



INTERIM REPORT 2021

COMPANY INFORMATION

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Cayman Islands

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#02-17/18 Paya Ubi
Industrial Park
Singapore 408933

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Two Harbourfront
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COMPANY'S WEBSITE

www.fuchangroup.com

COMPANY SECRETARY

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AUTHORISED REPRESENTATIVES

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COMPLIANCE OFFICER

Chu Chee Keong (Zhu Zhiqiang)
29 Jalan Pokok Serunai
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COMPLIANCE ADVISER

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AUDIT COMMITTEE

Mah Seong Kung (*Chairman*)
Ng Yong Hwee
Wong Loke Tan

REMUNERATION COMMITTEE

Ng Yong Hwee (*Chairman*)
Wong Loke Tan
Mah Seong Kung
Chu Chee Keong (Zhu Zhiqiang)

NOMINATION COMMITTEE

Wong Loke Tan (*Chairman*)
Mah Seong Kung
Ng Yong Hwee

INTERNAL CONTROL COMPLIANCE COMMITTEE

Ng Yong Hwee (*Chairman*)
Chu Chee Keong (Zhu Zhiqiang)

The board of directors (the “**Board**”) of K2 F&B Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2020 (“**1H2020**”), which have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

| | Notes | Six months ended 30 June | |
|--|-------|--------------------------------|--------------------------------|
| | | 2021 S\$'000 (Unaudited) | 2020 S\$'000 (Unaudited) |
| Revenue | 5 | 18,591 | 16,208 |
| Other gains and losses, net | | 135 | 358 |
| Cost of inventories consumed | | (6,808) | (6,274) |
| Staff costs | | (5,232) | (4,426) |
| Property rentals and related expenses | | (1,712) | (1,489) |
| Management, cleaning and utilities expenses | | (722) | (730) |
| Depreciation on property, plant and equipment | | (285) | (247) |
| Depreciation on right-of-use assets | | (218) | (557) |
| Other operating expenses | | (1,359) | (946) |
| Finance costs | 6 | (864) | (804) |
| Profit before taxation | 7 | 1,526 | 1,093 |
| Taxation | 8 | (213) | (107) |
| Profit for the period | | 1,313 | 986 |
| Total comprehensive income for the period | | 1,313 | 986 |
| Earnings per share | | | |
| Basic and diluted (Singapore cents) | 10 | 0.16 | 0.12 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | Notes | 30 June 2021 S\$'000 (Unaudited) | 31 December 2020 S\$'000 (Audited) |
|---|-------|---|---|
| Non-current assets | | | |
| Investment properties | | 127,945 | 126,300 |
| Property, plant and equipment | 11 | 10,104 | 6,674 |
| Deposits paid | | 101 | 111 |
| Right-of-use assets | | 135 | 353 |
| | | 138,285 | 133,438 |
| Current assets | | | |
| Inventories | | 181 | 172 |
| Trade and other receivables | 12 | 298 | 824 |
| Prepayments and deposits paid | | 1,181 | 1,419 |
| Other financial assets | | 1,596 | 685 |
| Pledged bank deposit | | 1,015 | 1,015 |
| Cash and cash equivalents | | 6,272 | 10,203 |
| | | 10,543 | 14,318 |
| Current liabilities | | | |
| Trade payables | 13 | 1,913 | 2,395 |
| Accruals, other payables and deposit received | | 3,044 | 2,719 |
| Borrowings | 14 | 4,030 | 3,256 |
| Lease liabilities | | 131 | 313 |
| Tax payables | | 207 | 185 |
| | | 9,325 | 8,868 |
| Net current assets | | 1,218 | 5,450 |
| Total assets less current liabilities | | 139,503 | 138,888 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

