K2 F&B Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2108)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of Directors (the "**Directors**") of K2 F&B Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 (the "**FY2019**") together with the comparative figures for the year ended 31 December 2018 ("**FY2018**"), which have been reviewed by the audit committee of the Company (the "**Audit Committee**"), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** *S$'000*	2018 *S$'000*
Revenue	*5*	**42,004**	44,995
Fair value gain of investment properties		**5,149**	2,050
Other income, gains and losses, net	*6*	**194**	202
Cost of inventories consumed		**(16,469)**	(17,179)
Staff costs		**(11,741)**	(11,517)
Property rentals and related expenses		**(4,304)**	(6,226)
Management, cleaning and utilities expenses		**(1,761)**	(1,732)
Depreciation on property, plant and equipment		**(381)**	(367)
Depreciation on right-of-use assets		**(1,020)**	–
Listing expenses		**(2,125)**	(2,265)
Other operating expenses		**(2,707)**	(2,363)
Finance costs	*7*	**(1,378)**	(1,228)
Profit before taxation	*8*	**5,461**	4,370
Taxation	*9*	**(303)**	(371)
Profit for the year		**5,158**	3,999
Other comprehensive income, net of tax		**–**	–
Profit and total comprehensive income for the year		**5,158**	3,999
Earnings per share			
Basic and diluted (in Singapore cents)	*11*	**0.67**	0.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** **S$'000**	2018 S$'000
Non-current assets			
Investment properties		**104,300**	83,650
Property, plant and equipment	*12*	**6,747**	2,118
Right-of-use assets		**1,619**	–
Deposits paid		**320**	225
		112,986	85,993
Current assets			
Inventories		**152**	161
Trade and other receivables	*13*	**1,064**	532
Prepayments and deposits paid		**1,979**	3,243
Other financial assets		**676**	664
Pledged bank deposit		**15**	15
Cash and cash equivalents		**11,688**	4,911
		15,574	9,526
Current liabilities			
Trade payables	*14*	**2,464**	2,766
Accruals, other payables and deposits received		**2,752**	3,533
Borrowings		**3,535**	6,458
Lease liabilities		**1,072**	–
Tax payables		**222**	674
		10,045	13,431
Net current assets/(liabilities)		**5,529**	(3,905)
Total assets less current liabilities		**118,515**	82,088
Non-current liabilities			
Borrowings		**52,616**	44,934
Lease liabilities		**568**	–
Deposits received		**189**	259
		53,373	45,193
Net assets		**65,142**	36,895
Capital and reserves			
Share capital		**1,381**	–*
Reserves		**63,761**	36,895
Total equity		**65,142**	36,895

* *The balance represents an amount less than S$1,000.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

K2 F&B Holdings Limited (formerly known as K2 Capital Investment Holdings Limited) (the "**Company**") was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 March 2018. Its parent company is Strong Oriental Limited which is incorporated in the British Virgin Islands. The shares of the Company have been listed on the Main Board (the "**Main Board**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 6 March 2019. The registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The headquarters and principal place of business in Singapore is located 51 Ubi Avenue, #02-17/18 Paya Ubi Industrial Park, Singapore 408933.

The Company is an investment holding company. The principal activities of its subsidiaries are principally engaged in the leasing, outlet and stall management. The consolidated financial statements are presented in Singapore dollars ("**S$**"), which is the functional currency of the Company. All values are rounded to the nearest thousand ("**S$'000**"), except when otherwise indicated.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparation for the initial listing of the Company's shares on the Main Board, the companies comprising the Group underwent a group reorganisation (the "**Reorganisation**") as set out in the section headed "History, Reorganisation and Group Structure" to the Company's prospectus dated 21 February 2019 (the "**Prospectus**"), whereupon the Company became the holding company of the companies now comprising the Group and the listing vehicle of the Group on 5 September 2018. The companies now comprising the Group were under the control of subsidiaries before and after the Reorganisation. Accordingly, the consolidated financial statements have been prepared on the basis by applying the principles of merger accounting, as if the Reorganisation has been completed at the beginning of FY2018.

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board ("**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows include the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence throughout FY2018 or since their respective date of incorporation, where there is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2018 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Reorganisation had been in existence as at those dates, taking into account the respective dates of incorporation.

