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K2 F&B HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2108)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO SALE OF PROPERTY UNDER A POTENTIAL COLLECTIVE SALE

POTENTIAL VERY SUBSTANTIAL DISPOSAL

On 25 April 2022, the Board resolved to conditionally approve the terms of the Collective Sale Agreement in relation to a potential Collective Sale of the Development comprising 701 units which include 9 units of the Property owned by CKC, a subsidiary of the Company.

The Collective Sale Agreement requires the signing by owners of units representing not less than (i) 80% of the total strata area of all the units in the Development and (ii) 80% of the total share values in the schedule of strata units for the Development within the Permitted Time (“**80% milestone**”). Based on publicly available information, as of 14 April 2022, owners representing 523 units making up 81.65% of the total strata area and 77.34% of the total share values have signed the Collective Sale Agreement. The Property, namely the 9 units owned by the Group, represent approximately 0.78% of the total strata area and 1.60% of the total share values in the Development.

Subject to the approval of Shareholders in accordance with the Listing Rules, the Group intends to sign the Collective Sale Agreement, which could help the Collective Sale Agreement achieve the 80% milestone within the Permitted Time whereby the sale process may commence. However, there is no assurance that the Collective Sale Agreement will achieve the 80% milestone or a Collective Sale will materialize.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal are above 75%, the Disposal constitutes a very substantial disposal for the Company and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among other things, further information of the Collective Sale Agreement and other information as required under the Listing Rules, and the notice of EGM to consider and, if thought fit, approve the resolution(s) relating to the Collective Sale Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 31 May 2022, as the Company expects that it requires more time to collate the information to be included in the circular.

Shareholders and potential investors should note that a Collective Sale or the Disposal may or may not be materialized. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

BACKGROUND

Reference is made to the circular of the Company dated 17 March 2020 and the announcement of the Company dated 24 March 2020 in relation to the acquisition of the Property by the Group. CKC, a subsidiary of the Group, acquired the Property in the Development for a consideration of S\$22,200,000 in March 2020.

In February 2021, the Management Corporation established a Sale Committee for the proposed Collective Sale and 14 persons were elected as members of the Sale Committee. Mr. Chu Chee Keong, the chairman and chief executive officer of the Company, acting as a representative of CKC, was elected as one of the members of the Sale Committee. On 5 August 2021, the Management Corporation resolved, amongst other things, to approve the terms and conditions of the Collective Sale Agreement and the first signing of the Collective Sale Agreement took place on the same date.

The Collective Sale Agreement requires the signing by owners of units representing not less than (i) 80% of the total strata area of all the units in the Development and (ii) 80% of the total share values in the schedule of strata units for the Development within the Permitted Time in order to become effective. Based on publicly available information, as of 14 April 2022, owners representing 523 units making up 81.65% of the total strata area and 77.34% of the total share values have signed the Collective Sale Agreement. The Property, namely the 9 units in the Development owned by the Group, represents approximately 0.78% of the total strata area and 1.60% of the total share values in the Development.

On 25 April 2022, the Board resolved to conditionally approve the terms of the Collective Sale Agreement in relation to a potential Collective Sale of the Development comprising 701 units which include 9 units of the Property owned by CKC, a subsidiary of the Company. Subject to the approval of Shareholders in accordance with the Listing Rules, the Group intends to sign the Collective Sale Agreement, which could help the Collective Sale Agreement achieve the 80% milestone within the Permitted Time whereby the sale process may commence.

THE COLLECTIVE SALE AGREEMENT

The principal terms of the Collective Sale Agreement are summarised below:

Commencement Date : The first signing of the Collective Sale Agreement took place on 5 August 2021.

Parties : Certain owners of the units in the Development who have signed or will sign the Collective Sale Agreement. As of the 14 April 2022, 653 owners of 523 out of 701 units have signed the Collective Sale Agreement.

CKC is an indirect wholly-owned subsidiary of the Company and owner of the Property comprising 9 units in the Development. As at the date of this announcement, CKC has not signed the Collective Sale Agreement.

