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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in K2 F&B Holdings Limited, you should at once forward this circular to the purchaser(s) or the transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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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

A letter from the Board is set out on pages 4 to 12 of this circular.

The Acquisition has been approved by written shareholders' approval from a Shareholder holding more than 50% of the issued share capital of the Company pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

22 August 2024

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition of the Sale Shares by the Purchaser from the Seller pursuant to the terms of the Share Sale and Purchase Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	K2 F&B Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 2108)
“Completion”	completion of the Acquisition
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the consideration for the Acquisition in the amount of S\$9,500,000 (equivalent to approximately HK\$54,970,500)
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Acquisition to include the Target Company
“Group”	the Company and its subsidiaries
“GST”	goods and services tax of Singapore
“HDB”	Housing & Development Board of Singapore
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not core connected persons of the Company and are third parties independent of the Company and its core connected persons in accordance with the Listing Rules

DEFINITIONS

“Latest Practicable Date”	22 August 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Letter of Offer”	the letter of offer dated 3 April 2024 entered into between the Purchaser and the Seller in respect of the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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\$”	Singapore dollar(s), the lawful currency of Singapore
“Sale Shares”	two (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)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“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
“sq.m.”	square metre
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Target Company” NEW CHANCE PROPERTIES PTE LTD, a company incorporated under the laws of Singapore with limited liability and an indirect wholly-owned subsidiary of the Company upon Completion

“%” per cent.

For the purpose of this circular, unless otherwise indicated, conversion of HK\$ into S\$ is calculated at the approximate exchange rate of HK\$1.00: S\$0.17282. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

LETTER FROM THE BOARD

K2 F&B HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2108)

Executive Directors:

Mr. Chu Chee Keong (Zhu Zhiqiang)
(Chairman and Chief Executive Officer)
Ms. Leow Poh Hoon (Liao Baoyun)

Non-executive Director:

Mr. Chu Pok Chong, Ivan

Independent Non-executive Directors:

Mr. Wong Loke Tan
Mr. Mah Seong Kung
Mr. Ng Yong Hwee

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

*Principal place of business
in Hong Kong:*

Unit 1307A, 13/F
Two Harbourfront
22 Tak Fung Street
Hung Hom, Kowloon
Hong Kong

*Headquarters and principal place
of business in Singapore:*

51 Ubi Avenue 1
#02-17/18 Paya Ubi Industrial Park
Singapore 408933

22 August 2024

To the Shareholders,

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE TARGET COMPANY**

INTRODUCTION

Reference is made to the announcement of the Company dated 10 May 2024. 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 which the Seller agreed to sell and the Purchaser agreed to purchase the Sale Shares at a total consideration of S\$9,500,000 (equivalent to approximately HK\$54,970,500).

LETTER FROM THE BOARD

Immediately 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 into the financial statements of the Company.

The purpose of this circular is to provide you with: (i) further information on the Acquisition and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) financial information of the Target Company; (iv) management discussion and analysis of the Target Company; (v) the unaudited pro forma financial information of the Enlarged Group; (vi) a valuation report of the Property; and (vii) other information as required under the Listing Rules.

THE SHARE SALE AND PURCHASE AGREEMENT

Date : 10 May 2024

Parties: : (1) U PROPERTY HOLDINGS PTE LTD, an indirect wholly-owned subsidiary of the Company, as the Purchaser; and
(2) SECOND CHANCE PROPERTIES LTD as the Seller.

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

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\$54,970,500), 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 (i.e. 3 April 2024);
- (ii) S\$380,000, being 4% of the Consideration, was paid by the Purchaser to the Seller on the date of the Share Sale and Purchase Agreement (i.e. 10 May 2024); and
- (iii) S\$9,025,000, being remaining balance of the Consideration, shall be payable by the Purchaser by cashier order upon completion of the Acquisition.

LETTER FROM THE BOARD

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.

For illustrative purpose, the net asset value of the Target Company as at 30 April 2024 has taken into account the amount due to the ultimate holding company of the Target Company of approximately S\$9.38 million. Pursuant to the Share Sale and Purchase Agreement, all the liabilities of the Target Company (including the aforesaid amount due to the ultimate holding company of the Target Company) shall be settled on or before Completion. Assuming the aforesaid liabilities had been settled in full, the net assets value of the Target Company, whose assets primarily consists of the Property, shall be approximately S\$9.50 million, which would be largely in line with the valuation of the Property as at 24 June 2024 as appraised by the valuer.

The Consideration is expected to be financed by the Group's internal resources as well as external 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 unauthorised works in the Property have been rectified; or (iv) any other date mutually agreed in writing by the parties. On 6 August 2024, the Seller and the Purchaser mutually agreed to extend the date of Completion to a date on or before 14 October 2024.
- 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;

LETTER FROM THE BOARD

- (v) the Target Company settling all its liabilities, including the amount due to ultimate holding company in the amount of S\$9,384,056 (the “**Amount Due to Ultimate Holding Company**”) as at 30 April 2024, 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.

