



**Securities Investors Association (Singapore)**

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UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Kimly Limited

**Security:** Kimly Limited

**Meeting details:**

Date: 30 January 2019

Time: 2.00 p.m.

Venue: The Grassroots' Club, 190 Ang Mo Kio Avenue 8, Singapore 568046

**Company Description**

Kimly Limited, an investment holding company, operates coffee shops, food courts, and food stalls in Singapore. The company's Outlet Management segment engages in the sale of food, beverages, and tobacco products; leasing of food outlet premises to tenants; and provision of cleaning and utilities services to tenants, as well as management services to third party coffee shops. It operates and manages 60 coffee shops and 4 industrial canteens under the Kimly brand and third party brands; and 4 food courts under the foodclique brand. The company's Food Retail segment is involved in the retailing of cooked food directly to consumers through the company operated Mixed Vegetable Rice, Rice Garden, Teochew Porridge, Dim Sum, Zi Char (Seafood), and Live Seafood Restaurant stalls. This segment operates 129 stalls comprising 28 Mixed Vegetable Rice stalls, 18 Rice Garden stalls, 49 Dim Sum stalls, 30 Seafood Zi Char stalls, 3 Teochew Porridge stalls, and 1 Live Seafood restaurant stall. The company also provides management services to third party coffee shops. Kimly Limited was founded in 1990 and is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=1D0](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1D0))

1. Would the board/management provide shareholders with better clarity on the following strategic, financial and operational matters? Specifically:

- (i) **Network of outlets:** The group has 67 food outlets at the end of the financial year ended 30 September 2018. There are plans to add “three to five new outlets each year”. The group is also looking to secure more outlets through the newly introduced “Price Quality Model (“PQM”)” which reduces the pressure on price competition. **For each new food outlet that is acquired, how long would it take for the outlet to breakeven?**
- (ii) **Underperforming food outlets:** The group closed two underperforming food outlets in Ang Mo Kio and Jalan Sultan. **Has the group reviewed the key success factors for its food outlets? What were the reasons that the two outlets were underperforming? Has the group further refined its site selection process?**
- (iii) **Restaurants and confectionery business:** The acquisition of Tonkichi and Rive Gauche has added new income streams to the group. **Would management help shareholders understand how synergistic is the acquisition of restaurants and confectionery business to the group’s core business?**
- (iv) **Food safety:** Food safety is a topmost priority for the group especially with the expansion of its network and the increased use of a central kitchen. **How does management ensure that food safety standards and practices are maintained? What are the safeguards and early detection mechanism that are put in place to ensure that all the stakeholders along the food value chain (starting from suppliers, food handlers to food outlets and stalls) play their part and handle food appropriately?**

2. In the message to shareholders, it was disclosed that the group had made a strategic move to expand its product offerings by acquiring the restaurants and confectionery business from Sapporo Lion (S) Pte. Ltd.

- (i) **Can the company confirm that it did not make an announcement on SGXNet regarding the acquisition of the restaurant and confectionery businesses?**
- (ii) **Would the board consider it prudent to update the market, especially its shareholders, on the strategic acquisition?**

The new businesses, Tonkichi and Rive Gauche, with 2 restaurants and 9 outlets respectively, were acquired on 16 July 2018 for a cash consideration of \$1.82 million, as disclosed in Note 15 (page 113 – Investment in subsidiaries). From the date of acquisition, the new businesses contributed \$1.856 million in revenue and losses of \$(117,000).

- (iii) **Would management help shareholders understand if either Tonkichi or Rive Gauche would have been profitable on a standalone basis?**

- (iv) The group also recognised an intangible asset (brands) of \$922,000 in the acquisition. The intangible asset accounted for over half the purchase price. What were the key assumptions in management’s projections/forecast of the performance of Tonkichi and Rive Gauche?**
- (v) Can the board/management help shareholders understand their experience in valuing restaurants/bakery business?**
- (vi) What guidance has the board given to management in its negotiation and deal structuring to help the group avoid overpaying for its acquisitions?**

3. On 29 November 2018, the executive chairman and executive director informed the board that they have received letters dated 22 November 2018 from the Commercial Affairs Department (“CAD”) and the Monetary Authority of Singapore (“MAS”) requesting for the provision of certain documents and equipment, among others, IT equipment.

On 4 December 2018, the executive chairman and executive director further informed the board that they attended at CAD and were released on bail after being arrested for having been concerned, or reasonably suspected of being involved in, an offence under Section 199 of the Securities and Future Act, Chapter 289 of Singapore (“SFA”).

Section 199 deals with dissemination of information that is false or misleading which is likely to induce other persons to subscribe for securities, or the sale or purchase of securities by other persons or impacting market price of securities.

At the company’s Annual general meeting scheduled to be held on 30 January 2019, Mr Lim Hee Liat, being a director who retires by rotation pursuant to Regulation 112 of the Constitution of the company, is seeking his re-election.

The nominating committee has recommended Mr Lim to be re-elected as a director of the company.

- (i) In view of the investigations by CAD and MAS, and having being released on bail after being arrested for having been concerned, or reasonable suspected of being involved in, an offence under Section 199 of the SFA, did the NC evaluate the suitability and the ability of Mr Lim to lead as executive chairman of the company if he were re-elected?**
- (ii) Has the group’s business and ability to win tenders been affected by the investigations and the arrest of the executive chairman and executive director?**
- (iii) Mr Ong Eng Sing, a former non-executive director of the company, was also the subject of CAD & MAS’ request on 29 November 2018. As the lead independent director, Mr Ter Kim Cheu, is the uncle of Mr Ong Eng Sing, has the NC re-evaluated Mr Ter’s independence? Would Mr Ter be recusing himself on matters related to the investigation by CAD and MAS? If so, would it be**



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**more appropriate to appoint another lead independent director given the circumstances?**

A copy of the questions for the Annual Report for the financial year ended 30 September 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Kimly%20Ltd>

The company's response could be found here: -----