**KIMLY LIMITED**
*(Incorporated in the Republic of Singapore)*
*(Registration No. 201613903R)*

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**ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF ASIAN STORY CORPORATION PTE. LTD.**

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## 1. INTRODUCTION

The Board of Directors ("**Board**") of Kimly Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that the Company has today acquired all the issued and fully-paid up ordinary shares in the share capital of Asian Story Corporation Pte. Ltd. ("**ASC**") owned by Wang Chia Ye (the "**Vendor**"), representing as at the date hereof 100% of the total number of issued shares in ASC (the "**Sale Shares**") (the "**Acquisition**"). Following the completion of the Acquisition, ASC has become a wholly-owned subsidiary of the Company.

## 2. INFORMATION ON ASC AND THE VENDOR

### 2.1 Information on ASC

ASC is a private company incorporated in Singapore on 15 December 2009. As at the date of this announcement, ASC has an issued and paid-up share capital of S$20,000 divided into 20,000 ordinary shares. ASC is involved in the manufacturing and distribution of a variety of beverages in Singapore, including its "Asian Story" beverages.

ASC markets and sells a variety of drinks under its "Asian Story" brand and bottled water under its "Simply Water" brand. As at the date of this announcement, ASC's "Asian Story" brand portfolio comprises nine different drinks, namely Chrysanthemum, Soya Bean, Winter Melon Tea, Bandung, Herbal Tea, Water Chestnut, Lychee, Lemon Barley and Grass Jelly. The "Asian Story" brand has a 7.7% market share and is the No.3[1] brand in the Singapore Asian drink market. "Asian drink" refers to drinks such as chrysanthemum tea, soya bean milk, bandung and winter melon tea.

Other than its own portfolio of brands, ASC is also a distributor of certain other beverages for certain trades in Singapore such as provision shops, mini marts, coffee shops, hawker centres, wholesale, schools and institutions.

The unaudited net tangible assets (the "**NTA**") of ASC as at 31 March 2018 was approximately S$448,000. The audited profits before income tax, minority interests and extraordinary items for the financial year ended 31 December 2017 and the unaudited profits before income tax, minority interests and extraordinary items for the three months period ended 31 March 2018 of ASC was S$1,145,000 and S$546,000 respectively. Based on a valuation report dated 25 June 2018 (the "**Valuation Report**") by BDO Advisory Pte. Ltd., the implied equity value, based on the discounted cash flow analysis approach, of the Sale Shares is between the range of S$23.5 million and S$26.2 million with a base value of S$24.8 million. The valuation was commissioned by the Company.

### 2.2 Information on the Vendor

As at the date of this announcement, the Vendor does not hold, directly or indirectly, any shares in the capital of the Company (the "**Shares**") and is not related to any of the Directors, substantial shareholders or controlling shareholders of the Company.

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[1]Data Source: Nielson MAT March 2018 (Data exclude private labels)

## 3. RATIONALE FOR THE ACQUISITION

The Acquisition is in line with the Group's strategy to expand its business through acquisitions, joint ventures or strategic alliances as previously disclosed in the Company's offer document dated 8 March 2017, which may include vertical acquisitions (acquisition of food manufacturers). The Board believes that ASC's business is complementary and will have synergistic effects with the Group's business, as the Group will be able to sell the beverage manufactured and distributed by ASC in all the drinks stalls operated by the Group following the Acquisition. ASC along with its portfolio of beverage brands will allow the Group to expand overseas. As such, the Board believes that the Acquisition will offer new business opportunities and provide the Company with a new revenue stream.

ASC was profitable for the financial year ended 31 December 2017 and the three months period ended 31 March 2018.

In addition, following the Acquisition, the Vendor, who has more than 10 years of experience in the manufacturing and distribution of beverage, has entered into a three-year service agreement with the Group and will join the Group as the Commercial Director of ASC. Accordingly, the Acquisition will present the Group with the opportunity to tap into the expertise and experience of the Vendor.