As at the Latest Practicable Date, conditions (i), (ii) and (vii) were considered to be fulfilled and the remaining conditions have not been satisfied. The Amount Due to Ultimate Holding Company shall be unconditionally and irrevocably waived by the Seller, being the holding company of the Target Company prior to Completion, in writing upon Completion.

Immediately 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 into the financial statements of the Company.

FINANCIAL EFFECT OF THE ACQUISITION

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 into the financial statements of the Company.

For illustrative purposes, based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, assuming the Acquisition had been taken place on 31 December 2023,

- (i) the total assets of the Group would increase by approximately S\$2.1 million (equivalent to approximately HK\$12.2 million) from approximately S\$198.1 million (equivalent to approximately HK\$1,146.3 million) to approximately S\$200.2 million (equivalent to approximately HK\$1,158.4 million); and
- (ii) the total liabilities of the Group would increase by approximately S\$2.1 million (equivalent to approximately HK\$12.2 million) from approximately S\$111.7 million (equivalent to approximately HK\$646.3 million) to approximately S\$113.8 million (equivalent to approximately HK\$658.5 million).

Shareholders and potential investors should note that the financial impact set out above is for illustrative purposes only, which will have to be ascertained at the time of preparation of the Company’s consolidated financial statements with reference to, among other things, the actual costs and expenses associated with the Acquisition, and is subject to audit.

LETTER FROM THE BOARD

INFORMATION OF THE PARTIES TO THE SHARE SALE AND PURCHASE AGREEMENT

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.

The Seller

The Seller is an investment holding company and is principally engaged in those of an investment holding company, retailing of readymade 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 limited company incorporated in Singapore and is principally engaged in the holding of properties as investments for rental income. The Target Company owns the Property located at Block 710A Ang Mo Kio Avenue 8 #01-2625, Singapore 561710.

The audited financial information of the Target Company for the two years ended 31 August 2022 and 2023 and prepared in accordance with the accounting principles generally accepted in Hong Kong are as follows:

	For the year ended 31 August	
	2022	2023
	S\$	S\$
Net profit before tax	911,769	415,125
Net profit after tax	876,002	361,979
Net assets	3,080,801	3,442,780

INFORMATION OF THE PROPERTY

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

LETTER FROM THE BOARD

The Property is currently subjected to three (3) existing tenancy agreements, details of which are set forth in the table below:

Location	Term	Gross rent per month (S\$)
A portion of G/F., Block 710A Ang Mo Kio Avenue 8 #01-2625 Singapore 561710	1 September 2023 to 31 August 2025	2,050
A portion of G/F., Block 710A Ang Mo Kio Avenue 8 #01-2625 Singapore 561710	1 June 2024 to 31 May 2025	3,050
A portion of G/F., Block 710A Ang Mo Kio Avenue 8 #01-2625 Singapore 561710	22 March 2024 to 21 March 2025	32,000

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 FOR AND 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 Property consists of a unit sub-divided into three (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 a food centre. Based on the management's assessment after preliminary discussion with relevant professionals, it is expected that the proposed change of use for the Property would likely involve the consents or non-objections from a number of Singapore government authorities mainly including the Urban Regulatory Authority, the Building and Construction Authority and the Singapore Food Agency, depending on the scale and nature of the proposed changes. The Group will engage qualified professional to handle the applications to the relevant authorities regarding the proposed change of use. Based on preliminary discussion with relevant professionals, the management does not foresee any material impediments regarding the proposed change of use of the Property. The Group plans to rent out as retail units in the unlikely event that change of use cannot be obtained for all or part of the Property.

LETTER FROM THE BOARD

The Acquisition is conducted in 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 2023 Annual Report, the Group continued making strategic investments and looking for potential business opportunities in Singapore that could enhance value for the Shareholders.

The Group is principally engaged in (i) 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 Segment**"); and (ii) 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 Segment**"). The Board believes that the Acquisition would produce positive commercial results to the Group, including:

- (i) *Delivering accretive earnings:* The Group will either (i) generate additional income from the operation of a food centre at the Property under the Food and Beverage Stalls Segment; or (ii) in the unlikely event a change of use of the Property cannot be completed, the Group will generate additional rental income by leasing the Property out as retail units under the Rental and Outlet Management Segment. In particular, the Property owned by the Target Company provides a strategic location for the Group to operate a new food centre. The Board considers that the Property which 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 is well-positioned to capture foot traffic in its neighbourhood;
- (ii) *Achieving greater economies of scale and costs efficiency:* The Group is able to utilise its existing resources, especially human resources, and apply their skills, knowledge and experience in the operation of food and beverage retail business and outlet management and leasing business to operate the Property as a food centre or for the provision of rental and outlet management services, thereby achieving greater economies of scale and costs efficiency; and
- (iii) *Improving the Group's ability to withstand the ever-increasing rental expenses:* As reported by Singapore Business Review, prime retail rents in Singapore are expected to increase between 2% to 4% 2024, as supported by ongoing normalisation of travel patterns, return-to-office momentum, and other post-pandemic recreational activities. Taking into consideration the rising retail rental in Singapore, the Directors believe that the Acquisition would facilitate the Group in mitigating the risks of increasing rental expenses; and
- (iv) *Strengthening the Group's ability to compete with the other industry players:* Leveraging the brand, reputation and market presence established by the Group in the Singapore food and beverage as well as rental and outlet management industries, the Group is able to strengthen its competitiveness by opening a new food centre at the Property.

