

Acquisition of Coffeeshops and Industrial Canteen Outlets

SINGAPORE, 22 October 2019 – SGX Catalist-listed Kimly Limited (“金味有限公司”) (“**Kimly**” or the “**Company**” and together with its subsidiaries, the “**Group**”) plans to acquire interests in several coffeeshops and industrial canteen units for an aggregate consideration of S\$59.0 million, which will result in the Group expanding its footprint to 81 outlets. The proposed acquisition is made in furtherance of the Group’s asset ownership strategy.

The Proposed Acquisition

Jin Wei Food Holdings Pte. Ltd. (“**Jin Wei**”), a wholly-owned subsidiary of the Group, has entered into a non-binding term sheet (“**Term Sheet**”) with a group of third party vendors (“**Vendors**”) to acquire their interests in a portfolio of coffeeshop leases, coffeeshop units and industrial canteen units (together, the “**Target Properties**”)(“**Proposed Acquisition**”).

The Target Properties comprise:

- a) four long term leasehold coffeeshop units, which are HDB commercial units located within mature HDB estates;
- b) three freehold industrial canteen units, which are located in mature and populated industrial areas in close proximity to residential areas; and
- c) three short term coffeeshop leases, which are HDB direct leases.

The Term Sheet is non-binding, pending completion of due diligence and valuation of the Target Properties by the Group.

The aggregate consideration of S\$59.0 million was arrived at on a willing-buyer, willing-seller

basis, taking into consideration the quality of the assets and their utilisation and future potential to the Group. The Group will also be commissioning valuations on the Target Properties.

This amount will comprise:

1. S\$56,060,000 payable in respect of the long term leasehold coffeeshop units and freehold industrial canteen units, which will be satisfied partly in cash of S\$46,060,000 (utilising internal resources and/or external financing), as well as the issuance of 40,000,000 new shares in the share capital of Kimly at the issue price of S\$0.25 per share (approximately 17% of the aggregate transaction price), being a premium of 11.36% to the volume weighted average price of S\$0.2245 on 21 October 2019 (the last full market day prior to which the Term Sheet was signed); and
2. S\$2,940,000 in cash in respect of the short term coffeeshop leases (utilising internal resources).

Rationale

The Proposed Acquisition is in line with Kimly's strategy to expand its footprint in Singapore through the acquisition of more food outlets at strategic locations within mature and populated estates with established footfalls, across the island. This acquisition is also part of the Group's ongoing efforts to pursue long term direct ownership of properties where it operates and manages food outlets, so as to enhance shareholder value.

In line with HDB's existing regulations for assignment of leases for coffeeshops and other commercial leases, the assignment of new commercial tenancies is no longer allowed with effect from 16 October 2013 and current tenants are to return their unit to HDB when exiting their business. For existing tenancies that commenced before 16 October 1998, the tenants had until 15 October 2019 to assign their tenancies. HDB had also stopped the sale of coffeeshop properties to private landlords in 1998. As such, the existing supply of coffeeshop properties which are owned by private landlords is limited. The acquisition by the Group of interests in the

entities holding the HDB leases for the three coffeeshop properties does not constitute an assignment of tenancy. Kimly is well-positioned to capitalise on the limited supply of coffeeshops by acquiring properties at strategic locations.

The Proposed Acquisition, together with three coffeeshops secured under the new HDB price-quality method (PQM) tender system in July 2019, the completion of the Group's first coffeeshop property acquisition in November 2019 and a new coffeeshop under a third party brand, will increase the Group's number of food outlets from 67 outlets (as of 22 October 2019) to 81 outlets.

The acquisition will help Kimly increase the number of foundation leases it holds to approximately 63% of total leases. Foundation leases are leases or owned coffeeshop properties where the Group is confident of securing its right of use or renewing the leases and accordingly provides stability and certainty to the Group in delivering long term returns to its shareholders.

By leveraging on its established central kitchen, ERP and supply chain functions, as well as operational capabilities and competencies, Kimly aims to accelerate the growth of its market presence and provide additional revenue streams and profits by opening more food stalls under the Food Retail division with the enlarged platform of the Outlet Management Profile base.

"We are currently intensifying our efforts in line with our corporate strategy to secure more long term ownerships of food outlets and food stalls in mature and populated estates with established footfalls, expanding footholds, increasing revenue and profits, and maximizing returns. We are confident that we are well-positioned to further increase our market presence and standing as one of the leading F&B operators in Singapore."

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About Kimly Limited

Kimly Limited (“金味有限公司”) is one of the largest traditional coffeeshop operators in Singapore with more than 25 years of experience. The Group operates and manages an extensive network of 67 food outlets and 130 food stalls across the heartlands of Singapore. It also operates a Central Kitchen that supplies sauces, marinades and semi-finished food products to its food stalls, which enables it to have better control over its business processes and generate cost savings.

For its Outlet Management Division, the Group operates and manages 60 coffeeshops and four industrial canteens under the Kimly and third party brands and three food courts, located mainly in tertiary institutions, which are managed and operated under the *foodclique* brand. Its Food Retail Division comprises Mixed Vegetable Rice, Teochew Porridge, Dim Sum and Seafood “Zi Char” food stalls. The Group also operates a chain of Japanese restaurants, *Tonkichi*, and a confectionery business, *Rive Gauche*.

In tandem with the growing demand for online food ordering and delivery services due to changing consumer trends, Kimly Group started to offer its Dim Sum and Seafood “Zi Char” products for online ordering through Deliveroo, Foodpanda and GrabFood.

Issued for and on behalf of Kimly Limited

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This press release has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, PrimePartners Corporate Finance Pte. Ltd. (the “Sponsor”) in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalyst.

This press release has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this press release, including the correctness of any of the statements or opinions made or reports contained in this press release.

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