

KIMLY LIMITED
(Incorporated in Singapore)
(Registration No. 201613903R)

RESPONSE TO QUESTIONS FROM SHAREHOLDERS

The Board of Directors (the “**Board**”) of Kimly Limited (the “**Company**” and together with its subsidiary, the “**Group**”) would like to thank shareholders for submitting their questions in advance of Kimly Limited FY2023 Annual General Meeting (“**AGM**”) to be held at The Grassroots’ Club, 190 Ang Mo Kio Avenue 8, Singapore 568046 on Wednesday, 24 January 2024, at 3.00 p.m. Please refer to the Appendix hereto for the Company’s responses to the questions.

By order of the Board

Hoon Chi Tern
Company Secretary

19 January 2024

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 Ms. Ng Shi Qing, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.

Appendix

Question 1

Page 8 - Progressive Wage Model (PWM) mentioned in outlook by Chairman

The PWM had been adopted and any expected wage increase is also expected. Does the group make provisions for such expected wage increase? If provisions are made accordingly, then this concern would have been addressed, right? If not, why?

Company's Response:

Progressive Wage Model ("PWM") mandates annual increases in the minimum wages of workers over three years. About 12,000 full-time local workers earning lower wages in the F&B sector will experience an increase in their salaries, rising to a minimum of S\$1,750, the entry-level PWM wage. This increment will rise by S\$165 each year, ultimately reaching S\$2,080 by 2025.

Payroll expenses are recognised in the period in which the related service is performed; hence, no provision was made. The PWM was implemented on 1 July 2023. The annual effect of the salary increment was estimated to be around 2.08% of the Group's payroll expenses for FY2023, constituting approximately 0.8% of the Group's FY2023 gross profit margin.

In anticipation of the increase in payroll expenses, management has put in place measures to rationalise our workforce within the Group. For example, we have identified some food outlets where the position of drink runners have been abolished, we allowed natural attrition to take its own course in these food outlets, slowly right-sizing the workforce to improve productivity.

Other measures we have taken in response to rising costs includes closing down underperforming food stalls and redeploy the excess manpower to other growth areas, this has helped us increase the revenue contributions per worker.

As a seasoned coffeeshop operator, we applaud the government's effort in uplifting the lives of lower income Singaporeans, at the same time, we are heartened that we have built a multi-revenue business model that is resilient and will continue to deliver sustainable returns for our shareholders.

Question 2

Page 6 - On-line delivery and e-commerce business

- (a) How much is invested on technologies to support the above business?
- (b) Are we getting returns from these investments?
- (c) Does the above investment helps to address manpower crunch mentioned by Chairman?

Company's Response:

The Group's food retail products are currently available for online ordering through GrabFood, Foodpanda, Deliveroo and the integrated e-commerce platform on Kimly's corporate website. The Group utilises these online delivery platforms by having its dedicated presence on these platforms and incurring delivery charges for transactions facilitated on these platforms.

For FY2023, delivery sales contributed to approximately 11.2% of the Group's revenue (FY2022: 13.3%). The decrease was due to the demand for food delivery tapered to a new normal following the easing of COVID-19 restrictions. It is also important for the Group to identify and keep up with evolving consumer preferences, we believe that the online food ordering trend is here to stay and the Group needs to continue to work with our partners to see how we can better serve our online customers to grow our revenue base.

Our online businesses have helped the Group to increase our revenue base without any significant increase in manpower costs, from this perspective, we do believe that efforts put into growing our online presence do help the Group address challenges relating to manpower crunch.

Question 3

Page 6 - Central Kitchens

- (a) How many central kitchens are there as of today?
- (b) Have we invested in technology such as automation and robotics to address manpower crunch issues mentioned by Chairman?
- (c) Have we explore combining all the central kitchens to reap economies of scale?

Company's Response:

The Group operates two (2) central kitchens. The Woodlands Link central kitchen prepares sauces, marinades and semi-finished food products which are then supplied to our Mixed Vegetable Rice, Seafood "Zi Char" and Dim Sum stalls. The JTC FoodHub@Senoko central kitchen focuses on supplying Halal semi-finished products to restaurants and stalls under the Tenderfresh's brands as well as to Original Equipment Manufacturing (OEM) customers island wide.

Since IPO, we have invested S\$5,367,000 (please refer to page 58 of Annual Report, Use of IPO Proceeds, Headquarters/Central Kitchen upgrading and Productivity initiatives/IT) in adopting technology, through acquiring new equipment and developing new software to enhance operational efficiency. Combining the Halal central kitchen and non-Halal central kitchen poses challenges due to the need to adhere to distinct compliance rules and regulations.