All intra–group transactions and balances have been eliminated on consolidation.

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the IASB for the first time in the current year:

IFRS 16	Leases
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRIC-Int 23	Uncertainty over Income Tax Treatment
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
IFRSs (Amendments)	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("**IAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not applying this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed its contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

As a lessee

The Group has applied IFRS 16 and modified retrospectively with the cumulative effect recognised at the date of the initial application on 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 in transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts;

(i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of the initial application;

(ii) excluded initial direct costs from measuring the right-of-use assets at the date of the initial application;

(iii) applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environments. Specifically, a discount rate for certain leases of food centres was determined on a portfolio basis;

(iv) applied hindsight based on facts and circumstances as at date of the initial application in determining the lease term for the Group's leases with extension and termination options; and

(v) relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review.

Financial impact of initial application of IFRS 16

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of the initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 2.78% to 4.29%.

	S$'000
Operating lease commitment at 31 December 2018	4,619
Less: Total future interest expenses	(95)
Present value of remaining lease payments, discounted using the incremental borrowing rate	4,524
Less: Practical expedient — leases with lease term ending within 12 months from the date of initial application	(2,669)
Lease liabilities as at 1 January 2019	1,855
Analysis as:	
Non-current liabilities	983
Current liabilities	872
	1,855

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets *S$'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	1,855
By class:	
Food centres/Food stalls	1,855

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	At 31 December 2018 *S$'000*	Recognition of leases *S$'000*	**At 1 January 2019** ***S$'000***
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Right-of-use assets	–	1,855	1,855
Total non-current assets	**85,993**	**1,855**	**87,848**
Lease liabilities (current)	–	872	872
Total current liabilities	**13,431**	**872**	**14,303**
Net current liabilities	**(3,905)**	**(872)**	**(4,777)**
Total assets less current liabilities	**82,088**	**983**	**83,071**
Lease liabilities (non-current)	–	983	983
Total non-current liabilities	**45,193**	**983**	**46,176**
Net assets	**36,895**	**–**	**36,895**

New and amendments to IFRSs that have been issued but are not yet effective

The Group has not yet applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IAS 1 and IAS 8 (Amendments)	Definition of Material[1]
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest Rate Benchmark Reform[1]
IFRS 3 (Amendments)	Definition of a Business[2]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRS 17	Insurance Contracts[3]

[1] Effective for annual periods beginning on or after 1 January 2020.
[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[3] Effective for annual periods beginning on or after 1 January 2021.
[4] Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in IFRS Standards" will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. OPERATING SEGMENT INFORMATION

For management's purpose, the Group is organised into two operating business segments, namely:

(a) Outlet management

The business segment of outlet management operation involves in the leasing of food establishment premises to tenants and the provision of management, cleaning and utilities services to tenants (the "**Outlet Management**").

(b) Food and beverage stalls

The business segment of food and beverage stalls operation primarily involves in the retailing of beverage, tobacco products, and cooked food directly to consumers such as mixed vegetable rice, zi char, roasted meat and chicken rice located in food establishments operated and managed by the Group and third parties (the "**Food and Beverage Stalls**").

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

FY2019

	Outlet Management *S$'000*	Food and Beverage Stalls *S$'000*	Unallocated *S$'000*	Total *S$'000*
Revenue				
Revenue from contracts with customers:				
Recognised at a point in time	–	34,068	–	34,068
Recognised over time	2,398	–	–	2,398
	2,398	34,068	–	36,466
Revenue from other sources:				
Rent income	23,651	–	–	23,651
Adjustment and elimination	(18,113)	–	–	(18,113)
Total revenue	7,936	34,068	–	42,004
Segment profit/(loss)	7,696	2,405	(4,640)	5,461
Other segment information:				
Fair value gain on investment properties	5,149	–	–	5,149
Exchange loss	–	–	(38)	(38)
Finance costs	(1,315)	–	(63)	(1,378)
Addition to non-current assets *(Note)*	16,014	2,570	1,929	20,513
Depreciation on property, plant and equipment	(101)	(204)	(76)	(381)
Depreciation on right-of-use assets	(667)	(353)	–	(1,020)
Staff costs	(9,555)	–	(2,186)	(11,741)
Property rentals and related expenses	(2,926)	(1,378)	–	(4,304)
Interest income	–	–	113	113
Assets and liabilities:				
Segment assets	110,303	5,845	12,412	128,560
Segment liabilities	58,348	3,718	1,352	63,418

