YKGI 友記 LIMITED
SINCE 1961

YKGI Limited

(Incorporated in the Republic of Singapore on 8 August 2022)
(Company Registration Number: 202227645Z)

PLACEMENT IN RESPECT OF 82,750,000 PLACEMENT SHARES AT S$0.20 FOR EACH PLACEMENT SHARE, PAYABLE IN FULL ON APPLICATION

Prior to making a decision to purchase the Shares, you should carefully consider all the information contained in the Offer Document. This Product Highlights Sheet should be read in conjunction with the Offer Document. You will be subject to various risks and uncertainties, including the potential loss of your entire principal amount invested. If you are in doubt as to investing in the Shares, you should consult your legal, financial, tax or other professional adviser.

This Product Highlights Sheet[1] is an important document.

- **It highlights the key information and risks relating to the placement of the Placement Shares contained in the Offer Document. It complements the Offer Document[2].**
- **You should not subscribe for the Placement Shares if you do not understand the nature of an investment in our ordinary shares, our business or are not comfortable with the accompanying risks.**
- **If you wish to subscribe for the Placement Shares, you will need to make an application in the manner set out in the Offer Document. If you do not have a copy of the Offer Document, please contact our Company, the Issue Manager and Full Sponsor or the Joint Placement Agents to ask for one.**

Issuer	**YKGI Limited**	**Place of incorporation**	**Singapore**
Details of this Placement	Placement of 82,750,000 Placement Shares comprising 53,750,000 New Shares and 29,000,000 Vendor Shares	**Total amount to be raised in this Placement**	Gross proceeds of approximately S$19.8 million, with net proceeds estimated to be approximately S$17.5 million, to be raised from the Placement and the issue of the Cornerstone Shares, of which: (a) approximately S$12.0 million of the net proceeds will be due to the Company; and (b) approximately S$5.5 million of the net proceeds will be due to the Vendor.
Placement Price	S$0.20 for each Placement Share	**Listing status of Issuer and the Securities**	An application has been made to the SGX-ST for the permission to deal in, and for the listing and quotation of all our Shares already issued (including the Vendor Shares), the New Shares, the Cornerstone Shares, the Option Shares and the Award Shares on Catalist. The Shares are expected to be listed on 6 February 2023.
Issue Manager and Full Sponsor	RHT Capital Pte. Ltd.	**Joint Placement Agents**	Evolve Capital Advisory Private Limited and KGI Securities (Singapore) Pte. Ltd.

[1] This Product Highlights Sheet does not constitute, or form any part of any offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. This Product Highlights Sheet shall be read in conjunction with the Offer Document.

The information in this Product Highlights Sheet is based on information found in the Offer Document. Any decision to subscribe for securities must be made solely on the basis of information contained in the Offer Document. Capitalised terms used in this Product Highlights Sheet, unless otherwise defined, shall bear the meanings as defined in the Offer Document.

[2] The Offer Document, registered by the SGX-ST acting as agent on behalf of the MAS on 26 January 2023 and the application forms in respect of the Placement Shares, may be obtained on request, subject to availability, during office hours, from RHT Capital Pte. Ltd. at its address at 36 Robinson Road #10-06 City House Singapore 068877, Evolve Capital Advisory Private Limited at its address at 138 Robinson Road #13-02 Oxley Tower Singapore 068906 or KGI Securities (Singapore) Pte. Ltd. at its address at 4 Shenton Way #13-01 SGX Centre 2 Singapore 068807. A copy of the Offer Document is also accessible on the SGX-ST's website at http://www.sgx.com.

OVERVIEW

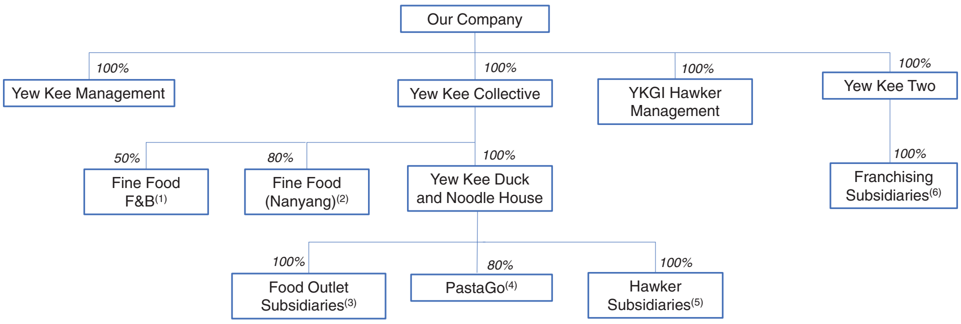
WHO ARE WE AND WHAT DO WE DO?

Our Company was incorporated in Singapore as a private limited company under the Companies Act on 8 August 2022 under the name "YKGI Pte. Ltd."

We are an established home-grown brand with a track record of more than 30 years. We own and operate a diverse portfolio of non-Halal and Halal brands including Yew Kee Duck Rice, XO Minced Meat Noodles, My Kampung Chicken Rice, PastaGo and Victoria Bakery. Our principal business activities are (i) F&B operations, (ii) food court management and (iii) franchising and sub-franchising. Our operations are currently based in Singapore. As at the date of the Offer Document, we operate one (1) central kitchen and 43 Food Outlets, manage four (4) food courts, and are the exclusive franchisee of all 30 CHICHA San Chen tea shops in Singapore.

Following the completion of the Restructuring Exercise, our Company became the holding company of our Group. On 23 December 2022, our Company was converted into a public company and our name was changed to "YKGI Limited".

The structure of our Group as at the date of the Offer Document is as follows:



Notes:

(1) The remaining 50.0% of Fine Food F&B is held by an unrelated third party. Notwithstanding this, the Group considers Fine Food F&B a subsidiary of the Group.

(2) The remaining 20.0% of Fine Food (Nanyang) is held by an unrelated third party.

