THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in the Company, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was affected for transmission to the purchaser or transferee.

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

11 March 2022

CONTENTS

In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms of the Option Agreement and the Sale and Purchase Agreement
"Announcement"	the Company's announcement dated 15 December 2021
"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
"Completion Date"	date of Completion
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Target Company immediately upon Completion
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, 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
"Independent Valuer"	Colliers International Consultancy & Valuation (Singapore) Pte Ltd, an independent professional valuer appointed by the Company for the valuation of the Property
"Latest Practicable Date"	8 March 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	means the 30th day after 6 April 2022, or such other time and date as the parties may from time to time agree
"Main Board"	the Main Board of the Stock Exchange
"Option"	the option to purchase the Sale Shares granted by the Vendor to the Purchaser pursuant to the Option Agreement and accepted by the Purchaser on 15 December 2021
"Option Agreement"	the letter from the Vendor to the Purchaser dated 25 November 2021 pursuant to which the Vendor granted 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
"Prospectus"	the prospectus of the Company dated 21 February 2019 relating to the listing of the Shares on Main Board
"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 the Republic of Singapore
"Sale and Purchase Agreement"	a sale and purchase agreement entered into between the Vendor and the Purchaser on 17 February 2022 in respect of the sale and purchase of the Sale Shares
"Sale Shares"	such number of ordinary shares the Vendor holds in the Target Company on the Completion Date that represents one hundred per cent (100%) of the issued and paid-up share capital of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"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 in 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$5.75 throughout this circular 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.

K2 F&B HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2108)

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

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong
Unit 912, 9/F
Two Harbourfront
22 Tak Fung Street
Hunghom, Kowloon
Hong Kong

Headquarters and Principal Place of Business in Singapore
51 Ubi Avenue
#02-17/18 Paya Ubi Industrial Park
Singapore 408933

11 March 2022

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION — ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

1. INTRODUCTION

References are made to the Announcement in which the Board announced that on 15 December 2021, the Purchaser exercised the Option to conditionally purchase the Sale Shares from the Vendor at a total consideration of S$14,500,000 (equivalent to approximately HK$83,375,000).

In respect of the Acquisition, the applicable percentage ratios, where applicable, calculated by reference to Rule 14.07 of the Listing Rules, are 25% or more but less than 100%. Accordingly, the Acquisition constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules.

The purpose of this circular is to provide you with further information regarding the Acquisition.

2. THE ACQUISITION

The Option Agreement

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

Date : 25 November 2021

Parties :

(i) CK Chu Holdings Pte. Ltd. as the Purchaser;

(ii) Rich Capital Holdings Limited as the Vendor.

Consideration : S$14,500,000 (equivalent to approximately HK$83,375,000), payable in the following manner:

(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$834,000) 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 consideration to the Acquisition;

(ii) a further part payment of 4% of the total consideration (being S$580,000 or equivalent to approximately HK$3,335,000) shall be payable at the time of exercising the Option; and

(iii) the remaining balance of the consideration (being S$13,775,000 or equivalent to approximately HK$79,206,000) 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 value of the Property as a redevelopment site (not including the value of the existing industrial building thereon); and (ii) the location of the Property and the market value 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 approximately S$8,640,000. Whilst the Target Company recorded net liabilities, all of its liabilities will be discharged on or before Completion Date. Hence, the existing liabilities of the Target Company are not taken into account by the Board in determining the consideration. The consideration is based primarily on the market value of the Property as a redevelopment site (not including the value of the existing industrial building thereon) which was valued at S$14.5 million as at 31 December 2021.

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[*Note*] 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 Urban Redevelopment Authority of Singapore on usage of part of the Property as a food factory/central kitchen.

Note: The undertaking letter is a letter of undertaking given by Strong Oriental in favour of the Vendor that Strong Oriental will vote in favour of the Acquisition at any meeting of the Company and will maintain at least 51% shareholding in the Company until conclusion of the Acquisition.

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.

The Sale and Purchase Agreement

On 17 February 2022, the Vendor and the Purchaser entered into the Sale and Purchase Agreement to document and set out the terms and conditions of the Acquisition in connection with the Option. The major terms of the Sale and Purchase Agreement are summarised below:

Date	:	17 February 2022
Parties	:	(i) CK Chu Holdings Pte. Ltd. as the Purchaser; (ii) Rich Capital Holdings Limited as the Vendor.
Assets to be acquired	:	Sale Shares, representing the entire issued share capital of the Target Company. The Sale Shares to be acquired by the Purchaser shall be free from all mortgages, charges, pledges, liens, options, restrictions, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including a title transfer and retention agreement) having similar effect, together with all rights attaching or accruing to the Sale Shares at or after Completion.
Property held by the Target Company	:	Land and industrial building at 6 Kim Chuan Terrace, Singapore 537029
Date of Completion	:	6 April 2022, or any other date mutually agreed by the parties in writing

Conditions of Acquisition : Completion of the Acquisition is conditional upon the following conditions being fulfilled and remaining fulfilled, or waived by the Purchaser or the Vendor (where capable of being waived, as the case may be) as at the Completion Date or Long Stop Date, as the case may be:

(i) the receipt of all corporate approvals (including shareholders' and board of directors' approval) by the Vendor in respect of the sale and purchase of the Sale Shares;

(ii) the receipt by the Vendor of a no further comment letter in respect of the circular addressed to the shareholders of the Vendor by its sponsor and/or the Singapore Exchange Securities Trading Limited, and if such letter is granted with conditions, such conditions shall be reasonably acceptable to the Vendor;

(iii) the receipt of all corporate approvals (including shareholders and board of directors approval) by the Purchaser and/or the Company in respect of the sale and purchase of the Sale Shares;

(iv) all approvals of the directors and shareholders of the Company and all filings with any relevant governmental or regulatory authorities and other relevant third parties in Hong Kong or elsewhere which are required or appropriate for the entering into and the implementation of the Sale and Purchase Agreement having been made and all applicable statutory or other legal obligations having been complied with including the requirements under the Listing Rules;

(v) satisfactory results of commercial, financial and legal due diligence exercise carried out on the Target Company, and in the case of issues revealed by the commercial, financial and legal due diligence exercise, the satisfactory provision of the relevant representations and/or warranties for these issues;

(vi) the Target Company being the legal and beneficial owner of the Property on the Completion Date;

(vii) there being no unsatisfactory replies received by the Purchaser's solicitors to all their requisitions (and applications for Interpretation Plans) to the various government departments including the Land Transport Authority of Singapore in relation to the Property;

(viii) the Property or any part thereof not being affected by any notice of acquisition or intended acquisition by the government, or any other competent authority given on or before the Completion Date;

(ix) approval from the Urban Redevelopment Authority of Singapore having been obtained by the Target Company on usage of the Property as a food factory/central kitchen;

(x) there being no material adverse change to the prospects, operations and financial condition of the Target Company occurring prior to Completion;

(xi) the Target Company as at Completion having discharged all encumbrance, charges and obligations under or pursuant to any banking facilities extended to the Target Company, including, but not limited to, the existing bank borrowings of approximately S$8,640,000;

(xii) the Target Company terminating the employment of all employees on or before the Completion Date;

(xiii) the Target Company novating or terminating all contracts relating to its existing business, if any, on or before the Completion Date and there being no outstanding obligations on the part of the Target Company in relation to the Target Company's existing business, if any, as at the Completion Date;

(xiv) the Target Company settling all its liabilities on or before the Completion Date (including without limitation, any liabilities arising from the termination of the employment of the employees and any tax liabilities);

(xv) the Target Company as at the Completion Date having no indebtedness to any party (including but not limited to, its related corporations, directors and shareholders); and

(xvi) all necessary consents, clearance, waiver and/or approval for the transaction contemplated herein, if any, being granted by governmental, regulatory or official authorities, including the Singapore Exchange Securities Trading Limited.

