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K2 F&B HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2108)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE DISPOSAL

On 3 May 2023 (after trading hours), the Seller, an indirect wholly-owned subsidiary of the Company, entered into the Share Sale Agreement with the Buyer, pursuant to which the Seller agreed to sell and the Buyer agreed to purchase the Sale Shares for a consideration of S\$6,500,000 (equivalent to approximately HK\$38,350,000).

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

INTRODUCTION

On 3 May 2023 (after trading hours), the Seller, an indirect wholly-owned subsidiary of the Company, entered into the Share Sale Agreement with the Buyer, pursuant to which the Seller agreed to sell and the Buyer agreed to purchase the Sale Shares for a consideration of S\$6,500,000 (equivalent to approximately HK\$38,350,000).

THE SHARE SALE AGREEMENT

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

Date : 3 May 2023 (after trading hours)

Parties : (i) Goh Ching Huat as the Buyer
(ii) Eastern Native Limited as the Seller

Consideration : S\$6,500,000 (equivalent to approximately HK\$38,350,000)

The consideration is payable in the following manner:

- (i) a deposit of 5% of the total consideration in the sum of S\$325,000 (equivalent to approximately HK\$1,917,500) has been paid to and received by the Target Company in clear funds on 8 May 2023; and
- (ii) the remaining balance of the consideration (being S\$6,175,000 (equivalent to approximately HK\$36,432,500)) shall be payable by cashier order upon Completion.

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

Completion : Completion shall take place within 16 weeks from the date of Share Sale Agreement or any other dates mutually agreed by the parties.

Upon Completion, the Target Company will cease to be an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will not be consolidated with the Group.

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

- (i) the receipt of all corporate approvals (including shareholder and board of directors' approval) by the Seller and/or the Company in respect of the sale and purchase of the Sale Shares;
- (ii) all approvals of the Directors 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 Share Sale Agreement having been made and all applicable statutory or other legal obligations having been complied with including the requirements under the Listing Rules;

- (iii) satisfactory results of commercial, financial and legal due diligence exercise carried out on the Target Company, and in the case of issues revealed by such due diligence exercise, the satisfactory provision of the relevant representations and/or warranties for these issues, such due diligence exercise to be completed two (2) weeks prior to the Completion Date;
- (iv) the Target Company being the legal and beneficial owner of the Property at Completion Date;
- (v) there being no unsatisfactory replies being received by the Buyer's solicitors to all the legal requisitions in relation to the Property;
- (vi) 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;
- (vii) the Target Company, at Completion, having discharged all encumbrances, charges and obligations under or pursuant to any banking facilities extended to the Target Company;
- (viii) the Target Company terminating the employment of all employees, if any, on or before the Completion Date;
- (ix) 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); and
- (x) 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).

INFORMATION OF THE TARGET COMPANY

The Target Company is a private company incorporated in Singapore and an indirect wholly-owned subsidiary of the Company. The Target Company was previously principally engaged in the operation of food and beverages stalls, and is currently an investment holding company and owns the Property.

Financial Information of the Target Company

The Target Company's financial statements for years ended 31 December 2021 and 2022 were audited by its auditor. Set out below is the financial information of the Target Company:

	For the year ended 31 December 2021	For the year ended 31 December 2022
	<i>S\$'000</i>	<i>S\$'000</i>
	(Audited)	(Audited)
Revenue	575	99
Net loss before taxation	51	85
Net loss after taxation	51	85

Upon Completion, the Subsidiary will cease to own the Sale Shares. It is estimated that the Group will record a gain of approximately S\$1,600,000 (equivalent to approximately HK\$9,440,000) from the Disposal of the Sale Shares. The net proceeds from the Disposal of approximately S\$1,600,000 (or equivalent to approximately HK\$9,440,000) will be used for general working capital purpose of the Group.

INFORMATION ABOUT THE PARTIES

The Seller and the Group

The Group is principally engaged in (i) food and beverage retail business; and (ii) outlet management and leasing business in Singapore. The Seller is a direct wholly-owned subsidiary of the Company, whose principal business is investment holding. The Target Company is an indirect wholly-owned subsidiary of the Company.

The Buyer

The Buyer is an individual and a resident of Singapore.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Buyer is an Independent Third Party, and does not have any other past or present relationships (formal or informal, business or otherwise, implied or explicit) with the Company or its connected persons.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE SALE AGREEMENT

Financial performance of the Target Company had not met the expectations of the Group's management. Through the Disposal, the Company will improve its cash flow position as it will be relieved from the Target Company's loan facilities. The Company intends to re-invest the net proceeds to fund the Company's business plans and other complementary growth areas. In particular, the Group will continue to focus on divesting its assets to unlock capital and eliminate the risk of uncontrolled interest rate fluctuations on property loans, which will unlock capital and resources to enable the Group to re-invest in promising F&B businesses and other complementary growth areas to emerge stronger in the longer term.

The Company therefore considers it to be commercially necessary and beneficial to enter into the Share Sale Agreement.

The Directors (including the independent non-executive Directors) consider that the Disposal and the terms of the Share Sale Agreement to be fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Company has sought to publish this announcement as soon as possible but was delayed to do so due to the management's understanding that the Share Sale Agreement is contingent on the payment of the deposit and the Company only received the amount of the deposit in clear funds after clearance of the cheque for the deposit payment on or around 8 May 2023 and that the Company requires time to ascertain some of the financial information in relation to the Target Company and the estimated gain and net proceeds from the Disposal. The Directors are reminded of the importance to provide Shareholders and investors of all material information on a timely basis in accordance with the Listing Rules.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

As none of the Directors has a material interest in the Disposal, no Director is required to abstain from voting on the relevant resolution of the Board approving the Disposal.

DEFINITIONS

“Board”	the board of Directors
“Buyer”	Goh Ching Huat
“Company”	K2 F&B Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 2108)
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the terms and conditions of the Share Sale Agreement
“Completion Date”	the date within 16 weeks from the date of Share Sale Agreement or any other dates mutually agreed by the parties
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares pursuant to the Share Sale Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) who/which is(are) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Percentage ratios”	has the same meaning ascribed to it under the Listing Rules
“Property”	15 Crane Road, Singapore 429360
“S\$”	Singaporean dollar(s), the lawful currency of Singapore
“Sale Shares”	1,000,000 ordinary shares in the Target Company, representing the entire issued share capital of the Target Company
“Share(s)”	ordinary share(s) of nominal value of S\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Sale Agreement”	the share sale agreement dated 3 May 2023 and entered into between the Subsidiary as seller and the Buyer as buyer in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary” or “Seller”	Eastern Native Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of the Company

“Target Company” FS 700 Pte. Ltd., a company incorporated under the laws of Singapore with limited liability, and an indirect wholly-owned subsidiary of the Company

“%” per cent.

Note: Unless otherwise stated, the figures in “S\$” are converted into HK\$ at the rate of S\$1.00: HK\$5.90 throughout this announcement for indicative purposes only, and should not be construed as a representation that any amount has been, could have been or may be, exchanged at this or any other rate.

By order of the Board of
K2 F&B Holdings Limited
Chu Chee Keong
Chairman

Singapore, 12 May 2023

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

Executive Directors:

Mr. Chu Chee Keong (Zhu Zhiqiang)

Ms. Leow Poh Hoon (Liao Baoyun)

Ms. Chu Pek Si (Zhu Peishi)

Independent non-executive Directors:

Mr. Wong Loke Tan

Mr. Mah Seong Kung

Mr. Ng Yong Hwee