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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 2022

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, the “**Group**”) for the year ended 31 December 2022 (“**FY2022**”) together with the comparative figures for the year ended 31 December 2021 (“**FY2021**”), 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 2022

	<i>Notes</i>	2022 S\$’000	2021 S\$’000
Revenue	4	47,290	37,386
Fair value gain of investment properties		2,230	654
Other income, gains and losses, net	5	186	251
Cost of inventories consumed		(15,486)	(13,262)
Staff costs		(12,665)	(10,313)
Property rentals and related expenses		(3,615)	(2,946)
Management, cleaning and utilities expenses		(2,838)	(1,555)
Depreciation of property, plant and equipment		(1,220)	(623)
Depreciation of right-of-use assets		(2,283)	(714)
Other operating expenses		(3,783)	(2,343)
Finance costs	6	(1,640)	(1,531)
Profit before tax	7	6,176	5,004
Taxation	8	(502)	(436)
Profit for the year		5,674	4,568
Other comprehensive income		–	–
Profit and total comprehensive income for the year		5,674	4,568
Earnings per share			
Basic and diluted (in Singapore cents)	10	0.71	0.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Non-current assets			
Investment properties	<i>11</i>	113,130	136,100
Property, plant and equipment	<i>12</i>	57,428	10,471
Right-of-use assets		8,521	7,883
Deferred tax assets		69	47
Deposits paid		1,091	980
Financial assets at fair value through profit or loss		733	–
		180,972	155,481
Current assets			
Inventories		234	166
Trade and other receivables	<i>13</i>	505	348
Prepayments and deposits paid		1,159	2,341
Financial assets at fair value through profit or loss		984	1,568
Pledged bank deposits		1,015	1,015
Cash and cash equivalents		5,946	6,918
		9,843	12,356
Current liabilities			
Trade payables	<i>14</i>	2,893	2,371
Accruals, other payables and deposits received		4,232	3,438
Borrowings		4,811	6,955
Lease liabilities		2,446	1,348
Tax payables		547	541
		14,929	14,653
Net current liabilities		(5,086)	(2,297)
Total assets less current liabilities		175,886	153,184
Non-current liabilities			
Borrowings		91,099	74,227
Lease liabilities		6,400	6,427
Provision for reinstatement costs		302	302
Deposits received		511	328
		98,312	81,284
Net assets		77,574	71,900
Capital and reserves			
Share capital		1,381	1,381
Reserves		76,193	70,519
Total equity		77,574	71,900

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 and the ultimate controlling shareholder of the Company is Mr. Chu Chee Keong, who is also an executive director of the Company. 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, Hunghom, 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 FY2022 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 FY2022

In FY2022, 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 2022 for the preparation of the Group’s consolidated financial statements:

- Amendments to IFRS 3 *Reference to the Conceptual Framework*
- Amendments to IAS 16 *Property, Plant and Equipment — Proceeds before Intended Use*
- Amendments to IAS 37 *Onerous Contracts — Cost of Fulfilling a Contract*
- Amendments to IFRSs *Annual Improvements to HKFRSs 2018-2020*

The application of the amendments to the standards listed above in FY2022 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.

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.

- IFRS 17, *Insurance Contracts*¹ (including the June 2020 and December 2021 Amendments to IFRS17)
- Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*³
- Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*²
- Amendments to IAS 1, *Classification of Liabilities as Current or Non-Current*²
- Amendments to IAS 1, *Non-current Liabilities with Convenants*²
- Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*¹
- Amendments to IAS 8, *Definition of Accounting Estimates*¹
- Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*¹

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

² Effective for annual periods beginning on or after 1 January 2024.

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 management, 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**").

The two business segments described above are identified as the operating and reportable segments of the Group for financial reporting purposes. 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, bank interest income and finance cost on general working capital borrowings.

