

KIMLY LIMITED
(Incorporated in Singapore)
(Company Registration No: 201613903R)

PROPOSED DISPOSAL OF THE GROUP'S CONFECTIONARY BUSINESS

1. Introduction

The Board of Directors (the "**Directors**") of Kimly Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") wishes to announce that the Company's wholly-owned subsidiary, Kimly Food Products Pte. Ltd. (the "**Vendor**"), has, on 9 September 2022 entered into a business transfer agreement (the "**BTA**") with Muginoho Global Pte. Ltd. (the "**Purchaser**") for the disposal of the Group's confectionary business operating under the name "Rive Gauche Patisserie" (the "**Confectionary Business**", and such disposal the "**Proposed Transaction**").

2. Information on the Proposed Transaction

2.1 Information on the Vendor and the Confectionary Business

The Vendor is a private company incorporated in Singapore and operates the Confectionary Business as part of its business portfolio.

The Confectionary Business comprises the business of manufacturing and operating of western pastry and confectionary specialty shops (including online sales) carried on under the name "Rive Gauche Patisserie".

2.2 Information on the Purchaser

The Purchaser is a private company incorporated in Singapore on 30 April 2014 and is primarily involved in the manufacturing and sale of food products. The Purchaser is a wholly-owned subsidiary of Muginoho Holdings Co., Ltd, incorporated in Japan.

3. Principal terms of the Proposed Transaction

3.1 Aggregate value of consideration

The Purchaser shall purchase the Confectionary Business by purchasing the assets of the Confectionary Business (collectively the "**Assets**"), including:

- (a) the fixed assets, moveable assets and inventory used or intended for use in connection with the Confectionary Business;
- (b) all information, know-how and techniques relating to the manufacture of the products sold by the Confectionary Business;
- (c) the customer database, supplier database and the employee database of the Confectionary Business, all interests and rights of the Vendor in the point of sale systems and the social media websites of the Confectionary Business; and
- (d) the intellectual property rights of the Confectionary Business.

As part of the Proposed Transaction, the Purchaser shall also take over the leases in respect of the Leased Premises.

The consideration for the Assets shall be S\$2,800,000 (the "**Purchase Price**"). In addition to the Purchase Price, the Purchaser shall make payment to the Vendor of an amount in cash equivalent to the aggregate daily cash float of the Confectionary Business and existing security deposits held with the landlords of premises which are leased by the Vendor for the purposes of operating the Confectionary Business ("**Leased Premises**").

The Purchase Price payable for the Assets was arrived at on a willing buyer and willing seller basis after arm's length negotiations between the Vendor and the Purchaser, taking into account, *inter alia*, the following factors:

- (a) the prevailing market conditions (including the impact of the COVID-19 pandemic); and
- (b) the business prospects of the Confectionary Business.

Of the Purchase Price, S\$1,800,000 shall be placed in escrow with an escrow agent (the "**Escrow Monies**"). The Escrow Monies shall be disbursed to the Vendor based on payment milestones which is in turn based on the receipt of regulatory approvals regarding the transfer of the Food Shop license(s) for the operating retail outlets (the "**FSL Approvals**"). The deadline for the receipt of the FSL Approvals is 31 January 2023 (the "**FSL Approval Deadline**"), subsequent to which the non-disbursed Escrow Monies shall be disbursed to the Purchaser, effectively reducing the Purchase Price, unless the relevant regulatory authority is unable to complete the final determination of the outcome(s) of the application(s) for the FSL Approval(s) (the "FSL Approval Application(s)") prior to the FSL Approval Deadline, in which case, the FSL Approval Deadline shall be extended to such date as may be appropriate in respect of that FSL Approval Application. In event there is any non receipt of FSL Approvals for any of the operating retail outlets (the "**Unsuccessful Outlets**"), the Vendor shall operate the Unsuccessful Outlets in cooperation with the Purchaser.