LETTER FROM THE BOARD

Based on the above, the Board is of the view that the Acquisition is commercially beneficial to the Group and is in line with the Company's business strategies and future plans. Given that the Share Sale and Purchase Agreement was entered into on normal commercial terms and are fair and reasonable, with the Consideration being determined based on the market value of the Property (the "**Market Approach**") with reference to similar properties in similar locations, the Directors consider that the Acquisition is in the interests of the Company and the Shareholders as a whole. As at 24 June 2024, the market value of the Property was S\$9.5 million (equivalent to approximately HK\$55.0 million). For further details of the valuation of the Property, please refer to Appendix V to this circular.

As advised by the independent valuer, Knight Frank Petty Limited (the "**Independent Valuer**"), the Market Approach was selected mainly because there are adequate relevant sale transactions available in the open market. The Independent Valuer has adopted the Market Approach on the basis of a collation and analysis of appropriate comparable transactions. To ensure fairness and reasonability of its valuation, the Independent Valuer has made appropriate adjustments to reflect the differences between the Property and the selected comparable properties. The considered adjustments include location, accessibility, size, tenure, unit siting, catchment, frontage and other material factors.

The Board considers that the basis, methodology and assumptions adopted by the Independent Valuer in the valuation of the market value of the Property (the "**Valuation**") as set forth in Appendix V to this circular are fair and reasonable, taking into consideration, among others, (i) the proposed development of the Property into a food centre; (ii) the market comparables referred to by the Independent Valuer are adequate, sufficient, fair and representative given they share similar age, location, tenure, property type, usage and physical condition as the Property; (iii) based on discussion with the Independent Valuer, the management is given to understand that the basis, methodology and assumptions applied in the Valuation was similar to those applied in its previous valuation exercises of property with similar location, development scale and property type to the Property; and (iv) the qualifications and experience of the responsible person of the Independent Valuer, Mr. Joel Teh ("**Mr. Teh**"). Mr. Teh has accumulated 10 years of valuation experience and is a chartered member and a registered valuer of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and a registered professional surveyor (general practice) under the Surveyors Registration Ordinance (Chapter 417 of the Laws of Hong Kong). In light of the qualifications and experience of Mr. Teh, the Board believes that the Independent Valuer is competent and has sufficient knowledge, industry experience to conduct the Valuation.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition and the transactions contemplated thereunder is more than 25% but are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to reporting, announcement and Shareholder's approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

As none of the Directors has any material interest in the Acquisition and the transactions contemplated thereunder, none of the Directors was required to abstain from voting on the board resolutions approving the Acquisition and the transactions contemplated thereunder.

WRITTEN SHAREHOLDERS' APPROVAL AND RECOMMENDATIONS

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Share Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder; and (b) the written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company having the right to attend and vote at the general meeting to approve the Share Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder.

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Share Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Share Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder.

The Company has obtained a written approval from Strong Oriental Limited, a controlling shareholder of the Company holding 600,000,000 Shares, representing 75.0% of the total issued share capital of the Company, in relation to the Share Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder. Accordingly, no Shareholders' meeting will be convened by the Company to approve the Share Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder.

For Shareholders' reference, the Directors are of the view that the Share Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole, and would have recommended the Shareholders to vote in favour of such resolutions based on the reasons set out in this letter if the Company were to convene an extraordinary general meeting for the approval of the Share Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder and voting was required.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board of
K2 F&B Holdings Limited
Chu Chee Keong (Zhu Zhiqiang)
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for each of the three years ended 31 December 2021, 2022 and 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fuchangroup.com), respectively:

- (i) the annual report of the Company for the year ended 31 December 2021 published on 25 April 2022 (pages 127 to 239):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042500989.pdf>

- (ii) the annual report of the Company for the year ended 31 December 2022 published on 27 April 2023 (pages 129 to 243):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701401.pdf>

- (iii) the annual report of the Company for the year ended 31 December 2023 published on 29 April 2024 (pages 129 to 227):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042901963.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 June 2024, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

Bank borrowings

As at the close of business on 30 June 2024, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had aggregate outstanding bank borrowings of approximately S\$94,696,000 (equivalent to approximately HK\$547,946,000).