## 4. PRINCIPAL TERMS OF THE ACQUISITION

### 4.1 Sale Shares

The Sale Shares were acquired by the Company free from all claims, charges, liens, equities, mortgages, pledges or other encumbrances and together with all rights, as at the date of the completion of the Acquisition and thereafter attaching thereto.

### 4.2 Consideration

The consideration (the "**Consideration**") for the Acquisition is S$16,000,000, which has been paid by the Company to the Vendor in cash.

The Consideration was arrived at on a willing buyer-willing seller basis, taking into consideration various factors such as the valuation of the Sale Shares based on the Valuation Report and the earnings and growth prospects of ASC having regard to its portfolio of beverage brands and distribution rights.

### 4.3 Earn-Out

(a) The Vendor shall be entitled to an earn-out payment depending on the level of the profit before tax (the "**PBT**") of ASC for the period from 1 January 2018 to 31 December 2018 (the "**Reference Period**"), which shall be determined as follows:

(i) first, the calculation of the PBT shall be based on the audited accounts of ASC;

(ii) secondly, any non-recurring and non-operating items of income and non-recurring and non-operating items of expenditure incurred by ASC in connection with the sale and purchase of the Sale Shares shall be excluded;

(iii) thirdly, in accordance with the Singapore Financial Reporting Standards; and

(iv) fourthly, on a basis consistent with the accounting policies, principles, bases, practices, methods, evaluation rules and procedures and bases adopted in the preparation of the audited financial statements of ASC for the financial year ended 31 December 2017 and the unaudited financial statements of ASC for the financial period ended 31 March 2018.

(b) Any earn-out payment payable by the Company in accordance with the sale and purchase agreement dated 2 July 2018 between the Company and the Vendor in relation to the Acquisition (the "**SPA**") shall be satisfied as follows, as the Company may in its sole and absolute discretion elect:

(i) in cash; or

(ii) (A) up to S$3,000,000 shall be satisfied by the allotment and issuance to the Vendor of such number of ordinary shares in the capital of the Company (the "**Consideration Shares**") at the issue price of S$0.40 per Consideration Share (the "**Issue Price**") and (B) the remainder shall be settled in cash.

(c) Where the PBT for the Reference Period is equal to or exceeds S$2,000,000, the Vendor shall be entitled to an earn-out payment of S$8,000,000, to be satisfied in accordance with paragraph 4.3(b) above.

(d) Where the PBT for the Reference Period is less than S$2,000,000, the earn-out payment to the Vendor shall be calculated based on the following formula and shall be satisfied in accordance with paragraph 4.3(b) above:

$$\frac{\text{PBT for the Reference Period}}{\text{S\$2,000,000}} \quad \times \quad \text{S\$8,000,000}$$

Assuming that the Company elects to satisfy the earn-out under this paragraph 4.3(d) in accordance with paragraph 4.3(b)(ii), up to S$3,000,000 shall first be satisfied by the allotment and issuance of Consideration Shares at the Issue Price (such amount being the "**Share Consideration**"). Any amounts in earn-out payment in excess of the Share Consideration will be settled by way of cash.

For illustrative purposes only:

(i) If the PBT for the Reference Period is S$1,200,000:

$$\frac{\text{S\$1,200,000}}{\text{S\$2,000,000}} \quad \times \quad \text{S\$8,000,000} \quad = \quad \text{S\$4,800,000}$$

Assuming the maximum limit of S$3,000,000 is satisfied by the allotment and issuance of Consideration Shares at the Issue Price, S$1,800,000 shall be settled by way of cash.

(ii) If the PBT for the Reference Period is S$400,000:

$$\frac{\text{S\$400,000}}{\text{S\$2,000,000}} \quad \times \quad \text{S\$8,000,000} \quad = \quad \text{S\$1,600,000}$$

Assuming the full earn-out payment of S$1,600,000 shall be settled by way of Consideration Shares, no amounts will be settled in cash.