(3) The Food Outlet Subsidiaries comprise Yew Kee Three, Ubi 179 Food House, 108 Sembawang, Punggol WP83, 102 CR Food, YK Food (One), YK Food (Two), YK Food (Three), YK Food (Four), YK Food (Five) and Yew Kee Bakery.

(4) The remaining 20.0% of PastaGo is held by an unrelated third party.

(5) The Hawker Subsidiaries comprise SM30 Simei, 207 (Duck Rice), 10 (XO Noodle), 480 Local Delight, Admiralty Local Delight, 51 Hougang, 2 Bukit Panjang and Ying's Traditional Food.

(6) The Franchising Subsidiaries comprise 313CC, JEMCC, PASCC, AMKCC, CTRCC, WSCC, TPCC, PLQCC, CWPCC, MSQCC, WLPCC, NTUCC, WPTCC, HGMCC, STARCC, JEWCC, TAKACC, CACC, SUNCC, NUSCC, JPCC, NOVCC, HILLCC, NEXCC, YISCC, LOTCC, EASTCC, KWMCC, CPOCC, and CNPCC.

Refer to "*General Information on our Group*" on pages 110 to 153 of the Offer Document for the detailed structure of our Group and more information on the business of our Group and our services.

WHO ARE OUR DIRECTORS AND EXECUTIVE OFFICERS?

Our Board of Directors comprise Mr. Seah Boon Lock (Executive Chairman and Executive Director), Mr. Seah Qin Quan (CEO and Executive Director), Mr. James Wong (Lead Independent Director), Mr. Ng Hong Whee (Independent Director) and Mr. Douglas Koh (Independent Director).

Our Executive Officers comprise Ms. Wee Lay Teng (Chief Administrative Officer), Mr. Eric Seow (Chief Operating Officer), Mr. Benjamin Zhu (Group Financial Controller) and Ms. Seah Kun Miao (Chief Marketing Officer).

Refer to "*Directors, Executive Officers and Staff*" on pages 167 to 181 of the Offer Document for more information on our Directors and Executive Officers.

WHO IS OUR CONTROLLING SHAREHOLDER?

Prior to the Placement, our Controlling Shareholder, Seah & Family, held 100.0% of the issued and paid up share capital of our Company. Immediately following completion of the Placement (including the sale of the Vendor Shares, and the issuance of the Placement Shares and the Cornerstone Shares), Seah & Family will hold 76.7% of the issued and paid up share capital of our Company and will remain as a Controlling Shareholder of our Company.

Seah & Family is an investment holding company incorporated in Singapore on 8 August 2022. Mr. Seah Boon Lock, Mr. Seah Qin Quan, Ms. Seah Kun Miao and Ms. Wee Lay Teng are the shareholders of Seah & Family, with Mr. Seah Boon Lock holding 70.0% of the shareholding in Seah & Family and Mr. Seah Qin Quan, Ms. Seah Kun Miao and Ms. Wee Lay Teng each holding 10.0% of the shareholding in Seah & Family. Mr. Seah Boon Lock is deemed interested in all the Shares held by Seah & Family.

Refer to "*Shareholders*" on pages 89 to 92 of the Offer Document for more information on our Controlling Shareholder.

HOW WAS OUR HISTORICAL FINANCIAL PERFORMANCE AND WHAT IS OUR CURRENT FINANCIAL POSITION?

Selected items from the combined statement of comprehensive income

	Audited			Unaudited	
	FY2019 S$'000	FY2020 S$'000	FY2021 S$'000	1H2021 S$'000	1H2022 S$'000
Revenue	31,610	38,992	56,111	27,621	26,763
Other income	303	5,125	4,960	2,157	907
Expenses					
- Purchases and related costs	(8,990)	(9,607)	(16,512)	(7,983)	(6,646)
- Changes in inventories	368	(197)	621	342	(245)
- Employee benefits	(7,920)	(10,321)	(12,822)	(6,804)	(6,989)
- Depreciation of property, plant and equipment	(5,253)	(7,253)	(8,485)	(3,578)	(4,299)
- Other expenses	(8,249)	(10,447)	(13,711)	(7,403)	(6,629)
- Finance costs	(505)	(632)	(589)	(329)	(264)
Total expenses	(30,549)	(38,457)	(51,498)	(25,755)	(25,072)
Profit before income tax	1,364	5,660	9,573	4,023	2,598
Income tax expense	(174)	(622)	(511)	(211)	(190)
Net profit, representing total comprehensive income for the financial year/period	1,190	5,038	9,062	3,812	2,408
Net profit attributable to:					
Equity holders of the Company	1,040	4,920	8,924	3,717	2,357
Non-controlling interests	150	118	138	95	51
	1,190	5,038	9,062	3,812	2,408
EPS for net profit attributable to equity holders of the Company (cents per Share)					
EPS immediatey before the Placement and the issue of Cornerstone Shares[1]	0.29	1.39	2.51	1.05	0.66
EPS immediately after the completion of the Placement and the issue of the Cornerstone Shares[2]	0.24	1.16	2.10	0.87	0.55

Notes:

(1) For comparative purposes, our EPS immediately before the Placement and the issue of the Cornerstone Shares for the Period Under Review has been computed based on net profit for the financial year/period attributable to equity holders of the Company and our share capital immediately before the Placement and the issue of the Cornerstone Shares of 355,000,000 Shares.

(2) For comparative purposes, our EPS immediately after the completion of the Placement and the issue of the Cornerstone Shares for the Period Under Review has been computed based on net profit for the financial year/period attributable to equity holders of the Company and our share capital after the completion of the Placement and the issue of the Cornerstone Shares of 425,000,000 Shares.