These bank borrowings consist of term loans, secured mortgage loans and working capital loan. The working capital loans, term loans and secured mortgage loans relate to the financing of the purchase of property, plant and equipment and investment properties, details of which are as follows:

	As at 30 June 2024 <i>S\$'000</i>
The Enlarged Group	
Unsecured bank borrowings ¹	1,288
Secured bank borrowings ²	<u>93,408</u>
Total	<u>94,696</u>

Notes:

- Such balances were covered by corporate guarantees provided by the Company and its subsidiaries.
- Such balances were secured by the Property, property, plant and equipment, investment properties, fixed deposits, future rental income, and corporate guarantees provided by the Company and its subsidiaries. The amount of borrowings that are secured but not covered by guarantees amount to approximately S\$3,456,000.

As at the latest practicable date, our Group had unutilised banking facilities of approximately S\$12,144,000 (equivalent to approximately HK\$70,270,000).

Our Directors confirmed that the agreements under our bank borrowings do not contain any covenant that will have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirmed that we had no material defaults in payment of trade and non-trade payables and bank borrowings, nor did we breach any financial covenants during the year ended 31 December 2023 and up to the latest practicable date. Our Directors further confirmed that during the year ended 31 December 2023 and up to the latest practicable date, we did not experience any difficulty in obtaining credit facilities, or withdrawal of facilities, request for early repayment, default in payments or breach of financial covenants of bank borrowings.

Contingent liabilities

As at latest practicable date, we did not have any contingent liabilities. Our Directors confirmed that there was no material adverse change in our Group's indebtedness and contingent liabilities as at 30 June 2024, being the latest practicable date for the purpose of this statement of indebtedness.

Lease liabilities

As at 30 June 2024, being the latest practicable date for the purpose of this statement of indebtedness, the Group had current lease liabilities of approximately S\$3,180,000 (equivalent to approximately HK\$18,401,000) and non-current lease liabilities of S\$4,879,000 (equivalent to approximately HK\$28,232,000). Save as aforesaid and apart from intra-group liabilities and normal trade payables, at the latest practicable date, the Enlarged Group did not have any loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, financial lease, hire purchases commitments, guarantees or other material contingent liabilities.

Amount due to the Seller

As at 30 June 2024, being the latest practicable date for the purpose of this statement of indebtedness, the Enlarged Group had an amount due to the Seller of approximately S\$9,025,000 (equivalent to approximately HK\$52,222,000). This balance is unsecured and not covered by any guarantee.

Save as disclosed above, and apart from intra-group liabilities and normal accounts payables in the ordinary course of business of the Group, as at 30 June 2024, being the latest practicable date for the purpose of preparing this statement of indebtedness, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowing (including but not limited to bank overdrafts and liabilities under acceptance (other than normal trade bills)), acceptance credits, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, any other mortgages and charges or any other material contingent liabilities or guarantees.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after taking into account the Group's internal resources, cash flow from operations, external borrowings, currently available banking and other facilities, and the effects of the Completion, the Enlarged Group will have sufficient working capital to meet its present requirements and for the period up to twelve months from the date of this circular in the absence of unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As at the Latest Practicable Date, the Group operated 62 food and beverage stalls in Singapore, and there were 24 food centres owned and/or managed by the Group. 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**").

The operational landscape for food and beverage businesses in Singapore continues to be difficult. In Singapore, the Group's 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 the Group's finance costs. Notwithstanding 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. Going forward, the Group intends to focus on the following business strategies:

- (i) dispose underperforming assets or businesses to free up capital, which may then be redeployed into the F&B sector and other related growth opportunities;
- (ii) acquire promising F&B businesses and brands to enhance the Group's product offerings;
- (iii) increase the Group's presence in Singapore by opening new food establishments; and
- (iv) upgrade existing food centers to elevate the dining experience for customers.

The Board believes that the Acquisition is conducive to the Group's business strategies taking into consideration the Property owned by the Target Company provides a strategic location for the Group to operate a new food centre. The Property was completed in 1984. Based on the results of due diligence exercises on the Property, the Company is not aware of any (i) liens, pledges or mortgages; or (ii) investigations, notices, pending litigation, breaches of law or title defects against the Property. The Group intends to apply for a change of use for the Property to food and beverage business, with plans for a food centre. The Board considers that the Property which 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 is well-positioned to capture foot traffic. Based on the management's assessment after preliminary discussion with relevant professionals, it is expected that the proposed change of use for the Property would likely involve the consents or non-objections from a number of Singapore government authorities mainly including the Urban Regulatory Authority, the Building and Construction Authority and the Singapore Food Agency, depending on the scale and nature of the proposed changes. The Group will engage qualified professional to handle the applications to the relevant authorities regarding the proposed change of use. Based on

preliminary discussion with relevant professionals, the management does not foresee any material impediments regarding the proposed change of use of the Property. The Group plans to rent out as retail units in the unlikely event that change of use cannot be obtained for all or part of the Property. As at the date of the Valuation, being 24 June 2024, the Property is leased to three (3) tenants for a term of one (1) to two (2) years commencing between 2022 and 2024. The total monthly rental is S\$37,050 inclusive of service charge and excluding Temporary Occupation License (TOL) fees.

