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K2 F&B HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2108)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of K2 F&B Holdings Limited (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 (the “**FY2021**”) together with the comparative figures for the year ended 31 December 2020 (the “**FY2020**”), which have been reviewed by the audit committee of the Company (the “**Audit Committee**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Notes</i>	2021 S\$'000	2020 <i>S\$'000</i>
Revenue	4	37,386	34,901
Fair value gain/(loss) of investment properties		654	(846)
Other income, gains and losses, net	5	251	384
Cost of inventories consumed		(13,262)	(13,482)
Staff costs		(10,313)	(8,295)
Property rentals and related expenses		(2,946)	(2,824)
Management, cleaning and utilities expenses		(1,555)	(1,353)
Depreciation of property, plant and equipment		(623)	(435)
Depreciation of right-of-use assets		(714)	(1,025)
Other operating expenses		(2,343)	(2,850)
Finance costs	6	(1,531)	(1,708)
Profit before tax	7	5,004	2,467
Taxation	8	(436)	(277)
Profit for the year		4,568	2,190
Other comprehensive income		—	—
Profit and total comprehensive income for the year		4,568	2,190
Earnings per share			
Basic and diluted (in Singapore cents)	10	0.57	0.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Non-current assets			
Investment properties	<i>11</i>	136,100	126,300
Property, plant and equipment	<i>12</i>	10,471	6,674
Right-of-use assets		7,883	353
Deferred tax assets		47	–
Deposits paid		980	111
		<hr/> 155,481 <hr/>	<hr/> 133,438 <hr/>
Current assets			
Inventories		166	172
Trade and other receivables	<i>13</i>	348	824
Prepayments and deposits paid		2,341	1,419
Financial assets at fair value through profit or loss		1,568	685
Pledged bank deposits		1,015	1,015
Cash and cash equivalents		6,918	10,203
		<hr/> 12,356 <hr/>	<hr/> 14,318 <hr/>
Current liabilities			
Trade payables	<i>14</i>	2,371	2,395
Accruals, other payables and deposits received		3,438	2,719
Borrowings		6,955	3,256
Lease liabilities		1,348	313
Tax payables		541	185
		<hr/> 14,653 <hr/>	<hr/> 8,868 <hr/>
Net current (liabilities)/assets		<hr/> (2,297) <hr/>	<hr/> 5,450 <hr/>
Total assets less current liabilities		<hr/> 153,184 <hr/>	<hr/> 138,888 <hr/>
Non-current liabilities			
Borrowings		74,227	71,033
Lease liabilities		6,427	43
Deposits received		328	480
Provision for reinstatement costs		302	–
		<hr/> 81,284 <hr/>	<hr/> 71,556 <hr/>
Net assets		<hr/> 71,900 <hr/>	<hr/> 67,332 <hr/>
Capital and reserves			
Share capital	<i>15</i>	1,381	1,381
Reserves		70,519	65,951
Total equity		<hr/> 71,900 <hr/>	<hr/> 67,332 <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

K2 F&B Holdings Limited was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 March 2018. Its parent company is Strong Oriental Limited which was incorporated in the British Virgin Islands. The shares of the Company were listed (the “**Listing**”) on the Main Board (the “**Main Board**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 6 March 2019 (the “**Listing Date**”) by way of share offer (the “**Share Offer**”). The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The headquarters and principal place of business of the Company in Singapore is located at 51 Ubi Avenue #02-17/18, Paya Ubi Industrial Park, Singapore 408933 and the principal place of business of the Company in Hong Kong is located at Unit 912, 9/F., Two Harbourfront, 22 Tak Fung Street, Hung Hom, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are leasing, outlet and stall management of food establishment premises and operation of food and beverage stalls. The consolidated financial statements for FY2021 are presented in Singapore dollars (“**S\$**”), which is the functional currency of the Company. All values are rounded to the nearest thousand (“**S\$’000**”), except when otherwise indicated.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

In addition, the Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*.