The conditions above are capable of being waived by the Vendor and the Purchaser as the case may be, but it is not intended that conditions (i) to (iv), (xi), (xiv) and (xv) above will be waived by the parties. As at the Latest Practicable Date, the Company understands that conditions (ix), (xii) and (xiii) above have been fulfilled and the parties have not waived any of the conditions. To the extent not currently fulfilled by the parties, the conditions above are expected to be fulfilled on or before Completion Date.

Payment of Consideration : On Completion Date, the Purchaser will, in accordance with the instructions of the Vendor, pay approximately S$8,640,000 to United Overseas Bank Limited for the account of the Target Company to discharge all bank borrowings owed by the Target Company. The Purchaser will pay the balance of the purchase price to the account of the Vendor at United Overseas Bank Limited and receipt by such bank shall constitute a good discharge to the Purchaser in respect of the purchase price.

Long Stop Date : If the conditions of the Acquisition have not been satisfied (or, as the case may be, waived by the Purchaser) on or before the Long Stop Date, the Sale and Purchase Agreement shall terminate with effect from that date.

3. 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 is an indirect wholly-owned subsidiary of the Company, which primarily engages in the letting and operation of food centres and operation of food and beverage stalls.

4. 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 Vendor was the immediate holding company of the Target Company prior to Completion. The single largest shareholder of the Vendor is Bai FengMei.

To the best of the Directors' knowledge, information and belief, 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.

5. 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 audited financial statements of the Target Company prepared in accordance with International Financial Reporting Standards are set out in Appendix II to this circular. Set out below is the financial information of the Target Company for the financial years ended 31 March 2020 and 31 March 2021 respectively:

	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 liabilities *Note*	(698,543)	(1,105,320)

Note: The Target Company has bank borrowings of S$8,640,000 as at 30 September 2021, which will be discharged on the Completion Date. Part of the purchase price will be paid directly to the bank for the discharge of such bank borrowings upon Completion.

The consideration of S$14,500,000 represents an excess of approximately S$3,189,000 over the net book value of the Property as at 30 September 2021. Save for the Property, the assets of the Target Company including cash balance of S$134,999 as at 30 September 2021 will be disposed of by the Target Company at or before Completion and will not be consolidated in the Group upon Completion, and there will be no other assets and liabilities remaining in the Target Company upon Completion (including the bank borrowings and other liabilities of the Target Company which will be discharged upon Completion).

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 into the Group's financial statements.

6. INFORMATION ON 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 circular. Whilst the Property has generated rental income of S$40,550 during the six months ended 30 September 2021, the relevant lease has been terminated.

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 Property was assessed by the Independent Valuer to have a market value of S$14,500,000 as a redevelopment site as at 31 December 2021. Whilst there is currently an industrial building situated on the Property, it is intended that the industrial building will be demolished, and the Property will be redeveloped as the Group's headquarters and central kitchen. In the circumstances, the Property is valued as a redevelopment site and the property valuation report does not include the existing industrial building in the valuation. For details, please refer to a valuation report of the Property in Appendix IV to this circular.

7. REASONS FOR 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 Latest Practicable Date, the Group operates 43 food and beverage stalls in Singapore, and there are 21 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 the Completion. 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.

Whilst the Group has an existing headquarters, the existing headquarters is a leasehold property which does not allow the Group to build and operate a central kitchen. The Board considers that a new central kitchen will provide a competitive edge to the Group's food and beverage retail business for the reasons stated below and that housing the central kitchen in the same building as the headquarters could generate costs saving, increase synergies, and foster collaboration within the Group.

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. In contrast, the existing headquarters of the Group is a leasehold property, which does not allow the Group to operate a central kitchen.

- *Attractive pricing*: The total costs of redevelopment is expected to be approximately S$22.18 million (consisting of S$14.5 million for the consideration of the Property, S$7.5 million for expected capital expenditure to redevelop the Property, and S$180,000 for professional fees) which would represent a price of S$996 per square feet which is more price competitive than comparable properties in the proximity.

According to the valuation of the Property prepared by the Independent Valuer, the Property has a market value of S$14,500,000 as a redevelopment site as at 31 December 2021 which accords with the purchase price for the Acquisition. As part of the conditions of Completion under the Sale and Purchase Agreement, the Target Company shall settle all its liabilities on or before Completion Date and the Target Company shall have no indebtedness to any party as at the Completion Date. The Group will not waive any such conditions and will ensure that the Target Company has no liabilities other than the Property immediately following Completion.

In view of the above and the valuation of the Property, the Directors believe that the terms of the Acquisition (including the consideration) and the proposed redevelopment of the Property are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

8. FINANCIAL EFFECT ON THE ACQUISITION

Earnings

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and the financial and all the results, assets and liabilities of the Target Company will be consolidated to the financial statements of the Group.

Assets and liabilities

The unaudited consolidated total assets and total liabilities of the Group as at 30 June 2021, as extracted from the published interim report of the Company for the six months ended 30 June 2021, were approximately S$148,828,000 and S$80,183,000 respectively. As set out in Appendix III to this circular, assuming Completion had taken place on 30 June 2021, the pro forma total assets and total liabilities of the Enlarged Group would have increased to approximately S$157,056,000 and S$88,411,000 respectively.

9. FINANCING OF THE ACQUISITION

Upon Completion, the remaining balance of the total consideration of S$13,775,000 will be paid by the Purchaser to the Vendor or relevant bank(s) to discharge the Target Company bank borrowings in full, which will be funded by borrowings and internal resources.

10. 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.

11. 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 circular, 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 circular, 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.

12. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company to approve the Acquisition, if such a general meeting were to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Acquisition.

13. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of
K2 F&B Holdings Limited
Chu Chee Keong (Zhu Zhiqiang)
Chairman and Executive Director

SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for the three years ended 31 December 2018, 31 December 2019 and 2020 and the six months ended 30 June 2021 respectively is disclosed in the following documents which are published on the website of the Stock Exchange (http://www.hkexnews.hk) and the website of the Company (www.fuchangroup.com/en/index.php):

- annual report of the Company for the year ended 31 December 2018 published on 26 April 2019;
- annual report of the Company for the year ended 31 December 2019 published on 27 March 2020;
- annual report of the Company for the year ended 31 December 2020 published on 29 March 2021; and
- interim report of the Company for the six months ended 30 June 2021 published on 24 August 2021.

INDEBTEDNESS

Bank borrowings

As at the close of business on 31 January 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had aggregate outstanding bank borrowings of approximately S$90,955,000 (equivalent to approximately HK$522,991,000).

These bank borrowings consist of term loans, secured mortgage loans and working capital loan. The working capital loans, term loans and secured mortgage loans relate to the financing of the purchase of property, plant and equipment and investment properties, details of which are as follows:

	As at 31 January 2022 *S$'000*
The Enlarged Group	
Unsecured bank borrowings[1]	4,296
Secured bank borrowings[2]	86,659
Total	90,955

Notes:

1. Such balances were covered by corporate guarantees provided by the Company and its subsidiaries.

2. Such balances were secured by the Property, property, plant and equipment, investment properties, fixed deposits, future rental income, corporate guarantees provided by the Company and its subsidiaries, and personal guarantee provided by Mr. Chu. The amount of borrowings that are secured but not covered by guarantees amount to approximately S$62,118,000.

As at the latest practicable date, our Group had unutilised banking facilities of approximately S$12,500,000 (equivalent to approximately HK$71,875,000).

Our Directors confirmed that the agreements under our bank borrowings do not contain any covenant that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirmed that we had no material defaults in payment of trade and non-trade payables and bank borrowings, nor did we breach any financial covenants during the year ended 31 December 2021 and up to the latest practicable date. Our Directors further confirmed that during the year ended 31 December 2021 and up to the latest practicable date, we did not experience any difficulty in obtaining credit facilities, or withdrawal of facilities, request for early repayment, default in payments or breach of financial covenants of bank borrowings.

Contingent liabilities

As at latest practicable date, we did not have any contingent liabilities. Our Directors confirmed that there was no material adverse change in our Group's indebtedness and contingent liabilities as at 31 January 2022, being the latest practicable date for the purpose of this statement of indebtedness.