FY2018

	Outlet Management *S$'000*	Food and Beverage Stalls *S$'000*	Unallocated *S$'000*	Total *S$'000*
Revenue				
Revenue from contracts with customers:				
Recognised at a point in time	–	36,862	–	36,862
Recognised over time	2,460	–	–	2,460
	2,460	36,862	–	39,322
Revenue from other sources:				
Rent income	18,251	–	–	18,251
Adjustment and elimination	(12,578)	–	–	(12,578)
Total revenue	8,133	36,862	–	44,995
Segment profit/(loss)	4,741	2,500	(2,871)	4,370
Other segment information:				
Bad debts written off	(34)	–	–	(34)
Fair value gain from investment properties	2,050	–	–	2,050
Exchange gain	–	–	67	67
Finance costs	(925)	–	(303)	(1,228)
Addition to non-current assets *(Note)*	103	–	55	158
Depreciation on property, plant and equipment	(57)	(205)	(105)	(367)
Staff costs	(9,404)	–	(2,113)	(11,517)
Property rentals and related expenses	(5,443)	(783)	–	(6,226)
Interest income	–	–	77	77
Assets and liabilities:				
Segment assets	87,800	2,406	5,313	95,519
Segment liabilities	43,494	3,254	11,876	58,624

Note: Non-current assets included investment properties and property, plant and equipment.

Information about major customers

No single major customer contributed more than 5% of the Group's total revenue. The revenue is spread over a broad base of customers.

Geographical information

The Group operates mainly in Singapore with revenue generated in Singapore. Accordingly, an analysis of revenue and assets of the Group by geographical distribution has not been presented.

5. REVENUE

	2019 S$'000	2018 S$'000
Revenue from contract with customers		
Revenue recognised at point in time		
— Sales of cooked food, beverage and tobacco products	**34,068**	36,862
Revenue recognised over time		
— Provision of management, cleaning and utilities services	**2,398**	2,460
	36,466	39,322
Revenue from other sources		
Rental income from leases of premises to tenants	**5,538**	5,673
	42,004	44,995

6. OTHER INCOME, GAINS AND LOSSES, NET

	2019 S$'000	2018 S$'000
Government grants:		
— Productivity and Innovation Credit	**–**	5
Gain/(loss) on disposal of property, plant and equipment	**1**	(43)
Exchange (loss)/gain	**(38)**	67
Interest income	**113**	77
Sundry income	**118**	96
	194	202

7. FINANCE COSTS

	2019 S$'000	2018 S$'000
Interest on:		
Borrowings	**1,321**	1,228
Lease liabilities	**57**	–
	1,378	1,228

8. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	2019 S$'000	2018 S$'000
Staff costs (including directors' emoluments)		
Salaries and other employee benefits	**11,066**	10,853
Contributions to defined contribution retirement plan	**675**	664
	11,741	11,517
Auditors' remuneration	**132**	124
Bad debts written off	**–**	34
Subcontracting labour	**–**	175

9. TAXATION

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The Singapore Corporate Income Tax ("**CIT**") rate was 17% (2018: 17%) during the year. Income tax expense for the Group relates wholly to the profits of the subsidiaries, which were taxed at 17% in Singapore. Major components of income tax expense for FY2018 and FY2019 are:

	2019	2018
	S$'000	*S$'000*
Current tax		
Singapore CIT	**202**	489
Under/(over) provision in respect of prior years	**101**	(118)
	303	371

10. DIVIDENDS

The Board does not recommend the payment of any final dividend for FY2018 and FY2019. No interim dividend was declared during the year (2018 interim dividend: approximately S$3,438,000).

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of approximately S$5,158,000 (2018: approximately S$3,999,000) and the weighted average number of ordinary shares of the Company in issue during the year calculated as follows:

	2019	2018
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**764,931,507**	600,000,000

For FY2019, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share have been adjusted for the effect of the completion of the initial public offering relating to the listing of the Company's shares on the Main Board (the "**Share Offer**") on 6 March 2019.