Except as described below, the application of the amendments to the standards listed above in the current year has had no material effect on the Group’s financial performance and positions for the current and prior year and on the disclosures set out in these consolidated financial statements.

Impacts on early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of IFRS 16 *Leases* (“**IFRS 16**”) by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The application of the amendment has had no impact to the opening retained profits at 1 January 2021. The Group recognised changes in lease payments that resulted from rent concessions of approximately S\$574,000 (2020: S\$1,068,000) in the profit or loss for the year ended 31 December 2021.

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

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

- Amendments to IFRSs, *Annual Improvements to IFRSs 2018–2020*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 Group has already commenced an assessment of the impact of these new and amendments to IFRSs but is not yet in a position to state whether these new and amendments to IFRSs would have a material impact on its results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

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

(a) Rental and outlet management

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

(b) Food and beverage stalls

The business segment of food and beverage stalls operation is primarily involved in the retailing of beverage, tobacco products, and cooked food directly to consumers such as mixed vegetable rice, zi char, roasted meat and chicken rice located in food establishments operated and managed by the Group and third parties (the “**Food and Beverage Stalls**”).

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements.

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

For the year ended 31 December 2021:

	Rental and Outlet Management S\$'000	Food and Beverage Stalls S\$'000	Unallocated S\$'000	Total S\$'000
Segment revenue				
External revenue from contracts with customers	2,484	28,900	–	31,384
External rental income	6,002	–	–	6,002
	<u>8,486</u>	<u>28,900</u>	<u>–</u>	<u>37,386</u>
Inter-segment revenue				
— Rental and service income	14,618	–	–	14,618
Elimination	(14,618)	–	–	(14,618)
	<u>8,486</u>	<u>28,900</u>	<u>–</u>	<u>37,386</u>
Segment profit/(loss)	<u>4,281</u>	<u>3,146</u>	<u>(2,423)</u>	<u>5,004</u>
	Rental and Outlet Management S\$'000	Food and Beverage Stalls S\$'000	Unallocated S\$'000	Total S\$'000
Other segment information				
Included in the measures of segment profit/(loss) and segment assets:				
Fair value gain of investment properties	654	–	–	654
Finance costs	(1,481)	–	(50)	(1,531)
Addition to non-current assets (<i>Note</i>)	20,688	1,057	65	21,810
Depreciation of property, plant and equipment	(149)	(261)	(213)	(623)
Depreciation of right-of-use assets	(331)	(383)	–	(714)
Staff costs	(1,858)	(6,325)	(2,130)	(10,313)
Property rentals and related expenses	(2,061)	(885)	–	(2,946)

Note: Non-current assets included investment properties, right-of-use assets and property, plant and equipment

	Rental and Outlet Management S\$'000	Food and Beverage Stalls S\$'000	Unallocated S\$'000	Total S\$'000
Reportable segment assets	150,331	7,219	–	157,550
Other financial assets	–	–	1,568	1,568
Prepayments and deposits paid	–	–	736	736
Pledged bank deposits	–	–	1,015	1,015
Deferred tax assets	–	–	47	47
Other unallocated assets:				
— Property, plant and equipment	–	–	6,921	6,921
Consolidated total assets	150,331	7,219	10,287	167,837
Reportable segment liabilities	90,567	4,155	–	94,722
Tax payable	–	–	541	541
Other unallocated liabilities:				
— Accruals and other payables	–	–	674	674
Consolidated total liabilities	90,567	4,155	1,215	95,937

For the year ended 31 December 2020:

	Rental and Outlet Management S\$'000	Food and Beverage Stalls S\$'000	Unallocated S\$'000	Total S\$'000
Segment revenue				
External revenue from contracts with customers	2,103	28,250	–	30,353
External rental income	4,548	–	–	4,548
	6,651	28,250	–	34,901
Inter-segment revenue				
— Rental and service income	13,991	–	–	13,991
Elimination	(13,991)	–	–	(13,991)
Segment revenue from external customers	6,651	28,250	–	34,901
Segment profit/(loss)	1,423	3,403	(2,359)	2,467