Selected items from the combined statement of financial position

	Audited	Unaudited	Unaudited pro forma	
	As at 31 December 2021 S$'000	As at 30 June 2022 S$'000	As at 31 December 2021 S$'000	As at 30 June 2022 S$'000
Current assets	18,579	20,902	9,473	13,277
Non-current assets	13,245	10,877	13,245	10,877
Total assets	31,824	31,779	22,718	24,154
Current liabilities	11,728	11,086	18,703	18,061
Non-current liabilities	3,706	3,376	3,706	3,376
Total liabilities	15,434	14,462	22,409	21,437
Total equity attributable to equity holders of the Company	15,853	16,870	132	2,490
NAV per Share (cents)[1]	4.47	4.76	0.04	0.70

Note:

(1) The NAV per Share as at 31 December 2021 and 30 June 2022 has been computed based on our share capital immediately before the Placement and the issue of the Cornerstone Shares of 355,000,000 Shares

Selected items from the combined statements of cash flows

	Audited			Unaudited		Unaudited Pro forma	
	FY2019 S$'000	FY2020 S$'000	FY2021 S$'000	1H2021 S$'000	1H2022 S$'000	FY2021 S$'000	1H2022 S$'000
Net cash provided by operating activities	5,865	10,535	15,633	4,667	6,368	15,633	6,368
Net cash (used in)/ provided by investing activities	(2,291)	(1,586)	(1,709)	(988)	360	(1,709)	360
Net cash used in financing activities	(2,232)	(5,800)	(10,128)	(5,332)	(5,492)	(19,234)	(13,117)
Net increase/ (decrease) in cash and bank balances	1,342	3,149	3,796	(1,653)	1,236	(5,310)	(6,389)
Cash and bank balances							
Beginning of the financial year/period	5,313	6,655	9,804	9,804	13,600	9,804	13,600
End of the financial year/period	6,655	9,804	13,600	8,151	14,836	4,494	7,211

REVIEW OF RESULTS OF OPERATIONS

The most significant factors contributing to our financial performance:

FY2019 vs FY2020

Revenue

Our Group's revenue increased by approximately S$7.4 million or 23.4% from S$31.6 million in FY2019 to S$39.0 million in FY2020. This increase was mainly attributed to (i) S$10.6 million contribution from our franchise business as 11 more stores were opened in FY2020; and (ii) offset by a decrease in revenues generated from our F&B operations business by S$1.4 million due to the temporary closure of the stores during the peak of COVID-19 pandemic in FY2020 and a decrease in revenue generated from our food court business by S$1.8 million due to the temporary closure of two (2) food courts during the peak of COVID-19 pandemic in FY2020 with revenue reduction of S$3.8 million although there was one (1) new food court opened in FY2020 which contributed additional revenue of S$2.0 million.

Other income

Other income increased by S$4.8 million or 1,590.3% from S$0.3 million in FY2019 to S$5.1 million in FY2020. This was mainly due to an increase in government grants of S$2.0 million, such as Jobs Support Scheme, Spring Singapore Grant, Wage Credit Scheme, and Special Employment Credit, which increased from S$0.2 million in FY2019 to S$2.2 million in FY2020; and rental concession income of S$2.3 million, which was non-existent in FY2019.

Total expenses

On an aggregate basis, total expenses increased by S$7.9 million or 25.9% from S$30.5 million to S$38.4 million, in line with the increase in revenues of 23.4%. Please refer to the Offer Document for further information on our expenses.

Profit before income tax

Profit before income tax increased by approximately S$4.3 million or 314.8% from S$1.4 million in FY2019 to S$5.7 million in FY2020 as a result of the above.

Net profit for the financial year and net profit attributable to equity holders of the Company

Consequentially, net profit for the financial year and net profit attributable to equity holders of the Company increased by S$3.8 million or 323.4% and S$3.9 million or 373.1% respectively from S$1.2 million and S$1.0 million in FY2019 to S$5.0 million and S$4.9 million in FY2020. The increase in net profit margin from approximately 3.8% in FY2019 to 12.9% in FY2020 is mainly due to the increase in government grants of S$2.0 million and rental concession income of S$2.3 million in FY2020 which was non-existent in FY2019, partially offset by the negative impact of the COVID-19 pandemic on our F&B operations business and food court business.

Refer to *"Summary of our Financial Information", "Management's Discussion and Analysis of Results of Operations and Financial Position", "Appendix A – Independent Auditor's Report and the Audited Combined Financial Statements for the Financial Years Ended 31 December 2019, 2020, 2021", "Appendix B – Independent Auditor's Review Report and the Unaudited Interim Condensed Combined Financial Statements for the Six Months Period Ended 30 June 2022"* and *"Appendix C – Independent Auditor's Assurance Report and the Compilation of Unaudited Pro Forma Combined Financial Information for the Financial Year Ended 31 December 2021 and the Six Months Period Ended 30 June 2022" on pages 93 to 94, 95 to 109, A-1 to A-65, B-1 to B-35, and C-1 to C-14 respectively of the Offer Document for more information on our financial performance and position.*

FY2020 vs FY2021

Revenue

Our Group's revenue increased by approximately S$17.1 million or 43.9% from S$39.0 million in FY2020 to S$56.1 million in FY2021. This increase was mainly attributed to (i) an increase of S$12.4 million contribution from our franchise business due to more stores were in operation in FY2021; (ii) an increase of S$4.5 million contribution from our F&B operations business due to increase in the same store sales with the easing of Community Safe Management Measures in FY2021 as well as the replacement of lower-income Food Outlets with higher-income ones. As an illustration, 10 Food Outlets with average annual sales of S$0.3 million per store were closed in FY2021 and four (4) new Food Outlets with an average annual sales of S$0.7 million per store were opened in FY2021; and (iii) a marginal increase of S$0.2 million contribution from our food court business due to higher management service income from tenants with the easing of Community Safe Management Measures in FY2021 although one (1) food court was closed in FY2021 which caused a S$0.4 million decrease in revenue as compared to FY2020.

Total expenses

On an aggregate basis, total expenses increased by S$13.1 million or 33.9% from S$38.4 million to S$51.5 million, in line with the increase in revenues of 43.9%. Please refer to the Offer Document for further information on our expenses.

