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K2 F&B HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2108)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY

THE ACQUISITION

On 25 November 2021, the Purchaser was granted the Option by the Vendor to conditionally purchase the Sales Shares pursuant to the Option Agreement. The Board is pleased to announce that on 15 December 2021, the Purchaser exercised the Option pursuant to the Option Agreement to conditionally purchase the Sale Shares representing the entire issued share capital of the Target Company from the Vendor at a total consideration of S\$14,500,000. The Target Company is a real estate developer which owns the Property.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are above 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

WRITTEN CONTROLLING SHAREHOLDER'S APPROVAL

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, none of the Shareholders and their respective associates has any material interest in the Acquisition. As such, no Shareholder would be required to abstain from voting on the resolution in respect of the Acquisition if the Company were to convene a general meeting for the approval of the Acquisition. As at the date of this announcement, Strong Oriental is the controlling Shareholder of the Company and beneficially holds 600,000,000 Shares, representing 75% of the entire issued share capital of the Company. Written approval of the Acquisition has been obtained from Strong Oriental. Pursuant to Rule 14.44 of the Listing Rules, such written approval may be accepted in lieu of holding a general meeting of the Company, and accordingly, no general meeting of the Company will be convened for the purpose of approving the Acquisition.

DESPATCH OF CIRCULAR

A circular containing, among other things, further details of the Acquisition will be despatched to the Shareholders. As more time is required to prepare the relevant information to be included in the circular, the Company will apply for an extension of time for dispatch of the circular by no later than 31 January 2022.

Shareholders and potential investors should note that the Acquisition contemplated under the Option Agreement is subject to satisfaction of certain conditions and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

THE ACQUISITION

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THE OPTION AGREEMENT

The terms and conditions for the sale and purchase of the Sale Shares were set out in the Option Agreement the principal terms of which are summarised below:

- Date** : 25 November 2021
- Parties** : (i) CK Chu Holdings Pte Ltd as the Purchaser; and
(ii) Rich Capital Holdings Limited as the Vendor.
- Consideration** : S\$14,500,000 (equivalent to approximately HK\$82,650,000), payable in the following manners:
- (i) the option money to purchase the Option under the Option Agreement amounting to 1% of the total consideration (being S\$145,000 or equivalent to approximately HK\$826,500) of the sale and purchase of the Sale Shares was paid on the date of the Option Agreement and shall be treated as part payment for the total consideration to the Acquisition;
 - (ii) a further part payment of 4% of the total consideration (being S\$580,000 or equivalent to approximately HK\$3,306,000) shall be payable at the time of exercising the Option; and
 - (iii) the remaining balance of the total consideration for the Acquisition shall be payable upon Completion.

The total consideration for the Acquisition was determined upon arm's length negotiation between the Purchaser and the Vendor, having regard to, amongst others, (i) the net asset value of the Target Company and the market price of the Property; and (ii) the location of the Property and the market price of comparable properties in the vicinity.

The Vendor shall settle all liabilities of the Target Company as at the date of Completion including, but not limited to, bank borrowings of S\$8,640,000.

Sale and Purchase Agreement : It is the intention of the Purchaser and the Vendor to negotiate in good faith a mutually satisfactory Sale and Purchase Agreement and any related agreements that may be required for documenting the Acquisition consistent with the terms and conditions of the Option Agreement and including customary representations and warranties, undertakings, closing conditions, covenants and indemnities typical of transactions of this nature.

Completion : Completion shall take place within 16 weeks from the date of exercise of the Option or any other date mutually agreed by the parties.

Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated with the Group.

Conditions of Sale : Completion of the Acquisition is conditional upon the following being obtained before the Completion Date:

- (i) shareholders' approval of the Vendor;
- (ii) clearance, waiver or approval from the Singapore Exchange Securities Trading Limited and all such regulatory authorities as may be applicable;
- (iii) shareholders' approval of the Purchaser, and an undertaking letter from at least 51% of the shareholders of the Purchaser should be furnished to the Vendor prior to the execution of the Option Agreement; and
- (iv) approval from the Singapore Urban Redevelopment Authority on usage of part of the Property as a food factory/central kitchen.