	Rental and Outlet Management S\$'000	Food and Beverage Stalls S\$'000	Unallocated S\$'000	Total S\$'000
Other segment information				
Included in the measures of segment profit/(loss) and segment assets:				
Fair value loss of investment properties	(846)	–	–	(846)
Finance costs	(1,636)	–	(72)	(1,708)
Addition to non-current assets (<i>Note</i>)	23,112	60	51	23,223
Depreciation of property, plant and equipment	(222)	(96)	(117)	(435)
Depreciation of right-of-use assets	(840)	(185)	–	(1,025)
Staff costs	(1,256)	(5,334)	(1,705)	(8,295)
Property rentals and related expenses	(2,113)	(711)	–	(2,824)
Gain on disposal of property, plant and equipment	–	8	–	8

Note: Non-current assets included investment properties, right-of-use assets and property, plant and equipment

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

Information about major customers

No single major customer contributed more than 10% of the Group's total revenue. The revenue is spread over a broad base of customers.

Geographical information

The Group operates mainly in Singapore with revenue generated in, and non-current assets situated in Singapore. Accordingly, an analysis of revenue and non-current assets of the Group by geographical distribution has not been presented.

4. REVENUE

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Revenue from contracts with customers		
Sales of goods, recognised on point in time basis		
— Sales of cooked food, beverage and tobacco products	28,900	28,250
Services income, recognised on over time basis		
— Provision of cleaning and utilities services to tenants	<u>2,484</u>	<u>2,103</u>
	31,384	30,353
Revenue from other sources		
Rent from leases of premises to tenants	<u>6,002</u>	<u>4,548</u>
	<u><u>37,386</u></u>	<u><u>34,901</u></u>

5. OTHER INCOME, GAINS AND LOSSES, NET

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Gain on disposal of property, plant and equipment, net	–	8
Exchange (loss)/gain	(10)	246
Interest income	–*	20
Dividend income from financial assets at fair value through profit or loss (“FVTPL”)	25	–
Fair-value gain on financial assets at FVTPL	109	9
Sundry income	<u>127</u>	<u>101</u>
	<u><u>251</u></u>	<u><u>384</u></u>

* The balance represents an amount less than S\$1,000.

6. FINANCE COSTS

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Interest on borrowings	1,458	1,666
Interest on lease liabilities	<u>73</u>	<u>42</u>
	<u><u>1,531</u></u>	<u><u>1,708</u></u>

7. PROFIT BEFORE TAX

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

	2021 S\$'000	2020 S\$'000
(a) Staff costs (including director's emoluments)		
Salaries and benefits (<i>Note</i>)	9,683	7,698
Contribution to defined contribution plans	<u>630</u>	<u>597</u>
	<u>10,313</u>	<u>8,295</u>
(b) Other items		
Auditor's remuneration		
— annual audit services	100	100
Expenses relating to short-term leases	<u>2,946</u>	<u>2,824</u>

Note: For the year ended 31 December 2021, COVID-19 related government grants or assistance amounted to S\$1,572,000 (2020: S\$2,027,000) have been offset against staff costs.

8. TAXATION

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

The Singapore Corporate Income tax (“CIT”) rate was 17% (2020: 17%) during FY2021. Income tax expense for the Group relates wholly to the profits of the subsidiaries, which were taxed at 17% in Singapore. Major components of income tax expense for the year are:

	2021 S\$'000	2020 S\$'000
Current tax:		
Singapore CIT	528	185
Deferred tax	(47)	—
(Over)/under provision in respect of prior years	<u>(45)</u>	<u>92</u>
	<u>436</u>	<u>277</u>

9. DIVIDENDS

The Directors do not recommend the payment of a final dividend for FY2021 (2020: Nil). No interim dividend was declared during FY2021 and FY2020.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for FY2021 of approximately S\$4,568,000 (2020: approximately S\$2,190,000) and the weighted average number of ordinary shares of the Company in issue during the year as follows:

	2021	2020
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>800,000,000</u>	<u>800,000,000</u>

No adjustment is made in arriving at dilutive earnings per share as there was no potential ordinary shares in issue for both years.

