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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 2020

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 2020 (the “**FY2020**”) together with the comparative figures for the year ended 31 December 2019 (“**FY2019**”), 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 2020

	<i>Notes</i>	2020 S\$'000	2019 S\$'000
Revenue	4	34,901	42,004
Fair value (loss)/gain of investment properties		(846)	5,149
Other income, gains and losses, net	5	384	194
Cost of inventories consumed		(13,482)	(16,469)
Staff costs		(8,295)	(11,741)
Property rentals and related expenses		(2,824)	(4,304)
Management, cleaning and utilities expenses		(1,353)	(1,761)
Depreciation of property, plant and equipment		(435)	(381)
Depreciation of right-of-use assets		(1,025)	(1,020)
Listing expenses		–	(2,125)
Other operating expenses		(2,850)	(2,707)
Finance costs	6	(1,708)	(1,378)
Profit before tax	7	2,467	5,461
Taxation	8	(277)	(303)
Profit for the year		2,190	5,158
Other comprehensive income, net of tax		–	–
Profit and total comprehensive income for the year		2,190	5,158
Earnings per share			
Basic and diluted (in Singapore cents)	10	0.27	0.67

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 S\$'000	2019 S\$'000
Non-current assets			
Investment properties	11	126,300	104,300
Property, plant and equipment	12	6,674	6,747
Right-of-use assets		353	1,619
Deposits paid		111	320
		133,438	112,986
Current assets			
Inventories		172	152
Trade and other receivables	13	824	1,064
Prepayments and deposits paid		1,419	1,979
Other financial assets		685	676
Pledged bank deposits		1,015	15
Cash and cash equivalents		10,203	11,688
		14,318	15,574
Current liabilities			
Trade payables	14	2,395	2,464
Accruals, other payables and deposits received		2,719	2,752
Borrowings		3,256	3,535
Lease liabilities		313	1,072
Tax payables		185	222
		8,868	10,045
Net current assets		5,450	5,529
Total assets less current liabilities		138,888	118,515
Non-current liabilities			
Borrowings		71,033	52,616
Lease liabilities		43	568
Deposits received		480	189
		71,556	53,373
Net assets		67,332	65,142
Equity			
Share capital		1,381	1,381
Reserves		65,951	63,761
Total equity		67,332	65,142

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

K2 F&B Holdings Limited 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 was incorporated in the British Virgin Islands. The shares of the Company were listed (the “**Listing**”) on the Main Board (the “**Main Board**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 6 March 2019 (the “**Listing Date**”). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The headquarters and principal place of business of the Company in Singapore is located at 51 Ubi Avenue #02-17/18, Paya Ubi Industrial Park, Singapore 408933 and the principal place of business of the Company in Hong Kong is located at Unit 912, 9/F., Two Harbourfront, 22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are leasing, outlet and stall management. The consolidated financial statements for FY2020 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. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRSs* issued by the IASB and the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IAS 1 and IAS 8, *Definition of Material*
- Amendments to IFRS 3, *Definition of Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*

In addition, the Group has early applied the Amendment to IFRS 16, *COVID-19 Related Rent Concessions*.

For rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 “*Leases*” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs. The Group has early adopted the amendment in the current accounting period. The application has no impact to the opening retained earnings at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of approximately S\$1,068,000 in the profit or loss for the year ended 31 December 2020.

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

The Group has not applied the following new and amendments to IFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

- Amendments to IFRSs, *Annual Improvements to IFRSs 2018-2020*²
- Amendments to IAS 1, *Classification of Liabilities as Current or Non-Current*³
- Amendments to IAS 16, *Property, Plant and Equipment — Proceeds before Intended Use*²
- Amendments to IFRS 3, *Reference to the Conceptual Framework*²
- Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*⁴
- IFRS 17, *Insurance Contracts*¹

¹ Effective for annual periods beginning on or after 1 January 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Group has already commenced an assessment of the impact of these new and amendments to IFRSs but is not yet in a position to state whether these new and amendments to IFRSs would have a material impact on its results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

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

(a) Rental and outlet management

The business segment of rental and outlet management operation is involved in the leasing of food establishment premises to tenants and the provision of cleaning and utilities services to tenants (the **"Rental and 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"**).

