

**ENTRY INTO JOINT VENTURE AGREEMENTS TO OPERATE AND MANAGE
SHORT-TERM HDB COFFEESHOP LEASES**

1. INTRODUCTION

- 1.1 The Board of Directors ("**Board**") of Kimly Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refer to its earlier announcement dated 21 February 2020, in relation to the proposed acquisition of interests in a portfolio of coffeeshop leases, coffeeshop units and industrial canteen units ("**Proposed Acquisition**").
- 1.2 The Board is pleased to inform the shareholders that its wholly-owned subsidiary, Kimly Makan Place Pte. Ltd. ("**KMP**") has, on 9 September 2020, entered into the following two (2) joint venture agreements ("**JVA**") with the following third parties to operate and manage the respective short-term Housing and Development Board ("**HDB**") coffeeshop leases ("**Lease**") of the coffeeshops below cited, held by the respective two (2) joint venture companies (collectively, the "**JVCOs**"):
- (a) a JVA with Hong Kah Holdings Pte Ltd ("**HKH**") in relation to, *inter alia*, the operation and management of the coffeeshop located at Block 376 Bukit Batok Street 31 #01-126 Singapore 650376 (the "**Bukit Batok 376 Coffeeshop**") leased by the JVCO, **Hong Kah Food Place Pte Ltd**; and
 - (b) a JVA with Joo Seng Holdings Pte Ltd ("**JSH**") in relation to, *inter alia*, the operation and management of the coffeeshop located at Block 1 Upper Aljunied Lane #01-02 Singapore 360001 (the "**Upper Aljunied 1 Coffeeshop**") leased by the JVCO, **Joo Seng Food Place Pte Ltd**.

(HKH and JSH shall collectively be referred to as the "**JV Partners**")

2. INFORMATION ON THE JOINT VENTURE COMPANIES

- 2.1 Each of the JVCOs were incorporated by HKH and JSH respectively, with each JVCO having an initial issued share capital of S\$100 comprising 100 ordinary shares. The respective JVCOs will be allotting 147,000 ordinary shares to KMP and 152,900 ordinary shares to each HKH and JSH, at a consideration of S\$147,000 and S\$152,900 respectively. Following which, KMP will hold 49% of the shares in the respective JVCOs, whilst HKH and JSH each shall hold the remaining 51% of the shares in the respective JVCOs. The total consideration to be paid by KMP for 49% of the shares in each of the JVCOs is S\$294,000.
- 2.2 Each of the Leases were originally held by the respective JV Partners as detailed in paragraph 3. For the purposes of the JVAs entered into with HKH and JSH respectively, and as of the date of this Announcement, new Leases for each of the coffeeshops have been entered into by the respective JVCOs, with each JVCO being principally engaged in the business of letting and operating self-owned or leased food courts, coffee shops and eating houses.

3. INFORMATION ON THE JV PARTNERS

3.1 Information on HKH

HKH is a private company incorporated in Singapore on 21 February 2020 and has an issued and paid-up share capital of S\$30 comprising 30 ordinary shares. The shareholders of HKH are Mr Tan Puay Ling, Mr Tan Chee Guan Danny and Mr Tan Yan Kai, with each person holding 10 ordinary shares. Mr Tan Chee Guan Danny and Mr Tan Yan Kai are the appointed directors for HKH. HKH principally operates as a holding company. Prior to the incorporation of HKH, each of the shareholders were partners to a partnership named, Hong Kah Food Place ("**HKF Partnership**").

Prior to the new Lease being entered into, Mr Tan Chee Guan Danny, on behalf of HKF Partnership, entered into a lease agreement with HDB to operate and manage the Bukit Batok 376 Coffeeshop.

3.2 Information on JSH

JSH is a private company incorporated in Singapore on 21 February 2020 and has an issued and paid-up share capital of S\$50 comprising 50 ordinary shares. The shareholders of JSH are Mr Lee Ee Hock, Mr Tan Koo Bock, Mr Tan Eng Tiong, Mr Tan Ching San and Mr Tan Puay Ling, with each person holding 10 ordinary shares. Mr Tan Ching San is the sole director appointed for JSH. JSH principally operates as a holding company. Prior to the incorporation of JSH, each of the shareholders were partners to a partnership named, Joo Seng Food Place ("**JSF Partnership**").

Prior to the new Lease being entered into, Mr Tan Ching San, on behalf of JSF Partnership, entered into a lease agreement with HDB to operate and manage the Upper Aljunied 1 Coffeeshop.

3.3 Information on the Shareholders of the JV Partners

Mr Tan Puay Ling, Mr Lee Ee Hock, Mr Tan Koo Bock, Mr Tan Eng Tiong, Mr Tan Ching San, Mr Tan Chee Guan Danny and Mr Tan Yan Kai are individuals and are all Singapore citizens.

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

4. PRINCIPAL TERMS OF THE JVAs

4.1 Upon completion of the subscription and allotment, KMP shall hold 147,000 ordinary shares representing 49% of the issued share capital of each of the two (2) JVCOs.