For the year ended 31 December 2022:

	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	3,890	35,566	–	39,456
External rental income	7,834	–	–	7,834
	<u>11,724</u>	<u>35,566</u>	<u>–</u>	<u>47,290</u>
Inter-segment revenue				
— Rental and service income	20,216	–	–	20,216
Elimination	(20,216)	–	–	(20,216)
	<u>11,724</u>	<u>35,566</u>	<u>–</u>	<u>47,290</u>
Segment profit/(loss)	<u>2,623</u>	<u>6,960</u>	<u>(3,407)</u>	<u>6,176</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 measure of segment profit/(loss) and segment assets:				
Fair value gain of investment properties	2,230	–	–	2,230
Finance costs	(1,543)	–	(97)	(1,640)
Addition to non-current assets (<i>Note</i>)	9,359	782	15,799	25,940
Depreciation of property, plant and equipment	(460)	(503)	(257)	(1,220)
Depreciation of right-of-use assets	(1,270)	(1,013)	–	(2,283)
Staff costs	(2,447)	(7,422)	(2,796)	(12,665)
Property rentals and related expenses	(2,681)	(934)	–	(3,615)

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	154,507	12,579	62	167,148
Other financial assets	–	–	1,717	1,717
Pledged bank deposits	–	–	1,015	1,015
Deferred tax assets	–	–	69	69
Other unallocated assets:				
— Property, plant and equipment	–	–	20,866	20,866
Consolidated total assets	154,507	12,579	23,729	190,815
Reportable segment liabilities	89,353	7,333	15,250	111,936
Tax payable	–	–	547	547
Other unallocated liabilities:				
— Accruals and other payables	–	–	758	758
Consolidated total liabilities	89,353	7,333	16,555	113,241

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	<u>6,002</u>	<u>–</u>	<u>–</u>	<u>6,002</u>
	8,486	28,900	–	37,386
Inter-segment revenue				
— Rental and service income	14,618	–	–	14,618
Elimination	<u>(14,618)</u>	<u>–</u>	<u>–</u>	<u>(14,618)</u>
	<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 measure 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	<u>(2,061)</u>	<u>(885)</u>	<u>–</u>	<u>(2,946)</u>

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	<u>150,331</u>	<u>7,219</u>	<u>10,287</u>	<u>167,837</u>
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	<u>90,567</u>	<u>4,155</u>	<u>1,215</u>	<u>95,937</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

	2022 S\$'000	2021 S\$'000
Revenue from contracts with customers		
Sales of goods, recognised on point in time basis		
— Sales of cooked food, beverage and tobacco products	35,566	28,900
Services income, recognised on over time basis		
— Provision of management, cleaning and utilities services to tenants	<u>3,890</u>	<u>2,484</u>
	39,456	31,384
Revenue from other sources		
Rent from leases of premises to tenants	<u>7,834</u>	<u>6,002</u>
	<u>47,290</u>	<u>37,386</u>

5. OTHER INCOME, GAINS AND LOSSES, NET

	2022 S\$'000	2021 S\$'000
Gain on disposal of property, plant and equipment, net	37	—
Exchange loss	(2)	(10)
Interest income	22	—*
Dividend income from financial assets at FVTPL#	41	25
Fair value gain on financial assets at FVTPL#	28	109
Sundry income	<u>60</u>	<u>127</u>
	<u>186</u>	<u>251</u>

FVTPL: Fair Value Through Profit or Loss.

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

6. FINANCE COSTS

	2022 S\$'000	2021 S\$'000
Interest on borrowings	1,523	1,458
Interest on lease liabilities	<u>272</u>	<u>73</u>
	1,795	1,531
Capitalised interest in relation to acquisition of land and development cost	<u>(155)</u>	<u>—</u>
	<u>1,640</u>	<u>1,531</u>

7. PROFIT BEFORE TAX

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

	2022 S\$'000	2021 S\$'000
(a) Staff costs (including directors' emoluments)		
Salaries and benefits (<i>Note</i>)	11,935	9,683
Contribution to defined contribution plans	<u>730</u>	<u>630</u>
	<u><u>12,665</u></u>	<u><u>10,313</u></u>
(b) Other items		
Auditor's remuneration		
— annual audit services	105	100
Expenses relating to short-term leases	3,615	2,946
Direct operating expenses arising from investment properties that generated rental income during the year	<u>423</u>	<u>249</u>

Note: For the year ended 31 December 2022, manpower related government grants or assistance amounted to S\$1,230,000 (2021: S\$1,572,000) have been offset against staff costs.

8. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor derived from, Hong Kong.