| | Notes | 30 June 2021 S\$'000 (Unaudited) | 31 December 2020 S\$'000 (Audited) |
|--------------------------------|-------|---|---|
| Non-current liabilities | | | |
| Borrowings | 14 | 70,623 | 71,033 |
| Deposits received | | 235 | 43 |
| Lease liabilities | | – | 480 |
| | | 70,858 | 71,556 |
| Net assets | | | |
| | | 68,645 | 67,332 |
| Capital and reserves | | | |
| Share capital | 15 | 1,381 | 1,381 |
| Reserves | | 67,264 | 65,951 |
| | | 68,645 | 67,332 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 June 2021

| | Six months ended 30 June | |
|--|--------------------------|-------------|
| | 2021 | 2020 |
| | S\$'000 | S\$'000 |
| | (Unaudited) | (Unaudited) |
| Net cash generated from operating activities | 2,731 | 2,705 |
| Net cash used in investing activities | (2,162) | (6,201) |
| Net cash (used in)/generated from financing activities | (4,500) | 2,291 |
| Cash and cash equivalents at the beginning of the period | 10,203 | 11,688 |
| Cash and cash equivalents at the end of the period | 6,272 | 10,483 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

| | Share capital S\$'000 | Share premium S\$'000 | Other reserves (Note) S\$'000 | Retained earnings S\$'000 | Total S\$'000 |
|--|--------------------------|--------------------------|-------------------------------------|------------------------------|------------------|
| As at 1 January 2021 (Audited) | 1,381 | 21,708 | 2,790 | 41,453 | 67,332 |
| Profit and total comprehensive income for the period | - | - | - | 1,313 | 1,313 |
| As at 30 June 2021 (Unaudited) | 1,381 | 21,708 | 2,790 | 42,766 | 68,645 |
| As at 1 January 2020 (Audited) | 1,381 | 21,708 | 2,790 | 39,263 | 65,142 |
| Profit and total comprehensive income for the period | - | - | - | 986 | 986 |
| As at 30 June 2020 (Unaudited) | 1,381 | 21,708 | 2,790 | 40,249 | 66,128 |

Note: The other reserves of the Group represent the reserves arising from restructuring of the Group on initial public offering which are non-distributable.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL INFORMATION

K2 F&B 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 and traded on the Main Board (the “Main Board”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 6 March 2019. 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 1, #02-17/18 Paya Ubi Industrial Park, Singapore 408933 and the principal place of business of the Company in Hong Kong is Unit 912, 9/F., Two Harbourfront, 22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in leasing, and outlet and stall management. This unaudited condensed consolidated financial statements of the Group for the Reporting Period are presented in Singapore dollar (“S\$”), which is the functional currency of the Company. All values are rounded to the nearest thousand (“S\$’000”), except when otherwise indicated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the Reporting Period (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standard Board (“IASB”). The Interim Financial Statements have been prepared under the historical basis, except for investment properties which are measured at fair value and other financial assets measured at fair value through profit or loss.

The interim report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2020.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 December 2020, except for the application of new and revised International Financial Reporting Standards as described below.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Application of new and amendments to IFRSs

In the Reporting Period, the Group has applied a number of amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s unaudited condensed consolidated financial statements:

| | |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | Interest Rate Benchmark Reform — Phase 2 |
|---|---|

The application of the amendments to IFRSs in the Reporting Period had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

4. 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 involves the leasing of food establishment premises to tenants and the provision of cleaning and utilities services to tenants.

b. Food and beverage stalls

The business segment of food and beverage stalls operation primarily involves 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.

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 Interim Financial Statements. 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