Further, as reported by Singapore Business Review, prime retail rents in Singapore are expected to increase between 2% to 4% 2024, as supported by ongoing normalisation of travel patterns, return-to-office momentum, and other post-pandemic recreational activities. Taking into consideration the increasing trend of retail rent in Singapore, the Board considers that the Acquisition would allow the Group to save rental costs and achieve cost efficiency in opening a new food centre.

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION OF NEW CHANCE PROPERTIES PTE LTD TO THE DIRECTORS OF K2 F&B HOLDINGS LIMITED

INTRODUCTION

We report on the historical financial information of New Chance Properties Pte Ltd (the “**Target Company**”) set out on pages II-5 to II-25 which comprises the statements of financial position of the Target Company as at 31 August 2021, 2022, 2023 and 30 April 2024, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 August 2021, 2022 and 2023 and the eight months ended 30 April 2024 (the “**Relevant Periods**”) and material accounting policy information and other explanatory information (together the “**Historical Financial Information**”). The Historical Financial Information set out on pages II-5 to II-25 forms an integral part of this report, which has been prepared for inclusion in the circular of K2 F&B Holdings Limited (the “**Company**”) dated 22 August 2024 (the “**Circular**”) in connection with the proposed acquisition of the entire equity interests of the Target Company by the Company (the “**Acquisition**”).

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Company is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the Target Company's financial position as at 31 August 2021, 2022 and 2023 and 30 April 2024, and of the Target Company's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative historical financial information of the Target Company which comprises the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the eight months ended 30 April 2023 and other explanatory information (together the "**Stub Period Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF
SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED****Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements have been made.

Fan, Chan & Co. Limited

Certified Public Accountants

Leung Kwong Kin

Practising Certificate Number P03702

Hong Kong, 22 August 2024

HISTORICAL FINANCIAL INFORMATION OF THE TARGET COMPANY**Preparation of the Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Target Company for the Relevant Periods (the “**Underlying Financial Statements**”), on which the Historical Financial Information is based, have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by International Accounting Standards Board (“**IASB**”) and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

Statements of Comprehensive Income

	<i>Notes</i>	Year ended 31 August			Eight months ended 30 April	
		2021 S\$	2022 S\$	2023 S\$	2023 S\$	2024 S\$
Revenue					(unaudited)	
— rental income	6	492,611	512,611	515,315	343,543	336,165
Other gain/(loss)	7	—	500,000	—	—	(1,000,000)
Other operating expenses		(46,488)	(63,794)	(63,142)	(39,843)	(58,055)
Finance costs	8	<u>(29,639)</u>	<u>(37,048)</u>	<u>(37,048)</u>	<u>(24,699)</u>	<u>(24,699)</u>
Profit/(loss) before tax	9	416,484	911,769	415,125	279,001	(746,589)
Taxation	10	<u>(53,377)</u>	<u>(35,767)</u>	<u>(53,146)</u>	<u>(30,005)</u>	<u>(25,655)</u>
Profit/(loss) and total comprehensive income/(expense) for the year/period		<u>363,107</u>	<u>876,002</u>	<u>361,979</u>	<u>248,996</u>	<u>(772,244)</u>

Statements of Financial Position

		As at 31 August			As at
		2021	2022	2023	30 April
	Notes	S\$	S\$	S\$	S\$
Non-current assets					
Investment property	13	10,000,000	10,500,000	10,500,000	9,500,000
Current assets					
Other receivables and deposits	14	19,169	34,296	33,729	8,287
Current liabilities					
Trade and other payables	15	148,832	130,429	130,930	124,229
Amount due to ultimate holding company	16	7,609,770	7,270,490	6,906,873	9,384,056
Tax payables		<u>55,768</u>	<u>52,576</u>	<u>53,146</u>	<u>—</u>
		<u>7,814,370</u>	<u>7,453,495</u>	<u>7,090,949</u>	<u>9,508,285</u>
Net current liabilities		<u>(7,795,201)</u>	<u>(7,419,199)</u>	<u>(7,057,220)</u>	<u>(9,499,998)</u>
Net assets		<u>2,204,799</u>	<u>3,080,801</u>	<u>3,442,780</u>	<u>2</u>
Capital and reserves					
Share capital	17	2	2	2	2
Retained earnings		<u>2,204,797</u>	<u>3,080,799</u>	<u>3,442,778</u>	<u>—</u>
Total equity		<u>2,204,799</u>	<u>3,080,801</u>	<u>3,442,780</u>	<u>2</u>