The Singapore Corporate Income tax ("CIT") rate was 17% (2021: 17%) during FY2022. 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:

	2022 S\$'000	2021 S\$'000
Current tax:		
— Singapore CIT	515	528
— Under/(over) provision in respect of prior years	<u>9</u>	<u>(45)</u>
	524	483
Deferred tax	<u>(22)</u>	<u>(47)</u>
	<u><u>502</u></u>	<u><u>436</u></u>

9. DIVIDENDS

The Directors do not recommend the payment of a final dividend for FY2022 (2021: Nil). No interim dividend was declared during FY2022 and FY2021.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for FY2022 of approximately S\$5,674,000 (2021: approximately S\$4,568,000) and the weighted average number of ordinary shares of the Company in issue during the year as follows:

	2022	2021
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

During FY2022, there was no acquisition of investment property. As at 31 December 2022, the Group transferred the investment properties located at Block 101 Yishun Avenue 5, #01-93, Singapore 760101 and Block 491 Jurong West Avenue 1, #01-173, Singapore 640491 to property, plant and equipment, upon the change in use of the properties such that the properties were no longer held by the Group to earn rentals or for capital appreciation.

12. PROPERTY, PLANT AND EQUIPMENT

During FY2022, the Group acquired the freehold land through acquisition of a subsidiary and other property, plant and equipment at a consideration of approximately S\$22,993,000 (2021: S\$920,000), which included the property construction-in-progress of approximately S\$956,000 (2021: S\$ Nil).

During FY2022, the Group transferred two investment properties to property, plant and equipment, as mentioned in Note 11 above.

As at 31 December 2022, property, plant and equipment with net carrying amount of approximately S\$40,490,000 (2021: approximately S\$5,807,000) comprising freehold land and leasehold land and buildings, was secured under mortgage loan.

13. TRADE AND OTHER RECEIVABLES

	2022	2021
	S\$'000	S\$'000
Trade receivables	300	215
Other receivables	<u>205</u>	<u>133</u>
	<u>505</u>	<u>348</u>

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

	2022	2021
	S\$'000	S\$'000
0 to 30 days	274	180
31 to 90 days	22	22
91 to 180 days	4	13
	<u>300</u>	<u>215</u>

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

14. TRADE PAYABLES

	2022	2021
	S\$'000	S\$'000
Trade payables	<u>2,893</u>	<u>2,371</u>

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

As at 31 December 2022 and 2021, 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:

	2022	2021
	S\$'000	S\$'000
0 to 30 days	2,879	2,367
31 to 90 days	12	4
91 to 180 days	2	-
	<u>2,893</u>	<u>2,371</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Prospect

The core business and revenue structure of the Group remain unchanged. The Group owns and operates food centres in Singapore since 2004. The revenue of the Group is primarily derived from the Group's two main operating business segments, being (i) the rental and outlet management operation which involves the leasing of food establishment premises to tenants and the provision of management, cleaning and utilities services to tenants (the “**Rental and Outlet Management**”), and (ii) the food and beverage stalls operation 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 (the “**Food and Beverage Stalls**”).

As at 31 December 2022, the Group owned and managed 23 food centres as follows:

	FY2022	FY2021
Food centres owned and/or managed by the Group	<u>23</u>	<u>22</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 2022	22
Number of food centres opened during 2022	1
Number of food centres as at 31 December 2022	23

The Group operated 62 food and beverage stalls as at 31 December 2022 as follows:

	FY2022	FY2021
In owned properties	21	14
In leased properties	24	20
In food centres managed by independent third parties	<u>17</u>	<u>9</u>
Total	<u>62</u>	<u>43</u>

The following sets forth the changes in the number of food and beverage stalls under the F&B Retail Business for FY2022 stated below:

Number of food and beverage stalls as at 1 January 2022	43
Number of food and beverage stalls opened during 2022	22
Number of food and beverage stalls closed during 2022	(3)
Number of food and beverage stalls as at 31 December 2022	62

The food and beverage (F&B) sector in Singapore is expected to benefit with the lifting of most of the COVID-19 restrictions and the lowering of the Disease Outbreak Response System Condition (Dorscon) from yellow to green. However, the operating environment for the F&B sector may face challenges arising from (i) rising prices such as food prices, water and electricity tariffs; (ii) tight labour market conditions which may result in higher manpower costs; and (iii) rising interest rates which may result in higher costs of borrowing.

The Group will continue to explore new opportunities for sustainable growth and develop business strategies to respond to the fast-evolving market and trends while ensuring costs are well managed. 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 promising F&B businesses and brands to bolster product offerings;
- continue to 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\$9.9 million or 26.5% from approximately S\$37.4 million for FY2021 to approximately S\$47.3 million for FY2022. 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\$6.7 million or 23.1% from approximately S\$28.9 million for FY2021 to approximately S\$35.6 million for FY2022, which was mainly due to an increase in the number of food and beverage stalls during FY2022 as compared to FY2021.

