400 Shares as at the date of this announcement (excluding treasury shares).

8.3. Earnings per Share ("EPS")

Assuming that the Proposed Acquisition had been effected on 1 January 2019 (being the beginning of the most recently completed financial year ended 31 December 2019), the effect of the Proposed Acquisition on the EPS per Share is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit after tax attributable to Shareholders (S\$'000)	27,688	30,123 ⁽¹⁾
Number of Shares⁽²⁾	554,616,400	554,616,400
EPS per Share (cents)	4.99	5.43 ⁽¹⁾

Note:

- (1) The unaudited consolidated pro forma net profit after tax of the Target Group for FY2019 is S\$2,435,000, after taking into consideration the FY2019 Adjustments.
- (2) Calculated based on 554,616,400 Shares as at the date of this announcement (excluding treasury shares).

9. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, other than through their respective directorships and shareholdings in the Company.

10. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Save as disclosed in paragraph 4 above, no service contract is proposed to be entered into between the Company and any of the Vendors.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Subject to prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be issued by the relevant authorities due to the current COVID-19 restriction orders in Singapore, a copy of the Sale and Purchase Agreement is available for inspection during the normal business hours at the registered office of the Company at 18 Woodlands Terrace, Singapore 738443 for a period of three months from the date of this announcement.

BY ORDER OF THE BOARD

Pang Lim
Executive Chairman and Chief Executive Officer
1 July 2020

*DBS Bank was the sole issue manager, global coordinator, bookrunner and underwriter (the "**Sole Issue Manager, Global Coordinator, Bookrunner and Underwriter**") for the initial public offering of shares in, and listing of, Koufu Group Limited on the Main Board of the Singapore Exchange Securities Trading Limited. The Sole Issue Manager, Global Coordinator, Bookrunner and Underwriter assumes no responsibility for the contents of this announcement.*

APPENDIX

1. Deli Asia

Deli Asia is a private company incorporated in Singapore on 12 July 2002 and has an issued and paid-up share capital of S\$105,000 comprising 105,000 ordinary shares. OJK, LWL and OSH hold 522,857 ordinary shares, 261,429 ordinary shares and 130,714 ordinary shares in Deli Asia, respectively, representing approximately 57.1%, 28.6% and 14.3% of its issued and paid-up share capital, respectively.

2. Delisnacks

Delisnacks is a private company incorporated in Singapore on 16 October 2002 and has an issued and paid-up share capital of S\$201,600 comprising 201,600 ordinary shares. OJK, LWL and OSH hold 115,200 ordinary shares, 57,600 ordinary shares and 28,800 ordinary shares in Delisnacks, respectively, representing approximately 57.1%, 28.6% and 14.3% of its issued and paid-up share capital, respectively.

3. Dough Culture

Dough Culture is a private company incorporated in Singapore on 28 July 2009 and has an issued and paid-up share capital of S\$210,000 comprising 210,000 ordinary shares. OJK, LWL and OSH hold 120,000 ordinary shares, 60,000 ordinary shares and 30,000 ordinary shares in Dough Culture, respectively, representing approximately 57.1%, 28.6% and 14.3% of its issued and paid-up share capital, respectively.

4. Dough Heritage

Dough Heritage is a private company incorporated in Singapore on 31 December 2012 and has an issued and paid-up share capital of S\$10,500 comprising 10,500 ordinary shares. OJK, LWL and OSH hold 6,000 ordinary shares, 3,000 ordinary shares and 10,500 ordinary shares in Dough Culture, respectively, representing approximately 57.1%, 28.6% and 14.3% of its issued and paid-up share capital, respectively.