Inter-segment revenue from service income and rental income are priced with reference to prices charged to external parties for similar services and premises, and inter-segment management fee revenue included in service income is charged at a mark up percentage over staff costs.

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.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' emoluments, exchange gain/(loss), bank interest income and finance cost arising from lease liabilities.

For the year ended 31 December 2020:

	Rental and outlet management S\$'000	Food and Beverage Stalls S\$'000	Unallocated S\$'000	Total S\$'000
Segment revenue				
External revenue from contracts				
with customers	2,103	28,250	–	30,353
External rental income	4,548	–	–	4,548
	6,651	28,250	–	34,901
Inter-segment revenue				
— Rental and service income	13,991	–	–	13,991
Elimination	(13,991)	–	–	(13,991)
	6,651	28,250	–	34,901
Segment profit/(loss)	1,423	3,403	(2,359)	2,467
	Rental and outlet management S\$'000	Food and Beverage Stalls S\$'000	Unallocated S\$'000	Total S\$'000
Other segment information				
Included in the measures of segment profit/(loss) and segment assets:				
Fair value loss of investment properties	(846)	–	–	(846)
Finance costs	(1,636)	–	(72)	(1,708)
Addition to non-current assets <i>(Note)</i>	23,112	60	51	23,223
Depreciation of property, plant and equipment	(222)	(96)	(117)	(435)
Depreciation of right-of-use assets	(840)	(185)	–	(1,025)
Staff costs	(1,256)	(5,334)	(1,705)	(8,295)
Property rentals and related expenses	(2,113)	(711)	–	(2,824)
Gain on disposal of property, plant and equipment	–	8	–	8

	Rental and outlet management S\$'000	Food and Beverage Stalls S\$'000	Unallocated S\$'000	Total S\$'000
Reportable segment assets	136,453	6,022	–	142,475
Other financial assets	–	–	685	685
Pledged bank deposits	–	–	1,015	1,015
Other unallocated assets:				
— Property, plant and equipment	–	–	3,581	3,581
Consolidated total assets	136,453	6,022	5,281	147,756
Reportable segment liabilities	76,845	2,945	–	79,790
Tax payable	–	–	185	185
Other unallocated liabilities:				
— Accruals and other payables	–	–	449	449
Consolidated total liabilities	76,845	2,945	634	80,424

For the year ended 31 December 2019:

	Rental and outlet management S\$'000	Food and Beverage Stalls S\$'000	Unallocated S\$'000	Total S\$'000
Segment revenue				
External revenue from contracts with customers	2,398	34,068	–	36,466
External rental income	5,538	–	–	5,538
	7,936	34,068	–	42,004
Inter-segment revenue				
— Rental and service income	17,933	–	–	17,933
Elimination	(17,933)	–	–	(17,933)
Segment revenue from external customers	7,936	34,068	–	42,004
Segment profit/(loss)	7,696	2,405	(4,640)	5,461

	Rental and outlet management S\$'000	Food and Beverage Stalls S\$'000	Unallocated S\$'000	Total S\$'000
Other segment information				
Included in the measures of segment profit/(loss) and segment assets:				
Fair value gain of investment properties	5,149	—	—	5,149
Finance costs	(1,315)	—	(63)	(1,378)
Addition to non-current assets (Note)	16,014	2,570	1,929	20,513
Addition to right-of-use assets	—	784	—	784
Depreciation of property, plant and equipment	(101)	(204)	(76)	(381)
Depreciation of right-of-use assets	(667)	(353)	—	(1,020)
Staff costs	(1,805)	(7,749)	(2,187)	(11,741)
Property rentals and related expenses	(2,926)	(1,378)	—	(4,304)
Gain on disposal of property, plant and equipment	—	1	—	1

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

	Rental and outlet Management S\$'000	Food and Beverage Stalls S\$'000	Unallocated S\$'000	Total S\$'000
Reportable segment assets	118,084	5,845	—	123,929
Other financial assets	—	—	676	676
Pledged bank deposits	—	—	15	15
Other unallocated assets:				
— Property, plant and equipment	—	—	3,624	3,624
— Trade and other receivables	—	—	316	316
Consolidated total assets	118,084	5,845	4,631	128,560
Reportable segment liabilities	59,348	3,718	—	63,066
Tax payable	—	—	222	222
Other unallocated liabilities:				
— Accruals and other payables	—	—	130	130
Consolidated total liabilities	59,348	3,718	352	63,418

Information about major customers

No single major customer contributed more than 10% 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 non-current assets of the Group by geographical distribution has not been presented.