Profit before income tax

Profit before income tax increased by approximately S$3.9 million or 69.1% from S$5.7 million in FY2020 to S$9.6 million in FY2021 as a result of the above.

The material change in our franchise business' profit margin before income tax from 24.5% in FY2020 to 16.8% in FY2021 is mainly due to more online sales made during the Community Safe Management Measures period and lower fixed operating costs incurred in FY2020.

Net profit for the financial year and net profit attributable to equity holders of the Company

Consequentially, net profit for the financial year and net profit attributable to equity holders of the Company increased by S$4.1 million or 79.9% and S$4.0 million or 81.4% respectively from S$5.0 million and S$4.9 million in FY2020 to S$9.1 million and S$8.9 million in FY2021. The increase in net profit margin from approximately 12.92% in FY2020 to 16.15% in FY2021 is mainly due to increase in the same store sales with the easing of Community Safe Management Measures in FY2021 as well as the increase in efficiency and profitability of our Food Outlets.

1H2021 vs 1H2022

Revenue

Our Group's revenue decreased by approximately S$0.8 million or 3.1% from S$27.6 million in 1H2021 to S$26.8 million in 1H2022. This decrease was mainly attributed to (i) a decrease of S$2.4 million contribution from our franchise business due to decrease in the online sales and store sales for stores located in the heartlands with the further easing of Community Safe Management Measures leading to larger proportion of the population returning to work in the central business district and travelling overseas; and (ii) offset by an increase of S$1.1 million contribution from our F&B operations business due to two (2) more stores being in operation in 1H2022 in line with the expansion of our F&B operations business; and an increase of S$0.3 million in our food court business.

Other income

Other income decreased by S$1.2 million or 57.9% from S$2.1 million in 1H2021 to S$0.9 million in 1H2022. This decrease was due to the tapering off of the government grants received by our Group in relation to COVID-19.

Total expenses

On an aggregate basis, total expenses decreased only marginally by S$0.7 million or 2.7% from S$25.8 million to S$25.1 million. Please refer to the Offer Document for further information on our expenses.

Profit before income tax

Profit before income tax decreased by approximately S$1.4 million or 35.4% from S$4.0 million in 1H2021 to S$2.6 million in 1H2022 as a result of the above.

Profit before income tax of our franchise business decreased from S$2.9 million in 1H2021 to S$0.6 million in 1H2022 is due to decrease in the online sales and store sales for stores located in the heartlands with the further easing of Community Safe Management Measures leading to larger proportion of the population returning to work in the central business district and travelling overseas and higher fixed costs as the Group continued to expand the number of stores during FY2021.

<u>*Net profit for the financial year and net profit attributable to equity holders of the Company*</u>

Consequentially, net profit for the financial year and net profit attributable to equity holders of the Company decreased by S$1.4 million or 36.8% and S$1.3 million or 36.6% respectively from S$3.8 million and S$3.7 million in 1H2021 to S$2.4 million and S$2.4 million in 1H2022. The decrease in net profit margin from approximately 13.8% in 1H2021 to 9.0% in 1H2022 is mainly due to the tapering off of the government grants received by our Group in relation to COVID-19 as well as a decrease of revenue from our franchise business explained above.

REVIEW OF FINANCIAL POSITION

As at 31 December 2021 and 30 June 2022, shareholders' equity of our Group amounted to S$15.9 million and S$16.9 million respectively. The change was due to increase in retained profits from S$14.0 million as at 31 December 2021 to S$15.0 million as at 30 June 2022 while issued share capital remained unchanged at S$1.9 million. As at 31 December 2021 and 30 June 2022, non-controlling interests were S$0.5 million and S$0.4 million respectively.

REVIEW OF CASH FLOWS

In FY2019, our Group recorded net increase in cash and bank balances of S$1.3 million which was contributed by net cash provided by operating activities of S$5.9 million as a result of operating profit before reinvestment in working capital of S$7.1 million adjusted for working capital outflows of S$1.2 million and income tax paid of S$0.1 million, offset by net cash used in investing activities of S$2.3 million mainly for additions of property, plant and equipment and net cash used in financing activities of S$2.2 million in relation to repayment of lease liabilities, borrowings, interest and payment to directors.

In FY2020, our Group recorded net increase in cash and bank balances of S$3.1 million which was contributed by net cash provided by operating activities of S$10.5 million as a result of operating profit before reinvestment in working capital of S$11.3 million adjusted for working capital outflows of S$0.6 million and income tax paid of S$0.2 million, offset by net cash used in investing activities of S$1.6 million for additions of property, plant and equipment and net cash used in financing activities of S$5.8 million in relation to repayment of lease liabilities, borrowings, interest and payment to directors.

In FY2021, our Group recorded net increase in cash and bank balances of S$3.8 million which was contributed by net cash provided by operating activities of S$15.6 million as a result of operating profit before reinvestment in working capital of S$17.8 million adjusted for working capital outflows of S$1.7 million and income tax paid of S$0.5 million, offset by net cash used in investing activities of S$1.7 million mainly for additions of property, plant and equipment and net cash used in financing activities of S$10.1 million in relation to repayment of lease liabilities, borrowings, interest and payment to directors.

In 1H2021, our Group recorded net decrease in cash and bank balances of S$1.7 million which was due net cash used in investing activities of S$1.0 million mainly for additions of property, plant and equipment and net cash used in financing activities of S$5.3 million in relation to repayment of lease liabilities, borrowings, interest and payment to directors. These are offset by net cash provided by operating activities of S$4.6 million as a result of operating profit before reinvestment in working capital of S$7.4 million adjusted for working capital outflows of S$2.3 million and income tax paid of S$0.5 million.

