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K2 F&B HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2108)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY

The Board is pleased to announcement that, on 3 April 2024, the Purchaser entered into the Letter of Offer with the Seller in respect of the Acquisition. On 10 May 2024, the Purchaser entered into the Share Sale and Purchase Agreement with the Seller. Pursuant to the Share Sale and Purchase Agreement, the Seller agreed to sell and the Purchaser agreed to purchase the Sale Shares at a total consideration of S\$9,500,000.

THE SHARE SALE AND PURCHASE AGREEMENT

Date of Letter of Offer : 3 April 2024

Date of Share Sale and : 10 May 2024
Purchase Agreement

Parties : (i) U PROPERTY HOLDINGS PTE LTD as the Purchaser
(ii) SECOND CHANCE PROPERTIES LTD as the Seller

Subject Matter : Pursuant to the Share Sale and Purchase Agreement, the Seller agreed to sell and the Purchaser agreed to purchase the Sale Shares in accordance with the terms and conditions of the Share Sale and Purchase Agreement

Consideration : S\$9,500,000 (equivalent to approximately HK\$54,805,000), payable in the following manners:

- (i) a deposit of S\$95,000, being 1% of the Consideration, had been paid by the Purchaser to the Seller on the date of the Letter of Offer;
- (ii) S\$380,000, being 4% of Consideration, was paid by the Purchaser to the Seller on the date of the Share Sale and Purchase Agreement; and

(iii) S\$9,025,000, being remaining balance of the Consideration, shall be payable by cashier order upon completion of the Acquisition.

The Consideration was determined after arm's length negotiation between the Purchaser and the Seller having regard to, among others, (i) the net asset value of the Target Company; (ii) the market price of the Property; and (iii) the location of the Property and the market price of comparable properties in the vicinity.

It is expected that partial of the Consideration will be financed by the Group's internal resources and substantial of the Consideration will be financed by financial institutions.

Completion : Completion shall take place (i) within 16 weeks from the date of the Share Sale and Purchase Agreement; (ii) within 4 weeks from the approval of HDB; (iii) in the event a conditional approval is received from HDB, 4 weeks from the date that HDB confirms that all unauthorized works in the Property have been rectified; or (iv) any other date mutually agreed in writing by the parties.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated with the Group.

Conditions Precedent : Completion is conditional upon the following conditions being satisfied before the completion date:

- (i) shareholders' approval of the Seller;
- (ii) shareholders' approval of the Purchaser and the Company;
- (iii) clearance, waiver or approval from the Singapore Exchange Securities Trading Limited and all such regulatory authorities as may be applicable;
- (iv) the Target Company being free from encumbrance, charges and obligations under or pursuant to any banking facilities extended to the Target Company;
- (v) the Target Company settling all its liabilities on or before the completion date;
- (vi) the Target Company having no indebtedness to any party;
and

(vii) obtaining of the written approval of HDB for the Acquisition.

INFORMATION OF THE GROUP AND THE PURCHASER

The Group is principally engaged in (i) food and beverage retail business; and (ii) outlet management and leasing business in Singapore.

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

INFORMATION OF THE SELLER

The Seller is an investment holding company and is principally engaged in those of an investment holding company, retailing of ready made garments, holding of property as investment for rental income and investing in securities. in Singapore. The Seller is currently listed on the Mainboard of the Singapore Exchange Securities Trading Limited (stock code: 528.SI).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Seller and its ultimate beneficial owner(s) are Independent Third Parties.

INFORMATION OF THE TARGET COMPANY

The Target Company is a private company incorporated in Singapore and is principally engaged in holding of properties as investments for rental income.

The Target Company owns the Property. The Target Company's financial statements for the years ended 31 August 2022 and 2023 were audited by its auditor. Set out below is the financial information of the Target Company:

	For the year ended 31 August 2022	For the year ended 31 August 2023
	S\$	S\$
	(Audited)	(Audited)
Net profit before tax	912	415
Net profit after tax	876	362
Net assets	3,081	3,443

An accountant's report of the Target Company shall be included in the circular to be despatched to the Shareholders in respect of the Acquisition.

INFORMATION OF THE PROPERTY

The Property is located at Block 710A Ang Mo Kio Avenue 8 #01–2625, Singapore 561710. It has a total area of approximately 332 square meter, comprising Lot No. MK18-U78730M and a remaining lease of about 55 years.

The Property is currently subjected to existing three (3) tenancy agreements until 1 June 2024, 21 March 2025 and 1 September 2025, respectively.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the tenants of the Property are Independent Third Parties.

REASONS AND THE BENEFITS OF THE ACQUISITION

The Property is located within the mature residential estate of Ang Mo Kio and within close proximity to Ang Mo Kio MRT Station, bus interchange and AMK Hub shopping mall. Ang Mo Kio estate is known for its strategic location, vibrant community, amenities, and accessibility to various facilities. New residential projects are being introduced in the area, interweaving the old and the new to cater to the changing needs of residents, as well as to continuously rejuvenate the town.