For the six months ended 30 June 2021

| | Rental and outlet management S\$'000 (Unaudited) | Food and beverage stalls S\$'000 (Unaudited) | Unallocated S\$'000 (Unaudited) | Total S\$'000 (Unaudited) |
|---|--|--|---------------------------------------|---------------------------------|
| Segment revenue | | | | |
| External revenue from contracts with customers | 1,160 | 14,498 | – | 15,658 |
| External rental income | 2,933 | – | – | 2,933 |
| | 4,093 | 14,498 | – | 18,591 |
| Inter-segment revenue: Rental and service income | 7,132 | – | – | 7,132 |
| | 11,225 (7,132) | 14,498 – | – – | 25,723 (7,132) |
| Adjustment and elimination | | | | |
| Total revenue | 4,093 | 14,498 | – | 18,591 |
| Segment profit/(loss) | 842 | 1,713 | (1,029) | 1,526 |
| Other segment information: | | | | |
| Exchange gains | – | – | (14) | (14) |
| Finance costs | (814) | – | (50) | (864) |
| Depreciation of property, plant and equipment | (208) | (28) | (49) | (285) |
| Depreciation of right-of-use assets | (34) | (184) | – | (218) |
| Staff costs | (885) | (3,137) | (1,210) | (5,232) |
| Property rentals and related expenses | (1,001) | (711) | – | (1,712) |
| Interest income | – | – | * | * |
| Assets and liabilities: | | | | |
| Segment assets | 131,451 | 6,406 | 10,971 | 148,828 |
| Segment liabilities | 72,327 | 2,288 | 5,568 | 80,183 |

* Less than S\$1,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

For the six months ended 30 June 2020

| | Rental and outlet management S\$'000 (Unaudited) | Food and beverage stalls S\$'000 (Unaudited) | Unallocated S\$'000 (Unaudited) | Total S\$'000 (Unaudited) |
|---|--|--|---------------------------------------|---------------------------------|
| Segment revenue | | | | |
| External revenue from contracts | | | | |
| with customers | 1,074 | 13,026 | – | 14,100 |
| External rental income | 2,108 | – | – | 2,108 |
| | 3,182 | 13,026 | – | 16,208 |
| Inter-segment revenue: | | | | |
| Rental and service income | 6,751 | – | – | 6,751 |
| | 9,933 | 13,026 | – | 22,959 |
| Adjustment and elimination | (6,751) | – | – | (6,751) |
| Total revenue | 3,182 | 13,026 | – | 16,208 |
| Segment profit/(loss) | 547 | 1,346 | (800) | 1,093 |
| Other segment information: | | | | |
| Exchange losses | – | – | 281 | 281 |
| Finance costs | (784) | – | (20) | (804) |
| Depreciation of property, plant and equipment | (100) | (89) | (58) | (247) |
| Depreciation of right-of-use assets | (211) | (346) | – | (557) |
| Staff costs | (647) | (2,647) | (1,132) | (4,426) |
| Property rentals and related expenses | (997) | (492) | – | (1,489) |
| Interest income | – | – | 19 | 19 |
| Assets and liabilities: | | | | |
| Segment assets | 136,719 | 5,843 | 6,846 | 149,408 |
| Segment liabilities | 73,987 | 2,972 | 6,321 | 83,280 |

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 assets of the Group by geographical distribution has not been presented.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5. REVENUE

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2021 S\$'000 (Unaudited) | 2020 S\$'000 (Unaudited) |
| Revenue from contract with customers | | |
| Sales of goods at point in time | | |
| — Sales of cooked food, beverage and tobacco products | 14,498 | 13,026 |
| Service income over time | | |
| — Provision of management, cleaning and utilities services | 1,160 | 1,074 |
| Revenue from other sources | 15,658 | 14,100 |
| Rental from leases of premises to tenants | 2,933 | 2,108 |
| | 18,591 | 16,208 |

6. FINANCE COSTS

| | Six months ended 30 June | |
|-------------------|--------------------------------|--------------------------------|
| | 2021 S\$'000 (Unaudited) | 2020 S\$'000 (Unaudited) |
| Interest on: | | |
| Bank borrowings | 860 | 784 |
| Lease liabilities | 4 | 20 |
| | 864 | 804 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2021 S\$'000 (Unaudited) | 2020 S\$'000 (Unaudited) |
| Staff costs (including directors' emoluments) | | |
| Salaries and benefits | 4,922 | 4,124 |
| Contributions to defined contribution retirement plans | 310 | 302 |
| | 5,232 | 4,426 |

8. TAXATION

No provision of taxation in Hong Kong has been made as the Group's income neither arose in nor derived from Hong Kong.