Statements of Changes in Equity

	<i>Note</i>	Share capital S\$	Retained earnings S\$	Total S\$
At 1 September 2020		2	1,841,690	1,841,692
Profit and total comprehensive income for the year		<u>—</u>	<u>363,107</u>	<u>363,107</u>
As at 31 August 2021		2	2,204,797	2,204,799
Profit and total comprehensive income for the year		<u>—</u>	<u>876,002</u>	<u>876,002</u>
As at 31 August 2022		2	3,080,799	3,080,801
Profit and total comprehensive income for the year		<u>—</u>	<u>361,979</u>	<u>361,979</u>
As at 31 August 2023		<u>2</u>	<u>3,442,778</u>	<u>3,442,780</u>
For the eight months ended 30 April 2024				
As at 1 September 2023		2	3,442,778	3,442,780
Loss and total comprehensive expense for the period		—	(772,244)	(772,244)
Dividend declared for the period	<i>11</i>	<u>—</u>	<u>(2,670,534)</u>	<u>(2,670,534)</u>
As at 30 April 2024		<u>2</u>	<u>—</u>	<u>2</u>
For the eight months ended 30 April 2023				
As at 1 September 2022		2	3,080,799	3,080,801
Profit and total comprehensive income for the period		<u>—</u>	<u>248,996</u>	<u>248,996</u>
As at 30 April 2023 (unaudited)		<u>2</u>	<u>3,329,795</u>	<u>3,329,797</u>

Statements of Cash Flows

	Year ended 31 August			Eight months ended 30 April	
	2021	2022	2023	2023	2024
	S\$	S\$	S\$	S\$	S\$
				(unaudited)	
Cash flows from operating activities					
Profit/(loss) before tax	416,484	911,769	415,125	279,001	(746,589)
Adjustment for:					
Fair value (gain)/loss on an investment property	—	(500,000)	—	—	1,000,000
Finance costs	<u>29,639</u>	<u>37,048</u>	<u>37,048</u>	<u>24,699</u>	<u>24,699</u>
Operating profit before working capital changes	446,123	448,817	452,173	303,700	278,110
Decrease/(increase) in other receivables and deposits	31,238	(15,127)	567	5,577	25,442
Increase/(decrease) in trade and other payables	<u>15,303</u>	<u>(18,403)</u>	<u>501</u>	<u>22,199</u>	<u>(6,701)</u>
Net cash generated from operations	492,664	415,287	453,241	331,476	296,851
Interest paid	(29,639)	(37,048)	(37,048)	(24,699)	(24,699)
Income tax paid	<u>(31,282)</u>	<u>(38,959)</u>	<u>(52,576)</u>	<u>(36,856)</u>	<u>(37,246)</u>
Net cash generated from operating activities	<u>431,743</u>	<u>339,280</u>	<u>363,617</u>	<u>269,921</u>	<u>234,906</u>
Cash flows from financing activities					
Repayment to amount due to ultimate holding company	<u>(431,743)</u>	<u>(339,280)</u>	<u>(363,617)</u>	<u>(269,921)</u>	<u>(234,906)</u>
Net cash used in financing activities	<u>(431,743)</u>	<u>(339,280)</u>	<u>(363,617)</u>	<u>(269,921)</u>	<u>(234,906)</u>
Net increase in cash and cash equivalents	—	—	—	—	—
Cash and cash equivalents at the beginning of the year/period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents at the end of the year/period	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. General information**

The Target Company was incorporated in Singapore with limited liability. The registered office and principal place of operation of the Target Company is located at 60 Paya Lebar Road, #07–20 Paya Lebar Square Singapore 409051. The immediate and ultimate holding company of the Target Company is Second Chance Properties Ltd, which is incorporated in Singapore with its shares listed on the Main Board of the Singapore Exchange Securities Trading Limited.

The Target Company is principally engaged in holding of properties as investments for rental income.

The Historical Financial Information is presented in Singapore Dollars (“S\$”), which is the same as the functional currency of the Target Company.

The statutory financial statements of the Target Company for the year ended 31 August 2021, prepared in accordance with Singapore Financial Reporting Standards (International) was audited by Nexia TS Public Accounting Corporation, and the statutory financial statements of the Target Company for the years ended 31 August 2022 and 31 August 2023 prepared in accordance with Singapore Financial Reporting Standards (International) were audited by CLA Global TS Public Accounting Corporation. Both are public accountants and chartered accountants registered in Singapore.

2. Basis of preparation of historical financial information

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Going Concern Basis

As of 30 April 2024, the Target Company’s current liabilities exceeded its current assets by S\$9,499,998. The Historical Financial Information has been prepared on a going concern basis. Taking into account the undertakings of the ultimate holding company of the Target Company not to demand repayment of the amounts due by the Target Company unless the Target Company is able to repay all other creditors in full and of the Company to provide financial support to the Target Company if it becomes the holding company of the Target Company, the directors are confident that the Target Company is able to meet its obligations as and when they fall due over the next twelve months from the end of the reporting period. Accordingly, the directors are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

3. Application of IFRSs

For the purpose of preparing the Historical Financial Information for the Relevant Periods, the Target Company has consistently applied the accounting policies which conform with IFRSs issued by IASB, that are effective for the accounting period beginning on 1 September 2023 throughout the Relevant Periods.

