



NEWS RELEASE

KOUFU TO ACQUIRE TRADITIONAL FRIED FOOD AND DOUGH PRODUCTS GROUP, DELI ASIA, FOR S\$22.04 MILLION

- *Adds local favourite F&B retail brand names of Delisnacks and Dough Culture into Koufu's portfolio, captures bigger share of the F&B retail market*
- *Broadens existing range of dim sum snacks, fried food and dough products sold in Koufu outlets*
- *Reap economies of scale, increase productivity and capitalise on operating synergies through the consolidation of manufacturing capabilities of the Deli Asia group within Koufu's new HQ and Integrated Facility*
- *Accretive acquisition that accelerates the Group's diversification of income streams through expansion of retail brands and business network, both locally and abroad*
- *Increases resilience of Koufu's income streams and enhances the security of Koufu's supply chain*

Singapore, 1 July 2020 – Mainboard-listed Koufu Group Limited (“**Koufu**”, 口福集团有限公司, or together with its subsidiaries, the “**Group**”), one of Singapore’s most established and largest operators and managers of food courts and coffee shops, today marked a landmark development since its listing with the proposed acquisition of all the issued and fully-paid ordinary shares in the capital of Deli Asia (S) Pte. Ltd., Delisnacks Pte. Ltd., Dough Culture Pte. Ltd. and Dough Heritage Pte. Ltd. (collectively, the “**Target Group**” and each, a “**Target Company**”) (“**Proposed Acquisition**”).



Fried food and dough products retailed by Target Group (Source: Deli Asia)

The aggregate cash consideration of S\$22,040,000 is arrived at on a willing buyer willing seller basis and supported by due diligence work undertaken. The consideration will be funded by internal resources of the Group, including the net proceeds received from the Company's initial public offering. Upon completion of the Proposed Acquisition, Koufu will become the sole shareholder of each of the Target Companies.

The Target Group, founded by Mr Alex Ong and his wife, Ms Irene Lee, is one of Singapore's largest and most established manufacturer and producer of fried food and dough products, supplying frozen and partial fried food products to third party businesses, namely, food & beverage ("**F&B**") operators, restaurants and F&B stalls at food courts, coffee shops and hawker centres. Besides the supply of fried food products, the Target Group also licenses its *Delisnacks* (德利食) brand to stallholders at hawker centres and coffee shops that retail the Target Group's food products from their stalls. In addition, the Target Group also retails fried food and dough products directly to consumers in various locations across Singapore, including suburban malls, under its *Dough Culture* (小麦家) brand.



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The Target Group's business has also been proven to be resilient during the Covid-19 Circuit Breaker phase as it caters predominantly to a mass consumer take-away market.



Retail brand logo



Licensed brand logo

BROADENING MANUFACTURING CAPABILITIES AND SUPPLIES

The Target Group has existing production and warehouse facilities in Singapore. It utilises modern technology, equipment and production processes that drive high productivity in the manufacturing and storage of fried and partially fried food and dough products. These food products are highly complementary to the range of dim sum food that Koufu is selling in its F&B retail stalls in its food courts and coffee shops. In fact, the Target Group is currently one of the biggest suppliers of fried food and dough products to the Group.

Based on the complementary products and manufacturing processes of the Target Group, the Proposed Acquisition will provide important synergistic effects for Koufu and will broaden Koufu's organic manufacturing capabilities, inject intellectual know-how to increase productivity within Koufu's existing food production and storage processes, and strengthen the security of Koufu's supply chain. The acquisition is also a key enabler in accelerating the Group's business expansion plan and diversification of income streams. To a certain extent, it fosters Koufu's business resiliency towards future shocks and economic uncertainties.





This acquisition is timely as it allows Koufu to immediately utilise the Target Group’s production facilities for its fried food and dough products before the expected completion of Koufu’s new HQ and Integrated Facility (“IF”) in 2020. Upon completion of the IF, the Group intends to gradually shift the production facilities and warehouse of the Target Group to the IF. This is to consolidate the food preparation and processing of the Target Group’s products with Koufu’s own central kitchens in order to optimise economies of scale and operating synergies. The consolidation of the Group’s ordering, production, product research and development and distribution processes has been a key driver for the investment in the new Koufu HQ and IF.