Question 4

In response to the 2023 AGM (18 Jan 2023) - "MINUTES OF THE ANNUAL GENERAL MEETING OF THE COMPANY HELD ON WEDNESDAY, 18 JANUARY 2023 - Page 3 of 15",

Reference to Question 2, Kimly's reply was that: "The Company had incurred legal fees and public relations ("PR") consultancy services of S\$270,000 and S\$130,000 respectively."

The current question is whether any attempt has been made to recover this amount of S\$400,000 (S\$270,000 and S\$130,000) from both Mr Lim Hee Liat and Chia Cher Khiang as this expense of Kimly's resulted from their actions resulting to their convictions under the Securities and Futures Act. If there have been attempts to recover the expense amounts, please elaborate on the current status.

If there has been no attempt to recover the amounts incurred, please elaborate on what is the rationale for not pursuing the recovery of the expenses and whether this is in compliance with established regulatory norms.

Also how is this non-attempt to recover this expense of S\$400,000 amount answerable to shareholders.

Company's Response:

The Board has previously considered this issue and decided no such course of action is required.

Mr Lim Hee Liat ("**Mr. Lim**") and Mr. Chia Cher Khiang ("**Mr. Chia**") have continued to share generously and freely with the Group their collective experience, knowledge, market intelligence and relationship with industry participants in the coffeeshop and F&B industry, whenever requested by the Group.

This has often times been very valuable to the Board and management team as part of its consideration (amongst other relevant factors) in making any strategic and/or operational decision. For the avoidance of doubt, the Board and management has ultimate ownership over all decisions relating to the Group. Also, no compensation whatsoever is payable by the Group to either Mr. Lim or Mr Chia.

The Board is further confident that with their aggregate substantial 41.14% shareholdings in the Company, Mr. Lim and Mr Chia's interests are strongly aligned with all shareholders in ensuring the Group continues to perform well and profitably. The Company benefits from tapping on such resource as part of its decision-making process.

Question 5

Incomplete reply to shareholder's question in the Live webcast of the AGM held on 18 January 2023, it is replicated below:

MINUTES OF THE ANNUAL GENERAL MEETING OF THE COMPANY HELD ON WEDNESDAY, 18 JANUARY 2023 - Page 7 of 15

16. QUESTIONS AND ANSWERS SESSION

It was noted that the Company received the following questions in the Live Webcast and provided the responses as set out below:

Question: Is Lim Hee Liat and Chia Cher Khiang currently involved in any way in the operations, management and advisory in any form with Kimly?

Company's Response:

Please see response to Question 4.

For emphasis, neither Mr Lim nor Mr Chia is a director or employee of the Company.

Question 6

Kimly's response to Question (1) Section 16 Questions and Answers session (MINUTES OF THE ANNUAL GENERAL MEETING OF THE COMPANY HELD ON WEDNESDAY, 18 JANUARY 2023 - Page 7 of 15) – evaded answering the specific question of: "Is Lim Hee Liat and Chia Cher Khiang currently involved in any way in the operations, management and advisory in any form with Kimly?"

It appears that Kimly evaded answering the specific question and went off on a tangent about the amount of share ownership and other statements that were of no relevance to the question asked.

It is requested that the management respond directly and specifically to the question raised at that point/ juncture during the live webcast of the 2023 AGM.

Company's Response:

Please see response to Question 4.

Question 7

For the period of beginning Jan 2023 to end of Dec 2023, Is Lim Hee Liat and Chia Cher Khiang involved in any way in the operations, management, advisory, strategy planning, discussions, conversations in any form with Kimly or any Management, Operations staff of Kimly?

If there has been, please elaborate on such instances.

Company's Response:

Please see response to Question 4.

Question 8:

Are there any office space in Kimly's premises currently allocated to Mr Lim Hee Liat and Chia Cher Khiang. If there is office space allocation, please elaborate on the rationale.

Company's Response:

The office space previously occupied by Mr Lim and Mr Chia is utilised by the Company for its corporate purposes, including meetings and storage of documentation.

Whenever Mr Lim or Mr Chia attends at the Company's premises for discussions (see response to Question 4, the office space may also function as a meeting venue.

For the avoidance of doubt, such office space is not specific to any persons, and is subject to allocation by the Board and management.