Lease liabilities

As at 31 January 2022, being the latest practicable date for the purpose of this statement of indebtedness, the Group had current lease liabilities of approximately S$1,444,000 (equivalent to approximately HK$8,303,000) and non-current lease liabilities of S$6,568,000 (equivalent to approximately HK$37,766,000). Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the latest practicable date, the Enlarged Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, financial lease, hire purchases commitments, guarantees or other material contingent liabilities.

Amount due to Vendor

As at 31 January 2022, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had an amount due to the Vendor of approximately S$4,117,000 (equivalent to approximately HK$23,673,000). This balance is unsecured and not covered by any guarantee.

WORKING CAPITAL

Having considered the Group's internal resources, cash flow from operations, external borrowings, currently available banking and other facilities, and the effects of the Completion, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements for at least the next twelve months from the date of this circular.

FINANCIAL AND TRADING PROSPECT

As of the Latest Practicable Date, the Group operates 43 food and beverage stalls in Singapore, and there are 21 food centres owned and/or managed by the Group. The Group's revenue is principally derived from outlet management and food and beverage stalls business segments in Singapore.

COVID-19 outbreak has caused disruptions to many industries, including food and beverage sector in which the Group operates. It is difficult to predict the Group's trading prospect at present because of the uncertainties posed by 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.

In light of the dynamic nature of COVID-19 outbreak at both the global and national levels and severity of its impact on food and beverage sector, it is difficult to predict financial and trading prospects for future reporting periods.

In response to such challenges brought by the COVID-19 outbreak, the Group will re-evaluate its businesses to identify new opportunities and develop business strategies for the fast-evolving market and trends, such by diversion of underperforming assets or businesses and strategic acquisition of businesses in food and beverage industry.

MATERIAL ADVERSE CHANGE

As discussed above in ''Financial and Trading Prospect'', the COVID-19 outbreak has caused disruptions to many industries, including food and beverage sector in which the Group operates. The Group will continue to closely monitor the development of the outbreak and assess its impact on its operations, financial position and operating results.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION

TO THE DIRECTORS OF K2 F&B HOLDINGS LIMITED

INTRODUCTION

We report on the historical financial information of First Capital Pte. Limited (the "**Target Company**") set out on pages II-4 to II-26 which comprises the statements of financial position as at 31 March 2019, 2020, 2021 and 30 September 2021, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the period from 29 March 2018 (date of incorporation) to 31 March 2019, years ended 31 March 2020 and 2021 and the six months ended 30 September 2021 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-26 forms an integral part of this report, which has been prepared for inclusion in the circular of K2 F&B Holdings Limited (the "**Company**") dated 11 March 2022 (the "**Circular**") in connection with the proposed acquisition of the entire equity interests of the Target Company by the Company (the "**Acquisition**").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The financial statements of the Target Company for the Relevant Periods (the "**Underlying Financial Statements**"), on which the Historical Financial Information is based, were prepared by the director of the Target Company. The director of the Target Company is responsible for the preparation of the Underlying Financial Statements that gives a true and fair view in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**"), and for such internal control as the director determines is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the Target Company's financial position as at 31 March 2019, 2020, 2021 and 30 September 2021, and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative historical financial information of the Target Company which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 30 September 2020 and other explanatory information (together the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Fan, Chan & Co. Limited
Certified Public Accountants
Leung Kwong Kin
Practising Certificate Number P03702

Hong Kong, 11 March 2022

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report. The Underlying Financial Statements, on which the Historical Financial Information is based, were audited by Fan, Chan & Co. Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Singapore Dollars ("**S$**").

Statements of Comprehensive Income

	Notes	For the period from 29 March 2018 (date of incorporation) to 31 March 2019	Year end 31 March 2020	Year end 31 March 2021	Six months ended 30 September 2020	Six months ended 30 September 2021
		S$	S$	S$	S$ (unaudited)	S$
Revenue		—	—	—	—	—
Other income	7	—	6,348	25,333	5,333	40,550
Other operating expenses		(78,014)	(103,544)	(196,167)	(48,706)	(166,853)
Distribution and marketing expenses		—	—	(10,000)	—	—
Finance costs	8	(159,156)	(364,277)	(225,943)	(121,812)	(111,100)
Loss before tax	9	(237,170)	(461,473)	(406,777)	(165,185)	(237,403)
Taxation	10	—	—	—	—	—
Loss for the period/year		(237,170)	(461,473)	(406,777)	(165,185)	(237,403)
Other comprehensive income		—	—	—	—	—
Total comprehensive loss for the period/ year		(237,170)	(461,473)	(406,777)	(165,185)	(237,403)

Statements of Financial Position

	Notes	2019	As at 31 March 2020	2021	As at 30 September 2021
		S$	S$	S$	S$
Non-current assets					
Property, plant and equipment	12	11,297,765	11,305,033	11,307,871	11,310,754
Current assets					
Other receivables		2,378	1,329	13,368	20,273
Cash and cash equivalents	13	30,608	25,642	80,343	134,999
		32,986	26,971	93,711	155,272
Current liabilities					
Other payables	14	24,992	7,225	28,542	63,517
Amount due to ultimate holding company	15	2,902,829	3,383,322	3,838,360	4,105,232
Borrowings	16	—	—	8,640,000	8,640,000
		2,927,821	3,390,547	12,506,902	12,808,749
Net current liabilities		(2,894,835)	(3,363,576)	(12,413,191)	(12,653,477)
Non-current liabilities					
Borrowings	16	8,640,000	8,640,000	—	—
		8,640,000	8,640,000	—	—
Net liabilities		(237,070)	(698,543)	(1,105,320)	(1,342,723)
Capital and reserves					
Share capital	17	100	100	100	100
Accumulated losses		(237,170)	(698,643)	(1,105,420)	(1,342,823)
Capital deficiency		(237,070)	(698,543)	(1,105,320)	(1,342,723)

Statements of Changes in Equity

	Share capital	Accumulated losses	Total
	S$	*S$*	*S$*
At 29 March 2018 (date of incorporation)	—	—	—
Issue of shares	100	—	100
Loss and total comprehensive loss for the period	—	(237,170)	(237,170)
As at 31 March 2019	100	(237,170)	(237,070)
Loss and total comprehensive loss for the year	—	(461,473)	(461,473)
As at 31 March 2020	100	(698,643)	(698,543)
Loss and total comprehensive loss for the year	—	(406,777)	(406,777)
As at 31 March 2021	100	(1,105,420)	(1,105,320)
For the six months ended 30 September 2021			
As at 1 April 2021	100	(1,105,420)	(1,105,320)
Loss and total comprehensive loss for the period	—	(237,403)	(237,403)
As at 30 September 2021	100	(1,342,823)	(1,342,723)
For the six months ended 30 September 2020			
As at 1 April 2020	100	(698,643)	(698,543)
Loss and total comprehensive loss for the period	—	(165,185)	(165,185)
As at 30 September 2020 (unaudited)	100	(863,828)	(863,728)

Statements of Cash Flow

	For the period from 29 March 2018 (date of incorporation) to 31 March	Year end 31 March		Six months ended 30 September	
	2019	**2020**	**2021**	**2020**	**2021**
	S$	*S$*	*S$*	*S$*	*S$*
				(unaudited)	
Cash flows from operating activities					
Loss before tax	(237,170)	(461,473)	(406,777)	(165,185)	(237,403)
Adjustment for:					
Depreciation for plant and equipment	2,116	4,232	4,232	2,116	2,117
Finance costs	159,156	364,277	225,943	121,812	111,100
Operating loss before working capital changes	(75,898)	(92,964)	(176,602)	(41,257)	(124,186)
(Increase)/decrease in other receivables	(2,278)	1,049	(12,039)	(1,064)	(6,905)
Increase/(decrease) in other payables	24,992	(17,767)	21,317	4,694	34,975
Net cash used in operating activities	(53,184)	(109,682)	(167,324)	(37,627)	(96,116)
Cash flows from investing activities					
Additions to property, plant and equipment	(11,222,992)	(11,500)	(7,070)	(1,820)	(5,000)
Net cash used in investing activities	(11,222,992)	(11,500)	(7,070)	(1,820)	(5,000)