4. REVENUE

	2020 S\$'000	2019 S\$'000
Revenue from contracts with customers		
Sales of goods at a point in time		
— Sales of cooked food, beverage and tobacco products	28,250	34,068
Services income over time		
— Provision of management, cleaning and utilities services	2,103	2,398
	30,353	36,466
Revenue from other sources		
Rent from leases of premises to tenants	4,548	5,538
	34,901	42,004

5. OTHER INCOME, GAINS AND LOSSES, NET

	2020 S\$'000	2019 S\$'000
Gain on disposal of property, plant and equipment, net	8	1
Exchange gain/(loss)	246	(38)
Interest income	20	113
Sundry income	110	118
	384	194

6. FINANCE COSTS

	2020 S\$'000	2019 S\$'000
Interest on borrowings	1,666	1,321
Interest on lease liabilities	42	57
	1,708	1,378

7. PROFIT BEFORE TAX

2020	2019
S\$'000	S\$'000

Profit before tax is arrived at after charging the following items:

(a) Staff costs (including director's emoluments)

Salaries and benefits	7,698	11,066
Contribution to defined contribution plans	597	675
	<u>8,295</u>	<u>11,741</u>

(b) Other items

Auditor's remuneration		
— annual audit services	100	132
— listing services (included in listing expenses)	—	781
Listing expenses	—	2,125
Expenses relating to short-term lease	2,824	4,304
	<u>2,824</u>	<u>4,304</u>

Note: For FY2020, COVID-19 related government grants or assistance amounted to S\$2,027,000 have been partially offset against staff costs.

8. TAXATION

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits derived in Hong Kong for both years.

The Singapore Corporate Income tax ("CIT") rate was 17% (2019: 17%) during FY2020. 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 the year are:

2020	2019
S\$'000	S\$'000

Current tax:

Singapore CIT	185	202
Under provision in respect of prior years	92	101
	<u>277</u>	<u>303</u>

9. DIVIDENDS

The Directors do not recommend the payment of a final dividend for FY2020 (2019: Nil). No interim dividend was declared during FY2020 and FY2019.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for FY2020 of approximately S\$2,190,000 (2019: approximately S\$5,158,000) and the weighted average number of ordinary shares of the Company in issue during the year calculated as follows:

	2020	2019
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>800,000,000</u>	<u>764,931,507</u>

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.

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

11. INVESTMENT PROPERTIES

In FY2020, the Group acquired investment properties at a total consideration of approximately S\$22,846,000 (2019: S\$15,501,000). The acquisition cost was settled by deposit paid of S\$nil (2019: approximately S\$750,000) and internal resources of approximately S\$5,086,000 (2019: approximately S\$6,178,000). The remaining balance was settled by borrowings of approximately S\$17,760,000 (2019: S\$8,573,000).

12. PROPERTY, PLANT AND EQUIPMENT

During FY2020, the Group acquired property, plant and equipment at a consideration of approximately S\$377,000 (2019: S\$5,012,000). The purchase consideration was settled by internal resources. During FY2019, the purchase consideration was settled by deposit paid of approximately S\$125,000 and bank borrowings of approximately S\$2,882,000, and the remaining balance of S\$2,005,000 was settled by internal resources.

13. TRADE AND OTHER RECEIVABLES

	2020 S\$'000	2019 S\$'000
Trade receivables	252	529
Other receivables	572	535
	824	1,064

Ageing analysis of the Group's trade receivables based on invoice date as at the end of the reporting period is as follows:

	2020 S\$'000	2019 S\$'000
0 to 30 days	129	515
31 to 90 days	81	10
91 days to 180 days	42	4
	252	529

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

14. TRADE PAYABLES

	2020 S\$'000	2019 S\$'000
Trade payables	2,395	2,464

Trade payables are non-interest bearing. They are generally settled within 15 days to 90 days.

As at 31 December 2020 and 2019, trade payables were denominated in Singapore dollars.