11. INVESTMENT PROPERTIES

In FY2021, the Group acquired investment properties at a total consideration of approximately S\$12,646,000 (2020: S\$22,846,000). The acquisition cost was settled by internal resources of approximately S\$2,446,000 (2020: approximately S\$5,086,000). The remaining balance was settled by borrowings of approximately S\$10,200,000 (2020: S\$17,760,000).

12. PROPERTY, PLANT AND EQUIPMENT

During FY2021, the Group acquired property, plant and equipment at a consideration of approximately S\$920,000 (2020: S\$377,000).

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

As at 31 December 2021, property, plant and equipment with net carrying amount of approximately S\$5,807,000 (2020: approximately S\$6,055,000) comprising freehold land and buildings, was secured under mortgage loan.

13. TRADE AND OTHER RECEIVABLES

	2021	2020
	S\$'000	S\$'000
Trade receivables	215	252
Other receivables	<u>133</u>	<u>572</u>
	<u>348</u>	<u>824</u>

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

	2021	2020
	S\$'000	S\$'000
0 to 30 days	180	129
31 to 90 days	22	81
91 to 180 days	13	42
	<u>215</u>	<u>252</u>

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

14. TRADE PAYABLES

	2021	2020
	S\$'000	S\$'000
Trade payables	<u>2,371</u>	<u>2,395</u>

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

As at 31 December 2021 and 2020, trade payables were denominated in Singapore dollars.

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

	2021	2020
	S\$'000	S\$'000
0 to 30 days	2,367	1,542
31 to 90 days	4	831
91 to 180 days	–	22
	<u>2,371</u>	<u>2,395</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Prospect

The core business and revenue structure of the Group remained unchanged for FY2021. The Group's operations are located in Singapore, as it owns and operates food centres in Singapore since 2004. The revenue of the Group was principally derived from (i) Outlet Management and (ii) Food and Beverage Stalls business segments in Singapore.

As at 31 December 2021, the Group owned and managed 22 food centres as follows:

	FY2021	FY2020
Food centres owned and/or managed by the Group	<u>22</u>	<u>19</u>

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

Number of food centres as at 1 January 2021	19
Number of food centres opened during 2021	3
Number of food centres as at 31 December 2021	22

The Group operated 43 food and beverage stalls as at 31 December 2021 as follows:

	FY2021	FY2020
In owned properties	14	14
In leased properties	20	12
In food centres managed by independent third parties	<u>9</u>	<u>11</u>
Total	<u>43</u>	<u>37</u>

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

Number of food and beverage stalls as at 1 January 2021	37
Number of food and beverage stalls opened during 2021	11
Number of food and beverage stalls closed during 2021	(5)
Number of food and beverage stalls as at 31 December 2021	43

The outlook for 2022 continues to be uncertain as a result of some factors, including but not limited to (i) public health measures to deal with the new virus variants and potential adverse development; (ii) the higher inflation in the food and beverage sector; (iii) the increasing other operating expenses, such as the electricity tariff.

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

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

FINANCIAL REVIEW

Revenue

The Group recorded an increase in revenue of approximately S\$2.5 million or 7.1% from approximately S\$34.9 million for FY2020 to approximately S\$37.4 million for FY2021. The increase was mainly due to higher revenue from rental income from lease of premises to tenants, and sale of cooked food, beverages and tobacco products.

The revenue generated from sale of cooked food, beverages and tobacco products increased by approximately S\$0.6 million or 2.3% from approximately S\$28.3 million for FY2020 to approximately S\$28.9 million for FY2021, as increased in the number of food and beverage stalls compared to FY2020.