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the year has been adjusted for 600,000,000 shares issued pursuant to the capitalisation issue which took place upon the completion of the Share Offer of the Company's shares, which were assumed to occur at 1 January 2018.

No dilutive earnings per share is presented as there was no potential dilutive ordinary shares in issue during both years.

12. PROPERTY, PLANT AND EQUIPMENT

For FY2019, the Group incurred capitalisation expenditure for property, plant and equipment of approximately S$5,012,000 (2018: approximately S$158,000).

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	S$'000	*S$'000*
Trade receivables *(Note)*	**529**	107
Other receivables	**535**	425
	1,064	532

Note: During FY2018, trade receivables had been written off amounted to approximately S$34,000.

Based on invoices date and net of impairment, ageing analysis of the Group's trade receivables at the end of FY2019 and FY2018 is as follows:

	2019	2018
	S$'000	*S$'000*
0 to 30 days	**515**	91
31 to 90 days	**10**	14
91 to 180 days	**4**	2
	529	107

The Group allows an average credit period at 7 days to its customers.

14. TRADE PAYABLES

	2019	2018
	S$'000	*S$'000*
Trade payables	**2,464**	2,766

Trade payables are non–interest bearing. Trade payables are generally settled within 15 days to 90 days credit terms.

As at FY2018 and FY2019, trade payables were denominated in Singapore dollars.

Ageing analysis of trade payables based on invoice date FY2019 and FY2018 is as follows:

	2019	2018
	S$'000	*S$'000*
0 to 30 days	**1,898**	2,754
31 to 90 days	**566**	12
	2,464	2,766

15. SUBSEQUENT EVENTS

a. Since January 2020, Coronavirus disease 2019 ("**COVID-19**") across Singapore and other countries has affected the usual business environment. Pending the development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent of which could not be estimated as at the date of this announcement.

b. The address of the headquarters and principal place of business in Singapore is changed to 51 Ubi Avenue 1, #02–17/18 Paya Ubi Industrial Park, Singapore 408933, with effect from 11 January 2020.

c. On 8 January 2020, an indirect wholly-owned subsidiary of the Company, CK Chu Holdings Pte Ltd ("**CKC**") was granted options (the "**Options**") by Mr. Thang Teck Jong, Mr. Kong Ling Ting and Mengkim Holdings Pte. Ltd. ("**TKM**"), who are independent third parties of the Group, to purchase Units #01–02A, #01–02B, #01–02C, #01–02E, #01–04A, #01–05A, #01– 05B, #01–05C and #01–05P on Level 1 of People's Park Centre, 101 Upper Cross Street, Singapore 058357 ("**101 UCS**"), pursuant to the terms and conditions of the nine option agreements for sale of 101 UCS (the "**Option Agreements**"). Save as disclosed in the announcement dated 14 February 2020, CKC exercised the Options pursuant to the Option Agreements to acquire 101 UCS from TKM at a total consideration of S$22,200,000. On 24 March 2020, the acquisition of 101 UCS was completed and approximately S$4,440,000 (equivalent to approximately HK$25,619,000) was financed by the net proceeds from the Share Offer. Details of the financing are set out on page 11 of the circular dated 17 March 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Prospect

The core business and revenue structure of the Group remained unchanged for FY2019. The Group's operations are located in Singapore, as it owns and operates food centres and food streets in Singapore since 2004. The revenue was principally derived from (i) the Group's Outlet Management and (ii) Food and Beverage Stalls business segments in Singapore.

As at 31 December 2019, the Group operated and managed a total of fourteen food establishments consisting of (i) thirteen food centres, comprising ten non-air-conditioned food centres and three air-conditioned food centres; and (ii) one food street under the Outlet Management business segment. The food street is leased by the Group from an independent third party, and comprises four food and beverage kiosks, of which three are operated by the Group under the Food and Beverage Stalls business segment. Of the fourteen food establishments managed by the Group under the Outlet Management business segment, one is managed by a food centre owner who is an independent third party. In addition, the Group has engaged an independent third party operator to manage one food centre and also leased three properties to independent third parties.