Ageing analysis of trade payables based on invoice date as at the end of the reporting period is as follows:

	2020 S\$'000	2019 S\$'000
0 to 30 days	1,542	1,898
31 to 90 days	831	566
91 to 180 days	22	—
	2,395	2,464

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Prospect

The core business and revenue structure of the Group remained unchanged for FY2020. The Group's operations are located in Singapore, as it owns and operates food centres in Singapore since 2004. The revenue of the Group was principally derived from (i) Outlet Management and (ii) Food and Beverage Stalls business segments in Singapore.

As at 31 December 2020, the Group owned and managed 19 food centres as follows:

	FY 2020	FY 2019
Food centres owned and/or managed by the Group	<u>19</u>	<u>19</u>

The following sets forth the changes in the number of food centres owned and/or managed by the Group under the Outlet Management and Leasing Business for the year stated below:

Number of food centres as at 1 January 2020	19
Number of food centres opened during 2020	1
Number of food centres closed during 2020	(1)*
Number of food centres as at 31 December 2020	19

The Group operated 37 food and beverage stalls as at 31 December 2020 as follows:

	FY 2020	FY 2019
In owned properties	14	13
In leased properties	12	15
In food centres managed by independent third parties	<u>11</u>	<u>12</u>
Total	<u>37</u>	<u>40</u>

The following sets forth the changes in the number of food and beverage stalls under the F&B Retail Business for the year stated below:

Number of food and beverage stalls as at 1 January 2020	40
Number of food and beverage stalls opened during 2020	3
Number of food and beverage stalls closed during 2020	(6)
Number of food and beverage stalls as at 31 December 2020	37

* The one food centre closed during 2020, was the food street located at the shopping district.

The outlook for 2021 continues to be uncertain as a result of Coronavirus disease 2019 (“COVID-19”) outbreak. A series of precautionary and control measures have been (and continued to be) implemented across Singapore, including but not limited to, (i) restrictions on travel; (ii) quarantine of persons; (iii) heightening of hygiene and epidemic prevention requirements; (iv) social distancing; and (v) vaccination of the resident population. Given the dynamic nature of circumstances at both the global and national levels, it is difficult to predict the magnitude and materiality of the impact of COVID-19 outbreak for future reporting periods.

The COVID-19 pandemic has changed the F&B landscape. Going forward and in view of the challenges brought about by the COVID-19 outbreak, the Group will re-evaluate its businesses and will identify new opportunities and develop business strategies to respond to the fast-evolving market and trends. The Group’s development initiatives will focus on the following:

- divest underperforming assets or businesses to unlock capital, and utilise the resources to re-invest in the F&B businesses and other complementary growth areas for the new normal and beyond;
- acquire popular F&B businesses and brands to bolster product offerings;
- expand presence in Singapore through the opening of new food establishments; and
- renovate existing food centres to enhance the dining experience.

FINANCIAL REVIEW

Revenue

The Group recorded a decrease in revenue of approximately S\$7.1 million or 16.9% from approximately S\$42.0 million for FY2019 to approximately S\$34.9 million for FY2020. The decrease was mainly due to lower revenue from sale of cooked food, beverages and tobacco products, as a result of the COVID-19 pandemic.

In early April 2020 the Singapore Government announced a set of measures to contain COVID-19 including a country wide circuit breaker or lockdown. The measures, amongst others, required all non-essential workplaces be closed, and all food establishments were only permitted to offer take-away or food delivery services. These measures were subsequently lifted in phases, starting in mid-June 2020.

During FY2020, sales of the Group was affected by the no dine-in restriction, and food establishments in the shopping district had to be temporarily closed, in line with the closure of offices. In addition, revenue was also impacted by the subsequent cessation of operations of the food street in the shopping district.

Rental income from lease of premises to tenants reduced by approximately S\$1.0 million, or 17.9%, from approximately S\$5.5 million in FY2019 to S\$4.5 million in FY2020. This was due mainly to rental rebates on forbearance of approximately S\$1.2 million given to the Group's tenants as required by the Singapore Government's COVID-19 relief measures, offset by positive rental revisions achieved upon completion of renovations and face-lifts of food establishments.