	For the period from 29 March 2018 (date of incorporation) to 31 March	Year end 31 March		Six months ended 30 September	
	2019	2020	2021	2020	2021
	S$	*S$*	*S$*	*S$*	*S$*
				(unaudited)	
Cash flows from financing activities					
Proceeds from borrowings	8,640,000	—	—	—	—
Advances from ultimate holding company	2,902,829	480,493	455,038	255,674	266,872
Interest paid	(236,045)	(364,277)	(225,943)	(121,812)	(111,100)
Net cash generated from financing activities	11,306,784	116,216	229,095	133,862	155,772
Net increase/(decrease) in cash and cash equivalents	30,608	(4,966)	54,701	94,415	54,656
Cash and cash equivalents at the beginning of the period/year	—	30,608	25,642	25,642	80,343
Cash and cash equivalents at the end of the period/year	30,608	25,642	80,343	120,057	134,999

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in Singapore with limited liability. The registered office and principal place of operation of the Target Company is located at 140 Paya Lebar Road #10–23 AZ @ Paya Lebar Singapore 409015. The immediate and ultimate holding company of the Target Company is Rich Capital Holdings Limited, which is incorporated in Singapore and listed in the Catalist Board of the Singapore Exchange Securities Trading Limited.

The Target Company is principally engaged in real estate development.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information for the Relevant Periods has been prepared in accordance with the accounting policies set out in note 4 which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Going Concern Basis

As of 30 September 2021, the Target Company incurred a net loss of S$237,403 for the six-month period then ended and accumulated losses of S$1,342,823. It was in net liability position of S$1,342,723 and its current liabilities exceeded its current assets by S$12,653,477 as at that date.

The Historical Financial Information has been prepared on a going concern basis. Taking into account the undertakings of the ultimate holding company of the Target Company not to demand repayment of the amounts due by the Target Company unless the Target Company is able to repay all other creditors in full and of the Company to provide financial support to the Target Company if it becomes the holding company of the Target Company, the sole director is confident that the Target Company is able to meet its obligations as and when they fall due over the next twelve months from the end of the reporting period. Accordingly, the directors are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Company has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 April 2021 throughout the Relevant Periods, including IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases".

Application of IFRS 9, IFRS 15 and IFRS 16

IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities, and introduces new rules of hedge accounting and a new impairment model for financial assets. The standard is effective for annual periods beginning on or after 1 April 2018 and earlier application is permitted.

IFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards IAS 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 April 2018 and earlier application is permitted.

IFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases. The standard replaces IAS 17 "Leases" and related interpretations. Under IAS 17, operating lease commitments are disclosed separately in a note to the financial statements and are recognised outside of the statement of financial position. Under IFRS 16, all leases (except for those with lease term of less than 12 months or of low value) must be recognised in the form of an asset (being the right-of-use assets) and a financial liability (being the lease liabilities). The standard is effective for annual periods beginning on or after 1 April 2019 and earlier application is permitted.

New and amendments to IFRSs in issue but not yet effective

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

- Amendments to IFRSs, *Annual Improvements to IFRSs 2018–2020*[1]
- Amendments to IAS 1, *Classification of Liabilities as Current or Non-Current*[2]
- Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*[2]
- Amendments to IAS 8, *Definition of Accounting Estimates*[2]
- Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
- Amendments to IAS 16, *Property, Plant and Equipment — Proceeds before Intended Use*[1]
- Amendments to IFRS 3, *Reference to the Conceptual Framework*[1]
- Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
- IFRS 17, *Insurance Contracts*[2]
- Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*[1]

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

[2] Effective for annual periods beginning on or after 1 January 2023.

[3] Effective for annual periods beginning on or after a date to be determined.

The director of the Target Company anticipates that the application of all the above new and amendments to IFRSs will have no material impact on the Target Company's financial statements in the foreseeable future.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Property, plant and equipment

Property, plant and equipment that are held for use in the production or supply of goods and services, or for administrative purposes (other than freehold lands and properties under construction as described below) are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Target Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of the assets other than freehold land and properties under construction over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Equipment	3 to 5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Revenue and other income

Revenue is recognised when, after entering into a contract with a customer, the entity satisfies a performance obligation by transferring control over a product or service to the customer at the amount of promised consideration to which the Target Company is expected to be entitled under that performance obligation, excluding those amounts collected on behalf of third parties.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Further details of the Target Company's revenue and other income recognition policies are as follows:

(i) Revenue from leases

Lease income from operating lease is recognised over time on a straight-line basis over the respective lease term.

(ii) Interest income is recognised over time as it accrues using the effective interest method.

Financial instruments

Financial assets

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised and derecognised on the trade date when the Target Company commits itself to purchase or sell an asset and are initially measured at fair value plus or minus, in the case of financial assets or liabilities other than those measured at fair value through profit or loss ("**FVPL**"), directly attributable transaction costs.

Measuring fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value of a financial instrument on initial recognition is normally the transaction price, unless it is estimated by using a valuation technique when part of the consideration given or received is for something other than the instruments. After initial recognition, the fair value of a financial instrument quoted in an active market is based on the unadjusted quoted price and, for financial instruments not quoted in an active market, the Target Company establishes the fair value of such financial instruments by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Classification

Financial instruments are categorised into the following classifications for the measurement after initial recognition:

(i) Amortised cost

Financial assets held for the collection of contractual cash flows which represent solely payments of principal and interest are measured at amortised cost. Interest income from the financial asset is calculated using the effective interest method.

Derecognition

A financial asset is derecognised when the Target Company's contractual rights to future cash flows from the financial asset expire or when the Target Company transfers the contractual rights to future cash flows to a third party.

Financial liabilities and equity instruments

Classification of financial liabilities or equity instruments

Financial liabilities and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Target Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Target Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Credit losses from financial instruments

IFRS 9 implements an impairment methodology called the Expected Credit Loss ("**ECL**") model which requires an entity to assess the expected (rather than incurred) credit losses on certain categories of financial assets. The Target Company's assets subject to the ECL model are financial assets measured at amortised cost (including cash and cash equivalents and other receivables). Financial assets measured at FVPL and equity securities designated at FVOCI by the Target Company are not subject to the ECL assessment.

The Target Company measures the ECL allowance for an asset in one of these categories at an amount equal to the 12 month ECL, provided the credit risk of that asset has not increased significantly since initial recognition. These are losses that are expected to result from possible default events within the 12 months after the reporting date. If the credit risk of the asset has increased significantly since initial recognition then the Target Company will measure the ECL allowance as the lifetime expected credit loss. These are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

The Target Company applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime ECL allowance for all trade receivables and contract assets. For all other financial instruments the ECL is determined as 12 month ECL unless there has been a significant increase in credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Credit losses are measured as the present value of the expected cash shortfalls (i.e. the difference between the cash flows due to the Target Company in accordance with the contract and the cash flows that the Target Company expects to receive), an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes. In measuring ECLs and whether there has been a change in credit risk, the Target Company takes into account the time value of money and reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Target Company recognises a gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt securities that are measured at FVOCI, for which the ECL is recognised in other comprehensive income and accumulated in the fair value reserve.

Impairment of non-financial assets

At the end of each reporting period, the Target Company reviews internal and external sources of information to determine whether its tangible non-financial assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less cost of disposal to sell and its value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash generating unit). If the recoverable amount of an asset or a cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income in profit or loss immediately.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "Loss before tax" as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases used in computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

(c) Current and deferred tax for the reporting period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

*(d) Goods and services tax ("**GST**")*

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the statement of financial position.

Related parties

A person or an entity is related to the Target Company if:

(a) A person, or a close member of that person's family, is related to the Target Company if that person:

(i) has control or joint control over the Target Company;

(ii) has significant influence over the Target Company; or

(iii) is a member of the key management personnel of the Target Company or the Target Company's parent.