The outlook for 2020 is increasingly uncertain as a result of the COVID-19 outbreak. A series of precautionary and control measures have been (and continued to be) implemented across the Singapore, including but not limited to, (i) restrictions on travel; (ii) quarantine of persons; (iii) heightening of hygiene and epidemic prevention requirements and; (iv) social distancing. Given the dynamic nature of the circumstances at both the global and national levels, it is difficult to predict the magnitude and materiality of the impact of the COVID-19 outbreak in future reporting periods for 2020. The Group is closely monitoring the developments and impact of the COVID-19 outbreak on its food establishments, inventories, supply chains, employees and other various aspects of its business operations and will review its business strategies when necessary in order to respond to decisions which may need to be made quickly in taking account of a fast-changing situation.

Despite an increasingly challenging start at the beginning of the year 2020, in March 2020, the Group intends to expand its presence in the Chinatown district by acquiring nine shop units with a total area of approximately 530 square metres in a mixed-use commercial and residential building for S$22.2 million i.e. the 101 UCS. The present intent is to open an air-conditioned food outlet.

Going forward, the Group will continue to focus on (i) leveraging its competitive advantages to increase value; and (ii) increasing its market share in the food and beverage industry in Singapore and expand to other regions where there are related opportunities. The Group's development initiatives mainly include the following:

- continue to expand its presence in Singapore through the acquisition of new properties or food centres;
- continue to enhance the dining experience by renovating its existing food centres; and
- continue to invest in technology, such as developing an information management system and point-of-sale system at all food and beverage stalls to lead the Group's operations more effectively and support future expansion and growth.

FINANCIAL REVIEW

Revenue

The food and beverage industry continues to face a competitive environment amid increasing consumer demands for online food delivery service. The Group recorded a decrease in revenue of approximately S$3.0 million or 6.7% from approximately S$45.0 million for FY2018 to approximately S$42.0 million for FY2019. The decrease was mainly due to lower revenue from sale of cooked food, beverages and tobacco products, following the non-renewal of one food centre and five food stalls, as well as the discontinued operations of three food stalls with unsatisfactory performance. During this period, the Group had actively sourced for new food centres and had successfully opened two new food centres in 2019. Therefore, there was a marginal decline in rental and service income from lease of premises to its tenants.

The following table sets forth the breakdown of revenue by the three categories:

	FY2019		FY2018	
	S$'000	*%*	*S$'000*	*%*
Sale of cooked food, beverages and tobacco products	**34,068**	**81.1**	36,862	81.9
Rental income from lease of premises to tenants	**5,538**	**13.2**	5,673	12.6
Provision of management, cleaning and utilities services	**2,398**	**5.7**	2,460	5.5
Total	**42,004**	**100.0**	44,995	100.0

For FY2018 and FY2019, the sale of cooked food, beverages and tobacco products was the Group's largest revenue contribution, accounting for approximately 81.9% and 81.1% of revenue respectively. The revenue generated from sale of cooked food, beverages and tobacco products decreased by approximately S$2.8 million, or 7.6%, from approximately S$36.9 million for FY2018 to approximately S$34.1 million for FY2019. The decrease was mainly attributable to the non-renewal of lease for one food centre at Block 168 Bedok South Avenue 3 #01-471, Singapore 460168 ("**168 BS**") and five mixed vegetable rice stalls, as well as the discontinued operations of three stalls with unsatisfactory performance.

The Group had an engagement with NTUC Foodfare Co-operative Ltd ("**NTUC Foodfare**"), to operate an air-conditioned food outlet located at 30 Simei Street 3, #01–01, Simei MRT, Singapore 592888 (the "**Simei FC Business**") pending for their actions and submissions by NTUC Foodfare to the landlord of Simei FC Business. In April 2019, the Group temporarily opened the Simei FC Business pending further actions and submissions by NTUC Foodfare to the landlord of the Simei FC Business. Unfortunately, the submissions were not satisfactory and the engagement could not proceed. The Group reached a settlement with NTUC Foodfare in December 2019 whereby NTUC Foodfare would reimburse the Group for its losses incurred in relation to the operation of the Simei FC Business during the temporary opening period in

FY2019. The relevant sum was settled on March 2020. As the Group continues to expand its presence in Singapore and opened two new food centres located at (i) 150 South Bridge Road, #01-17 Fook Hai Building, Singapore 058727; and (ii) Block 529 Hougang Avenue 6, #01-245, Singapore 530529 during FY2019.