In 1H2022, our Group recorded net increase in cash and bank balances of S$1.2 million which was contributed by net cash provided by operating activities of S$6.4 million as a result of operating profit before reinvestment in working capital of S$7.0 million adjusted for working capital outflows of S$0.6 million and income tax paid of S$0.1 million, offset by net cash used in investing activities of S$0.4 million mainly for additions of property, plant and equipment and net cash used in financing activities of S$5.5 million in relation to repayment of lease liabilities, borrowings, interest and payment to directors.

The above factors are not the only factors contributing to our financial performance in FY2019, FY2020, FY2021, 1H2021 and 1H2022. Please refer to the other factors set out in the section entitled "Management's Discussion and Analysis of Results of Operations and Financial Position" on pages 95 to 109 of the Offer Document.

INVESTMENT HIGHLIGHTS

WHAT ARE OUR BUSINESS STRATEGIES AND FUTURE PLANS?

Our business strategies and future plans for the growth and expansion of our businesses are as described below:

<u>Expand and strengthen our presence through opening of new outlets in Singapore and expanding our footprint in new markets overseas</u>

We intend to leverage our track record and the experience of our management team to expand our existing business in Singapore by establishing new outlets in strategic locations, increasing our business development activities, and attracting new customers to further broaden and diversify our customer base. We intend to increase our sales and marketing activities to generate a higher awareness of our portfolio of brands. We also intend to leverage on our established branding and market presence in Singapore to expand our operations overseas and digital access by our customers through the adoption of a mobile application.

Refer to "*General Information on our Group – Business Strategies and Future Plans*" on pages 149 to 150 of the Offer Document for more information on our business strategies and future plans.

<u>Continue to expand into more market segments by pursuing a multi-brand and multi-concept strategy</u> We intend to expand our F&B offerings into various complementary products to provide our customers with more options within our portfolio of brands. Leveraging on the success of our Group's operation of the CHICHA San Chen franchise in Singapore, we intend to seek additional franchise opportunities to enhance our current portfolio. In line with our plans to expand our scope of F&B offerings, we intend to provide our workers with the relevant skills through training and acquire the appropriate equipment and technology to enable us to efficiently and cost effectively produce such new F&B offerings. <u>Strengthen our supply chain capabilities</u> We intend to expand and upgrade our central kitchen and warehouse to increase its capacity and improve operational and cost efficiencies. The establishment of a larger central kitchen would enable us to increase the quantity of key ingredients and products which are procured, processed and prepared by our central kitchen for supply to our Food Outlets and reduce the manpower requirements for establishing new Food Outlets. The expansion of our central kitchen would also provide us with the capacity to offer central kitchen services to third parties, as an additional source of revenue for our Group. We also intend to acquire new commercial grade equipment and machinery to automate certain food production and packaging processes. In conjunction with our plans to expand and upgrade our central kitchen, we intend to continue to source for fresh, quality ingredients from a wider range of reliable supply sources to ensure that we will have a consistent supply of key ingredients, deepen our relationship with key supplier partners, and continue to explore potential strategic partnerships with such suppliers to ensure a stable supply of high-quality ingredients. <u>Expand our franchising and sub-franchising operations</u> We intend to leverage our existing market presence and brand recognition to franchise our diverse portfolio of brands to third parties. The franchising of our brands would enable our Group to expand our network of Food Outlets, leverage on our central kitchen capabilities, and to grow our presence in a cost-effective manner, while enabling our management team to focus on developing other aspects of our business. Additionally, pursuant to the terms of our Master Franchise Agreement, we intend to enter into sub-franchise agreements with third parties to further expand our network of CHICHA San Chen tea shops in Singapore. We also intend to grow our franchising business by expanding our portfolio of brands, both by securing new franchise rights for existing brands from third parties and developing new brands of our own to franchise to third parties. <u>Expand our business through strategic acquisitions and joint venture partnerships</u> We intend to accelerate the growth of our business operations and expand the scope of our F&B offerings by taking advantage of market opportunities to selectively engage in strategic acquisitions and joint venture partnerships. Depending on the available opportunities, feasibility and market conditions, we will leverage on our network and explore strategic acquisition and joint venture opportunities with parties in complementary businesses, with an established brand and market presence.	
WHAT ARE THE KEY TRENDS, UNCERTAINTIES, DEMANDS, COMMITMENTS OR EVENTS WHICH ARE REASONABLY LIKELY TO HAVE A MATERIAL EFFECT ON US?	
Based on the revenue and operations of our Group as at the Latest Practicable Date and barring unforeseen circumstances, our Directors have made the following observations for the financial period ending 31 December 2022 and for the 12 months from the Latest Practicable Date: (a) We expect an increase in revenue mainly due to the opening of new Food Outlets in Singapore as well as increased contribution from our existing Food Outlets. We expect our growth to continue to be underpinned by consumer demand for dining out or food services due to the busy lifestyle of consumers in Singapore. (b) As with other businesses in Singapore, we expect to face inflationary pressures and a general trend of increase in the costs of our food ingredients and other overheads such as utilities. (c) We expect the costs of our manpower to increase with the reduction in the supply and/or quota of foreign employees that companies in Singapore are permitted to employ and the travel restrictions imposed as a result of the COVID-19 outbreak. (d) Coupled with the ongoing compliance costs of a public listed company and our one-time listing expenses in connection with the Placement, we expect our financial performance in FY2022 to be affected by additional compliance costs and expenses.	Refer to "*General Information on Our Group – Trend Information*" on page 153 of the Offer Document.

The above are not the only trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on us. Please refer to the other factors set out in the sections entitled "Risk Factors", "Management's Discussion and Analysis of Results of Operations and Financial Position", "General Information on Our Group – Business Strategies and Future Plans" and "General Information on Our Group – Prospects" on pages 35 to 65, 95 to 109, 149 to 150 and 150 to 152 respectively of the Offer Document. Please also refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" on pages 14 to 15 of the Offer Document.

WHAT ARE THE KEY RISKS WHICH HAD MATERIALLY AFFECTED OR COULD MATERIALLY AFFECT US AND YOUR INVESTMENT IN OUR SECURITIES?