The Singapore Corporate Income Tax ("CIT") rate was 17% (2020: 17%) during the Reporting Period. Income tax expense for the Group relates wholly to the profits of the subsidiaries of the Company, which were taxed at 17% in Singapore. Major components of income tax expense for the Reporting Period and 1H2020 are as follows:

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2021 S\$'000 (Unaudited) | 2020 S\$'000 (Unaudited) |
| Current tax | | |
| Singapore CIT | 207 | 72 |
| Under-provision in respect of prior years | 6 | 35 |
| | 213 | 107 |

9. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the Reporting Period (1H2020 interim dividend: nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the Reporting Period of approximately S\$1,313,000 (1H2020: S\$986,000) and the weighted average number of ordinary shares of the Company in issue during the Reporting Period is 800,000,000 (1H2020: 800,000,000).

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during both periods.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group's acquired property, plant and equipment at cost of approximately S\$215,000 (1H2020: approximately S\$118,000).

During the Reporting Period, the Group decided to transfer investment property located at 51 Ubi Avenue 1, #01-17 & #02-17 Paya Ubi Industrial Park, Singapore 408933 to property, plant and equipment, as result of occupied majority of property since January 2021.

As at 30 June 2021, property, plant and equipment with carrying amount of approximately S\$6,056,000 (31 December 2020: S\$6,055,000) were secured under mortgage loan as below mentioned in Note 14 to this condensed consolidated financial statements for the six months ended 30 June 2021.

12. TRADE AND OTHER RECEIVABLES

| | 30 June 2021 S\$'000 (Unaudited) | 31 December 2020 S\$'000 (Audited) |
|--------------------------|---|---|
| Trade receivables (Note) | 117 | 252 |
| Other receivables | 181 | 572 |
| | 298 | 824 |

Note: During the Reporting Period, no trade receivables were written off (1H2020: nil).

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

| | 30 June 2021 S\$'000 (Unaudited) | 31 December 2020 S\$'000 (Audited) |
|----------------|---|---|
| 0 to 30 days | 106 | 129 |
| 31 to 90 days | 11 | 81 |
| 91 to 180 days | – | 42 |
| | 117 | 252 |

An average credit period for customers is 7 days.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13. TRADE PAYABLES

| | 30 June 2021 S\$'000 (Unaudited) | 31 December 2020 S\$'000 (Audited) |
|----------------|---|---|
| Trade payables | 1,913 | 2,395 |

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

As at 30 June 2021 and 31 December 2020, 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:

| | 30 June 2021 S\$'000 (Unaudited) | 31 December 2020 S\$'000 (Audited) |
|----------------|---|---|
| 0 to 30 days | 1,902 | 1,542 |
| 31 to 90 days | 11 | 831 |
| 91 to 180 days | – | 22 |
| | 1,913 | 2,395 |

14. BORROWINGS

| | 30 June 2021 S\$'000 (Unaudited) | 31 December 2020 S\$'000 (Audited) |
|-----------------------------------|---|---|
| Secured loans ¹ | 69,653 | 69,289 |
| Working capital loan ² | 5,000 | 5,000 |
| | 74,653 | 74,289 |

Notes:

- The bank borrowing was secured by the pledge of certain of the Group's property, plant and equipment, investment properties and bank deposits.
- The loan is from the Temporary Bridging Loan Programme ("TBLP"), which provides access to working capital for businesses as announced by the Singapore Government. The loan under the TBLP has a one year deferral in principal repayment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

| | 30 June 2021 S\$'000 (Unaudited) | 31 December 2020 S\$'000 (Audited) |
|-------------------------|---|---|
| Effective interest rate | 1.50%–2.38% | 1.58%–2.68% |

Analysis by payment term:

| | 30 June 2021 S\$'000 (Unaudited) | 31 December 2020 S\$'000 (Audited) |
|------------------------------|---|---|
| Within one year or on demand | 4,030 | 3,256 |
| More than one year | 70,623 | 71,033 |
| | 74,653 | 74,289 |