Rental income from leasing of premises to tenants and service income from the provision of management, cleaning and utilities services decreased by approximately S$0.2 million or 2.4% from S$8.1 million in FY2018 to S$7.9 million in FY2019, mainly due to the non-renewal of the food centre at 168 BS.

Both revenue streams from lease of premise and provision of management, cleaning and utilities services are under the Group's Outlet Management business segment, while sales of cooked food, beverage and tobacco products is under the Group's Food and Beverage stalls business segment.

Fair Value Gain of Investment Properties

Fair value gain of investment properties depended largely, on economic conditions, property market sentiment and other factors. Fair value of investment property was determined by comparable sales method in Singapore. The assessment of fair value of the investment properties was carried out by Jones Lang LaSalle Property Consultants Pte Ltd, an established independent qualified professional valuer not connected with the Group, which possesses the appropriate qualifications and experience in the valuation of the investment properties in the Group.

Cost of Inventories Consumed

The cost of inventories consumed decreased by approximately S$0.7 million, or 4.1%, from approximately S$17.2 million in FY2018 to approximately S$16.5 million in FY2019, which was in line with the decrease in revenue from sale of cooked food, beverages and tobacco products. The cost of inventories consumed primarily represented the cost of purchases of food ingredients for the Group's Food and Beverage Stalls business segment, including fresh and frozen meat, seafood, vegetables, eggs, dried food, canned food and seasonings, as well as beverages, coffee powder and cigarettes.

Staff Costs

The staff costs were the second largest component of the operating expenses and amounted to approximately S$11.5 million and S$11.7 million for FY2018 and FY2019 respectively, which comprised approximately 25.6% and 28.0% of the revenue for the respective periods. The increase of S$0.2 million, or 1.9%, from approximately S$11.5 million in FY2018 to approximately S$11.7 million in FY2019 was mainly due to (i) an one-off goodwill bonus given to employees (including executive Directors) following the successful listing; and (ii) annual salary increments.

Property Rentals and Related Expenses

The property rentals and related expenses primarily represented the rental expenses paid for leasing of properties from independent third parties for the operation of the short-term food and beverage stalls, food centres and food street. The property rentals and related expenses decreased by approximately S$1.9 million, or 30.9%, from approximately S$6.2 million in FY2018 to approximately S$4.3 million in FY2019. The decrease was mainly due to the purchase of food centre at Block 101 Yishun Ave 5, #01-93, Singapore 760101, which was previously rented, and the closure of food centre at 168 BS and other food stalls. In addition, food centres and stalls with lease of more than 12 months were capitalised in accordance with IFRS 16 in 2019.

Management, Cleaning and Utilities Expenses

The management, cleaning and utilities expenses increased marginally by approximately S$0.1 million, or 1.7%, from approximately S$1.7 million in FY2018 to approximately S$1.8 million in FY2019. The increase was mainly attributable to the increased utilities rate and tariffs.

Listing Expenses

The listing expenses was one-off, and primarily consisted of fees paid to professionals parties in relation to the listing.

Other Operating Expenses

The other operating expenses increased by approximately S$0.3 million, or 14.6%, from approximately S$2.4 million in FY2018 to approximately S$2.7 million in FY2019. The increase was mainly attributable to (i) an increase in repairs and maintenance as more costs spent on maintenance of food stalls and food centres to improve the ambience and attract more customers; and (ii) donations to recognised charities in Hong Kong and Singapore.

Finance Costs

The finance costs increased from approximately S$1.2 million in FY2018 to S$1.4 million in FY2019, which was an increase of approximately 12.2% mainly due to additional loans taken in relation to the two properties acquired, as disclosed on pages 291 to 292 of the Prospectus.

Taxation

The income tax expense decreased by approximately 18.3% from approximately S$0.4 million in FY2018 to approximately S$0.3 million in FY2019. The effective tax rate reduced from 8.5% in 2018 to 5.5% in 2019. These decreases were primarily due to a decrease in taxable profits of the Group.