If any of the abovementioned approval, clearance or waiver is not granted or obtained for whatever reasons, the Option Agreement shall be deemed null and void and of no effect. All monies paid pursuant to the Option Agreement shall be refunded to the Purchaser forthwith free of interest and thereafter neither party shall have any claim against the other whatsoever.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group is principally engaged in (i) food and beverage retail business; and (ii) outlet management and leasing business in Singapore. The Purchaser, CK Chu Holdings Pte Ltd, is an indirect wholly-owned subsidiary of the Company, which primarily engages in the ownership and operation of food centres, and operation of food and beverage stalls.

INFORMATION OF THE VENDOR

The Vendor is a property developer with focus on residential and industrial properties in Singapore. The Vendor is currently listed on the Catalist of the Singapore Exchange Securities Trading Limited. The single largest shareholder of the Vendor is Bai FengMei.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and its single largest shareholder are Independent Third Parties, and neither the Vendor nor its single largest shareholder have any other past or present relationships (formal or informal, business or otherwise, implied or explicit) with the Company or its connected persons.

INFORMATION OF THE TARGET COMPANY

The Target Company is a private company incorporated in Singapore whose principal business activity is real estate development. The Target Company owns the Property.

The Target Company's financial statements for years ended 31 March 2020 and 2021 were audited by its auditor. Set out below is the financial information of the Target Company:

	For the year ended 31 March 2020	For the year ended 31 March 2021
	S\$	S\$
	(Audited)	(Audited)
Net loss before tax	(461,473)	(406,777)
Net loss after tax	(461,473)	(406,777)
Net assets ¹	2,684,779	2,733,040

An accountant's report of the Target Company shall be included in the circular to be despatched to the Shareholders in respect of the Acquisition.

1. Included in the computation of net assets are bank borrowings amounting to S\$8.64 million as at both 31 March 2020 and 31 March 2021

INFORMATION OF THE PROPERTY

The Property to be acquired indirectly by the Purchaser through the Acquisition is located at 6 Kim Chuan Terrace, Singapore 537029, an industrial building situated on freehold land in Tai Seng B2 industrial precinct. The Property is owned and occupied by the Target Company and is not subject to any existing and subsisting lease(s) as at the date of this announcement.

Details of the Property are as follows:

Location	Description	Tenure	Land Area (square feet)	Potential Gross Floor Area (square feet)	Existing use
6 Kim Chuan Terrace, Singapore 537029	Land and industrial building situated at a corner site with double frontage in Tai Seng B2 industrial precinct	Freehold	8,906	22,265	Vacant

The Group has consulted a property valuer which has indicated that the valuation of Property is in the region of S\$14,500,000. A valuation report of the Property shall be included in the circular to be despatched to the Shareholders in respect of the Acquisition.

REASONS AND THE BENEFITS OF THE ACQUISITION

The Group is principally engaged in food and beverage retail business and outlet management and leasing business in Singapore. As of the date of this announcement, the Group operates 43 food and beverage stalls in Singapore, and there are 23 food centres owned and/or managed by the Group.

It is the intention of the Board that the Property to be acquired through the Acquisition would be redeveloped as the Group's headquarters and central kitchen. The Property could be redeveloped into a building of up to 7 floors with a gross floor area of up to 22,265 square feet. The redevelopment is expected to take approximately 2.5 years after completion of the Acquisition. In addition to housing the Group's headquarters and central kitchen, the Group will set up a food centre in the Property with up to 5% of the total gross floor area after completion of the redevelopment, and the Group may consider leasing out 2 floors of the building to generate rental income.

The Board is of the view that such redevelopment of the Property would enable the Group to reduce cost, increase operational efficiency, generate rental income, increase staff recruitment flexibility, and create new potential revenue streams. In particular:

- *B2 industrial type:* The Property is a B2 industrial property. Therefore, the Property is suitable for businesses with heavier manufacturing and production. As a B2 industrial property, the Board considers that the Property is suitable for the operation as the Group's central kitchen and it would allow the Group to have flexibility in allocating part of the floor space to be used as central kitchen once redeveloped.