(e) The earn-out payment under this paragraph 4.3 shall be payable by the Company to the Vendor within 30 days of the audited PBT for the Reference Period being available, each in any event no later than 30 April 2019. The PBT shall be audited by such reputable auditor as may be appointed by the Company.

### 4.4 Consideration Shares

In the event that the Vendor is entitled to an earn-out payment and the Company elects to satisfy all or part of the earn-out payment by way of the allotment and issuance of Consideration Shares in accordance with the SPA, the Consideration Shares will be issued at a premium of 6.38% to the volume weighted average price of S$0.376 for trades done on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the full market day on 29 June 2018, being the full market day prior to which the SPA was signed.

Assuming that (i) the earn-out amount payable by the Company to the Vendor is equal to or exceeds S$3,000,000 and the Company elects to issue the maximum limit of S$3,000,000 in value of Consideration Shares at the Issue Price; and (ii) there is no issuance of Shares subsequent to the Acquisition, upon the allotment and issuance of all the Consideration Shares, the Company's issued and paid-up share capital will increase from 1,157,786,732 Shares ("**Existing Share Capital**") to 1,165,286,732 Shares ("**Enlarged Share Capital**"). The Consideration Shares represent approximately 0.65% of the Existing Share Capital and approximately 0.64% of the Enlarged Share Capital respectively.

The Consideration Shares will be allotted and issued pursuant to the general share issue mandate (the "**2019 Mandate**") to be granted by the shareholders of the Company (the "**Shareholders**") by way of ordinary resolution at the next annual general meeting of the Company to be held in January 2019 if approved by Shareholders. If the 2019 Mandate is not approved by Shareholders, the Company will consider paying the earn-out amount in cash or seek specific Shareholders' approval for the allotment and issuance of the Consideration Shares.

The Consideration Shares, when issued and allotted, shall rank *pari passu* in all respects with the then existing issued and paid-up ordinary shares in the capital of the Company. The Consideration Shares will be acquired by the Vendor free from all encumbrances and will carry all rights similar to the existing Shares of the Company, except that they will not rank for any dividend, rights, allotment or other distribution, the record date for which falls on or before the date of issuance and allotment of the Consideration Shares.

If required, the Company will be making an application to the SGX-ST via its continuing sponsor for the listing of, and quotation for, the Consideration Shares on Catalist of the SGX-ST and will make the relevant announcement upon receipt of the listing and quotation notice from the SGX-ST.

### 4.5 Moratorium on the Consideration Shares

The Vendor undertakes to the Company that he shall not, during the periods as set out in sub-paragraphs (i) and (ii) below, do or agree to do any of the following acts (the "**Moratorium**"):

(a) pledge, mortgage, charge or otherwise create any encumbrance over all or any part of the Consideration Shares or any interest in all or any part of the Consideration Shares, or enter into any agreement(s) to effect the foregoing;

(b) sell, transfer or otherwise dispose of, or grant any option over, all or any part of the Consideration Shares held by him, or otherwise sell, transfer or otherwise dispose of, or grant any option over, all or any part of his legal or beneficial interest in such shares, or enter into any agreement(s) to effect the foregoing;

(c) enter into any agreement in respect of the votes attached to any of the Consideration Shares; or

(d) circumvent the restrictions set forth in this paragraph 4.5 by disposing of, directly or indirectly, his beneficial interests in the Consideration Shares which he holds, including without limitation, by way of a disposition of shares which he holds in the relevant holding entities that hold the Consideration Shares.

Upon the allotment and issuance of the Consideration Shares, the Moratorium shall apply to the Vendor as follows:

(i) 100% of the Consideration Shares allotted and issued to him (the "**Relevant Shares**") for a period commencing on (and including) the date of allotment and issuance of the Consideration Shares (the "**Earn-out Payment Date**") up to the date falling six (6) months from the Earn-out Payment Date (both dates inclusive); and

(ii) 50% of the Relevant Shares for a period commencing from the date immediately after the expiry of the period in sub-paragraph (i) above up to the date falling one (1) year after the Earn-out Payment Date (both dates inclusive).