Profit for the Year

The increase in the profit after tax was primarily attributable to (i) the unrealised gain on fair value changes of approximately S$5.1 million in FY2019, approximately S$3.0 million or an increase of 151.2% from approximately S$2.1 million in FY2018 in respect of the Group's investment properties; (ii) net decrease in operating expenses of approximately S$1.1 million, including cost of inventory consumed, property rentals and related expenses but not limited to these expenses, primarily due to decline in revenue; and (iii) lower income tax expenses. The profit after tax increased, but the operating revenue and profit of the Group decreased.

Capital Commitment

As at 31 December 2019, the Group was in active discussions about a property acquisition. However, the acquisition did not proceed, and option monies furnished by the Group were refunded in full. Details of the proposed acquisition can be found in the Group's announcements dated 21 January 2020 and 22 January 2020.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

Since listing date and up to 31 December 2019, the Group had no material acquisition or disposals of subsidiaries, associates and joint ventures.

Reference is made to the Company's announcements dated 14 February 2020 and 6 March 2020 and the circular of the Company dated 17 March 2020. Subsequent to the year end, on 24 March 2020, CKC completed the acquisition of 101 UCS. The total purchase consideration was S$22,200,000 (equivalent to approximately HK$128,094,000) which was partially financed by the net proceeds from the Share Offer. As it is part of the Group's business strategy to expand its presence in Singapore through the acquisition of new properties or food centres, the Board believes that the acquisition of 101 UCS would produce commercial results, including (i) foreseeable increase in revenue, profit and market share for the Group and (ii) greater economies of scale and certainty in costs. Furthermore, the acquisition of 101 UCS would also improve its ability to withstand ever-increasing rental costs and strengthen its ability to compete with other industry players.

Foreign Exchange Exposure

As all of the operations in Singapore, all of the revenue from customers of the Group derived from activities in the Singapore.

In FY2019, the proceeds received from the Share Offer were denominated in Hong Kong dollars. Therefore, the foreign exchange risk assumed by the Group primarily arouse from movements in the Hong Kong dollars and Singapore dollars exchange rates. During FY2019, the Group did not experience any significant difficulty or impact on its operations or liquidity due to fluctuations in currency exchange rates. The management will continue to monitor the foreign exchange exposure and take prudent measures to reduce foreign exchange risks.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus, maintained a healthy liquidity position throughout FY2019. The finance department of the Group is responsible for treasury management functions, which include, amongst others, researching and sourcing investment options for further consideration by the management and the Board, and monitoring the investments on a continuous basis.

Significant Investment Held

During FY2019, the Group held no significant investment.

Dividends

The Board does not recommend the payment of any final dividend for FY2018 and FY2019. No interim dividend was declared during the year (2018 interim dividend: approximately S$3,438,000).

Liquidity and Financial Resources

As at 31 December 2019 and 2018, the Group's key financial position indicators as follows:

	2019	2018
	S$'000	*S$'000*
Current assets	**15,574**	9,526
Current liabilities	**10,045**	13,431
Net current assets/(liabilities)	**5,529**	(3,905)
Interest-bearing bank borrowings	**56,151**	51,392
Equity	**65,142**	36,895

The overall net current assets of the Group increased by approximately S$9.4 million from net current liabilities position of approximately S$3.9 million in FY2018 to net current assets position of approximately S$5.5 million in FY2019. The increase was primarily due to the net proceeds received from the listing after deducting cash payment in relation to the two properties acquired, as disclosed in page 290 of the Prospectus.

As at 31 December 2019, the Group had aggregate outstanding bank borrowings of approximately S$56.2 million, increased approximately S$4.8 million or 9.3% from approximately S$51.4 million in FY2018. The increase was mainly due to additional loans taken in relation to the two properties acquired, as disclosed in page 290 of the Prospectus.

These bank borrowings consisted of term loans, secured mortgage loans and working capital loan. The working capital loan, term loans and secured mortgage loans related to financing for the purchase of property, plant and equipment, investment properties and were secured by the respective assets, corporate guarantee provided by the Company and personal guarantee provided by a controlling shareholder of the Company.

The Group had unutilised banking facilities of approximately S$4.5 million. The Group aims at maintaining flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest-bearing borrowings which enable them to continue its business in a manner consistent with the short-term and long-term financial strategies of the Group.