The names and identities of the owners who have signed the Collective Sale Agreement are confidential information. Whilst Mr. Chu Chee Keong, the chairman and chief executive officer of the Company, has access to details of such owners in his capacity as a member of the Sale Committee, such information is not intended to be publicly disclosed or otherwise used by the Sale Committee or any of its members for confidentiality and privacy purpose and any such disclosure could jeopardise the Collective Sale. In the circumstances, the Group is unable to ascertain whether any such owners and their ultimate beneficial owners are Independent Third Parties.

80% milestone : The Collective Sale Agreement requires the signing by owners of units representing not less than (i) 80% of the total strata area of all the units in the Development and (ii) 80% of the total share values in the schedule of strata units for the Development within the Permitted Time. The first signing of the Collective Sale Agreement took place on 5 August 2021. If the Collective Sale Agreement is not signed by owners representing not less than 80% of the total strata area and of the total share values by 4 August 2022, the Collective Sale Agreement shall expire and be of no further effect.

Based on publicly available information, as of 14 April 2022, owners representing 523 units making up 81.65% of the total strata area and 77.34% of the total share values have signed the Collective Sale Agreement. The Property represents approximately 0.78% of the total strata area and 1.60% of the total share values in the Development. If CKC signs the Collective Sale Agreement in respect of the Property, the relevant percentages will be increased to at least 82.43% of the total strata area and 78.94% of the total share values.

Once the 80% milestone has been reached, the Sale Committee may act on behalf of the consenting owners to find a buyer and sell their units collectively to a single purchaser by way of an en-bloc sale and to apply for a sale order for the sale of all the units in accordance with Singapore legislation.

Property : Details of the Property owned by the Group are as follows:

Unit number of the Property	Size of unit (square metre)
#01-02A	19
#01-02B	19
#01-02C	23
#01-02E	44
#01-04A	60
#01-05A	18
#01-05B	23
#01-05C	23
#01-05P	301

The Property represents approximately 0.78% of the total strata area and 1.60% of the total share values in the Development.

Sale Committee : The Sale Committee shall be the agent of the consenting owners for the purpose of negotiating and finalising the Collective Sale and obtaining any necessary orders from the STB, High Court or Court of Appeal of Singapore (as the case may be). Mr. Chu Chee Keong, the chairman and chief executive officer of the Company, acting as a representative of CKC, is a member of the Sale Committee.

Sale process : Once the 80% milestone has been reached, the process for a Collective Sale is summarized below:

- (1) Sale Committee to convene an extraordinary general meeting to provide information of the sale proposal and sale process to the owners of the units;
- (2) Find a buyer by way of public tender or public auction;
- (3) Enter into a Sale Contract with a buyer within 10 weeks from the close of the public tender or auction;
- (4) Owners to consider the en-bloc sale at another extraordinary general meeting convened by the Sale Committee;

- (5) Apply to STB for a sale order for sale of all the units in the Development. If objections are filed against the application, STB would mediate and assist parties to resolve the dispute. If mediation fails to resolve the dispute, STB will issue a stop order and an application can then be made to the High Court of Singapore for a sale order;
- (6) Complete the Collective Sale (usually within 6 months from the date of Sale Contract or date of sale order from STB or the High Court of Singapore (as the case may be));
- (7) Collect and distribute share of money from the sale proceeds to the owners; and
- (8) Deliver vacant possession (usually within 6 months after date of completion of sale).

Sale Price : The sale price will be determined through public tender or public auction subject to negotiation with buyer. The sale price may be higher than but shall not be less than the Reserve Price unless the Reserve Price is adjusted in accordance with the terms of the Collective Sale Agreement.

The Reserve Price for a Collective Sale has been set at a level greater than the aggregate valuation of each of the units in the Development.

A valuation report by an independent valuer shall be obtained by the Sale Committee on the closing date of the tender or auction.

Method of apportionment : The proceeds of a Collective Sale will be apportioned to the owners in accordance with the method of apportionment set out in the Collective Sale Agreement with reference to the strata area, share value and valuation of each unit.

A sum equal to 0.25% of each unit's gross sale proceeds or S\$2,000 for each lot, whichever is the higher, will be deducted from each unit's gross sale proceeds as each unit's share of compensation fund for financial loss suffered by an owner or owners if the proceeds of sale for his/their units are less than the price he/they paid for his/their units.

