Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Kimly Limited

Stock code: 1D0

Meeting details:
Date: 26 January 2022
Time: 3.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. Would the board/management provide shareholders with greater clarity on the operational and financial matters, especially relating to the COVID-19 pandemic? Specifically:

(i) **What is the level of oversight (and ownership) by the board and the senior management team to ensure that all safe management measures are implemented at the outlets and in the coffeeshops?**

(ii) **What is the estimated reduction in the seating capacities at the group's coffeeshops and outlets? Has management observed if takeaway and delivery sales have more than compensated for the decrease in dining-in revenue in its outlets and coffeeshops?**

(iii) **Can management elaborate further on (and quantify) the success of the group's new Halal themed coffeeshop, Kedai Kopi?** As disclosed in the message to shareholders, following the success of the first Kedai Kopi that was opened in December 2020 at Clementi, the group opened a second Kedai Kopi outlet in July 2021 in Haig Road. **Are there plans to scale up the Kedai Kopi concept significantly? How critical is the halal food market in the group's strategic growth plans? Is the group ready to venture into the halal food business in South-east Asia? If so, what are the targeted markets and what is the market entry strategy?**

(iv) **With nearly four months of ownership of Tenderfresh, has the acquisition performed up to management's expectations? Was the Tenderfresh business positively or negatively affected by the pandemic? Does management expect Tenderfresh to benefit substantially as the economy re-opens and as COVID-19 measures are dialled back?** As shown in Note 35 (pages 160 & 161 – Events occurring after the reporting period), the acquisition of Tenderfresh amounted to $54 million, with $34 million paid in cash. In addition, provisional goodwill of $38.08 million will be recognised.

(v) Also, under the group's Outlet Revitalisation Program, six of the existing coffeeshops were refurbished, revitalised and upgraded in FY2021. Amenities were upgraded and the floor areas were extended. **What is the targeted ROI on the group's Outlet Revitalisation Program? How many more coffeeshops will be revitalised in FY2022 and FY2023?**

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(vi) The group received grant income under the Jobs Support Scheme ("JSS") of $13,545,000 (2020: $7,229,000) (page 103). The JSS was introduced by the government to provide wage support to employers to help them retain their local employees during the period of economic uncertainty during the pandemic. For FY2021, the group recorded a 55.7% jump in net attributable profit to $39.3 million from $25.2 million in FY2020. **Can the board help shareholders understand if it had adjusted the JSS grant and other rebates from the consolidated profit before tax when calculating the performance bonus for the executive directors? If not, would it be appropriate to do so given that the intent of the JSS was to provide wage support to retain employees during COVID-19?** The remuneration table of the three executive directors can be found on page 47 of the annual report. The remuneration of two of the directors appeared to have increased by as much as $500,000 each (based on the remuneration bands) and the bonus component has also increased from 60-66% in FY2020 to 75-76% in FY2021.

Q2. The group's milestones can be seen on page 5 of the annual report. In the past two years, the group has made several significant acquisitions, including:

- 6 food outlet properties (two coffee shops, three industrial canteen units and a restaurant)
- 25% partnership interest in North View Investments LLP (which holds the coffeeshop property at 925 Yishun Central 1)
- Ang Mo Kio 347 coffeeshop
- Clementi 380 coffeeshop
- 60% interest in Klovex Holdings Pte. Ltd. (hygiene and cleaning related services)
- 75% interest in Tenderfresh (for $54 million)

The acquisitions of outlets follow the group's diversification to include the outlet investment business. As noted in the message to shareholders, the group's portfolio has now expanded to 85 food outlets (from 68 at IPO) and 148 (from 129) food stalls/restaurants/shops.

Information of the operating segments can be seen in Note 31 (page 150 – Segment information). The outlet investment business generated segment profit of $1.76 million (or 4% of the group's profit) when the segment assets amounted to $71.1 million (or 21.8% of the group's assets).

(i) **How much more capital will the group allocate to the outlet investment business segment? What is the targeted size for this capital-intensive segment?**

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(ii) **What is the view of the board/management on the property market (i.e. valuation of the coffee shops) given that interest rates seem to be rising?**

(iii) **Will the group's profitability ratios (such as ROI, ROE) be affected as the group scales up the capital-intensive, lower returns outlet investment business?**

While the group has cash and cash equivalent of $95 million, there are approximately $24 million in borrowings and $123 million in lease liabilities. An additional $34 million would have been paid as consideration for the Tenderfresh acquisition on 1 October 2021. On a full year basis, a dividend of 2 cents per share would amount to more than $24 million.

(iv) **Has the board/management evaluated the optimal capital structure to support the group's growth? Will the company's ability to maintain/increase its dividends be affected as the group scales up the outlet investment business segment?**

(v) **How much more acquisition headroom does the group have before it reaches any internal limits on gearing set by the board?**

(vi) **What is the level of involvement in the due diligence by the board in its major acquisitions of assets and businesses?** The company had previously made an acquisition in 2018 which was later rescinded. **Since then, what improvement have the directors made to its board approval process for its acquisitions (including commercial and legal due diligence)?**

Q3. On 11 November 2021, the company redesignated Mr Lau Chin Huat as the independent chairman of the board. Ms Wong Kok Yoong was also redesignated from finance director to executive director, along with the appointments of Mr. Yeo Yien Gee Ronnie and Mr. Chua Yong Chuan Kelvin as executive officers and Ms Lin Meiqi as financial controller.

On the same day, the company announced the resignations of Mr. Lim Hee Liat and Mr. Chia Cher Khiang as "executive chairman" and "executive director and chief executive officer" respectively. Both Mr. Lim and Mr. Chia informed that thy have been charged for an offence under Section 331(1) read with Section 204(1) of the Securities and Futures Act, Chapter 289 of Singapore. Additionally, Mr. Lim has been separately charged under Section 156(1) read with Section 156(15) of the Companies Act, Chapter 50 of Singapore.

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The board has requested both Mr. Lim and Mr. Chia to remain as employees of the company to assist and facilitate the board and management in the transition.

(i) **Can the company clarify if the executive director, Ms. Wong Kok Yoong Karen, is the de facto CEO and she has the P&L responsibilities, manages the day-to-day operations with the assistance of the senior management team and is responsible for driving the group's strategic growth?** Ms. Wong was previously the CFO and the finance director of the company from June 2016 to November 2018. She has been in various audit and financial roles since 2005.

(ii) **What are the current roles and responsibilities of Mr. Lim Hee Liat and Mr. Chia Cher Khiang as the board has requested both of them to remain as employees of the group to assist and facilitate the board and management in the transition?**

In the regulatory update[1] (as part of the company's announcement dated 11 November 2021), the company has stated that it has received all consideration previously paid to the vendor and that for the avoidance of doubt, the company "has not suffered any loss whatsoever".

(iii) **Has the company considered if the group has suffered from reputation loss as a result of the acquisition and subsequent rescission of Asian Story Corporation Pte. Ltd.?**

(iv) In addition, the group received quoted equities with a market value of $1,653,650.23 instead of cash as settlement from the vendor. **Has the company liquidated the quoted equity securities received? If so, did the company suffer any market losses subsequent to the transfer (and prior to the sale of the equities)? Did the company incur additional costs (i.e, commissions) to liquidate the quoted equity securities?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time,

[1] https://links.sgx.com/FileOpen/Kimly%20-%20Annc%2011%20Nov%2021.ashx?App=Announcement&FileID=690315
^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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