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

	FY2020		FY2019	
	<i>S\$'000</i>	<i>%</i>	<i>S\$'000</i>	<i>%</i>
Sale of cooked food, beverages and tobacco products	28,250	80.9	34,068	81.1
Rental income from lease of premises to tenants	4,548	13.1	5,538	13.2
Provision of management, cleaning and utilities services	2,103	6.0	2,398	5.7
Total	34,901	100.0	42,004	100.0

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

Fair Value Loss of Investment Properties

Fair value gain or loss of investment properties depended largely on economic conditions, property market sentiment and other factors. The fair values of the Group's investment properties were determined by direct comparison method and capitalisation approach where appropriate. The assessment of fair values of investment properties was carried out by Knight Frank Pte Ltd, an established independent qualified professional valuer in Singapore not connected with the Group, which possessed the appropriate qualifications and experience in the valuation of investment properties owned by the Group.

Cost of Inventories Consumed

The cost of inventories consumed decreased by approximately S\$3.0 million, or 18.1%, from approximately S\$16.5 million in FY2019 to approximately S\$13.5 million in FY2020, which was broadly 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

Staff costs were the second largest component of the operating expenses and amounted to approximately S\$11.7 million and S\$8.3 million for FY2019 and FY2020 respectively, which comprised approximately 28.0% and 23.8% of the revenue for the respective periods. The decrease of S\$3.4 million, or 29.4%, was mainly due to (i) grants from the Singapore Government as part of COVID-19 relief measures amounting to S\$2.0 million; and (ii) a decrease in the number of employees from 343 as at the end of FY2019 to 304 as at the end of FY2020.

Property Rentals and Related Expenses

Property rentals and related expenses primarily represented the rental expenses paid for leasing of properties from independent third parties for the operation of food and beverage stalls and food centres where exempt from IFRS 16. Property rentals and related expenses decreased by approximately S\$1.5 million, or 34.4%, from approximately S\$4.3 million in FY2019 to approximately S\$2.8 million in FY2020. The decrease was mainly due to the receipt of rental rebates from landlords as part of COVID-19 relief measures of the Singapore Government, and the non-renewal of food establishments including the food street.

Management, Cleaning and Utilities Expenses

The management, cleaning and utilities expenses decreased by approximately S\$0.4 million, or 23.2%, from approximately S\$1.8 million in FY2019 to approximately S\$1.4 million in FY2020. The decrease was mainly attributable to the lower number of food establishments managed by the Group, and reduced electricity expenses as a result of converting air-conditioned food centres to non-air-conditioned food centres in line with COVID-19 health and safety measures.

Listing Expenses

The listing expenses were non-recurring, and primarily consisted of fees paid to professional parties in relation to the listing. No listing expenses were incurred in FY2020.

Other Operating Expenses

The other operating expenses increased by approximately S\$0.1 million, or 5.3%, from approximately S\$2.7 million in FY2019 to approximately S\$2.8 million in FY2020. The increase was mainly attributable to (i) an increase in repairs and maintenance as more costs were spent on face-lifts of food stalls and food centres to improve the ambience and attract more customers; (ii) an increase in advertisement and promotion costs to re-brand the face-lifted food centres to “Foodcity”; and (iii) an increase in professional fees for the acquisition of investment properties. However, the increase was offset by a decrease in donations to recognised charities.

	2020 S\$'000	2019 S\$'000
Administrative fee	217	267
Advertisement and promotion	247	77
Insurance	44	32
Property tax and related costs	56	332
Repairs and maintenance	1,147	709
Legal and professional fee	508	356
Telephone and communication	45	54
Donation	6	461
Others	580	419
	2,850	2,707

Finance Costs

The finance costs increased from approximately S\$1.4 million in FY2019 to S\$1.7 million in FY2020, which was an increase of approximately 23.9% mainly due to additional loans taken in relation to the acquisition of an investment property located at level 1 of People’s Park Centre, 101 Upper Cross Street, Singapore 058357.

Taxation

The income tax expense decreased by approximately 8.6% from approximately S\$0.30 million in FY2019 to approximately S\$0.28 million in FY2020. The decrease was primarily in line with lower business activities.

Profit for the Year

The decrease in the profit after tax was primarily attributable to (i) the unrealised loss on fair value changes of investment properties of approximately S\$0.8 million in FY2020, and (ii) net decrease in operating expenses of approximately S\$4.9 million, including cost of inventory consumed, property rentals and related expenses and management, cleaning and utilities expenses, due to the decline in revenue.