A sum of up to 10% of each unit's gross sale proceeds will be held by solicitors as stakeholders pending delivery of vacant possession. The net sale proceeds payable to an owner will be adjusted by taking into account:

- amount required to discharge encumbrances
- solicitor's costs to discharge encumbrances

- underpaid/overpaid property tax
- underpaid/overpaid maintenance contributions and levies
- share of solicitors' costs and property consultant's fees specified in the Collective Sale Agreement
- share of balance of the financial loss compensation fund

Expiration : The Collective Sale Agreement shall expire upon occurrence of the following events (whichever is earlier):

- (i) if the 80% milestone is not reached within the Permitted Time; or
- (ii) if within the period prescribed in the Land Titles (Strata) Act (Cap.158, Singapore Statutes),
 - (a) there is no Sale Contract; and
 - (b) where applicable, an application to the STB has not been made pursuant to the Sale Contract or the Collective Sale Agreement; or
- (iii) upon the completion of the Collective Sale and the delivery of vacant possession in accordance with the terms of the Sale Contract.

INFORMATION OF THE GROUP

The Group is principally engaged in (i) outlet management which involves the leasing of food establishment premises to tenants and the provision of management, cleaning and utilities services to tenants; and (ii) operation of food and beverage stalls which comprises the retailing of beverage, tobacco products, and cooked food directly to consumers such as mixed vegetable rice, zi char, roasted meat and chicken rice located in food establishments operated and managed by the Group and third parties.

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

INFORMATION OF THE PROPERTY

The Property which may be disposed is located at Units #01-02A, #01-02B, #01-02C, #01-02E, #01-04A, #01-05A, #01-05B, #01-05C, and #01-05P on Level 1 of People's Park Centre, 101 Upper Cross Street, Singapore 058357 with a total area of approximately 530 square metres. The units within the Property are located within close proximity, enclosing a common dining area, with four units connected side by side on one side and another five units connected side by side, on the back of these four units.

As at 31 March 2022, the Property has a carrying value of S\$22,200,000 (equivalent to approximately HK\$127,650,000) on the books of the Company. The Group has consulted a property valuer to perform a desktop valuation which has indicated that the valuation of the Property is in the region of S\$22,200,000 as at 31 December 2021 (equivalent to approximately HK\$127,650,000).

Units #01-04A, #01-05A, #01-05B and #01-05P of the Property are currently used by the Group to operate an air-conditioned food centre, whereas units #01-02A, 02B, 02C, 02E and #01-05C of the Property are under existing tenancies. Details of the existing tenancies and current use of the Property are summarized as follows:

Unit number of the Property	Size of unit (square metres)	Current usage by lessee	Commencement date of tenancy	Expiry date of tenancy
#01-2A, #01-2B, #01-2C, #01-02E	105	Restaurant/café operations	1 July 2019	30 June 2022
#01-05C	23	Retailer of household goods and appliances	1 January 2021	31 December 2023

Unit number of the Property	Size of unit (square metres)	Current usage by the Group
#01-04A, #01-05A, #01-05B, #01-5P	402	Air-conditioned food centre

REASONS AND THE BENEFITS OF THE DISPOSAL

The Group is principally engaged in outlet management and operation of food and beverage stalls in Singapore. As of the date of this announcement, the Group operates 46 food and beverage stalls in Singapore, and there are 23 food centres owned and/or managed by the Group.

If the transactions contemplated under the Collective Sale Agreement is approved by Shareholders, the Group intends to sign the Collective Sale Agreement. This could help the Collective Sale Agreement achieve the 80% milestone within the Permitted Time whereby the sale process may commence. If the Group does not sign the Collective Sale Agreement, the Collective Sale Agreement may nevertheless reach the 80% milestone and a Collective Sale could proceed without having CKC signed the Collective Sale Agreement but it could take more time to achieve the 80% milestone, if at all.

The Board are of the view that it is appropriate and advantageous for the Group to sign the Collective Sale Agreement to help facilitate a Collective Sale for the reasons below:

- *Premium over market price:* A Collective Sale would enable the Group to sell the Property at a premium over the sale price which it could get by selling the Property individually. Based on the Reserve Price and method of apportionment set out in the Collective Sale Agreement, the Disposal under a Collective Sale is expected to generate a significant premium over the current market price of the Property and will provide an

attractive return on the Group's investment. Since the sale process has not commenced and no sale price has been fixed, it is not possible to calculate the precise gain or loss arising from the Disposal if a Collective Sale is materialized.