Mr Pang Lim (庞琳), Koufu’s Executive Chairman and Chief Executive Officer, said, “This synergistic and accretive acquisition with a key player in the traditional fried food and dough products segment, Deli Asia, is very much in line with our vertical integration strategy. Deli Asia’s business is highly complementary with Koufu’s business, enabling us to develop our supply chain of these well-loved oriental favourites for retailing at our food courts, coffee shops and quick-service restaurants. This will add a greater variety of quality choices to our dim sum, bakery and confectionery items for all our consumers.

“We will have the benefit of strong expertise from existing management and an immediate access to the production facilities of these high quality, halal and vegetarian fried food and dough products. Looking ahead, we will also be able to reap economies of scale upon the consolidation of this manufacturing process at our new integrated facility, slated to be completed in 2020.”

In line with the agreement, two of the three existing shareholders of the Target Group, Ms Irene Lee and Ms Doreen Ong, who each have more than 25 years of experience in the F&B industry, have also entered into a one-year service agreement with Koufu to 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.

NETWORK EXPANSION AND REVENUE DIVERSIFICATION

In terms of retailing, the Target Group has 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 operates seven retail kiosks in Singapore for the sale of fried food and dough products, such as fried dough and banana fritters, butterfly buns, sesame balls and other fried snacks, and related products, including Chinese desserts under the *Dough Culture* brand.



Dough Culture outlet located at Tampines Mall (Source: Deli Asia)

Upon completion of the Proposed Acquisition, Koufu is able to gain access to new markets through the supply of frozen and partial fried food products to third party businesses, including supermarkets and exports to overseas markets. Plans are also in the pipeline to expand the current network of kiosks under the *Dough Culture* brand.



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Mr Pang added: “In line with our strategy to create new revenue streams, with this Proposed Acquisition, we will be gaining immediate access to third party businesses, both locally and in overseas markets, thereby strengthening our market share. Additionally, there will also be opportunities to expand our F&B retail business to include the supply of frozen and partial fried food products to supermarkets as well as export markets. We also intend to expand the current network of retail kiosks under the *Dough Culture* brand from the current seven to at least 20 in the next five years.”

Mr Alex Ong (翁维坤), the founder of the Target Group commented, “We are delighted and confident that Koufu, an established F&B player, can take the brands further and bring the business to an all-new level, with our combined expertise, network and manufacturing capabilities. We have been in this business for over 25 years, and see much potential given well-acceptance of these products in the domestic and export markets.”

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.

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ABOUT KOUFU GROUP LIMITED

Established in 2002, Koufu is one of the most established and largest operators and managers of food courts and coffee shops in Singapore, with a presence in Macau. Since its inception, Koufu's philosophy has been to integrate modern management discipline into its business while retaining the traditional coffee shop culture, with particular emphasis on providing patrons with value for money dining options in a comfortable environment – congruent with its core values in its vision towards “Better Food”, “Better People” and “Better Life”.

Koufu's business comprises two business segments – outlet & mall management and F&B retail. Under the outlet & mall management business segment, Koufu operates and/or manages food courts, coffee shops, a hawker centre and a commercial mall. Under the F&B retail business segment, it operates self-operated F&B stalls located within its food courts and coffee shops or within third party food courts as well as F&B kiosks, quick-service restaurants and full-service restaurants, amongst others.

In less than two decades, Koufu's outlet & mall management business segment has grown to a sizeable islandwide network. Koufu's multi-brand business model and network of F&B outlets currently comprises a portfolio of unique and distinct brands, each focusing on different types of cuisine and dining experiences at various price points to its consumers with varying tastes, preferences, budgets and occasions.

For more information, please visit <http://www.koufu.com.sg/>.



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