(b) An entity is related to the Target Company if any of the following conditions applies:

(i) The entity and the Target Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target Company or an entity related to the Target Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Company or to the Target Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of the Target Company, transactions in currencies other than the functional currency (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the applications of the Target Company's accounting policies, which are described in note 4, the director are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of property, plant and equipment

The Target Company reviews its property, plant and equipment for indications of impairment at each reporting period. In analysing potential impairments identified, the director of Target Company performs current market assessments on the fair value of the property, plant and equipment.

Income tax expense

The Target Company has exposure to income taxes in Singapore. In determining the income tax liabilities, management is required to estimate the amount of capital allowances, deductibility of certain expenses and applicable tax incentives. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax recognised in the period in which such determination is made.

Depreciation

Plant and equipment is depreciated on a straight-line basis over the estimated useful life of the assets, after taking into account the estimated residual value. The Target Company reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Target Company's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future period are adjusted if there are significant changes from previous estimates.

6. SEGMENT REPORTING

Under IFRSs, information about operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Currently, the Target Company operates its business as one single segment. Hence, no separate segment information is necessary to be disclosed.

7. OTHER INCOME

	For the period from 29 March 2018 (date of incorporation) to 31 March 2019	Year end 31 March		Six months ended 30 September	
	2019	2020	2021	2020	2021
	S$	*S$*	*S$*	*S$* (unaudited)	*S$*
Rental income	—	—	20,000	—	40,550
Sundry income	—	6,348	5,333	5,333	—
	—	6,348	25,333	5,333	40,550

8. FINANCE COSTS

	For the period from 29 March 2018 (date of incorporation) to 31 March 2019	Year end 31 March		Six months ended 30 September	
	2019	2020	2021	2020	2021
	S$	*S$*	*S$*	*S$* (unaudited)	*S$*
Interest expense on borrowings	236,045	364,277	225,943	121,812	111,100
Less: amounts capitalized in the cost of qualifying assets	(76,889)	—	—	—	—
	159,156	364,277	225,943	121,812	111,100

Borrowing costs capitalised for the period from 29 March 2018 (date of incorporation) to 31 March 2019 amounted to $76,889 at an effective interest ranging from 3.53% to 3.96% per annum.

9. LOSS BEFORE TAX

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

	For the period from 29 March 2018 (date of incorporation) to 31 March 2019	Year end 31 March		Six months ended 30 September	
	2019	2020	2021	2020	2021
	S$	*S$*	*S$*	*S$* (unaudited)	*S$*
Auditor's remuneration	6,000	6,050	6,071	3,013	3,000
Depreciation	2,116	4,232	4,232	2,116	2,117
Legal and professional fee	—	3,835	13,667	2,330	5,606
Extension fee of property loan	—	—	86,400	—	—
Commission	—	—	10,000	—	10,000
Management fee paid/payable to immediate holding company and ultimate holding company	56,649	89,192	82,169	41,197	55,228

10. TAXATION

No provision of taxation in Hong Kong has been made as the Target Company's income neither arises in, nor derived from, Hong Kong.

The Singapore Corporate Income tax ("**CIT**") rate was 17% in Singapore during the periods/years.

	For the period from 29 March 2018 (date of incorporation) to 31 March	Year end 31 March		Six months ended 30 September	
	2019	2020	2021	2020	2021
	S$	*S$*	*S$*	*S$* (unaudited)	*S$*
Loss before tax	(237,170)	(461,473)	(406,777)	(165,185)	(237,403)
Tax at the statutory tax rate of 17%	(40,319)	(78,450)	(69,152)	(28,081)	(40,359)
Non-deductible expenses	40,319	79,529	73,459	28,988	47,253
Non-taxable income	—	(1,079)	(4,307)	(907)	(6,894)
	—	—	—	—	—

11. BENEFITS AND INTERESTS OF DIRECTOR

The director did not receive any fees or other emoluments in respect of his services to the Target Company during the period from 29 March 2018 (date of incorporation) to 31 March 2019, the years ended 31 March 2020 and 31 March 2021, and for the six months ended 30 September 2020 and 2021.

No loans, quasi-loans or credit transactions in favour of the director, his controlled bodies corporate or connected entities subsisted at the end of the periods/years or at any time during the periods/years.

No significant transactions, arrangements and contracts in relation to the Target Company's business to which the Target Company or any of its holding companies or fellow subsidiaries was a party and in which the director of the Target Company had a material interest, subsisted at the end of the periods/years or at any time during the periods/years.

12. PROPERTY, PLANT AND EQUIPMENT

	Equipment	Freehold land	Total
	S$	*S$*	*S$*
Cost			
At 29 March 2018 (date of incorporation)	—	—	—
Additions	12,697	11,287,184	11,299,881
At 31 March 2019	12,697	11,287,184	11,299,881
Additions	—	11,500	11,500
At 31 March 2020	12,697	11,298,684	11,311,381
Additions	—	7,070	7,070
At 31 March 2021	12,697	11,305,754	11,318,451
Additions	—	5,000	5,000
At 30 September 2021	12,697	11,310,754	11,323,451
Accumulated depreciation			
At 29 March 2018 (date of incorporation)	—	—	—
Charge for the year	2,116	—	2,116
At 31 March 2019	2,116	—	2,116
Charge for the year	4,232	—	4,232
At 31 March 2020	6,348	—	6,348
Charge for the year	4,232	—	4,232
At 31 March 2021	10,580	—	10,580
Charge for the period	2,117	—	2,117
At 30 September 2021	12,697	—	12,697
Carrying value			
At 30 September 2021	—	11,310,754	11,310,754
At 31 March 2021	2,117	11,305,754	11,307,871
At 31 March 2020	6,349	11,298,684	11,305,033
At 31 March 2019	10,581	11,287,184	11,297,765

The costs of freehold land are the costs incurred to date for a development project of industrial building situated on freehold land in Singapore by the Target Company. It would be redeveloped as the headquarters of the Company and its subsidiaries (the "**Group**") and central kitchen and food centre after the completion of Acquisition.

As at 31 March 2019, 31 March 2020, 31 March 2021 and 30 September 2021, the freehold land with carrying amounts of S$11,287,184, S$11,298,684, S$11,305,754 and S$11,310,754 respectively has been mortgaged to a financial institution to secure the bank borrowing as disclosed under note 16.

13. CASH AND CASH EQUIVALENTS

	As at 31 March			As at 30 September
	2019	2020	2021	2021
	S$	*S$*	*S$*	*S$*
Cash at bank	30,608	25,642	80,343	134,999

Cash at bank earns interest at floating rates based on daily bank deposit rates and is held at major financial institution in Singapore, which management believes is of high credit quality.

Reconciliation of liabilities arising from financing activities:

The table below details changes in the Target Company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Target Company's statement of cash flows as cash flows from financing activities.

	Amount due to ultimate holding company	Borrowings	Total
	S$	*S$*	*S$*
At 29 March 2018 (date of incorporation)	—	—	—
Changes from financing cash flows:			
Proceeds from borrowings	—	8,640,000	8,640,000
Advances during the period	2,902,829	—	2,902,829
At 31 March 2019 and 1 April 2019	2,902,829	8,640,000	11,542,829
Changes from financing cash flows:			
Advances during the year	480,493	—	480,493
At 31 March 2020 and 1 April 2020	3,383,322	8,640,000	12,023,322
Changes from financing cash flows:			
Advances during the year	455,038	—	455,038
At 31 March 2021 and 1 April 2021	3,838,360	8,640,000	12,478,360
Changes from financing cash flows:			
Advances during the period	266,872	—	266,872
At 30 September 2021	4,105,232	8,640,000	12,745,232

14. OTHER PAYABLES

		As at 31 March		As at 30 September
	2019	2020	2021	2021
	S$	*S$*	*S$*	*S$*
Accruals	24,992	7,225	7,800	9,600
Other payables	—	—	20,742	53,917
	24,992	7,225	28,542	63,517

15. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The balances are unsecured, interest-free and have no fixed repayment terms.