Rental income increased by approximately \$1.5 million or 32.0% from approximately S\$4.5 million for FY2020 to approximately S\$6.0 million for FY2021. The increase was mainly attributable to the commencement of operations for 101 Upper Cross Street, Block 171 Yishun Avenue 7 and 200 Jalan Sultan during FY2021, as well as lesser provision of rental rebate to tenants as compared to FY2020.

The revenue generated from provision of management, cleaning and utilities services increased by approximately S\$0.4 million or 18.1% from approximately S\$2.1 million for FY2020 to approximately S\$2.5 million for FY2021. This was in line with the increase in rental income.

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

	FY2021		FY2020	
	S\$'000	%	S\$'000	%
Sale of cooked food, beverages and tobacco products	28,900	77.3	28,250	80.9
Rental income from lease of premises to tenants	6,002	16.1	4,548	13.1
Provision of management, cleaning and utilities services	2,484	6.6	2,103	6.0
	<u>37,386</u>	<u>100.0</u>	<u>34,901</u>	<u>100.0</u>

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

Fair Value Gain/(Loss) of Investment Properties

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

Cost of Inventories Consumed

The cost of inventories consumed decreased by approximately S\$0.2 million, or 1.6%, from approximately S\$13.5 million in FY2020 to approximately S\$13.3 million in FY2021. The decrease was mainly due to the newly opened food and beverage stalls located in the shopping mall mainly sell the high profit margin food and beverage. The cost of inventories consumed primarily represented the cost of purchases of food ingredients for the Group's Food and Beverage Stalls business segment, including fresh and frozen meat, seafood, vegetables, eggs, dried food, canned food and seasonings, as well as beverages, coffee powder and cigarettes.

Staff Costs

Staff costs were the second largest component of the operating expenses and amounted to approximately S\$8.3 million and S\$10.3 million for FY2020 and FY2021 respectively, which comprised approximately 23.8% and 27.6% of the revenue for the respective

periods. The increase of approximately S\$2.0 million, or 24.3%, was in line with the increase in revenue, as well as lesser amount of grants received from the Singapore Government in the Reporting Period as compared to FY2020, which aimed to provide support companies retain employees during the COVID-19 Outbreak.

Property Rentals and Related Expenses

Property rentals and related expenses primarily represented the rental expenses paid for leasing of properties from independent third parties for the operation of food and beverage stalls and food centres where exempt from IFRS 16. Property rentals and related expenses increased by approximately S\$0.1 million, or 4.3%, from approximately S\$2.8 million in FY2020 to approximately S\$2.9 million in FY2021 as less rental rebates granted by independent third parties in FY2021 compared to FY2020.

Management, Cleaning and Utilities Expenses

The management, cleaning and utilities expenses increased by approximately S\$0.2 million, or 14.9%, from approximately S\$1.4 million in FY2020 to approximately S\$1.6 million in FY2021. The increase was in line with the increase in revenue.

Other Operating Expenses

The other operating expenses decreased by approximately S\$0.6 million, or 17.8%, from approximately S\$2.9 million in FY2020 to approximately S\$2.3 million in FY2021. The decrease was mainly attributable to (i) less repairs and maintenance expenses in FY2021 as in FY2020 more costs were spent on face-lifts of food stalls and food centres to improve the ambience and attract more customers; and (ii) reduce in advertisement and promotion costs in FY2021 compared to higher re-brand the face-lifted food centres costs incurred in FY2020. However, the decrease was offset by an increase in property tax and related costs as higher property tax rebates were given by the government in FY2020 as part of COVID-19 support measures.