Capital Commitment

On 30 September 2020, the Group exercised the Option to acquire an investment property located at Block 171 Yishun Avenue 7 #01–781, Singapore 760171 for a consideration of S\$5 million. Please refer to the announcements of the Company dated 30 September 2020, 15 December 2020 and 10 March 2021 for details. The proposed acquisition was completed on 10 March 2021.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

Since the Listing Date and up to 31 December 2020, the Group had no material acquisition or disposals of subsidiaries, associates and joint ventures.

Foreign Exchange Exposure

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

During FY2020, 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 FY2020. The finance department of the Group was responsible for treasury management functions, which include, amongst others, researching and evaluating investment options for further consideration by the management and the Board, and monitoring the investments on a continuous basis.

Significant Investment Held

During FY2020, the Group held no significant investment.

Liquidity and Financial Resources

As at 31 December 2020 and 2019, the Group's key financial position indicators as follows:

	2020 <i>S\$'000</i>	2019 <i>S\$'000</i>
Current assets	14,318	15,574
Current liabilities	8,868	10,045
Net current assets/(liabilities)	5,450	5,529
Interest-bearing bank borrowings	74,289	56,151
Equity	67,332	65,142

As at 31 December 2020, the Group had aggregate outstanding bank borrowings of approximately S\$74.3 million, an increase of approximately S\$18.1 million or 32.3% from approximately S\$56.2 million in FY2019. The increase was mainly due to additional loans taken in relation to the investment property acquired.

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 and investment properties 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\$15.7 million. The Group aims at maintaining flexibility in funding by keeping sufficient bank balances and committed credit lines available to manage its business in a manner consistent with the short-term and long-term financial strategies of the Group.

Use of Net Proceeds from the Listing

The shares of the Company were listed on the Main Board of the Stock Exchange 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. 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 2020 (HK\$'000)	Balance as at 31 December 2020 (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%	(32,080)	3,450 ⁽¹⁾
3. Repayment of bank loan	11,110	10%	(11,110)	–
4. Renovation of existing food centres	5,610	5%	(5,610)	–
5. Information technology infrastructure and Systems ("IT")	6,270	6%	(290)	5,980
Sub-total	<u>98,890</u>	<u>90%</u>	<u>(89,460)</u>	<u>9,430</u>
6. General working capital	<u>11,110</u>	<u>10%</u>	<u>(11,110)</u>	<u>–</u>
Total	<u><u>110,000</u></u>	<u><u>100%</u></u>	<u><u>(100,570)</u></u>	<u><u>9,430</u></u>

Note:

- (1) The balance of HK\$3,450,000 was utilised to complete the proposed acquisition an investment property located at Block 171 Yishun Avenue 7 #01–781, Singapore 760171, on 10 March 2021.

Employees and Remuneration Policies

As at 31 December 2020, the Group had a total of 304 employees (2019: 343). 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 each 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 forthcoming annual general meeting of the Company (the “**Annual General Meeting**”) will be held on Tuesday, 29 June 2021. 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 from Thursday, 24 June 2021 to Tuesday, 29 June 2021, 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 Wednesday, 23 June 2021.

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 of securities on the Stock Exchange (the “**Listing Rules**”) as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries to all Directors, all Directors confirm that they have fully complied with the relevant requirements set out in its own code of conduct for FY2020.

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 of the Company. 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 comprised experienced and high calibre individuals. The Board currently comprises three executive Directors and three independent non-executive Directors and therefore has a strong independence element and diversity 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 FY2020.

Audit Committee

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) comprised three independent non-executive Directors, namely Mr. Mah Seong Kung (Chairman), Mr. Loh Eu Tse Derek and Mr. Wong Loke Tan.

The Audit Committee has discussed with management and reviewed the consolidated financial statements of the Group for FY2020. The figures contained in the consolidated financial statements, set out in pages 1 to 11 of this announcement of the Group's results for FY2020 have been agreed by the Group's auditor, Fan, Chan & Co. 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 Fan, Chan & Co. 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 Fan, Chan & Co. 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 of Company for FY2020 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, 29 March 2021

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)
Ms. Chu Pek Si (Zhu Peishi)

Independent non-executive Directors:

Mr. Wong Loke Tan
Mr. Loh Eu Tse Derek
Mr. Mah Seong Kung