Rental income increased by approximately \$1.8 million or 30.5% from approximately S\$6.0 million for FY2021 to approximately S\$7.8 million for FY2022. The increase was mainly attributable to the contribution of rental income from Lazada One during FY2022, and 200 Jalan Sultan and United Square from FY2021 onwards. In addition, there was lesser provision of rental rebate to tenants during FY2022 as compared to FY2021.

The revenue generated from provision of management, cleaning and utilities services increased by approximately S\$1.4 million or 56.6% from approximately S\$2.5 million for FY2021 to approximately S\$3.9 million for FY2022. The increase was mainly attributable to the commencement of operations for Lazada One during FY2022, and United Square from FY2021 onwards. In addition, there was higher utility income from tenants during FY2022 arising from increase in electricity tariffs.

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

	FY2022		FY2021	
	<i>S\$'000</i>	%	<i>S\$'000</i>	%
Sale of cooked food, beverages and tobacco products	35,566	75.2	28,900	77.3
Rental income from lease of premises to tenants	7,834	16.6	6,002	16.1
Provision of management, cleaning and utilities services	3,890	8.2	2,484	6.6
	<u>47,290</u>	<u>100.0</u>	<u>37,386</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 Rental and 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. The assessment of fair values of investment properties was carried out by Knight Frank Pte. Ltd., an established independent qualified professional valuer in Singapore having no connection with the Group, which possesses appropriate qualifications and experience in valuation of investment properties owned by the Group.

Cost of Inventories Consumed

The cost of inventories consumed increased by approximately S\$2.2 million or 16.8% from approximately S\$13.3 million in FY2021 to approximately S\$15.5 million in FY2022, which was in line with the increase in revenue from sale of the cooked food, beverages and tobacco products. The cost of inventories consumed increased at a slower rate as compared to sale of the cooked food, beverages and tobacco products as a result of the cost control strategy implemented by the Group. The cost of inventories consumed primarily represents the cost of purchases of food ingredients for its food and beverage retail business, consisting of fresh and frozen meat, seafood, vegetables, eggs, dried food, canned food, seasonings, beverages, coffee powder and tobacco.

Staff Costs

Staff costs were the second largest component of the operating expenses and amounted to approximately S\$10.3 million and S\$12.7 million for FY2021 and FY2022, respectively, which accounted for approximately 27.6% and 26.8% of the revenue of the respective periods. The increase of approximately S\$2.4 million or 22.8% was in line with the increase in revenue, as well as lesser amount of grants received from the Singapore Government in FY2022 as compared to FY2021, which aimed to provide support to companies to retain employees during the outbreak of COVID-19 period.

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. Property rentals and related expenses increased by approximately S\$0.7 million or 22.7% from approximately S\$2.9 million for FY2021 to approximately S\$3.6 million for FY2022, which was mainly due to rental expenses related to newly opened food and beverage stalls during FY2022.

Management, Cleaning and Utilities Expenses

The management, cleaning and utilities expenses increased by approximately S\$1.2 million or 82.5% from approximately S\$1.6 million for FY2021 to approximately S\$2.8 million for FY2022. The increase was mainly attributable to the increase in utility expenses as a result of higher water and electricity tariffs during FY2022, as well as the increase in cleaning expenses for newly opened food centres at Lazada One and United Square.

Other Operating Expenses

The other operating expenses increased by approximately S\$1.5 million or 61.5% from approximately S\$2.3 million for FY2021 to approximately S\$3.8 million for FY2022. The increase was mainly attributable to (i) higher administrative and service fees paid to food delivery platforms arising from an increase in sales through such platforms; (ii) higher property taxes due to the absence of property tax rebates during FY2022, as compared to property tax rebates received during FY2021; (iii) higher legal and professional fees as a result of the acquisition of First Capital Pte Ltd as disclosed in the announcements of the Company dated 15 December 2021 and 5 May 2022, and the circular of the Company dated 11 March 2022; and (iv) higher donations made.

	2022 S\$'000	2021 S\$'000
Administrative fee	619	274
Advertisement and promotion	199	159
Insurance	36	24
Property tax and related costs	523	240
Repairs and maintenance	800	705
Legal and professional fee	754	496
Telephone and communication	43	37
Donation	519	42
Others	290	366
	<u>3,783</u>	<u>2,343</u>

Finance Costs

The finance costs increased by approximately S\$0.1 million or 7.1% from approximately S\$1.5 million for FY2021 to approximately S\$1.6 million for FY2022, which was mainly attributable to higher interest expenses on lease liabilities due to the increase in leased premises, interest expenses of new loans taken in related to the land and properties acquired and increasing interest rate for existing loans.