16. BORROWINGS

		As at 31 March		As at 30 September
	2019	2020	2021	2021
	S$	*S$*	*S$*	*S$*
Classification under contractual terms:				
Secured mortgage loans	8,640,000	8,640,000	8,640,000	8,640,000
Effective floating interest rates:				
Secured mortgage loans	3.53%–3.96%	3.78%–4.01%	2.42%–3.02%	2.44–2.45%
The borrowings are repayable as follows:				
Within 1 year or on demand	—	—	8,640,000	8,640,000
Within a period of more than 1 year but not exceeding 2 years	—	8,640,000	—	—
Within a period of more than 2 years but not exceeding 5 years	8,640,000	—	—	—
	8,640,000	8,640,000	8,640,000	8,640,000

Note: As at 31 March 2019, 31 March 2020, 31 March 2021 and 30 September 2021, the borrowings of S$8,640,000 were secured by the pledge of the property classified as freehold land with carrying values of S$11,287,184, S$11,298,684, S$11,305,754 and S$11,310,754 respectively. The full amount of borrowings was repayable on 30 June 2021 and extension of repayment has been granted by the lender to 31 January 2022 in June 2021.

17. SHARE CAPITAL

	Number of shares	Share capital *S$*
Issued and fully paid:		
Ordinary shares without par value		
At 29 March 2018 (date of incorporation)	—	—
Issue of ordinary shares	100	100
As at 31 March 2019, 31 March 2020, 31 March 2021 and 30 September 2021	100	100

18. FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 March			As at 30 September
	2019	2020	2021	2021
	S$	*S$*	*S$*	*S$*
Financial assets				
Financial assets at amortised cost:				
— Other receivables	2,378	1,329	13,368	20,273
— Cash and cash equivalents	30,608	25,642	80,343	134,999
	32,986	26,971	93,711	155,272
Financial liabilities				
Financial liabilities at amortised cost:				
— Other payables	24,992	7,225	28,542	63,517
— Amount due to ultimate holding company	2,902,829	3,383,322	3,838,360	4,105,232
— Borrowings	8,640,000	8,640,000	8,640,000	8,640,000
	11,567,821	12,030,547	12,506,902	12,808,749

19. FINANCIAL RISK MANAGEMENT OBJECTIONS AND POLICIES

The Target Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, market risk and liquidity risk.

The following sections provide details regarding the Target Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Target Company. The major classes of financial assets of the Target Company are cash and cash equivalents and other receivables. The Target Company adopts the policy of dealing only with high credit quality counterparties.

As the Target Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

In respect of cash and cash equivalents, the credit risk is considered to be low as the counterparties are reputable banks incorporated in Singapore with good credit ratings. The existing counterparties do not have defaults in the past. Therefore, ECL rate of cash and cash equivalents is assessed to be close to zero and no provision was made as at 31 March 2019, 31 March 2020, 31 March 2021 and 30 September 2021.

(b) Market risk

(i) Interest rate risk

The Target Company is exposed to cash flow interest rate risk in relation to variable-rate borrowings and bank balances due to changes of interest rate.

The director of the Target Company considers the Target Company's exposures in relation to the bank balance are not significant as interest bearing bank balance have short maturity period and thus they are not included in sensitivity analysis.

The Target Company currently does not have any interest rate hedging policy. However, management closely monitors its exposure to future cash flow interest rate risk as a result of changes in market interest rates and will consider hedging changes in market interest rates should the need arise.

Sensitivity analysis

As at 31 March 2019, 31 March 2020, 31 March 2021 and 30 September 2021, if the interest rate on all variable-rate borrowings had been 100 basis points higher/lower with all other variables held constant, the Target Company's loss for the period/year would have been increased/decreased by approximately S$86,400, S$86,400, S$86,400 and S$43,200 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each of the reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 100-basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next reporting period. The analysis is performed on the same basis during the reporting period.

(c) Liquidity risk

Liquidity risk is the risk that the Target Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Target Company's approach to managing liquidity risk is to ensure, as far as possible, it will always have sufficient liquidity to meet its liabilities when due, such as maintaining sufficient cash and cash equivalents as disclosed in note 13.

The table below summaries the maturity profile of the Target Company's financial liabilities based on contractual undiscounted repayment obligations.

As at 31 March 2019

	Weighted average effective interest rate	On demand or within 1 year	More than 1 year but not exceeding 2 years	More than 2 years but not exceeding 5 years	Total undiscounted cash flows	Carrying amount
	%	*S$*	*S$*	*S$*	*S$*	*S$*
Financial liabilities						
Other payables		24,992	—	—	24,992	24,992
Amount due to ultimate holding company		2,902,829	—	—	2,902,829	2,902,829
Borrowings	3.65%	338,777	225,943	8,697,916	9,262,636	8,640,000
		3,266,598	225,943	8,697,916	12,190,457	11,567,821

As at 31 March 2020

	Weighted average effective interest rate	On demand or within 1 year	More than 1 year but not exceeding 2 years	More than 2 years but not exceeding 5 years	Total undiscounted cash flows	Carrying amount
	%	*S$*	*S$*	*S$*	*S$*	*S$*
Financial liabilities						
Other payables		7,225	—	—	7,225	7,225
Amount due to ultimate holding company		3,383,322	—	—	3,383,322	3,383,322
Borrowings	3.91%	225,943	8,697,916	—	8,923,859	8,640,000
		3,616,490	8,697,916	—	12,314,406	12,030,547

As at 31 March 2021

	Weighted average effective interest rate	On demand or within 1 year	More than 1 year but not exceeding 2 years	More than 2 years but not exceeding 5 years	Total undiscounted cash flows	Carrying amount
	%	*S$*	*S$*	*S$*	*S$*	*S$*
Financial liabilities						
Other payables		28,542	—	—	28,542	28,542
Amount due to ultimate holding company		3,838,360	—	—	3,838,360	3,838,360
Borrowings	2.60%	8,697,916	—	—	8,697,916	8,640,000
		12,564,818	—	—	12,564,818	12,506,902

As at 30 September 2021

	Weighted average effective interest rate	On demand or within 1 year	More than 1 year but not exceeding 2 years	More than 2 years but not exceeding 5 years	Total undiscounted cash flows	Carrying amount
	%	*S$*	*S$*	*S$*	*S$*	*S$*
Financial liabilities						
Other payables		63,517	—	—	63,517	63,517
Amount due to ultimate holding company		4,105,232	—	—	4,105,232	4,105,232
Borrowings	2.44%	8,711,104	—	—	8,711,104	8,640,000
		12,879,853	—	—	12,879,853	12,808,749

20. CAPITAL MANAGEMENT

The Target Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged throughout the periods/years. The capital structure of the Target Company consists of debt, which includes borrowings, as disclosed in note 16, amount due to ultimate holding company, net of bank balances and equity attributable to owners of the Target Company, comprising share capital and reserve. The management of the Target Company reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Target Company will balance its overall capital structure through the payment of dividends, the issue of new shares and new debts.

21. RELATED PARTY TRANSACTIONS

In addition to the information disclosed elsewhere in the Historical Financial Information, the Target Company has the following transactions with related parties:

(a) Compensation of key management personnel

The sole director is considered as the key management personnel of the Target Company. The sole director of the Target Company did not receive any remuneration from the Target Company during the Relevant Periods.

(b)

Nature of related party relationship	Nature of transaction	For the period from 29 March 2018 (date of incorporation) to 31 March 2019	For the year ended 31 March 2020	2021	For the six months ended 30 September 2020	2021
		S$	*S$*	*S$*	*S$*	*S$*
Ultimate holding company	Management expenses	56,649	89,192	82,169	41,197	55,228

22. SUBSEQUENT EVENT

Since January 2020, Coronavirus disease 2019 ("**COVID-19**") pandemic across Singapore and other countries has affected the usual business environment. Due to the relaxation of Restriction Order by the government in Singapore, the Target Company's financial results may be affected, the extent of which could not be estimated as at the date of this report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 September 2021 and up to the date of this report.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF K2 F&B HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of K2 F&B Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), including First Capital Pte. Limited (the "**Target Company**" and together with the Group hereinafter referred to as the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2021 and related notes as set out on pages III-4 to III-7 of appendix III of the circular issued by the Company dated 11 March 2022 (the "**Circular**") in connection with the proposed acquisition of the entire issued share capital of the Target Company (the "**Acquisition**") by the Company. The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages III-4 to III-7 of appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's consolidated financial position as at 30 June 2021 as if the Acquisition had taken place at 30 June 2021. As part of this process, information about the Group's consolidated assets and liabilities has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements as included in the Group's published interim report for the six months ended 30 June 2021, on which no audit or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Fan, Chan & Co. Limited
Certified Public Accountants
Leung Kwong Kin
Practising Certificate Number P03702

Hong Kong, 11 March 2022

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") set out below has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and is solely for the purpose to illustrate the effect of the acquisition of the entire issued share capital of First Capital Pte. Limited (the "**Target Company**") (the "**Acquisition**") on the Group's assets and liabilities as at 30 June 2021 as if the Acquisition had been completed on 30 June 2021.