## 5. SOURCE OF FUNDS FOR THE ACQUISITION AND USE OF IPO PROCEEDS

The Consideration is funded by internal resources of the Group, including the net proceeds from the Company's initial public offering ("**IPO**"). The earn-out, if payable, will be funded by internal resources of the Group, including the net proceeds from the Company's IPO, and, if applicable, through the issuance of new Shares in the Company.

As at the date of this announcement, the use of the net proceeds from the IPO of the Company is as follows:

| | **Amount allocated as stated in the offer document** S$'000 | **Amount utilised** S$'000 | **Balance of net proceeds** S$'000 |
|---|---|---|---|
| Acquisitions and joint ventures and general business expansion (including establishment of new food outlets) | 30,363 | (19,137) | 11,226 |
| Refurbishment and renovation of existing food outlets | 3,000 | (225) | 2,775 |
| Headquarters/Central Kitchen upgrading | 5,000 | (1,319) | 3,681 |
| Productivity initiatives/IT | 2,000 | (597) | 1,403 |
| Listing expenses | 3,087 | (3,087) | - |
| **Total** | **43,450** | **(24,365)** | **19,085** |

## 6. RELATIVE FIGURES UNDER CHAPTER 10 OF THE CATALIST RULES

The relative figures for the 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. 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 (1) | 6.4% (2) |

| | | |
|---|---|---|
| (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 | 5.5% (3) |
| (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 | 0.65% (4) |
| (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, minority interests and extraordinary items.

(2) The relative figure is derived using unaudited net profits attributable to ASC for the financial period from 1 January 2018 to 31 March 2018 and pro-rated audited net profit attributable for the financial period from 1 October 2017 to 31 December 2017 of S$832,000 and the unaudited net profits attributable to the Group during the six months ended 31 March 2018 of S$13,020,000.

(3) The aggregate value of the consideration of the Acquisition assumes the maximum consideration to be made for the Acquisition, being S$24,000,000 comprising (i) the Consideration of S$16,000,000 and (ii) the maximum earn-out payment of S$8,000,000. The market capitalisation of the Company was approximately S$435,327,811, determined by multiplying the 1,157,786,732 Shares in issue as at the date of this announcement and the Company's volume weighted average price of S$0.376 per share on 29 June 2018 (being the last trading day for the Shares prior to the date of the SPA).

(4) Computed based on the maximum number of 7,500,000 Consideration Shares to be issued at the Issue Price and the total of 1,157,786,732 Shares in issue as at the date of this announcement.

Having regard to the above, as the relative figures computed based on Rules 1006(b) and 1006(c) exceed 5.0% but not 75.0%, the Acquisition constitutes a "discloseable transaction" under Rule 1010 of the Catalist Rules.

## 7. FINANCIAL EFFECTS OF THE ACQUISITION

The pro forma financial effects of the Acquisition on the Group presented below are strictly for illustrative purposes only and do not reflect the actual financial effects or the future financial performance and condition of the Group after Completion. The pro forma financial effects below were prepared on the basis of the audited financial statements of the Group for the financial year ended 30 September 2017 ("**FY2017**").

### 7.1 Net Asset Value ("NAV")

Assuming that the Acquisition had been effected on 30 September 2017 (being the end of the most recently completed financial year ended 30 September 2017), the pro forma NAV of the Group for FY2017 are as follows:

| | **Before the Acquisition** | **After the Acquisition (Scenario A) (1)** | **After the Acquisition (Scenario B) (2)** |
|---|---|---|---|
| NAV (S$'000) (3) | 73,661 | 73,661 | 73,661 |
| Number of Shares | 1,157,786,732 | 1,157,786,732 | 1,165,286,732 |
| NAV per Share (cents) | 6.36 | 6.36 | 6.32 |

**Notes:**

(1) Scenario A assumes that no earn-out amount is payable and as such, no Consideration Shares shall be allotted and issued to the Vendor.