We set out below a summary of what we consider to be the most important key risks which had materially affected or could materially affect our business operations, financial position and results, and your investment in our Shares.

Refer to *"Risk Factors"* on pages 35 to 65 of the Offer Document for more information on risk factors.

We are dependent on labour

Our business is labour-dependent, has a high turnover rate, and we rely on skilled and experienced local and foreign employees for our operations. We may experience shortage of manpower from time to time. Our ability to serve our customers quality food and provide good customer service depends on our ability to secure adequate and suitable employees for our operations. There is no assurance that we will continue to be able to employ adequate and suitable employees, that our employees will perform up to our expectations, or that we will not experience a high attrition rate due to factors beyond our control. As our Group continues to grow, we will need to employ additional qualified management personnel to manage our expanded business. Competition for such qualified personnel may be fierce and there is no assurance that we will be able to hire and retain an adequate number of such qualified personnel in the future. In the event that we are required to substantially increase compensation levels to attract, retain and motivate skilled and experienced employees and qualified management personnel, our labour costs may increase significantly.

The number of foreign workers we may hire is subject to the dependency ratio ceiling ("**DRC**") prescribed by MOM. The Singapore Government has in recent years repeatedly reduced the DRC and the S Pass Sub-DRC for the services sector, which reduces our ability to employ foreign workers, and in turn requires us to hire more local workers to meet our operational needs. Our ability to source for foreign workers may also be affected by the laws, regulations, and policies of their countries of origin. Such laws, regulations and policies, changes thereto or the introduction of additional requirements and/or restrictions by their local authorities may affect the supply of foreign labour from such countries.

We may not be able to hire sufficient local workers as the F&B industry tends to be less popular among local workers. In addition, the F&B industry generally suffers from a high turnover rate and there is a constant demand for new workers to replace workers leaving the industry. Further, our workers may choose to terminate their employment with us and work for other employers for reasons such as proximity of the work location to their place of residence and familiarity of the work environment.

While our workforce is currently sufficient for our scale of operations and we have not experienced any labour shortage that has had a material and adverse effect on our business, there is no assurance that we will be able to maintain the size of our workforce in the future or grow our workforce to meet any increase in business. If we are unable to employ sufficient workers on terms acceptable to us or at all, our business, financial condition and results of operations may be materially and adversely affected.

Our business may be affected by any increase in labour costs

Staff costs form a large component of our total expenses. Such costs are dependent on different factors such as government policies and the conditions of the labour market. Government policies affecting labour costs include the DRC, foreign worker levies, border control policies in response to the COVID-19 pandemic and the progressive wage model. Changes in such policies may lead to an increase in our labour costs which may result in our business, financial condition and results of operations being materially and adversely affected.

We are subject to foreign worker levies on each work permit holder and S Pass holder we hire. The applicable levy rate varies based on the percentage of our total workforce such foreign workers comprise. Increases in the tier 1 levy rate for S pass holders, to take effect in stages between September 2022 and September 2025, were announced in February 2022. There is no assurance that the Singapore Government will not further increase the levy rates in future. Any such increase in levy rates would result in an increase in our labour costs.

As the F&B industry tends to be less popular among local workers, we are generally required to offer higher compensation packages to attract local workers. Any reduction in our ability to employ foreign workers, will require our Group to hire more local workers to meet our operational needs and, consequently, result in an increase in our labour costs. The PWM sets out minimum salaries for local workers in specific economic sectors in various roles along a career and skills progression framework, and encompasses specific wage ladders tailored for each industry sector. From 1 March 2023, the PWM would be extended to the food services sector. The PWM covers all Singapore citizen and permanent resident workers, which makes up approximately 75.2% of our workforce as at the Latest Practicable Date. The extension of the PWM to the food services sector will result in an increase in our labour costs.

There is no assurance that we will be able to pass on any increase in labour costs (whether arising from any of the above factors or otherwise) to our customers without compromising on our competitiveness. Any increase in labour costs that we are unable to pass on to our customers may result in our business, financial condition and results of operations being materially and adversely affected.

We rely on our Master Franchise Agreement

Pursuant to the terms of our Master Franchise Agreement, we were granted a franchise and licence to operate outlets under the "CHICHA 3000" brand in Singapore for a term of 10 years from 14 January 2019. As at the date of the Offer Document, we operate all 30 CHICHA San Chen tea shops in Singapore through our subsidiaries. The terms of the Master Franchise Agreement permit the franchisor to unilaterally modify or change certain aspects of the franchise and licence. In the event we breach the terms of the Master Franchise Agreement and/or fail to rectify such breach within the time period specified by the franchisor, the franchisor is entitled to unilaterally terminate the Master Franchise Agreement. We have implemented various measures to monitor and ensure compliance with our obligations under the Master Franchise Agreement. Notwithstanding this, from time to time, we have breached the terms of our Master Franchise Agreement. While no action has been taken against our Group by the franchisor in connection with such matters, there is no assurance that this will continue to be the case for any further breaches of our Master Franchise Agreement. Breaches of the Master Franchise Agreement also entitle the franchisor to claim against us for a penalty amount as well as compensation for losses and expenses. In the event that the Master Franchise Agreement is terminated for any reason, we must cease operating our CHICHA San Chen tea shops and terminate our subfranchise agreements under the CHICHA San Chen brand. In the event that we breach the Master Franchise Agreement, we may also be liable to pay damages to the franchisor. In such events, our business, financial condition and results of operations may be materially and adversely affected.

Pursuant to the terms of the Master Franchise Agreement, we are required to seek prior consent from the franchisor for the appointment of any sub-franchisees, the location of any CHICHA San Chen outlets established under the Master Franchise Agreement, and the terms of any sub-franchise agreements entered into for the CHICHA San Chen brand. There is no assurance that the franchisor will continue to grant such consent in respect of any future sub-franchise arrangements. Pursuant to the terms of the Master Franchise Agreement, we are required to purchase certain ingredients and equipment from the franchisor or from its designated suppliers. There is no assurance that the franchisor or its designated suppliers will not revise the terms on which such supplies are made available to us.