The Unaudited Pro Forma Financial Information is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 which has been extracted from the published interim report of the Company for the six months ended 30 June 2021; and (ii) the audited statement of financial position of the Target Company as at 30 September 2021 which have been extracted from the accountant's report thereon set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been completed as at 30 June 2021.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition been completed as at 30 June 2021. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this circular, and that of the Target Company, as set out in Appendix II to this circular, and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group	The Target Company	Pro forma adjustments		The Enlarged Group
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current assets					
Investment properties	127,945	—	—	—	127,945
Property, plant and equipment	10,104	11,311	3,189	—	24,604
Deposits paid	101	—	—	—	101
Right-of-use assets	135	—	—	—	135
	138,285	11,311	3,189	—	152,785
Current assets					
Inventories	181	—	—	—	181
Trade and other receivables	298	20	(20)	—	298
Prepayments and deposits paid	1,181	—	—	—	1,181
Other financial assets	1,596	—	—	—	1,596
Pledged bank deposit	1,015	—	—	—	1,015
Cash and cash equivalents	6,272	135	(14,635)	8,228	—
	10,543	155	(14,655)	8,228	4,271
Current liabilities					
Trade payables	1,913	—	—	—	1,913
Accruals, other payables and deposit received	3,044	64	(64)	—	3,044
Amount due to ultimate holding company	—	4,105	(4,105)	—	—
Borrowings	4,030	8,640	(8,640)	8,228	12,258
Lease liabilities	131	—	—	—	131
Tax payables	207	—	—	—	207
	9,325	12,809	(12,809)	8,228	17,553
Net current assets/(liabilities)	1,218	(12,654)	(1,846)	—	(13,282)
Total assets less current liabilities	139,503	(1,343)	1,343	—	139,503

	The Group	The Target Company	Pro forma adjustments		The Enlarged Group
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Non-current liabilities					
Borrowings	70,623	—	—	—	70,623
Deposit received	235	—	—	—	235
	70,858	—	—	—	70,858
Net assets/(liabilities)	68,645	(1,343)	1,343	—	68,645

Notes:

(1) The unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2021 were extracted from the published interim report of the Company for the six months ended 30 June 2021.

(2) The audited statement of assets and liabilities of the Target Company as at 30 September 2021 were extracted from the accountant's report of the Target Company as set out in Appendix II to the Circular.

(3) The adjustments reflect the acquisition of the entire issued share capital of the Target Company, which principally owns the Property. Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell and a subsidiary of the Company has agreed to purchase the entire issued share capital of the Target Company at a total consideration of S$14,500,000.

The pro forma adjustments in connection with the Acquisition represent:

	S$'000	*S$'000*
Consideration for the Acquisition		14,500
Less:		
Carrying amount of identifiable net assets acquired:		
Net liabilities of Target Company as at 30 September 2021	(1,343)	
Settlement of all liabilities upon completion of Acquisition *(note (i))*	8,704	
Clearing of all assets upon completion of Acquisition *(note (ii))*	(155)	
Capitalisation of advances from ultimate holding company upon completion of Acquisition *(note (iii))*	4,105	11,311
Pro forma adjustment to property, plant and equipment *(note (iv))*		3,189

(i) Pursuant to the Sale and Purchase Agreement, the Vendor shall settle all liabilities of the Target Company as at the date of completion of the Acquisition including, but not limited to, bank borrowings of S$8,640,000.

(ii) Pursuant to the Sale and Purchase Agreement, the Vendor shall clear all assets of the Target Company as at the date of completion of the Acquisition.

(iii) Pursuant to the Sale and Purchase Agreement, any debt owing or payables to the ultimate holding company of the Target Company shall be capitalized and converted into ordinary shares of the Target Company as at the date of completion of the Acquisition.

(iv) The excess of the consideration over the carrying amount of identifiable assets acquired and liabilities assumed is recognised as fair value adjustment to property, plant and equipment.

The assets acquired and liabilities assumed do not constitute a business combination as defined in Hong Kong Financial Reporting Standard 3 (Revised) ''Business Combinations'' issued by the Hong Kong Institute of Certified Public Accountants and therefore, the Acquisition is accounted for as asset acquisition. In such case, the Group shall identify and recognise the individual identifiable assets acquired and liabilities assumed. The purchase consideration shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of the proposed Acquisition upon completion.

(4) The adjustment represents the reclassification of pro forma negative cash and bank balances to current liabilities. The Group intends to finance the remaining balance of consideration (S$13,775,000 or equivalent to approximately HK$79,206,000) for the Acquisition by new secured loans amounting to S$11,600,000 and the remaining balance of S$2,175,000 to be satisfied by the Group's internal resources. The Group is in the process of negotiating the terms and conditions of the new secured loan with a bank. Having considered the new secured loan and the existing available banking facilities of the Group, the Group will have sufficient financial resources to satisfy its commitments and working capital requirements.

(5) No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition-related costs (including fees to legal advisors, reporting accountants, valuers, and other expenses) as the Directors determined that such costs are insignificant.

(6) No adjustments have been made to adjust any trading results or other transactions of the Group or the Target Company entered into subsequent to 30 June 2021 and 30 September 2021 respectively.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Colliers International Consultancy and Valuation (Singapore) Pte Ltd, an independent valuer, in connection with its valuation as at 31 December 2021 of the property held by the Group.

Colliers

11 March 2022

The Board of Directors
K2 F&B Holdings Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the property interests held by K2 F&B Holdings Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") in Singapore, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the property interest as at 31 December 2021 (the "**valuation date**").

Our valuation is done on a market value basis. Market value is defined as "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interest in Group I which is for proposed acquisition by the Group by using at least the following methods, namely: direct comparison method and residual approach assuming sale of the property interest as a redevelopment site. We have made reference to comparable sales transactions as available in the relevant market to carry out our assessment.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the SISV Valuation Standards published by the Singapore Institute of Surveyors and Valuers; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as the existing lease and occupancy arrangement, proposed gross floor area, formal planning approval and other relevant matters.

We have carried out the title search relating to the Property with the Land Title Registry. We have reported the information with regards to the ownership, tenure, site area and all encumbrances, if any, in our report. However, we do not interpret nor ascertain the security of the ownership or legal interest in the Property belonging to the client. In carrying out our valuation, we assumed that the client owned the asset as at the date of our valuation.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the area shown on the title documents and floor plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are surveyed. No on-site measurement has been taken.

We have inspected the exterior and where possible, the interior of the property. However, we have not carried out investigations on site to determine the suitability of the ground conditions and the services etc for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any items of disrepair which we regard as serious, we are not, however, able to give any assurance that the Property is free of rot, infestation or any other structural defect.

The Property was inspected externally on 5 January 2022 by Pang Su Ee. Pang Su Ee is a Singapore Licensed Appraiser and member of Singapore Institute of Surveyor and Valuer who has more than 25 years' experience in the valuation of properties in Singapore.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive at an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Singapore Dollar (S$). Our valuation is summarised below and the valuation certificate is attached.

Yours faithfully,
for and on behalf of
Colliers International Consultancy and Valuation (Singapore) Pte Ltd

Tan Keng Chiam
B.Sc. (Est. Mgt.) MSISV, MRICS
Appraiser Licence No: AD041-2004796D
Executive Director

Note: Tan Keng Chiam is a Singapore Licensed Appraiser and member of Singapore Institute of Surveyor and Valuer who has more than 30 years' experience in the valuation of properties in Singapore.