4.2 The Board of Directors of each of the JVCOs will comprise of two (2) directors, with one (1) director each being nominated by KMP and JV Partners, being HKH and JSH respectively (as the case may be). The chairman of the board of the directors of each JVCO shall be solely appointed by KMP.

4.3 Each of the JVCOs will enter into a service agreement with KMP, for KMP to operate and manage the Bukit Batok 376 Coffeeshop and Upper Aljunied 1 Coffeeshop.

5. RATIONALE FOR THE JOINT VENTURE

- 5.1 The Group's entry into the JVAs 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 Group will be able to diversify and expand its revenue stream through additional and recurrent rental streams, which mitigates the uncertainties in the private leasing category.
- 5.2 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.

6. AGGREGATE CONSIDERATION

- 6.1 Apart from the working capital injection detailed in paragraph 2.1 above and in consideration for the JV Partners granting KMP the right to operate and manage the Leases, KMP has also paid to each of the JV Partners a lease assignment fee ("**Lease Assignment Fee**"). The Lease Assignment Fee was arrived at on a willing buyer-willing seller basis, taking into consideration various factors such as the market rent for comparable leases based on location, size and current rent paid. The Lease Assignment Fee has been wholly satisfied in cash through the utilization of the internal resources of the Group.
- 6.2 The aggregate consideration payable by KMP for the 49% interest in the issued share capital of each of the JVCOs and the aggregate Lease Assignment Fees (including capital injection) is **S\$2,499,000**, in the following proportions:

Joint Venture Company	Address of Coffeeshop	Lease Assignment Fee (S\$)	Capital Injection (S\$)
Hong Kah Food Place Pte Ltd	Block 376 Bukit Batok Street 31 #01-126 Singapore 650376	1,225,000	147,000
Joo Seng Food Place Pte Ltd	Block 1 Upper Aljunied Lane #01-02 Singapore 360001	980,000	147,000
Total		2,205,000	294,000
Grand Total		2,499,000	

7. CHAPTER 10 OF THE CATALIST RULES

- 7.1 All relative figures of the abovementioned joint ventures computed pursuant to Rule 1006 of the Catalist Rules of the Singapore Exchange Trading Limited ("**Catalist Rules**"), based on the Company's latest announced consolidated results is less than 5%. Accordingly, this Announcement is released by the Company on a voluntary basis and the disclosures are referenced from the disclosure requirements of a non-discloseable transaction under Chapter 10 of the Catalist Rules.
- 7.2 Further, upon aggregating with the Proposed Acquisition, being the last of such aggregated transactions, the aggregated Catalist Rule 1006 figures in the current financial year does not

exceed 75.0%, and hence will not be made conditional upon the approval of the shareholders of the Company as disclosed in the Company's circular to shareholders on 6 January 2020,

8. FINANCIAL IMPACT

The JVCOs are not expected to have any material impact on earnings per share or net tangible assets per share of the Group for the financial year ending 30 September 2020.

9. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

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

10. ENTRY INTO REMAINING JOINT VENTURE AGREEMENT

- 10.1 KMP will enter into the third and final JVA with S. Tong Hong Pte Ltd ("**STH**") for the purposes of, *inter alia*, the operation and management of the short-term HDB coffeeshop lease ("**STH-Lease**") for the coffeeshop located at Block 429A Choa Chu Kang Avenue 4 #01-01 Singapore 681429, on a later date once the requisite approvals and/or permissions have been obtained from the HDB, which has been delayed by the COVID-19 disruptions. The coffeeshop will be leased to the joint venture company, **Sin Tong Hong Eating House Pte Ltd ("STH-JVCO")**.
- 10.2 STH is a private company incorporated in Singapore on 21 February 2020 and has an issued and paid-up share capital of S\$20 comprising 20 ordinary shares. The shareholders of STH are Mr Tan Koo Bock and Mr Tan Ching San, with each person holding 10 ordinary shares. Mr Tan Ching San is the sole director appointed for STH. STH principally operates as a holding company.
- 10.3 The STH-JVCO will be allotting 147,000 ordinary shares to KMP, representing 49% of the issued share capital in the STH-JVCO for an aggregate consideration of S\$147,000, whilst STH will hold the remaining 51% of shareholding in the STH-JVCO.
- 10.4 Apart from the working capital injection detailed in paragraph 10.3 above and in consideration for the STH granting KMP the right to operate and manage the STH-Lease, KMP will pay to STH a Lease Assignment Fee of S\$980,000. The aggregate consideration payable by KMP for the issuance and allotment of 147,000 ordinary shares in the STH-JVCO and the lease assignment fee is S\$1,127,000.
- 10.5 Further announcement(s) will be made in compliance with the Catalist Rules upon entry into the JVA with STH, and/or where there are material developments.

11. DOCUMENTS FOR INSPECTION

Copies of the two (2) JVAs entered into by KMP with HKH and JSH, the corresponding share allotment instruments for each of the two (2) JVCOs and the service agreements entered into by KMP with the respective JVCOs 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 from the date of this Announcement.

BY ORDER OF THE BOARD

Hoon Chi Tern

Company Secretary

9 September 2020

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.

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