Use of Net Proceeds for the Listing

The shares of the Company were listed in the Main Board on 6 March 2019 for which the Company issued 200,000,000 new shares at HK$0.75 per offer share on 6 March 2019, as set out in the Company's announcement dated 5 March 2019 in relation to, among others, the allotment results of the Share Offer. After deducting related listing expenses, the net proceeds of the Share Offer were approximately HK$110.0 million.

		Net Proceeds allocated *(HK$'000)*	Approx % of Net of Proceeds *%*	Utilised as at 31 December 2019 *(HK$'000)*	Balance as at 31 December 2019 *(HK$'000)*
1.	**Purchase of outlets**				
	a. 101 Yishun	34,760	32%	(34,760)	–
	b. 150 South Bridge Road	5,610	5%	(5,610)	–
2.	**Provision for future acquisitions of food centres**				
	a. Purchase price/Renovation	35,530	32%	–	35,530[1]
3	**Repayment of bank loan**	11,110	10%	(11,110)	–
4	**Renovation of existing food centres**	5,610	5%	(2,677)	2,933[2]
5	**Information technology infrastructure and Systems ("IT")**				
	a. IT infrastructure upgrade	1,870	2%	(68)	1,802
	b. Touch screen ordering and E-payment	4,400	4%	–	4,400
	Sub-total	98,890	90%	(54,225)	44,665
6	**General working capital**	11,110	10%	(11,110)	–
	Total	**110,000**	**100%**	**(65,335)**	**44,665**

Notes:

1 As disclosed on page 116 of the Prospectus, in order to increase its market share and scale of operations in the food and beverage industry in Singapore, it is part of the Group's business strategy to expand its presence in Singapore through the acquisition of new properties or food centres.

2 Renovation will be carried out gradually to improve overall dining experience.

Employees and Remuneration Policies

As at 31 December 2019, the Group had a total of 343 employees (2018: 360). The Group's remuneration policies were in line with the prevailing market practice and were determined on the basis of performance, qualification and experience of individual employee. The Group recognised the importance of a good relationship with its employees. The remuneration payable to its employees included salaries and allowances.

Annual General Meeting

The annual general meeting (the "**Annual General Meeting**") of the Company will be held on Friday, 26 June 2020. Notice of the Annual General Meeting and all other relevant documents will be published and despatched to shareholders of the Company in due course.

Closure of Register of Members

The register of members of the Company will be closed tentatively from Monday, 22 June 2020 to Friday, 26 June 2020, both days inclusive, during which no transfer of shares of the Company will be registered. To be eligible to attend and vote at the Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited of 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Friday, 19 June 2020 or at another time and/or date as advised.

Model Code for Securities by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors of the Company confirms that they have fully complied with the relevant requirements set out in its own code of conduct since the listing date and up to 31 December 2019.

Compliance with Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisation structure of the Company, Mr. Chu Chee Keong is the chairman of the Board and the chief executive officer. With extensive experience in the food and beverage industry, the Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The

Board currently comprises two executive Directors, one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Save as disclosed herein, the Company has complied with the code provisions as set out in the CG Code since the listing date and up to the date of this announcement. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Purchase, Sale or Redemption of the Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during FY2019.

Audit Committee

The Audit Committee has discussed with management and reviewed the consolidated financial statements of the Group for FY2019. The figures contained in the consolidated financial statements, set out in pages 1 to 12 of this announcement of the Group's results for FY2019 have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's consolidated financial statements for the year as approved by the Board.

The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on the preliminary announcement.

Publication of the Results Announcement and Annual Report

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fuchangroup.com), and the annual report for FY2019 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
K2 F&B Holdings Limited
Chu Chee Keong (Zhu Zhiqiang)
Chairman

Singapore, 27 March 2020

As at the date of this announcement, the directors of the Company are:

Executive Directors:
Mr. Chu Chee Keong (Zhu Zhiqiang)
Ms. Leow Poh Hoon (Liao Baoyun)

Non-executive Director:
Ms. Chu Pek Si (Zhu Peishi)

Independent non-executive Directors:
Mr. Wong Loke Tan
Mr. Loh Eu Tse Derek
Mr. Mah Seong Kung