SUMMARY OF VALUE

GROUP I — PROPERTY INTEREST TO BE HELD FOR DEVELOPMENT AND OCCUPIED BY THE GROUP IN SINGAPORE[1]

No.	Property	Market Value as a redevelopment site as at 31 December 2021
		S$
1	Land known as Lot 3462W Mukim 23 located at 6 Kim Chuan Terrace Singapore 537029	14,500,000
	Sub-Total:	14,500,000

[1] As advised by the Group

VALUATION CERTIFICATE

GROUP I — PROPERTY INTEREST TO BE HELD FOR DEVELOPMENT AND OCCUPIED BY THE GROUP IN SINGAPORE

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value as a redevelopment site as at 31 December 2021
1	Land known as Lot 3462W Mukim 23 located at 6 Kim Chuan Terrace Singapore 537029	The Property comprises a plot of industrial land for redevelopment. Currently there is a 2-storey corner terrace factory on site. The Property is held under freehold title. The proposed planning parameters and guidelines are as follows: The site area is 827.4 sq.m. The allowable plot ratio is 2.5. The proposed gross floor area is approximately 2,068.5 sq.m. and the proposed saleable floor area is approximately 1,758.2 sq.m.	We understand the existing Property is currently owner-occupied by the vendor as at the date of our inspection.	S$14,500,000/-

Notes:

1. CK Chu Holdings Pte. Ltd. is an indirect wholly-owned subsidiary of the Company.

2. The Property is located along Kim Chuan Terrace, less than 1 km from Upper Paya Lebar Road. The Property currently comprises a 2-storey corner terrace factory erected on a rectangular plot of land with a splayed corner and frontage of about 23 m onto Kim Chuan Terrace and a depth of about 37 m. The locality is industrial in nature comprising a mixture of detached, semi-detached and terrace factories.

3. The registered proprietor is First Capital Pte. Ltd.

4. The site of the Property is zoned as "Business 2 with a plot ratio of 2.5" according to the Master Plan Zoning (2019 Edition).

5. Pursuant to the title search record, the Property is subject to, inter alia, the following encumbrances:

   a. Mortgaged to United Overseas Bank Limited.

   b. The Property is subject to restrictive covenants contained in/referred to Restriction I/21827F registered on 13 August 1990.

   c. The Property is subject to party wall rights over whole of Lots 3462W and 3461M Mukim 23 contained in/referred to Transfer I/24040F registered on 27 October 1990.

6. Our valuation has been made on Direct Comparison Method and Residual Approach.

Direct Comparison Method

In arriving at our opinion of the market value of the Property as a redevelopment site, our valuation is based on transactions of comparable properties within the vicinity.

In arriving at our valuation figure, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the Property. These selected comparables are factories located within the vicinity, which were transacted in 2020 and 2021. The comparables are zoned either for Business 1 or Business 2 and completed in circa 1990s. The unit rate of the comparables range from S$610/sq.ft. per plot ratio to S$714/sq.ft. per plot ratio. We have taken into consideration of the prevailing market conditions and making due adjustments for differences between the Property and the comparables in terms of location, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions and other factors affecting its value to arrive at an unit rate of S$651/sq.ft. per plot ratio.

The unit rate of the Property which is in line with the unit rate of these comparables is within a reasonable range.

Residual Approach

We have also cross-checked our valuation by Residual Approach. This method entails the estimation of the capital value of the proposed development assuming it is completed and from which the various estimated costs of development such as building costs, developer's profit, stamp duty and legal fees, and other expenses are deducted to give a residual figure which would represent the amount a prudent developer would pay for the site.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive of the Company or their respective associates had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules, to be notified to the Company and the Stock Exchange:

Interest in the shares of the Company and/or associated corporation

Name of Director	Capacity/Nature of Interest	Number of Shares *(Note 1)*	Percentage of shareholding
Mr. Chu Chee Keong (Zhu Zhiqiang) ("**Mr. Chu**")	Interest in controlled corporation *(Note 2)*	600,000,000 Shares (L)	75%
Ms. Leow Poh Hoon (Liao Baoyun) ("**Ms. Leow**")	Interest of spouse *(Note 3)*	600,000,000 Shares (L)	75%

Notes:

(1) The Letter "L" denotes the person's long position in the relevant Shares.

(2) The entire issued share capital of Strong Oriental is legally and beneficially owned by Mr. Chu. Accordingly, Mr. Chu is deemed to be interested in 600,000,000 Shares held by Strong Oriental by virtue of the SFO.

(3) Ms. Leow is the spouse of Mr. Chu. She is deemed to be interested in the Shares of Mr. Chu held through Strong Oriental by virtue of the SFO.

(b) Substantial Shareholders' and other persons' interests and short positions in shares and underlying shares of the Company

So far as was known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Interest in the underlying Shares of the Company

Name of Substantial Shareholder	Capacity/Nature of Interest	Number of Shares *(Note)*	Percentage of shareholding
Strong Oriental	Beneficial owner	600,000,000 Shares (L)	75%

Note: The Letter "L" denotes the person's long position in the relevant Shares.

Save as disclosed above, so far as was known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no persons other than a Director or chief executive of the Company had any interests or short positions in the Shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which would not expire or would not be determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined under the Listing Rules) was interested in any business apart from the Group's businesses which competed, or might compete, either directly or indirectly, with the businesses of the Group.

5. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. FINANCING ARRANGEMENT WITH THE VENDOR

To the best of the directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, there has been, no material loan arrangement between (a) the Vendor, its directors and legal representatives and any ultimate beneficial owner(s) of the Vendor who can exert influence on the transaction; and (b) the Company, any connected person at the Company's level, and/or any connected person at the Purchaser's level.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims of material importance to the Group and no litigation, arbitration or claims of material importance to the Group was known to the Directors to be pending or threatened by or against any members of the Group.

9. EXPERTS QUALIFICATION AND CONSENT

The following is the qualification of the expert whose name, opinions and/or reports are contained in this circular:

Name	Qualification
Colliers International Consultancy & Valuation (Singapore) Pte Ltd	Independent valuer
Fan, Chan & Co. Limited	Certified public accountants

As at the Latest Practicable Date, each of the above experts (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2020 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) had given and had not withdrawn its consent to the issue of this circular with the inclusion of its letter, opinions and/or reports and the reference to its name included herein in the form and context in which they respectively appear. The abovementioned letter, opinions and/or reports made by the experts were not made by the expert for the Company's incorporation in the listing document.

10. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried on by the Group) had been entered into by members of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date:

(i) the Option Agreement; and

(ii) the Sale and Purchase Agreement.

11. GENERAL

(i) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(ii) 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.

(iii) The principal place of business of the Company in Hong Kong is located at Unit 912, 9th Floor, Two Harbourfront, 22 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

(iv) The company secretary of the Company is Man Yun Wah ACG, HKACG who is located at Unit 912, 9th Floor, Two Harbourfront, 22 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

(v) The Cayman Islands principal share registrar and transfer office of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(vi) The Hong Kong share registrar and transfer office of the Company is Boardroom Share Registrars (HK) Limited, 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong.

(vii) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text unless otherwise specified.

12. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 6:00 p.m. on any weekday (except public holidays of Hong Kong) at the Company's principal place of business in Hong Kong at Unit 912, 9/F, Two Harbourfront, 22 Tak Fung Street, Hunghom, Kowloon, Hong Kong for a period up to and including the date falling on 14 days from the date of this circular:

(i) the accountant's report on the Target Company from Fan, Chan & Co., Limited, the text of which is set out in Appendix II to this circular;

(ii) the property valuation report prepared by Colliers International Consultancy & Valuation (Singapore) Pte Ltd, as set out in Appendix IV to this circular;

(iii) the written consents referred to in the paragraph headed "Experts Qualification and Consent" in this appendix; and

(iv) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix.