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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 2023

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 2023 (“**FY2023**”) together with the comparative figures for the year ended 31 December 2022 (“**FY2022**”), 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 2023

	<i>Notes</i>	2023 S\$’000	2022 S\$’000
Revenue	4	55,740	47,290
Fair value gain of investment properties		6,320	2,230
Other income, gains and losses, net	5	1,242	186
Cost of inventories consumed		(18,732)	(15,486)
Staff costs		(16,964)	(12,665)
Property rentals and related expenses		(4,362)	(3,615)
Management, cleaning and utilities expenses		(3,403)	(2,838)
Depreciation of property, plant and equipment		(2,028)	(1,220)
Depreciation of right-of-use assets		(2,977)	(2,283)
Other operating expenses		(4,127)	(3,783)
Finance costs	6	(2,790)	(1,640)
Profit before tax	7	7,919	6,176
Taxation	8	(609)	(502)
Profit for the year		7,310	5,674
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Gain on revaluation of properties		1,534	–
Total comprehensive income for the year		8,844	5,674
Earnings per share			
Basic and diluted (in Singapore cents)	10	0.91	0.71

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>S\$'000</i>	2022 <i>S\$'000</i>
Non-current assets			
Investment properties	<i>11</i>	132,750	113,130
Property, plant and equipment	<i>12</i>	43,473	57,428
Right-of-use assets		9,158	8,521
Deferred tax assets		51	69
Deposit paid		1,182	1,091
Investment in an associate		4	–
Financial assets at fair value through profit or loss		743	733
		187,361	180,972
Current assets			
Inventories		219	234
Trade and other receivables	<i>13</i>	526	505
Prepayments and deposits paid		1,574	1,159
Financial assets at fair value through profit or loss		48	984
Pledged bank deposits		1,015	1,015
Cash and cash equivalents		7,386	5,946
		10,768	9,843
Current liabilities			
Trade payables	<i>14</i>	3,273	2,893
Accruals, other payables and deposits received		6,033	4,232
Borrowings		7,106	4,811
Lease liabilities		3,353	2,446
Tax payables		613	547
		20,378	14,929
Net current liabilities		(9,610)	(5,086)
Total assets less current liabilities		177,751	175,886
Non-current liabilities			
Borrowings		83,547	91,099
Lease liabilities		6,459	6,400
Provision for reinstatement costs		302	302
Other payables and deposits received		1,025	511
		91,333	98,312
Net assets		86,418	77,574
Capital and reserves			
Share capital		1,381	1,381
Reserves		85,037	76,193
Total equity		86,418	77,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 and traded 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 1, #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 1307A, 13/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 FY2023 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**”)

The 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 FY2023

In FY2023, the Group has applied the following new and amendments to IFRSs issued by the IASB that are first effective for the current accounting period of the Group:

- IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17), *Insurance Contracts*
- Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to IAS 8, *Definition of Accounting Estimates*
- Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to IAS 12 *International Tax Reform — Pillar Two model Rules*

Except for the amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, and except as disclosed below, the application of other 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 the consolidated financial statements.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the IFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

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 the consolidated financial statements.

	Effective for accounting periods beginning on or after
• Amendments to IFRS 10 and IAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
• Amendments to IFRS 16, <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
• Amendments to IAS 1, <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2024
• Amendments to IAS 1, <i>Non-current Liabilities with Covenants</i>	1 January 2024
• Amendments to IAS 7 and IFRS 7, <i>Supplier Finance Arrangements</i>	1 January 2024
• Amendments to IAS 21, <i>Lack of Exchangeability</i>	1 January 2025

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 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 2023:

	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	3,949	43,891	–	47,840
External rental income	7,900	–	–	7,900
	<u>11,849</u>	<u>43,891</u>	<u>–</u>	<u>55,740</u>
Inter-segment revenue				
— Rental and service income	23,347	–	–	23,347
Elimination	(23,347)	–	–	(23,347)
	<u>11,849</u>	<u>43,891</u>	<u>–</u>	<u>55,740</u>
Segment profit/(loss)	<u>5,477</u>	<u>5,527</u>	<u>(3,085)</u>	<u>7,919</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	6,320	–	–	6,320
Finance costs	(2,583)	–	(207)	(2,790)
Addition to non-current assets (<i>Note</i>)	3,755	793	4,325	8,873
Depreciation of property, plant and equipment	(1,168)	(551)	(309)	(2,028)
Depreciation of right-of-use assets	(2,764)	(213)	–	(2,977)
Staff costs	(2,846)	(10,544)	(3,574)	(16,964)
Property rentals and related expenses	(2,464)	(1,898)	–	(4,362)

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

	Rental and Outlet Management	Food and Beverage Stalls	Unallocated	Total
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Reportable segment assets	157,358	14,018	35	171,411
Financial assets at fair value through profit or loss	–	–	791	791
Pledged bank deposits	–	–	1,015	1,015
Deferred tax assets	–	–	51	51
Unallocated property, plant and equipment	–	–	24,861	24,861
	<hr/>	<hr/>	<hr/>	<hr/>
Consolidated total assets	157,358	14,018	26,753	198,129
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reportable segment liabilities	82,116	11,981	16,099	110,196
Tax payables	–	–	613	613
Unallocated accruals and other payables	–	–	902	902
	<hr/>	<hr/>	<hr/>	<hr/>
Consolidated total liabilities	82,116	11,981	17,614	111,711
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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	<u>(2,681)</u>	<u>(934)</u>	<u>–</u>	<u>(3,615)</u>

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

	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
Financial assets at fair value through profit or loss	–	–	1,717	1,717
Pledged bank deposits	–	–	1,015	1,015
Deferred tax assets	–	–	69	69
Unallocated property, plant and equipment	–	–	20,866	20,866
Consolidated total assets	<u>154,507</u>	<u>12,579</u>	<u>23,729</u>	<u>190,815</u>
Reportable segment liabilities	89,353	7,333	15,250	111,936
Tax payables	–	–	547	547
Unallocated accruals and other payables	–	–	758	758
Consolidated total liabilities	<u>89,353</u>	<u>7,333</u>	<u>16,555</u>	<u>113,241</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

	2023 <i>S\$'000</i>	2022 <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	43,891	35,566
Services income, recognised on over time basis		
— Provision of management, cleaning and utilities services to tenants	<u>3,949</u>	<u>3,890</u>
	47,840	39,456
Revenue from other sources		
Rent from leases of premises to tenants	<u>7,900</u>	<u>7,834</u>
	<u>55,740</u>	<u>47,290</u>

5. OTHER INCOME, GAINS AND LOSSES, NET

	2023 <i>S\$'000</i>	2022 <i>S\$'000</i>
(Loss)/gain on disposal of property, plant and equipment, net	(157)	37
Gain on disposal of a subsidiary	1,205	—
Gain on disposal of financial assets at FVTPL	30	—
Gain on termination of lease contract	4	—
Exchange loss	(8)	(2)
Interest income	3	22
Dividend income from financial assets at FVTPL	10	41
Fair value (loss)/gain on financial assets at FVTPL	(10)	28
Sundry income	<u>165</u>	<u>60</u>
	<u>1,242</u>	<u>186</u>

FVTPL: Fair Value Through Profit or Loss.

6. FINANCE COSTS

	2023 S\$'000	2022 S\$'000
Interest on borrowings	2,933	1,523
Interest on lease liabilities	300	272
	<u>3,233</u>	<u>1,795</u>
Capitalised interest in relation to acquisition of land and development cost	(443)	(155)
	<u>2,790</u>	<u>1,640</u>

7. PROFIT BEFORE TAX

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

	2023 S\$'000	2022 S\$'000
(a) Staff costs (including directors' emoluments)		
Salaries and benefits (<i>Note</i>)	16,149	11,935
Contribution to defined contribution plans	815	730
	<u>16,964</u>	<u>12,665</u>
(b) Other items		
Auditor's remuneration		
— annual audit services	110	105
Expenses relating to short-term leases	4,362	3,615
Direct operating expenses arising from investment properties that generated rental income during the year	368	423
	<u>4,840</u>	<u>3,943</u>

Note: For the year ended 31 December 2023, manpower related government grants or assistance amounted to S\$643,000 (2022: S\$1,230,000) 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% (2022: 17%) during FY2023. 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:

	2023 S\$'000	2022 S\$'000
Current tax:		
— Singapore CIT	281	515
— Under provision in respect of prior years	310	9
	<u>591</u>	<u>524</u>
Deferred tax	18	(22)
	<u><u>609</u></u>	<u><u>502</u></u>

9. DIVIDENDS

The Directors do not recommend the payment of a final dividend for FY2023 (2022: Nil). No interim dividend was declared during FY2023 and FY2022.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of approximately S\$7,310,000 (2022: approximately S\$5,674,000) and the weighted average number of ordinary shares of the Company in issue during the year of 800,000,000 shares (2022: 800,000,000 shares).

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 FY2023, there was no acquisition of investment property. As at 31 December 2023, the Group transferred two properties located at 83 Genting Lane, #08-00, Genting Building, Singapore 349568 and Block 491 Jurong West Avenue 1, #01-173, Singapore 640491 to investment properties, upon the change in use of the properties such that the properties were held by the Group to earn rentals or for capital appreciation.

12. PROPERTY, PLANT AND EQUIPMENT

During FY2023, the Group acquired property, plant and equipment at a consideration of approximately S\$5,097,000 (2022: acquired the freehold land through acquisition of a subsidiary and other property, plant and equipment at a consideration of approximately S\$22,993,000), which included the property construction-in-progress of approximately S\$4,020,000 (2022: S\$956,000).

During FY2023, the Group transferred two properties to investment properties, as mentioned in Note 11 above.

As at 31 December 2023, property, plant and equipment with net carrying amount of approximately S\$33,484,000 (2022: approximately S\$40,490,000) comprising freehold land and leasehold land and buildings, was secured under mortgage loans.

13. TRADE AND OTHER RECEIVABLES

	2023	2022
	S\$'000	S\$'000
Trade receivables	291	300
Other receivables	235	205
	<u>526</u>	<u>505</u>

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

	2023	2022
	S\$'000	S\$'000
0 to 30 days	267	274
31 to 90 days	14	22
91 to 180 days	10	4
	<u>291</u>	<u>300</u>

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

14. TRADE PAYABLES

	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Trade payables	<u>3,273</u>	<u>2,893</u>

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

As at 31 December 2023 and 2022, 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:

	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
0 to 30 days	3,270	2,879
31 to 90 days	2	12
91 to 180 days	<u>1</u>	<u>2</u>
	<u>3,273</u>	<u>2,893</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 2023, the Group owned and managed 24 food centres as follows:

	FY2023	FY2022
Food centres owned and/or managed by the Group	<u>24</u>	<u>23</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 2023	23
Number of food centres opened during 2023	2
Number of food centres closed during 2023	(1)
Number of food centres as at 31 December 2023	24

The Group operated 63 food and beverage stalls as at 31 December 2023 as follows:

	FY2023	FY2022
In owned properties	17	21
In leased properties	27	24
In food centres managed by independent third parties	<u>19</u>	<u>17</u>
Total	<u>63</u>	<u>62</u>

The following sets forth the changes in the number of food and beverage stalls under the F&B Retail Business for FY2023 stated below:

Number of food and beverage stalls as at 1 January 2023	62
Number of food and beverage stalls opened during 2023	13
Number of food and beverage stalls closed during 2023	(12)
Number of food and beverage stalls as at 31 December 2023	63

The operational landscape for food and beverage businesses in Singapore continues to be difficult. In Singapore, our costs of operations, including food, rent, utilities, and labour, have further increased due to inflationary pressures. Concurrently, higher interest rates have resulted in a significant increase in our finance costs. However, despite these hurdles, the Group remains committed to pursuing sustainable growth opportunities and crafting responsive business strategies to adapt to the rapidly evolving market landscape and trends, all while ensuring prudent cost management. The Group's development initiatives will prioritise the following areas:

- Dispose underperforming assets or businesses to free up capital, which may then be redeployed into the F&B sector and other related growth opportunities;
- Acquire promising F&B businesses and brands to enhance our product offerings;
- Increase our presence in Singapore by opening new food establishments; and
- Upgrading existing food centers to elevate the dining experience for customers.

FINANCIAL REVIEW

Revenue

The Group recorded an increase in revenue of approximately S\$8.4 million or 17.9% from approximately S\$47.3 million for FY2022 to approximately S\$55.7 million for FY2023. The increase was mainly due to higher revenue from sale of cooked food, beverages and tobacco products.

The revenue generated from sale of cooked food, beverages and tobacco products increased by approximately S\$8.3 million or 23.4% from approximately S\$35.6 million for FY2022 to approximately S\$43.9 million for FY2023, which was mainly due to an increase in the number of food and beverage stalls during FY2023 as compared to FY2022.

The revenue generated from rental income from lease of premises to tenants and provision of management, cleaning and utilities services remained largely unchanged.

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

	FY2023		FY2022	
	S\$'000	%	S\$'000	%
Sale of cooked food, beverages and tobacco products	43,891	78.7	35,566	75.2
Rental income from lease of premises to tenants	7,900	14.2	7,834	16.6
Provision of management, cleaning and utilities services	3,949	7.1	3,890	8.2
	<u>55,740</u>	<u>100.0</u>	<u>47,290</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 of Investment Properties

Fair value gain 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.

Other income, gains and losses, net

Other income, gains and losses, net, increased by approximately S\$1.0 million or 567.7% from approximately S\$0.2 million in FY2022 to approximately S\$1.2 million in FY2023, which was mainly due to the gain on disposal of a subsidiary which held the property at 15 Crane Road.

Cost of Inventories Consumed

The cost of inventories consumed increased by approximately S\$3.2 million or 21.0% from approximately S\$15.5 million in FY2022 to approximately S\$18.7 million in FY2023, 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 and upward adjustment of selling prices of cooked food, beverages and tobacco products to cover the increasing costs and electricity tariffs. 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 cigarettes.

Staff Costs

Staff costs were the second largest component of the operating expenses and amounted to approximately S\$12.7 million and S\$17.0 million for FY2022 and FY2023, respectively, which accounted for approximately 26.8% and 30.4% of the revenue of the respective periods. The increase of approximately S\$4.3 million or 33.9% was due to the increase in salaries and increase in head count for new stalls opened during FY2023.

Property Rentals and Related Expenses

The property rentals and related expenses primarily represent the rental expenses paid for leasing of properties from independent third parties for the operation of short-term food and beverage stalls and food centres. The property rentals and related expenses increased by approximately S\$0.8 million or 20.7% from approximately S\$3.6 million for FY2022 to approximately S\$4.4 million for FY2023, which was mainly due to the opening of several new stalls during FY2023.

Management, Cleaning and Utilities Expenses

The management, cleaning and utilities expenses increased by approximately S\$0.6 million or 19.9% from approximately S\$2.8 million for FY2022 to approximately S\$3.4 million for FY2023. The increase was mainly attributable to the opening of several new stalls during FY2023.

Other Operating Expenses

The other operating expenses increased by approximately S\$0.3 million or 9.1% from approximately S\$3.8 million for FY2022 to approximately S\$4.1 million for FY2023. 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; and (ii) higher property taxes due to an increase in valuation of our properties.

	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Administrative fee	979	619
Advertisement and promotion	169	199
Insurance	34	36
Property tax and related costs	644	523
Repairs and maintenance	788	800
Legal and professional fee	745	754
Telephone and communication	48	43
Donation	419	519
Others	301	290
	<hr/> 4,127 <hr/>	<hr/> 3,783 <hr/>

Finance Costs

The finance costs increased by approximately S\$1.2 million or 70.1% from approximately S\$1.6 million for FY2022 to approximately S\$2.8 million for FY2023, which was mainly attributable to higher interest rates on outstanding loans.

Taxation

The income tax expense increased slightly by approximately S\$0.1 million or 21.3% from approximately S\$0.5 million in FY2022 to approximately S\$0.6 million in FY2023. The increase was primarily due to underprovision of tax in prior years.

Profit for the Year

The increase in the profit after tax was primarily attributable to (i) higher revenue of approximately S\$8.4 million; (ii) increase in fair value changes of investment properties of approximately S\$4.1 million; (iii) gain on disposal of a subsidiary of approximately S\$1.2 million; and partially offset by (iv) increase in cost of inventories consumed of approximately S\$3.2 million; (v) increase in staff costs of approximately S\$4.3 million; (vi) increase in property rentals and related expenses of approximately S\$0.8 million; (vii) increase in other operating expenses of approximately \$0.3 million; and (viii) increase in finance costs of approximately \$1.2 million.

Capital Commitment

As at 31 December 2023, the Group had a capital commitment of approximately S\$6.8 million in relation to the redevelopment of the property held by First Capital.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

Reference is made to the announcement of the Company dated 23 August 2023 in respect of the completion of disposal of the entire issued share capital of FS 700 Pte. Ltd. to an individual and a resident of Singapore, at a consideration of S\$6.5 million.

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 FY2023, 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 FY2023. 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 FY2023, the Group held no significant investment.

Liquidity and Financial Resources

As at 31 December 2023 and 2022, the Group's key financial position indicators as follows:

	2023	2022
	S\$'000	S\$'000
Current assets	10,768	9,843
Current liabilities	20,378	14,929
Net current liabilities	(9,610)	(5,086)
Interest-bearing bank borrowings	90,653	95,910
Equity	86,418	77,574

As at 31 December 2023, the Group had aggregate outstanding bank borrowings of approximately S\$90.6 million, which was a decrease of approximately S\$5.3 million or 5.5% from approximately S\$95.9 million as at 31 December 2022. The decrease was mainly due to repayment of the loan for the property at 15 Crane Road pursuant to the disposal of a subsidiary.

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\$18.3 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.

Gearing Ratio

Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year/period end and multiplied by 100%. The Group's interest-bearing liabilities mainly comprised bank borrowings for the purchase of the properties. As at 31 December 2023, the Group's gearing ratio was approximately 104.9%, decreased from approximately 123.6% as at 31 December 2022. The change in the Group's gearing ratio was primarily due to a reduction in the Group's borrowings resulting from the repayment of the loan associated with the property at 15 Crane Road following the disposal of a subsidiary.

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 2023, 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 2023 (HK\$'000)	Net Proceeds as at 31 December 2023 (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	(10,177)	–
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>(110,000)</u>	<u>–</u>

Employees and Remuneration Policies

As at 31 December 2023, the Group had a total of 412 employees (2022: 373). 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 28 June 2024. 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, 25 June 2024 to Friday, 28 June 2024, 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, 24 June 2024.

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 C3 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 FY2023.

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 C1 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 FY2023.

Events after the Reporting Date

There were no significant events after FY2023 and up to the date of this announcement.

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 FY2023. The figures contained in the consolidated financial statements of the Group for FY2023 as set out on pages 1 to 14 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 FY2023 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 FY2023 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, 28 March 2024

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