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Administrative fee	274	217
Advertisement and promotion	159	247
Insurance	24	44
Property tax and related costs	240	56
Repairs and maintenance	705	1,147
Legal and professional fee	496	508
Telephone and communication	37	45
Donation	42	6
Others	366	580
	2,343	2,850

Finance Costs

The finance costs decreased by approximately S\$0.2 million or 10.4% from approximately S\$1.7 million in FY2020 to approximately S\$1.5 million in FY2021, which was mainly due to lower effective interest rates on refinancing.

Taxation

The income tax expense increased by approximately S\$0.2 million or 57.4% from approximately S\$0.3 million in FY2020 to approximately S\$0.4 million in FY2021. The increase was primarily due to higher profit before tax.

Profit for the Year

The increase in the profit after tax was primarily attributable to (i) higher revenue of approximately S\$2.5 million; and (ii) reversal of net loss on fair value changes of investment properties of approximately S\$0.8 million in FY2020 to net gain on fair value changes of approximately S\$0.7 million in FY2021; and partially offset by an increase in staff costs of approximately S\$2.0 million.

Capital Commitment

Reference is made to the announcement of the Company dated 10 January 2022. On 10 January 2022, the Group exercised the option to acquire a property located at 15 Crane Road, Singapore 429360 at a consideration of S\$4.8 million, which will be used for dining establishment. The acquisition is still under progress as at the date of this announcement and the consideration paid by the Group to-dated amounted to S\$240,000.

Reference is made to the announcement of the Company dated 15 December 2021 and the circular of the Company dated 11 March 2022. On 17 February 2022, a sale and purchase agreement was entered into between the vendor and a subsidiary of the Company in respect of the sale and purchase of the entire issued share capital of First Capital Pte. Limited (“**First Capital**”), a private company incorporated in Singapore, with principal business of real estate property development, at a consideration of S\$14.5 million. The acquisition is still under progress as at the date of this announcement and the consideration paid by the Group to-dated amounted to S\$725,000. The major asset of First Capital is a redevelopment site on freehold land in Singapore with market value of S\$14.5 million as at 31 December 2021. The acquisition of the entire equity interest of First Capital will be accounted for as asset acquisition of the Company.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During FY2021, other than the acquisitions mentioned under “Capital Commitment” of this announcement, the Group had no material acquisition or disposals of subsidiaries, associates and joint ventures.

Foreign Exchange Exposure

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

During FY2021, the Group did not experience any significant difficulty or impact on its operations or liquidity due to fluctuations in currency exchange rates. The management will continue to monitor the foreign exchange exposure and take prudent measures to reduce foreign exchange risks.

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout FY2021. The finance department of the Group was responsible for treasury management functions, which include, amongst others, researching and evaluating investment options for further consideration by the management and the Board, and monitoring the investments on a continuous basis.

Significant Investment Held

During FY2021, the Group held no significant investment.

Liquidity and Financial Resources

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

	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Current assets	12,356	14,318
Current liabilities	14,653	8,868
Net current (liabilities)/assets	(2,297)	5,450
Interest-bearing bank borrowings	81,182	74,289
Equity	71,900	67,332

As at 31 December 2021, the Group had aggregate outstanding bank borrowings of approximately S\$81.2 million, an increase of approximately S\$6.9 million or 9.3% from approximately S\$74.3 million as at 31 December 2020. The increase was mainly due to additional loans taken in relation to the investment properties acquired.

These bank borrowings consisted of term loans, secured mortgage loans and working capital loan. The working capital loan, term loans and secured mortgage loans related to financing for the purchase of property, plant and equipment and investment properties were secured by the respective assets, corporate guarantee provided by the Company and personal guarantee provided by a controlling shareholder of the Company.

The Group had unutilised banking facilities of approximately S\$14.0 million. The Group aims at maintaining flexibility in funding by keeping sufficient bank balances and committed credit lines available to manage its business in a manner consistent with the short-term and long-term financial strategies of the Group.