15. SHARE CAPITAL

The authorised and issued share capital of the Company is as follows:

| | HK\$'000 | S\$'000 |
|---|----------------------|---------|
| Authorised share capital: | | |
| 10,000,000,000 Shares | 100,000 | 17,668 |
| Shares in issue or to be issued, fully paid or credited as fully paid: | HK\$'000 | S\$'000 |
| 800,000,000 Shares | 8,000 ⁽ⁱ⁾ | 1,381 |

Note:

(i) S\$ 1 = HK\$5.79 as at 6 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECT

The core business and revenue structure of the Group remains unchanged. The Group has owned and operated food centres in Singapore since 2004. The revenue of the Group is primarily derived from the Group's two main operating business segments, being (i) the outlet management operation which involves the leasing of food establishment premises to tenants and the provision of management, cleaning and utilities services to tenants (the "Outlet Management"), and (ii) the food and beverage stalls operation which comprises 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").

The impact of the outbreak of the novel coronavirus pandemic (the "COVID-19 Outbreak") has significantly and adversely affected most industries, especially the food and beverage industry. On 3 April 2020 the Singapore Government announced a set of strict measures (the "Circuit Breaker") to curb the spread of the virus. Singapore entered Phase 3 of the Circuit Breaker on 28 December 2020, with further relaxation of measures, including increasing the group size for dine-in from 5 to 8 persons.

In view of the rise in COVID-19 community cases, the Singapore Government implemented a reversion to Phase 2 (Heightened Alert) on 16 May to 21 June 2021. The measures included cessation of dining-in at food and beverage establishments, reduction of interactions to 2 persons a group and working-from-home as the default work arrangement. It was replaced by the introduction of Phase 3 (Heightened Alert) on 22 June 2021 as community cases began to decrease. However, due to the resurgence of COVID-19 Clusters, Phase 2 (Heightened Alert) was reactivated on 22 July 2021.

With the increased number of vaccinated persons, the Singapore Government has announced a 2-stage easing of Phase 2 (Heightened Alert) approach on 6 August 2021, which is due to initiate on 10 August 2021 and 19 August 2021. The easing includes allowing vaccinated persons to dine-in, from 2 persons to subsequently, 5 persons, and the return of up to 50% of the workforce back to their workplaces.

The outlook for the remainder of 2021 continues to be uncertain as a result of the continuing COVID-19 Outbreak and the associated restrictions. The existence of COVID-19 Outbreak control measures such as safe distancing, work from home, travel restrictions and other related controls will continue to affect the Group's business. Nevertheless, the Group will continue to strive in its efforts to maximise sales and minimise the negative impact of the COVID-19 Outbreak.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The following table sets forth the revenue breakdown by the three categories of the revenue for the Reporting Period and 1H2020 as indicated:

| | For the six months ended 30 June | | | |
|--|----------------------------------|--------------|---------------|--------------|
| | 2021 | | 2020 | |
| | S\$'000 | % | S\$'000 | % |
| Sale of cooked food, beverages and tobacco products | 14,498 | 78.0 | 13,026 | 80.4 |
| Rental income from lease of premises to tenants | 2,933 | 15.8 | 2,108 | 13.0 |
| Provision of management, cleaning and utilities services | 1,160 | 6.2 | 1,074 | 6.6 |
| Total | 18,591 | 100.0 | 16,208 | 100.0 |

For the Reporting Period and 1H2020, the sale of cooked food, beverages and tobacco products was the largest revenue contributor, accounting for approximately 78.0% and 80.4% of the Group's revenue respectively. Revenue generated from sale of cooked food, beverages and tobacco products increased by approximately S\$1.5 million, or 11.3%, from approximately S\$13.0 million to approximately S\$14.5 million. The increase was mainly attributable to lesser restrictions on dining-in during the Reporting Period as our customers adapt to the new normal, as compared to no dining-in and closures of non-essential workplaces during the Circuit Breaker in 1H2020.