- *Cost reduction:* By reworking various kitchen processes, the Board views that the Group would be able to centralise part of the production to the central kitchen, which would translate into an increased level of flexibility to opt for smaller outfits with lower rental and optimization of labour and workflow within the Group. Consequently, the Group would be able to lower its labour costs since overall headcount can be reduced.
- *Strategic location:* The Property is surrounded by major commercial developments and corporate headquarters and is within walking distance of the existing industrial ecosystem in the vicinity, comprising Tai Seng MRT station, F&B outlets, banks and other amenities. The Property is also well positioned in a central location near major expressways such as PIE and KPE.
- *Increased flexibility for hiring of workers:* The acquisition and redevelopment of the Property would increase the Group's flexibility for hiring of workers as the Group would be able to get higher quota for work pass holders for manufacturing activities.
- *Additional income and revenue stream:* Part of the building which the Board plans to construct on the Property could be rented out to third party(ies) to generate rental income. Moreover, any excess capacity in the central kitchen could be used to undertake OEM production of food which could provide a new revenue stream.
- *Operation of food centre:* The mature ecosystem of the industrial cluster where the Property is situated provides the locational attributes for robust demand for the food and beverage stalls within the food centre which the Board plans to develop in the Property. The Group will allocate up to 5% of the gross floor area of the redevelopment for the operation of a food centre.
- *Freehold land:* The Property comprises a freehold land, which allows the Group to have greater flexibility in the use and redevelopment of the land and enjoy potential capital appreciation. The Board plans to dispose the current headquarters at 51 Ubi Avenue 1, Singapore 408933 once the redevelopment of the Property is completed so as to free up the capital locked up in the current headquarters for other investments and usage.
- *Attractive pricing:* The total costs of redevelopment is expected to be approximately S\$22.18 million which would represent a price of S\$996 per square feet which is more price competitive than comparable properties in the proximity.

In view of the above, the Directors believe that the terms of the Acquisition and the proposed redevelopment of the Property are fair and reasonable and in the interests of the Company and its Shareholders.

LISTING RULES IMPLICATIONS

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WRITTEN CONTROLLING SHAREHOLDER'S APPROVAL

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, none of the Shareholders and their respective associates has any material interest in the Acquisition. As such, no Shareholder would be required to abstain from voting on the resolution in respect of the Acquisition if the Company were to convene a general meeting for the approval of the Acquisition. As at the date of this announcement, Strong Oriental is the controlling Shareholder of the Company and beneficially holds 600,000,000 Shares, representing 75% of the entire issued share capital of the Company. Written approval of the Acquisition has been obtained from Strong Oriental. Pursuant to Rule 14.44 of the Listing Rules, such written approval may be accepted in lieu of holding a general meeting of the Company, and accordingly, no general meeting of the Company will be convened for the purpose of approving the Acquisition.

DESPATCH OF CIRCULAR

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Acquisition; (ii) financial information of the Group; (iii) financial information of the Target Company; and (iv) a valuation of the Property shall be despatched within 15 business days after publication of this announcement. As more time is required to prepare the information to be included in the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules from the Stock Exchange so that the despatch date of the circular can be postponed to a date more than 15 business days after publication of this announcement, which is expected to be on or before 31 January 2022.

Shareholders and potential investors should note that the Acquisition contemplated under the Option Agreement is subject to satisfaction of certain conditions and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms of the Option Agreement
“Board”	the board of Directors
“Company”	K2 F&B Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on Main Board of the Stock Exchange (stock code: 2108)
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“Independent Third Party(ies)”	person(s) or company(ies) who/which is(are) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option”	the option granted by the Vendor to the Purchaser pursuant to the terms and conditions of the Option Agreement for the sale and purchase of the Sale Shares
“Option Agreement”	the letter dated 25 November 2021 sent by the Vendor to Purchaser pursuant to which the Vendor agreed to agreed to grant the Option to the Purchaser subject to the terms contained therein
“percentage ratios”	has the same meaning ascribed to it under the Listing Rules
“Property”	land and industrial building at 6 Kim Chuan Terrace, Singapore 537029
“Purchaser”	CK Chu Holdings Pte Ltd, a company incorporated in Singapore with limited liability and an indirect wholly-owned subsidiary of the Company
“S\$”	Singaporean dollar(s), the lawful currency of Singapore

“Sale Shares”	100 ordinary shares in the Target Company, representing the entire issued share capital of the Target Company
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Strong Oriental”	Strong Oriental Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling Shareholder of the Company
“Target Company”	First Capital Pte Ltd, a company incorporated under the laws of Singapore with limited liability
“Vendor”	Rich Capital Holdings Limited, a company incorporated under the laws of Singapore with limited liability and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited
“%”	percentage

Note: Unless otherwise stated, the figures in “S\$” are converted into HK\$ at the rate of S\$1.00: HK\$5.70 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 of
K2 F&B Holdings Limited
Chu Chee Keong
Chairman

Singapore, 15 December 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. Mah Seong Kung
Mr. Ng Yong Hwee