Use of Net Proceeds from the Listing

The shares of the Company were listed on the Main Board of the Stock Exchange on 6 March 2019 for which the Company issued 200,000,000 new shares at HK\$0.75 per offer share on 6 March 2019, as set out in the announcement of the Company dated 5 March 2019. After deducting related listing expenses, the net proceeds of the Share Offer were approximately HK\$110.0 million (the “**Net Proceeds**”).

	Net Proceeds allocated (HK\$'000)	Approx % of Net of Proceeds %	Utilised as at 31 December 2021 (HK\$'000)	Balance as at 31 December 2021 (HK\$'000)
1. Purchase of outlets				
a. 101 Yishun	34,760	32%	(34,760)	–
b. 150 South Bridge Road	5,610	5%	(5,610)	–
2. Provision for future acquisitions of food centres				
a. Purchase price/Renovation	35,530	32%	(35,530)	–
3. Repayment of bank loan	11,110	10%	(11,110)	–
4. Renovation of existing food centres	5,610	5%	(5,610)	–
5. Information technology infrastructure and Systems (“IT”)	6,270	6%	(620)	5,650
6. General working capital	11,110	10%	(11,110)	–
Total	<u>110,000</u>	<u>100%</u>	<u>(104,350)</u>	<u>5,650</u>

The current upgrading IT infrastructure and system was delayed due to the COVID-19. The Group expects to utilise the balance of the net proceeds in a conservative manner on or before 30 September 2022. Should the Directors decide to reallocate the planned use of the net proceeds to other business plans and/or new projects of the Group to a material extent, the Group will make appropriate announcement(s) in due course.

Employees and Remuneration Policies

As at 31 December 2021, the Group had a total of 326 employees (2020: 304). The Group's remuneration policies were in line with the prevailing market practice and were determined on the basis of performance, qualification and experience of each individual employee. The Group recognised the importance of a good relationship with its employees. The remuneration payable to its employees included salaries and allowances.

Annual General Meeting

The forthcoming annual general meeting of the Company (the “**Annual General Meeting**”) will be held on Friday, 24 June 2022. Notice of the Annual General Meeting and all other relevant documents will be published and despatched to shareholders of the Company in due course.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 21 June 2022 to Friday, 24 June 2022, both days inclusive, during which no transfer of shares of the Company will be registered. To be eligible to attend and vote at the Annual General Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited of 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Monday, 20 June 2022.

Model Code for Securities by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of securities on the Stock Exchange (the “**Listing Rules**”) as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors confirm that they have fully complied with the relevant requirements set out in its own code of conduct for FY2021.

Compliance with Corporate Governance Code

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance. Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisation structure of the Company, Mr. Chu Chee Keong is the chairman of the Board and the chief executive officer of the Company. With extensive experience in the food and beverage industry, the Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprised experienced and high calibre individuals. The Board currently comprises three executive Directors and three independent non-executive Directors and therefore has a strong independence element and diversity in its composition. Save as disclosed herein, the Company has complied with the code provisions as set out in the CG Code since the listing date and up to the date of this announcement. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

Purchase, Sale or Redemption of the Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during FY2021.

Audit Committee

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

The Audit Committee has discussed with management and reviewed the consolidated financial statements of the Group for FY2021. The figures contained in the consolidated financial statements of the Group for FY2021 as set out on pages 1 to 12 of this announcement have been agreed by the Group’s auditor, Fan, Chan & Co. Limited, to the amounts set out in the Group’s consolidated financial statements for FY2021 as approved by the Board.

The work performed by Fan, Chan & Co. Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Fan, Chan & Co. Limited on the preliminary announcement.

Publication of the Results Announcement and Annual Report

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fuchangroup.com), and the annual report of Company for FY2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Singapore, 29 March 2022

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr. Chu Chee Keong (Zhu Zhiqiang)
Ms. Leow Poh Hoon (Liao Baoyun)
Ms. Chu Pek Si (Zhu Peishi)

Independent non-executive Directors:

Mr. Wong Loke Tan
Mr. Ng Yong Hwee
Mr. Mah Seong Kung