The revenue generated from rental income from lease of premises to tenants increased by approximately S\$0.8 million or 39.1%, from approximately S\$2.1 million to approximately S\$2.9 million. The increase was mainly attributable to the commencement of operations for 101 Upper Cross Street during the Reporting Period, as well as lesser provision of rental rebate to tenants as compared to 1H2020.

The provision of management, cleaning and utilities services income increased by approximately S\$0.1 million or 8.0%, from approximately S\$1.1 million to approximately S\$1.2 million. The increase was mainly attributable to the commencement of operations for 101 Upper Cross Street during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of inventories consumed

The cost of inventories consumed increased by approximately S\$0.5 million, or 8.5%, from approximately S\$6.3 million to approximately S\$6.8 million, which was in line with the increase in revenue from sale of the cooked food, beverages and tobacco products. The cost of inventories consumed primarily represents the cost of purchases of food ingredients for its food and beverage retail business, consisting of fresh and frozen meat, seafood, vegetables, eggs, dried food, canned food, seasonings, beverages, coffee powder and cigarettes.

Staff costs

Staff cost accounts for the second largest component under operating expenses which amounted to approximately S\$4.4 million and S\$5.2 million for the 1H2020 and the Reporting Period, respectively, representing approximately 27.3% and 28.1% of revenue for the respective periods.

Staff costs increased by approximately S\$0.8 million or 18.2%, which was in line with the increase in revenue, as well as lesser amount of grants received from the Singapore Government in the Reporting Period as compared to 1H2020, which aimed to provide support companies retain employees during the COVID-19 Outbreak.

Property rentals and related expenses

The property rentals and related expenses primarily represent the rental expenses paid for the leasing of properties from independent third parties for the operation of the short-term food and beverage stalls, food centers. The property rentals and related expenses increased by approximately S\$0.2 million or 15.0%, from approximately S\$1.5 million to approximately S\$1.7 million. The increase was in line with the increase in revenue as well as higher rental rebates or rental reduction given by landlords during the COVID-19 Outbreak in 1H2020. In addition, some of our leases were converted to shorter term leases during the Reporting Period to enhance our flexibility with regard to lease renewal, and are accounted for as short-term leases instead of right-of-use assets. This resulted in higher rental expenses and lower depreciation on right-of-use assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Management, cleaning and utilities expenses

The management, cleaning and utilities expenses remained largely unchanged between 1H2020 and the Reporting Period.

Other operating expenses

| | For the six months ended 30 June | |
|--------------------------------|-------------------------------------|--------------------------------|
| | 2021 S\$'000 (unaudited) | 2020 S\$'000 (unaudited) |
| Administrative fee | 125 | 123 |
| Advertisement and promotion | 130 | 39 |
| Insurance | 13 | 19 |
| Property tax and related costs | 429 | 21 |
| Repairs and maintenance | 370 | 282 |
| Legal and professional fee | 122 | 261 |
| Telephone and communication | 18 | 24 |
| Donation | 8 | – |
| Others | 144 | 177 |
| | 1,359 | 946 |

The other operating expenses increased approximately S\$0.5 million or 43.7% from approximately S\$0.9 million to approximately S\$1.4 million. The increase was mainly attributable to the property tax rebate received from the Singapore Government as part of the support given for the COVID-19 Outbreak during 1H2020, as well as higher repairs and maintenance expenses to refurbish 101 Upper Cross Street for our operations. However, these were offset by lower legal and professional fees, which were incurred in 1H2020 due to the acquisition of 101 Upper Cross Street.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The finance costs increased from approximately S\$0.8 million in 1H2020 to S\$0.9 million in the Reporting Period, an increase of approximately 7.5% mainly due to additional loan drawn down of S\$4.0 million for the acquisition of Block 171 Yishun Avenue 7, #01-781, Singapore 760171 in March 2021 and a S\$5.0 million unsecured working capital loan offered by the Singapore Government in June 2020, to assist companies during the COVID-19 Outbreak.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2021 and 31 December 2020, the Group's key financial position indicators are as follows:

| | 30 June 2021 S\$'000 (unaudited) | 31 December 2020 S\$'000 (audited) |
|----------------------------------|---|---|
| Current assets | 10,543 | 14,318 |
| Current liabilities | 9,325 | 8,868 |
| Net current assets | 1,218 | 5,450 |
| Interest-bearing bank borrowings | 74,653 | 74,289 |
| Equity | 68,645 | 67,332 |
| Gearing ratio | 108.8% | 110.3% |

The overall net current assets of the Group decreased by approximately S\$4.2 million, primarily due to full repayment for one of the mortgage loans.

As at 30 June 2021, the Group had aggregate outstanding bank borrowings of approximately S\$74.7 million, which was increased by S\$0.4 million or 0.5% from approximately S\$74.3 million as at 31 December 2020. The increase was mainly due to the S\$4.0 million loan taken to finance the acquisition of Block 171 Yishun Avenue 7, #01-781, Singapore 760171 in March 2021, which was offset by repayment of bank borrowings during the Reporting Period.

All secured borrowings were secured by the pledge of certain of the Group's (i) property, plant and equipment; (ii) investment properties; (iii) future rental income; (iv) bank deposit; and (v) corporate guarantee of the Company and two subsidiaries of the Group, which carries a weighted average effective interest rate of approximately 2.33%.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group had unutilised banking facilities of at least S\$15.7 million as at 30 June 2021. The Group aims to have enough liquidity by keeping sufficient cash balances and having committed credit lines available, which would enable the Group to continue its business in a manner consistent with its short-term and long-term financial needs.

Gearing ratio is calculated based on interest-bearing bank borrowings divided by total equity as at the respective period or year end and multiplied by 100%.

As at 30 June 2021, the gearing ratio is approximately 108.8%, compared to approximately 110.3% as at 31 December 2020. The decrease in gearing ratio was mainly attributable to increase in equity as a result of profit for the Reporting Period.

Use of proceeds

| | Net Proceeds allocated (HK\$'000) | Approx Percentage of Net of Proceeds | Utilised as at 30 June 2021 (HK\$'000) | Balance as at 30 June 2021 (HK\$'000) |
|---|--|---|--|---|
| 1. To partly fund the purchase of food centres | | | | |
| a. 101 Yishun | 34,760 | 32% | (34,760) | – |
| b. 150 South Bridge Road | 5,610 | 5% | (5,610) | – |
| 2. To purchase food centres | 35,530 | 32% | (35,530) | – |
| 3. To partially repay outstanding bank borrowings | 11,110 | 10% | (11,110) | – |
| 4. To renovate existing food centres | 5,610 | 5% | (5,610) | – |
| 5. To upgrade IT infrastructure and systems | 6,270 | 6% | (290) | 5,980 |
| 6. General working capital | 11,110 | 10% | (11,110) | – |
| Total | 110,000 | 100% | (104,020) | 5,980 |

MANAGEMENT DISCUSSION AND ANALYSIS

The Directors do not anticipate any material change to the plan as to the use of the net proceeds except that considering the sluggish economic condition in Singapore due to the COVID-19 Outbreak, the Group will utilise the balance of the net proceeds in a conservative manner on or before 31 December 2021. Should the Directors decide to reallocate the planned use of the net proceeds to other business plans and/or new projects of the Group to a material extent, the Group will make appropriate announcement(s) in due course.

Capital commitment and significant investments held

As at 30 June 2021, the Group has no capital commitment and significant investments held.

Foreign currency risks

Most of the Group's revenues and operating costs were denominated in Singapore dollars. Except for the bank deposits denominated in Hong Kong dollars, the Group's operating cash flow or liquidity is not directly subject to any significant exchange rate fluctuations. The management closely monitors foreign currency exposures and will consider hedging for significant foreign currency exposures if required.