The Master Franchise Agreement is renewable by negotiation between the parties thereto based on criteria prescribed therein. Upon expiry of the Master Franchise Agreement, in the event we are required to pay substantially higher fees to the franchisor, or if we are unable to negotiate the renewal of the Master Franchise Agreement on terms acceptable to us or at all, our business, financial condition and results of operations may be materially and adversely affected.

We may not be successful in operating our Food Outlets and CHICHA San Chen tea shops effectively

The financial performance of our Food Outlets and CHICHA San Chen tea shops is dependent on various factors, including (i) our ability to maintain and enhance the quality of our products and services; (ii) our ability to retain existing customers and attract new customers; (iii) our ability to implement new initiatives to drive sales and to continuously increase same store sales; (iv) our ability to seize market opportunities and to adapt to changing consumer tastes and preferences; (v) our ability to maintain good relationships with third-party suppliers, service providers and strategic partners; (vi) our ability to hire, train and retain talented employees; and (vii) our ability to manage costs of our operations.

If we are unable to successfully manage the foregoing factors, some of which may be beyond our control, the operations of our Food Outlets and CHICHA San Chen tea shops may be disrupted, resulting in a material and adverse effect on our business, financial condition and results of operations.

We depend on the strength of our reputation, brands and intellectual property

We believe that we have established a reputation as a leading F&B establishment in Singapore, with key brand names recognisable by the general public.

We believe that our trademarks have considerable value and are important to our brand-building efforts and the marketing of our dining concepts. We have registered or applied to register trademarks for "Yu Kee" and "Yew Kee". There is no assurance that our applications for registration of our trademarks which remain pending will be approved.

It is possible that third parties may adopt trade service names similar to our trademarks which are registered or pending registration. It is also possible that third parties may register trademarks identical or similar to ours overseas which may create barriers to entry in such markets for our Group in the future. If any of our trademarks is infringed or if our trademark applications are challenged or revoked or if we are unsuccessful in enforcing our intellectual property rights in legal proceedings at a reasonable cost, or at all, or if such legal proceedings result in monetary liability in the form of damages and/or prevent us from further using our trademarks, our business, financial condition and results of operations may be materially and adversely affected. Unauthorised or incorrect use of our brands, trademarks or variants by our partners or other third parties, may harm our reputation, and if any of our trademarks is infringed, we may not be able to succeed in legal proceedings to enforce our intellectual property rights at a reasonable cost or at all.

The intellectual property of the "CHICHA San Chen" brand under which we operate our CHICHA San Chen tea shops is owned by our franchisor, Fang Yuan. Our franchising and sub-franchising business is therefore reliant on the reputation, brands and intellectual property (including trademarks) of our franchisor. In the event there is any failure by our franchisor to defend its intellectual property against infringements in legal proceedings or otherwise, or if our franchisor suffers any reputational damage, the brand image of our CHICHA San Chen tea shops may deteriorate, and our business, financial condition and results of operations may be materially and adversely affected.

The above are not the only risk factors that had a material and adverse effect or could have a material and adverse effect on our business operations, financial position, results of operations and/or prospects, and your Shares. Please refer to the section entitled "Risk Factors" on pages 35 to 65 of the Offer Document for a discussion on other risk factors and for more information on the above risk factors. Prior to making a decision to invest in our Shares, you are advised to apprise yourself of all factors involving the risks of investing in our Shares from your professional advisers before making any decision to invest in our Shares, and you should also consider all the information contained in the Offer Document.

WHAT ARE THE RIGHTS ATTACHED TO THE SECURITIES OFFERED?

As at the date of the Offer Document, the issued and paid-up share capital of our Company is S$2,158,750 comprising 355,000,000 Shares. Upon the allotment and issue of the New Shares and the Cornerstone Shares, the resultant issued and paid-up share capital of our Company will be S$15,374,750 comprising 425,000,000 Shares, after taking into account the capitalisation of the expenses in relation to the Placement and the issue of the Cornerstone Shares.

We have only one (1) class of Shares, namely ordinary shares. The Placement Shares and the Cornerstone Shares will, upon allotment and issue, rank pari passu in all respects with the existing issued and paid-up Shares. Subject to the Constitution, Shareholders will be entitled to all rights attached to their Shares in proportion to their shareholding, such as any cash dividends declared by our Company and any distribution of assets upon liquidation of our Company. There are no restrictions on the transfer of the fully paid-up Shares except where required by law, the Catalist Rules or our Company's Constitution.

Refer to "Share Capital" and "*Appendix E – Description of our Shares*" on pages 86 to 88 and E-1 to E-7 respectively of the Offer Document for more information on the Placement Shares.

HOW WILL THE PROCEEDS OF THE OFFER BE USED?

The total gross proceeds to be raised from the Placement (comprising the New Shares and the Vendor Shares and the issue of the Cornerstone Shares) will be approximately S$19.8 million. The estimated net proceeds to be raised from the Placement and the issue of the Cornerstone Shares, after deducting the placement commission and estimated listing expenses, is approximately S$17.5 million, of which approximately S$12.0 million will be due to our Company and approximately S$5.5 million will be due to the Vendor. We will not receive any of the proceeds from the sale of the Vendor Shares.

The allocation of each principal intended use of proceeds and the estimated listing expenses is set out below:

	Amount (S$'000)	Estimated amount for each dollar of the gross proceeds from the Placement and the issue of the Cornerstone Shares (cents)
Use of proceeds from the Placement and the issue of the Cornerstone Shares		
Expansion of our business[(1)]	10,000	71.43
Working capital	2,035	14.53
Net proceeds from the Placement	12,035	85.96
Total listing expenses[(1)]	1,965	14.04
Total	14,000	**100.00**

Note:

(1) Please refer to the Offer Document for details.