3.2 **Conditions to Completion**

Completion of the Proposed Transaction is conditional upon the fulfilment of the following conditions, amongst others:

- 3.2.1 the approval of the board of directors of the Vendor being obtained for the Proposed Transaction;
- 3.2.2 No person:
 - (a) having commenced, or threatened to commence, any proceedings or investigation for the purpose of prohibiting or otherwise challenging or interfering with the Proposed Transaction;
 - (b) having taken or taken substantive steps to take any action as a result, or in anticipation, of the Proposed Transaction that would be materially inconsistent with any of the warranties; or
 - (c) having enacted or proposed any legislation (including any subordinate legislation) which would prohibit, materially and adversely restrict or materially and adversely delay the implementation of the Proposed Transaction or the operations of the Confectionary Business;

3.2.3 certain regulatory approvals from regulatory authorities such as the Singapore Food Agency and Ministry of Manpower in connection with the Proposed Transaction.

3.3 Value of the Assets

Based on the audited accounts of the Vendor for the financial year ended 30 September 2021 ("FY2021"), the book value of the Assets as at 30 September 2021 was S\$218,804 and the net profits attributable to the Assets for FY2021 was S\$424,044. The Purchase Price represents a S\$2,581,196 excess over the book value of the Assets and the gain on disposal.

4. Rationale for the Proposed Transaction

The Proposed Transaction is intended to streamline the Group's business operations and better utilise resources to the benefit of the core business in operating coffeeshops by serving up more outlets as well as diversifying its product offerings.

The proceeds arising from the Proposed Transaction will be used as general working capital of the Group and would further strengthen the Group's balance sheet, enhance financial flexibility and facilitate any future plans by the Company to enhance shareholder value.

5. Relative figures computed on the bases set out in Rule 1006 of the Catalyst Rules

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

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	0.2 ⁽¹⁾
(b)	Net profits attributable to the assets disposed, compared with the Group's net profits	0.5 ⁽²⁾
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	0.6 ⁽³⁾
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable as the Proposed Transaction is not an acquisition
(e)	The aggregate volume or amount of proven and probable reserves to be acquired, compared with the aggregate of the Group's proven and probable reserves	Not applicable as the Confectionary Business is not a mineral, oil and gas company.

Notes:

- (1) The net asset value attributable to the assets disposed, compared to the Group's net assets value is calculated based on the unaudited net asset value attributable to the Confectionary Business of S\$257,936 and the Group's latest announced unaudited net asset value of S\$152,898,000 as at 31 March 2022.
- (2) The net profit attributable to the assets disposed, compared to the Group's net profit is calculated based on the unaudited net profit attributable to the Confectionary Business of S\$112,016 and the Group's latest announced unaudited net profit of S\$23,804,000 for half-yearly financial period ended 31 March 2022.

- (3) The Company's market capitalisation of approximately S\$436,720,018 is based on its total number of issued ordinary shares ("**Shares**") of 1,243,154,050 and the weighted average price of S\$0.3513 per Share on 8 September 2022, being the last traded market day prior to the date of the BTA. The aggregate Purchase Price of S\$2,800,000.

All relative figures relating to the Proposed Transaction computed pursuant to Rule 1006 of the Catalist Rules, based on the Company's latest announced consolidated results, is less than 5% and constitute a non-discloseable transaction under Chapter 10 of the Catalist Rules. Accordingly, this Announcement is released by the Company on a voluntary basis.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors and substantial shareholders of the Company have any interest, direct or indirect, in the Proposed Transaction other than through their respective directorships and shareholdings in the Company.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the BTA 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 (3) months commencing from the date of this announcement.

8. CAUTIONARY STATEMENT

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. There is no certainty or assurance that the Proposed Transaction will be completed. The Company will make the necessary announcements, in compliance with the requirements of the Catalist Rules, as and when there are material developments in respect of the Proposed Transaction, the BTA and other matters contemplated in this announcement. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Hoon Chi Tern
Company Secretary
9 September 2022

This announcement has been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Mr. Joseph Au, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.