Pledge of Assets

As at 30 June 2021, the Group pledged certain of its property, plant and equipment, investment properties and bank deposit amounting to approximately S\$125,468,000 (31 December 2020: approximately S\$133,370,000) to secure bank borrowings of the Group.

CONNECTED TRANSACTIONS

The Group had no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules during the Reporting Period.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

The Group had not provided any financial assistance and guarantee to affiliated companies during the Reporting Period.

HUMAN RESOURCE

As of 30 June 2021, the Group had 307 employees (31 December 2020: 304). The remuneration policy and package of the Group's employees are structured in accordance with market norms and statutory requirements where appropriate. On top of pension funds and insurances, the Group also provides staff benefits such as incentives and subsidized medical fees to motivate and reward employees at all levels, to achieve the Group's business performance targets.

OTHER INFORMATION

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 organisational 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 the 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 three executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Save as otherwise disclosed herein, the Company complied with the code provisions as set out in the CG Code for the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

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 Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries to all Directors, all Directors confirm that they fully complied with the relevant requirements set out in consistent with interim results announcement and its own code of conduct during the Reporting Period.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the “Share Option Scheme”) on 1 February 2019. The purpose of the Share Option Scheme is to enable the Company to grant options to eligible persons as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group.

As at 30 June 2021, no share option was outstanding under the Share Option Scheme. No share option has been granted, exercised, cancelled or lapsed under the Scheme since its adoption.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

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

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, up to the date of this report, there were no changes to the information which is required to be disclosed and which has been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

DIRECTORS AND THE CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the interests or short positions of each Director and the chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, where as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

| Name of Director | Capacity/nature of interest | Number of shares held (Note 1) | Percentage of shareholding |
|--------------------|---|-----------------------------------|----------------------------|
| Mr. Chu Chee Keong | Interest in a controlled corporation (Note 2) | 600,000,000 (L) | 75% |
| Ms. Leow Poh Hoon | Interest of spouse (Note 3) | 600,000,000 (L) | 75% |

Notes:

1. The letter "L" denotes the long position in the relevant shares.
2. The entire issued share capital of Strong Oriental Limited ("Strong Oriental") is legally and beneficially owned by Mr. Chu Chee Keong ("Mr. Chu"). Accordingly, Mr. Chu is deemed to be interested in the 600,000,000 shares held by Strong Oriental by virtue of the SFO.
3. Ms. Leow Poh Hoon ("Ms. Leow") is the spouse of Mr. Chu. She is deemed to be interested in all the shares in which Mr. Chu is interested or deemed to be interested by virtue of the SFO.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2021, none of the Directors and the chief executive of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or children under 18 years of age, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the following corporation (other than a Director or the chief executive of the Company) had interests or short positions in the Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

| Name of Shareholder | Capacity/nature of interest | Number of Shares held (Note 1) | Percentage of shareholding |
|---------------------|-----------------------------|-----------------------------------|----------------------------|
| Strong Oriental | Beneficial Owner | 600,000,000 (L) | 75% |

Note:

1. The letter "L" denotes the long position in the Shares.

Save as disclosed above, as at 30 June 2021, no other corporation which/person (other than a Director or the chief executive of the Company) had any interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained the prescribed percentage of public float under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive Directors, namely Mr. Mah Seong Kung (Chairman), Mr. Ng Yong Hwee and Mr. Wong Loke Tan, has reviewed with the management the accounting principles and policies adopted by the Group and the unaudited interim results of the Group for the Reporting Period.

APPRECIATIONS

On behalf of the Board, I would like to extend our sincere thanks to the shareholders, business partners and customers for their continuous support to the Group. I would also extend my gratitude and appreciation to all the Directors, management and staff for their hard work and dedication throughout the Reporting Period.

By Order of the Board
K2 F&B Holdings Limited
Chairman
CHU CHEE KEONG (ZHU ZHIQIANG)

Singapore, 24 August 2021