Taxation

The income tax expense increased slightly by approximately S\$0.1 million or 15.1% from approximately S\$0.4 million in FY2021 to approximately S\$0.5 million in FY2022. The increase was primarily due to higher profit before tax and partially offset by the tax incentive related to donations made in FY2022.

Profit for the Year

The increase in the profit after tax was primarily attributable to (i) higher revenue of approximately S\$9.9 million; (ii) increase in fair value changes of investment properties of approximately S\$1.5 million; and partially offset by (iii) increase in cost of inventories consumed of approximately S\$2.2 million; (iv) increase in staff costs of approximately S\$2.4 million; (v) increase in management, cleaning and utilities expenses of approximately S\$1.2 million; and (vi) increase in other operating expenses of approximately \$1.5 million.

Capital Commitment

Reference is made to the announcement of the Company dated 5 May 2022 in respect of the completion of acquisition 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 development, at a consideration of S\$14.5 million. As at 31 December 2022, the Group had a capital commitment of approximately S\$10.2 million in relation to the redevelopment of the property held by First Capital.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During FY2022, other than the acquisition of First Capital as 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 FY2022, 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 FY2022. 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 FY2022, the Group held no significant investment.

Liquidity and Financial Resources

As at 31 December 2022 and 2021, the Group's key financial position indicators as follows:

	2022	2021
	S\$'000	S\$'000
Current assets	9,843	12,356
Current liabilities	14,929	14,653
Net current liabilities	(5,086)	(2,297)
Interest-bearing bank borrowings	95,910	81,182
Equity	77,574	71,900

As at 31 December 2022, the Group had aggregate outstanding bank borrowings of approximately S\$95.9 million, which was increased by approximately S\$14.7 million or 18.1% from approximately S\$81.2 million as at 31 December 2021. The increase was mainly due to additional loans taken in relation to the land and the 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 its subsidiaries.

The Group had unutilised banking facilities of approximately S\$15.8 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**”).

Reference is made to the announcement of the Company dated 30 September 2022. In order to enable the Group to effectively implement the business strategies to respond to the fast-evolving market and trends, the Board changed the use of the remaining Net Proceeds.

Up to 31 December 2022, the Group had utilised the Net Proceeds as follows:

Intended uses of the Net Proceeds	Original allocation (HK\$'000)	Revised allocation (HK\$'000)	Utilised Net	Unutilised
			Proceeds as at 31 December 2022 (HK\$'000)	Net Proceeds as at 31 December 2022 (HK\$'000)
To partly fund the purchase of food centres				
a. 101 Yishun	34,760	–	(34,760)	–
b. 150 South Bridge Road	5,610	–	(5,610)	–
To purchase food centers	35,530	–	(35,530)	–
To partially repay outstanding bank borrowings	11,110	–	(11,110)	–
To renovate existing food centres	5,610	4,567	(8,888)	1,289
To upgrade IT infrastructure and system	6,270	(4,567)	(1,703)	–
General working capital	11,110	–	(11,110)	–
Total	<u>110,000</u>	<u>–</u>	<u>(108,711)</u>	<u>1,289</u>

The unutilised Net Proceeds are expected to be utilised by the year ending 31 December 2024. The completion time of using such proceeds will be determined based on the Company’s actual business needs and future business development.

Employees and Remuneration Policies

As at 31 December 2022, the Group had a total of 373 employees (2021: 326). 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, allowances and performance bonuses.

Annual General Meeting

The forthcoming annual general meeting of the Company (the “**Annual General Meeting**”) will be held on Friday, 30 June 2023. 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, 27 June 2023 to Friday, 30 June 2023, 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, 26 June 2023.

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 confirmed that they had fully complied with the relevant requirements set out in its own code of conduct for FY2022.

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 C.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 FY2022.

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 FY2022. The figures contained in the consolidated financial statements of the Group for FY2022 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 FY2022 as approved by the Board.

The work performed by Fan, Chan & Co. Limited in this respect did not constitute an assurance engagement 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 FY2022 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, 31 March 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. Ng Yong Hwee

Mr. Mah Seong Kung