(2) Scenario B assumes that the maximum earn-out amount of S$8,000,000 is payable and the Company elects to satisfy the maximum amount of S$3,000,000 by the allotment and issuance of 7,500,000 Consideration Shares at the Issue Price, and the remainder of S$5,000,000 be settled in cash.

(3) Computed based on the unaudited NAV attributable to ASC of S$448,000 as at 31 March 2018.

### 7.2 NTA

Assuming that the Acquisition had been effected on 30 September 2017 (being the end of the most recently completed financial year ended 30 September 2017), the pro forma NTA of the Group for FY2017 are as follows:

| | **Before the Acquisition** | **After the Acquisition (Scenario A) (1)** | **After the Acquisition (Scenario B) (2)** |
|---|---|---|---|
| NTA (S$'000) (3) | 72,356 | 56,804 | 48,804 |
| Number of Shares | 1,157,786,732 | 1,157,786,732 | 1,165,286,732 |
| NTA per Share (cents) | 6.25 | 4.91 | 4.19 |

**Notes:**

(1) Scenario A assumes that no earn-out amount is payable and as such, no Consideration Share shall be allotted and issued to the Vendor.

(2) Scenario B assumes that the maximum earn-out amount of S$8,000,000 is payable and the Company elects to satisfy the maximum amount of S$3,000,000 by the allotment and issuance of 7,500,000 Consideration Shares at the Issue Price, and the remainder of S$5,000,000 be settled in cash.

(3) Computed based on the unaudited total assets less total liabilities and intangible assets of ASC as at 31 March 2018.

### 7.3 Earnings per Share ("EPS")

Assuming that the Acquisition had been effected on 1 October 2016 (being the beginning of the most recently completed financial year ended 30 September 2017), the pro forma consolidated EPS of the Company for FY2017 are as follows:

| | **Before the Acquisition** | **After the Acquisition (Scenario A) (1)** | **After the Acquisition (Scenario B) (2)** |
|---|---|---|---|
| Profit after tax attributable to Shareholders (S$ '000) (3) | 21,429 | 20,381 | 20,381 |
| Weighted average number of Shares | 1,157,786,732 | 1,157,786,732 | 1,165,286,732 |
| EPS (cents) | 1.85 | 1.76 | 1.75 |

**Notes:**

(1) Scenario A assumes that no earn-out amount is payable and as such, no Consideration Share shall be allotted and issued to the Vendor.

(2) Scenario B assumes that the maximum earn-out amount of S$8,000,000 is payable and the Company elects to satisfy the maximum amount of S$3,000,000 by the allotment and issuance of 7,500,000 Consideration Shares at the Issue Price, and the remainder of S$5,000,000 be settled in cash.

(3) Computed based on the unaudited profits after tax attributable to ASC for the financial period from 1 January 2018 to 31 March 2018 and pro-rated audited profit after tax attributable for the financial period from 1 April 2017 to 31 December 2017 less amortisation expense of intangible assets arising from the acquisition of ASC. The amortisation expense is computed based on provisional Purchase Price Allocation.

## 8. SERVICE CONTRACTS

In connection with the SPA, the Vendor has entered into a three-year service agreement with the Group pursuant to which the Vendor shall be employed as the Commercial Director of ASC.

No person is proposed to be appointed as a director of the Company in connection with the Acquisition.

## 9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and controlling Shareholders of the Company has any interest, direct or indirect, in the Acquisition (other than their direct or indirect shareholdings in the Company).

## 10. DOCUMENTS FOR INSPECTION

A copy of the SPA and the Valuation Report are available for inspection during normal business hours at the registered office of the Company at 13 Woodlands Link, Singapore 738725 for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Vincent Chia Cher Khiang
Executive Director
2 July 2018

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*Kimly Limited (the "**Company**") was listed on the Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 20 March 2017. The initial public offering of the Company was sponsored by PrimePartners Corporate Finance Pte. Ltd. ("**Sponsor**").*

*This announcement has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

*This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, 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).*