Amendments to IFRSs in issue but not yet effective

The Target Company has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

- 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*¹

- Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*¹
- Amendments to IAS 1, *Non-current Liabilities with Covenants*¹
- Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*¹
- Amendments to IAS 21, *Lack of Exchangeability*²

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

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after a date to be determined.

The directors of the Target Company anticipate that the application of all the above amendments to IFRSs will have no material impact on the Target Company's financial statements in the foreseeable future.

4. Material accounting policy information

The Historical Financial Information has been prepared on the historical cost basis, except for investment property and certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Revenue

Revenue is recognised when, after entering into a contract with a customer, the entity satisfies a performance obligation by transferring control over a product or service to the customer at the amount of promised consideration to which the Target Company is expected to be entitled under that performance obligation, excluding those amounts collected on behalf of third parties.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Rental income

Lease income from operating lease is recognised over time on a straight-line basis over the respective lease term.

Investment properties

Investment properties are properties held to earn rentals or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at fair value, with changes in fair value recognised in profit or loss.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Leases***The Target Company as a lessor******Classification and measurement of lease***

Leases for which the Target Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Financial instruments

Financial assets and financial liabilities are initially measured at fair value except for other receivables arising from contracts with customers which are initially measured in accordance with IFRS 15.

Financial assets***Classification and subsequent measurement of financial assets***

The Target Company classifies its financial assets, mainly comprise of other receivables, at amortised cost.

Financial assets held for the collection of contractual cash flows which represent solely payments of principal and interest are measured at amortised cost. Interest income from the financial asset is calculated using the effective interest method.

Impairment of financial assets

The Target Company recognises a loss allowance for expected credit loss (“ECL”) on financial assets which are subject to impairment under IFRS 9 (including other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessments are done based on the Target Company’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting period as well as the forecast of future conditions.

For other receivables, the Target Company measures the loss allowance equals to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Company recognises lifetime ECL.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

Income tax

Income tax expense represents the tax currently payable.

(a) Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “Profit before tax” as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases used in computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

(c) Goods and services tax (“GST”)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other receivables or payables in the statement of financial position.

Provisions

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. Critical accounting estimates and judgements

In the applications of the Target Company’s accounting policies, which the material accounting policy information is described in note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Income tax expense

The Target Company has exposure to income taxes in Singapore. In determining the income tax liabilities, management is required to estimate the amount of capital allowances, deductibility of certain expenses and applicable tax incentives. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred income tax recognised in the period in which such determination is made.

Fair value measurements and valuation process

In estimating the fair value of an asset or a liability, the Target Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Target Company engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Further information on the carrying amounts of these assets and the valuation techniques and inputs are provided in note 13.

6. Revenue and operating segment information

Revenue represents the rental income from the investment property during the Relevant Periods.

The directors of the Target Company are identified as the chief operating decision maker for the purposes of resource allocation and performance assessment. The Target Company currently holds one property for investment purpose, which is considered to be a single operating segment. Accordingly, no segment information is reported except for the entity-wide disclosures. For the Relevant Periods, all revenue and non-current assets of the Target Company are derived and located in Singapore.

Revenue from the major customer, which amounted to 10% or more of the Target Company's total revenue, is set out below:

	Year ended 31 August			Eight months ended 30 April	
	2021 S\$	2022 S\$	2023 S\$	2023 S\$	2024 S\$
Customer A	<u>437,981</u>	<u>455,099</u>	<u>455,099</u>	<u>303,399</u>	<u>295,657</u>

7. Other gain/(loss)

	Year ended 31 August			Eight months ended 30 April	
	2021 S\$	2022 S\$	2023 S\$	2023 S\$	2024 S\$
Fair value gain/(loss) on an investment property	<u>—</u>	<u>500,000</u>	<u>—</u>	<u>—</u>	<u>(1,000,000)</u>

8. Finance costs

	Year ended 31 August			Eight months ended 30 April	
	2021	2022	2023	2023	2024
	S\$	S\$	S\$	S\$	S\$
Interest expense on amount due to ultimate holding company	29,639	37,048	37,048	24,699	24,699
	<u>29,639</u>	<u>37,048</u>	<u>37,048</u>	<u>24,699</u>	<u>24,699</u>

9. Profit/(loss) before tax

Profit/(loss) before tax is arrived at after charging the following items:

	Year ended 31 August			Eight months ended 30 April	
	2021	2022	2023	2023	2024
	S\$	S\$	S\$	S\$	S\$
Directors' remuneration	—	—	—	—	—
Auditor's remuneration	2,000	2,500	3,000	—	—
Professional fees	803	850	1,500	650	—
Direct operating expenses arising from investment property that generated rental income during the year/period	44,427	61,071	59,881	39,583	39,085
	<u>44,427</u>	<u>61,071</u>	<u>59,881</u>	<u>39,583</u>	<u>39,085</u>

10. Taxation

No provision of taxation in Hong Kong has been made as the Target Company's income neither arises in, nor derived from, Hong Kong.