- *Aging property:* The age of the Property is over 50 years. The Development is aging and typical maintenance problems such as leaking walls, breakdown of lifts, re-roofing, replacement of sewage and water supply pipes, etc may happen. Such maintenance problems could involve expenditures and will need to be funded by the owners. The rental yield on the tenanted units may decrease.
- *Statutory procedures for Collective Sale:* A Collective Sale with less than 100% consent of all owners must comply with the statutory procedures laid down in the Land Titles (Strata) Act which contain measures to protect and safeguard the interest of owners. The proceedings of the Sale Committee will also be conducted legally in accordance with relevant legislation of Singapore.

If a Collective Sale is materialized, the Directors intend to apply the proceeds from the Disposal as general working capital and to repay its bank loans. The Group will seek opportunities to expand its presence in Singapore through the acquisitions of new properties, food centres or food businesses.

In view of the above, the Directors believe that the terms of the Collective Sale Agreement and the Disposal are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Disposal are above 75%, the Disposal constitutes a very substantial disposal for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among other things, further information of the Collective Sale Agreement and other information as required under the Listing Rules, and the notice of EGM to consider and, if thought fit, approve the resolution(s) relating to the Collective Sale Agreement and the transactions contemplated thereunder is expected to be despatched to the Shareholders on or before 31 May 2022, as the Company expects that it requires more time to collate the information to be included in the circular.

Shareholders and potential investors should note that a Collective Sale or the Disposal may or may not be materialized. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Board”	the board of Directors
“CKC”	CK Chu Holdings Pte Ltd, a company incorporated in Singapore with limited liability and an indirect wholly-owned subsidiary of the Company
“Collective Sale”	the sale of all units and the common property in the Development in accordance with the terms of the Collective Sale Agreement, subject to the Sale Contract and where applicable, upon the direction and order of STB, High Court or the Court of Appeal of Singapore (as the case may be)
“Collective Sale Agreement”	the collective sale agreement between certain owners of units in the Development in relation to a Collective Sale of the Development
“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Development”	The development known as “People’s Park Centre situated at 101, 101A and 101B Upper Cross Street, Singapore 058357, 058358 and 058359 containing a lot area of 8,869.2 square meters together with building(s) erected thereon
“Director(s)”	the director(s) of the Company
“Disposal”	the Disposal of the Property by CKC pursuant to a Collective Sale Agreement
“EGM”	an extraordinary general meeting of the Company to be convened for the purposes of considering and, if thought fit, passing the necessary resolution(s) to approve, among other matters, the Collective Sale Agreement and the transactions contemplated thereunder
“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
“Management Corporation”	General Body of the Development (Management Corporation Strata Title Plan No. 0939) (UEN: S78MC0393D), a management corporation constituted under the laws of Singapore
“percentage ratios”	has the same meaning ascribed to it under the Listing Rules
“Permitted Time”	the period prescribed in paragraph 2(1)(a) of the First Schedule to the Land Titles (Strata) Act (Cap.158, Singapore Statutes) and presently means the period of 12 months from the date the first subsidiary proprietor, or his duly appointed attorney, signs the Collective Sale Agreement
“Property”	Units #01-02A, #01-02B, #01-02C, #01-02E, #01-04A, #01-05A, #01-05B, #01-05C and #01-05P on Level 1 of People’s Park Centre, 101 Upper Cross Street, Singapore 058357
“Reserved Price”	the amount specified in the Collective Sale Agreement subject to any change made pursuant to and in accordance with the terms thereof
“S\$”	Singaporean dollar(s), the lawful currency of Singapore
“Sale Committee”	the collective sale committee established to act jointly on behalf of the subsidiary proprietors for the proposed Collective Sale pursuant to the resolutions of the extraordinary general meeting of the Management Corporation passed on 5 February 2021
“Sale Contract”	the document entered or to be entered into with purchaser in respect of the Collective Sale
“share value”	have the same meaning as in the Building Maintenance and Strata Management Act (Cap. 30C, Singapore Statutes)
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“STB”	Strata Titles Board of Singapore

“Stock Exchange”

The Stock Exchange of Hong Kong 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 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, 25 April 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. Mah Seong Kung

Mr. Ng Yong Hwee