The Acquisition is for the ordinary and usual course of the Group's business, and is consistent with the Group's current (and prevailing) business strategies and conduct. As disclosed in the Group's latest annual report, we continue to make strategic investments and look for potential business opportunities in Singapore that could enhance value for our shareholders.

The Property consists of a unit subdivided into 3 smaller units which are presently engaged in the retail business. The Group intends to apply for a change of use for the Property to food and beverage business, with plans for an airconditioned food centre. The Group plans to rent out as retail units in the event that change of use cannot be obtained for all or part of the Property.

The Board believes that the Acquisition would produce positive commercial results to the Group, including (i) delivering accretive earnings to the Group and (ii) greater economies of scale and certainty in costs. In addition, the purchase consideration is at a discount to the most recent valuation of \$10.5 million for the Property. Furthermore, the Acquisition would also improve the Group's ability to withstand ever increasing rental costs and strengthen its ability to compete with other industry players.

Based on the above, the Board is of the view that the Acquisition would be commercially beneficial to the Group as it would enable the Group to be well-positioned to leverage on potential growth and expansion. Thus, the Acquisition is in line with the Company's business strategy and future plans.

Given that the Share Sale and Purchase Agreement was entered into on normal commercial terms with consideration being determined based on the market value of the Property and similar properties in similar locations and are fair and reasonable, the Directors consider that the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are above 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

WRITTEN CONTROLLING SHAREHOLDER'S APPROVAL

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, as at the date of this announcement, none of the Shareholders and their respective associates has any material interest in the Acquisition. As such, no Shareholder would be required to abstain from voting on the resolution in respect of the Acquisition if the Company were to convene a general meeting for the approval of the Acquisition. As at the date of this announcement, Strong Oriental is the controlling Shareholder of the Company and beneficially holds 600,000,000 Shares, representing 75% of the entire issued share capital of the Company. Written approval of the Acquisition has been obtained from Strong Oriental. Pursuant to Rule 14.44 of the Listing Rules, such written approval may be accepted in lieu of holding a general meeting of the Company, and accordingly, no general meeting of the Company will be convened for the purpose of approving the Acquisition.

DESPATCH OF CIRCULAR

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the Acquisition; (ii) financial information of the Group; (iii) financial information of the Target Company; and (iv) a valuation of the Property shall be despatched within 15 business days after publication of this announcement. As more time is required to prepare the information to be included in the circular, the Company will apply for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules from the Stock Exchange so that the despatch date of the circular can be postponed to a date more than 15 business days after publication of this announcement, which is expected to be on or before 31 May 2024.

DEFINITIONS

“Acquisition”	:	the acquisition of the Sale Shares by the Purchaser from the Seller pursuant to the terms of the Share Sale and Purchase Agreement
“Board”	:	the board of Directors
“Company”	:	K2 F&B Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on Main Board of the Stock Exchange (stock code: 2108)
“Completion”	:	completion of the Acquisition
“connected person(s)”	:	has the meaning ascribed to it under the Listing Rules
“HDB”	:	Housing & Development Board of Singapore
“Director(s)”	:	the director(s) of the Company
“Group”	:	the Company and its subsidiaries from time to time
“GST”	:	goods and services tax of Singapore
“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”	:	Block 710A Ang Mo Kio Avenue 8 #01-2625, Singapore 561710
“Purchaser”	:	U PROPERTY HOLDINGS PTE LTD, a company incorporated in Singapore with limited liability and an indirect wholly-owned subsidiary of the Company
“S\$”	:	Singaporean dollar(s), the lawful currency of Singapore
“Sale Shares”	:	2 ordinary shares in the Target Company, representing the entire issued share capital of the Target Company

“Seller”	:	SECOND CHANCE PROPERTIES LTD, a company incorporated under the laws of Singapore with limited liability and listed on the Mainboard of the Singapore Exchange Securities Trading Limited (stock code: 528.SI)
“Share Sale and Purchase Agreement”	:	a share sale and purchase agreement dated 10 May 2024 entered into by the Purchaser and the Seller in relation to the Acquisition
“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
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Target Company”	:	NEW CHANCE PROPERTIES PTE LTD, a company incorporated under the laws of Singapore with limited liability
“%”	:	percentage

Note: Unless otherwise stated, the figures in “S\$” are converted into “HK\$” at the rate of S\$1.00: HK\$5.77 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
K2 F&B Holdings Limited
Chu Chee Keong (Zhu Zhiqiang)
Chairman

Singapore, 10 May 2024

As at the date of this announcement, the Directors are:

Executive Directors:

Mr. Chu Chee Keong (Zhu Zhiqiang)

Ms. Leow Poh Hoon (Liao Baoyun)

Non-executive Director:

Mr. Chu Pok Chong, Ivan

Independent non-executive Directors:

Mr. Wong Loke Tan

Mr. Ng Yong Hwee

Mr. Mah Seong Kung