Refer to "*Use of Proceeds and Listing Expenses*" on pages 66 and 67 of the Offer Document for more information on our use of proceeds.

WILL WE BE PAYING DIVIDENDS AFTER THE OFFER?	
The Company does not have a fixed dividend policy. Notwithstanding this, subject to the below, our Directors intend to recommend and distribute dividends of a minimum of 50.0% of our net profit attributable to shareholders of the Company in respect of FY2023 and FY2024 ("**Proposed Dividends**"). Investors should note that all the foregoing statements, including the statements on the Proposed Dividends, are merely statements of our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modification (including reduction or non-declaration thereof) at our Directors' sole and absolute discretion. The form, frequency and amount of future dividends that our Directors may recommend or declare in respect of any particular financial year or period will be subject to any factors deemed relevant by our Directors.	Refer to *"Dividend Policy"* on pages 75 to 78 of the Offer Document for more information on our dividend policy.

DEFINITIONS

In this Product Highlights Sheet, unless the context otherwise requires, the following definitions apply:

Companies within our Group

"Company"	:	YKGI Limited. The terms "we", "our", "our Company" or "us" have correlative meanings
"Group"	:	Our Company and our subsidiaries as at the date of this Offer Document

Other Corporations and Agencies

"Fang Yuan"	:	Fang Yuan F&B International Co., Ltd.
"MAS"	:	Monetary Authority of Singapore
"NEA"	:	National Environment Agency of Singapore
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Seah & Family" or "Vendor"	:	Seah & Family Pte. Ltd.

General

"1H"	:	The six (6)-month financial period ended 30 June
"Award Shares"	:	Shares transferred or new Shares which may be allotted and issued from time to time pursuant to the vesting of the Awards which may be granted under the Plan
"Board"	:	The board of directors of our Company as at the date of the Offer Document
"Catalist Rules"	:	Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended, modified or supplemented from time to time
"Controlling Shareholder"	:	As defined in the Catalist Rules, a person who (a) holds directly or indirectly 15.0% or more of the aggregate of the nominal amount of all the voting shares in our Company (unless otherwise determined by the SGX-ST); or (b) in fact exercises control over our Company
"Cornerstone Investors"	:	Mr. Teo Kee Bock and Huan Yong Group Pte. Ltd.
"Cornerstone Shares"	:	The new Shares to be subscribed for by the Cornerstone Investors
"Directors"	:	The directors of our Company as at the date of the Offer Document, unless otherwise stated
"Executive Officers"	:	The executive officers of our Group as at the date of the Offer Document, unless otherwise stated
"F&B"	:	Food and beverage
"Food Outlets"	:	Food stalls, standalone food shops and hawker stalls
"FY"	:	Financial year ended or ending 31 December, as the case may be
"Latest Practicable Date"	:	18 December 2022, being the latest practicable date prior to the lodgement of this Offer Document with the SGX-ST, acting as agent on behalf of the MAS
"NAV"	:	Net asset value
"New Shares"	:	The 53,750,000 new Shares for which our Company invites applications to subscribe for pursuant to the Placement
"Offer Document"	:	The offer document dated 26 January 2023 issued by our Company in respect of the Placement

"Option Shares"	:	The Shares which may be allotted and issued and/or transferred upon the exercise of the Options granted pursuant to the employee share option scheme of our Company
"Period Under Review"	:	The period which comprises FY2019, FY2020, FY2021 and 1H2022
"Placement"	:	The placement of the Placement Shares by the Placement Agent on behalf of our Company for subscription at the Placement Price, subject to and on the terms and conditions of this Offer Document
"Placement Shares"	:	The Placement Shares which are the subject of the Placement
"Restructuring Exercise"	:	The corporate restructuring exercise undertaken in connection with the Placement, as described in the section entitled "Restructuring Exercise" of the Offer Document
"Shareholders"	:	Registered holders of Shares, except where the registered holder is the Central Depository (Pte) Limited, the term "Shareholders" shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with Shares
"Shares"	:	Ordinary shares in the capital of our Company
"S$" or "cents"	:	Singapore dollars and cents respectively, the lawful currency of Singapore
"Vendor Shares"	:	Shares for which the Vendor invites applications to purchase pursuant to the Placement
Name used in this Product Highlights Sheet	:	**Name in National Registration Identity Card / Passport**
Mr. Benjamin Zhu	:	Zhu Peng
Mr. Douglas Koh	:	Koh Kew Siong
Mr. Eric Seow	:	Seow Tat Khoon
Mr. James Wong	:	Wong Fook Sung

CONTACT INFORMATION

WHO CAN YOU CONTACT IF YOU HAVE ENQUIRIES RELATING TO OUR OFFER?

HOW DO YOU CONTACT US?

The Issuer	:	**YKGI LIMITED**
Registered office	:	30 Cecil Street #19-08 Prudential Tower Singapore 049712
Principal place of business	:	32 Woodlands Terrace Singapore 738452
Telephone No. / Facsimile No.	:	(65) 6555 6992 / (65) 6753 3039
Website address / Email address	:	https://www.ykgi.com.sg / info@ykgi.com.sg

Information contained on our website does not constitute part of the Offer Document or this Product Highlights Sheet and should not be relied on.

Issue Manager and Full Sponsor	:	**RHT CAPITAL PTE. LTD.**
Address	:	36 Robinson Road #10-06 City House Singapore 068877
Telephone No.	:	(65) 6381 6966
Joint Placement Agent	:	**EVOLVE CAPITAL ADVISORY PRIVATE LIMITED**
Address	:	138 Robinson Road #13-02 Oxley Tower Singapore 068906
Telephone No.	:	(65) 6241 6626
Joint Placement Agent	:	**KGI SECURITIES (SINGAPORE) PTE. LTD.**
Address	:	4 Shenton Way #13-01 SGX Centre 2 Singapore 068807
Telephone No.	:	(65) 6202 1188