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K2 F&B HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2108)

DISCLOSEABLE TRANSACTION IN RELATION TO THE LEASING OF A FOOD COURT

The Board is pleased to announce that on 3 August 2021, Food Dynasty, an indirect wholly-owned subsidiary of the Company, as lessee, accepted and entered into the Letter of Offer with the Landlord, as lessor, in respect of the lease of the Premises for the period from 13 February 2022 to 12 February 2027 (both dates inclusive).

The transaction contemplated under the Letter of Offer is regarded as an acquisition of assets in the consolidated financial statements of the Company under the Listing Rules. On the basis of the acquisition of right-of-use assets under the Letter of Offer, the unaudited value that will be recognized by the Group pursuant to IFRS 16 is approximately S\$4.91 million (equivalent to approximately HK\$28.16 million).

Accordingly, entering into the Letter of Offer by the Group as a lessee will be regarded as acquisition of an asset in accordance with the Listing Rules.

As one of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) for the transaction contemplated under the Letter of Offer is more than 5% but less than 25%, this transaction constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 3 August 2021, Food Dynasty, an indirect wholly-owned subsidiary of the Company, as lessee, accepted and entered into the Letter of Offer with the Landlord, as lessor, in respect of the lease of the Premises for the period from 13 February 2022 to 12 February 2027 (both dates inclusive).

The formal tenancy agreement for the lease of the Premises, which incorporates substantially all the terms and conditions of the Letter of Offer, would be entered into between Food Dynasty and the Landlord on or before 31 October 2021.

THE TENANCY AGREEMENT

Set out below is a summary of the principal terms of the Letter of Offer:

Date of Issuance of Letter of Offer	15 July 2021
Date of Acceptance of Letter of Offer	3 August 2021
Parties	(a) Food Dynasty, as lessee; and (b) the Landlord, as lessor To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties.
Premises	Units #B1-02/57/58/59 & 56M/N/P/Q United Square Shopping Mall 101 Thomson Road Singapore 307591
Use of the Premises	For food and beverage operations
Term	Five years commencing from 13 February 2022 to 12 February 2027 (both dates inclusive), with a rent-free fitting out period of five months commencing from 13 September 2021 to 12 February 2022 (both dates inclusive)
Rental payment	The total rent payable over the lease term by Food Dynasty to the Landlord under the Letter of Offer is approximately S\$5.15 million (equivalent to approximately HK\$29.53 million) and subject to additional turnover rent representing the amount by which 10% of the monthly gross sales turnover exceeds the monthly basic rent of each calendar month in accordance with the Letter of Offer.
Deposit	The total deposits payable by Food Dynasty to the Landlord is approximately S\$0.49 million (equivalent to approximately HK\$2.81 million)
Option to renew	Food Dynasty shall have an option to renew the tenancy for a further term of three years at the rent agreed to by the Landlord.

The rent under the Letter of Offer was determined after arm's length negotiations between the Landlord and Food Dynasty, taking into consideration prevailing market rates for comparable premises in the vicinity of the Premises.

Food Dynasty shall pay the rent on a monthly basis by internal resources of the Group.

REASONS FOR AND BENEFITS OF ACCEPTANCE OF THE LETTER OF OFFER

The Premises, which will be operated as a food court by the Group, is located in the first basement level of an established shopping centre and office building in the heart of a high-end residential area, and right next to one of Singapore's healthcare hubs serving medical tourists from the region.

The acceptance of the Letter of Offer is in the ordinary and usual course of the Group's business, and is consistent with the Group's past (and prevailing) business strategies and conduct to increase its market share and scale of operations in the food and beverage industry in Singapore.

The Board believes that the venture would produce positive 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.

Based on the above, the Board is of the view that acceptance of the Letter of Offer would be commercially beneficial to the Group as it would enable the Group to be well-positioned to leverage on potential growth and expansion.

Given that the Letter of Offer was entered into on normal commercial terms with rental rates being determined based on similar properties in similar locations and are fair and reasonable, the Directors consider that acceptance of the Letter of Offer is in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group is principally engaged in (i) food and beverage retail business; and (ii) outlet management and leasing business in Singapore.

Food Dynasty is a company incorporated in Singapore with limited liability. It is an indirect wholly-owned subsidiary of the Company and is mainly engaged in operations of food courts.

The Landlord is a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of UOL Group Limited, a company incorporated in Singapore with limited liability and listed on the Main Board of SGX-ST (stock code: U14). The Landlord is principally engaged in property investments. UOL Group Limited is one of Singapore's leading public-listed property companies with an extensive portfolio of residential projects, investment properties, hotels and serviced suites. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Landlord and its ultimate beneficial owners are Independent Third Parties.

IMPLICATIONS UNDER THE LISTING RULES

The transaction contemplated under the Letter of Offer is regarded as an acquisition of assets in the consolidated financial statements of the Company under the Listing Rules. On the basis of the acquisition of right-of-use assets under the Letter of Offer, the unaudited value that will be recognised by the Group pursuant to IFRS 16 is approximately S\$4.91 million (equivalent to approximately HK\$28.16 million).

Accordingly, entering into the Letter of Offer by the Group as a lessee will be regarded as acquisition of an asset in accordance with the Listing Rules.

Since the turnover rent under the Lease can only be reliably estimated according to the gross sales turnover generated from the operation of the Restaurant, such amount constitutes variable lease payments and were not included in the measurement of the lease liability at initial recognition under IFRS 16 Leases. Therefore, no right-of-use asset related to the turnover rent is recognised, and the turnover rent will be charged to the profit or loss of the Group in accordance with IFRS 16 Leases.

As one of the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) for the transaction contemplated under the Letter of Offer is more than 5% but less than 25%, this transaction constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Board”	the board of Directors
“Company”	K2 F&B Holdings Limited, a company incorporated in the Cayman Islands with limited liability of which the issued Shares are listed on the Main Board of the Stock Exchange (stock code: 2108)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Food Dynasty”	Food Dynasty Pte. Ltd., an indirect wholly-owned subsidiary of the Company and incorporated in Singapore with limited liability
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standard

“Independent Third Party(ies)”	person(s) or company(ies) who/which is(are) independent of the Company and its connected persons
“Landlord”	UOL Property Investments Pte Ltd, a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of UOL Group Limited, a company incorporated in Singapore with limited liability and listed on the Main Board of SGX-ST (stock code: U14).
“Letter of Offer”	the letter of offer entered into and accepted on 3 August 2021 by Food Dynasty as lessee and UOL Property Investments Pte Ltd as lessor in relation to the tenancy of the Premises
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Premises”	Units #B1-02/57/58/59 & 56M/N/P/Q, United Square Shopping Mall, 101 Thomson Road, Singapore 307591
“S\$”	Singapore dollar(s), the lawful currency of Singapore
“SGX-ST”	the Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of shares of the Company
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

Note: Unless otherwise stated, the figures in S\$ are converted into HK\$ at the rate of S\$1.00 to HK\$5.73452 throughout this announcement for indicative purposes only, and should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.

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

Singapore, 3 August 2021

As at the date of this announcement, the Directors 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. Mah Seong Kung

Mr. Ng Yong Hwee