The Singapore Corporate Income tax ("CIT") rate was 17% in Singapore during the periods/years.

	Year ended 31 August			Eight months ended 30 April	
	2021	2022	2023	2023	2024
	S\$	S\$	S\$	S\$	S\$
Profit/(loss) before tax	416,484	911,769	415,125	279,001	(746,589)
Tax at the statutory tax rate of 17%	70,802	155,001	70,571	47,430	(126,920)
Effect of tax exemption and tax relief	(17,425)	(17,425)	(17,425)	(17,425)	(17,425)
Non-taxable income	—	(85,000)	—	—	—
Non-deductible expenses	—	—	—	—	170,000
Over provision in prior years	—	(16,809)	—	—	—
	<u>53,377</u>	<u>35,767</u>	<u>53,146</u>	<u>30,005</u>	<u>25,655</u>

11. Dividend

	Year ended 31 August			Eight months ended 30 April	
	2021	2022	2023	2023	2024
	S\$	S\$	S\$	S\$	S\$
Interim dividend	—	—	—	—	2,670,534

The interim dividend of S\$2,670,534 on 2 ordinary shares of the Target Company was approved by the directors and recognised as the distribution for the eight months ended 30 April 2024. No dividend was paid or proposed for the shareholder of the Target Company during the years ended 31 August 2021, 31 August 2022 and 31 August 2023, nor has any dividend been proposed since the end of the reporting period.

12. Benefits and interests of directors

The directors did not receive any fees or other emoluments in respect of their services to the Target Company for the years ended 31 August 2021, 31 August 2022 and 31 August 2023, and for the eight months ended 30 April 2023 and 2024.

No performance related incentive payments were determined and paid to any of the directors for the years ended 31 August 2021, 31 August 2022 and 31 August 2023, and for the eight months ended 30 April 2023 and 2024.

There were no amounts paid or payable were determined and paid to any of the directors. There were no amounts paid or payable by the Group to the directors as an inducement to join or upon joining the Target Company as a compensation for loss of office.

No loans, quasi-loans or credit transactions in favour of the directors, their controlled bodies corporate or connected entities subsisted at the end of the years/period or at any time during the years/period.

No significant transactions, arrangements and contracts in relation to the Target Company's business to which the Target Company or any of its holding company or fellow subsidiaries was a party and in which the directors of the Target Company had a material interest, subsisted at the end of the years/period or at any time during the years/period.

13. Investment property

Fair value	S\$
At 1 September 2020 and 31 August 2021	10,000,000
Net gain arising from change in fair value of an investment property	<u>500,000</u>
At 31 August 2022 and 31 August 2023	10,500,000
Net loss arising from change in fair value of an investment property	<u>(1,000,000)</u>
At 30 April 2024	<u>9,500,000</u>

The investment property of the Target Company is held under leasehold interests to earn rentals and/or for capital appreciation as at 31 August 2021, 2022 and 2023 and 30 April 2024, which is located in Singapore. The investment property is stated at fair value. Fair value is estimated by the management of the Target Company with reference to the valuation report provided by an independent valuer, Knight Frank Petty Limited as at 30 April 2024, while the valuation reports were provided by an independent valuer, Colliers International Consultancy & Valuation (Singapore) Pte Ltd as at 1 September 2020, 31 August 2021, 31 August 2022 and 31 August 2023. Each of the valuers holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value measurements of the investment properties are categorised as Level 3 valuation. The Group's investment property's fair values were determined using comparable sales method.

The valuations that have been arrived at using comparable sales method were determined by reference to market evidence of transaction prices for similar properties in similar locations and conditions. The selling price of comparable properties in close proximity are then adjusted for differences in key attributes such as size, age, floor and remaining leasehold terms. The most significant input into this valuation approach is unit sale rate. There was no change in the valuation technique used to determine the fair values of each of the respective investment property as at 31 August 2021, 2022 and 2023, and 30 April 2024.

In estimating the fair value of the investment property, the highest and best use of the Target Company's investment property is its current use, hence is categorized as Level 3 valuation.

Type of property	Valuation technique and key input	Significant unobservable inputs	Relationship of unobservable inputs to fair value
30 April 2024: Shop units of commercial building S\$9,500,000	Direct comparison method The key input is: adjusted unit sale rate	30 April 2024: Unit sale rate of S\$28,614 per square meter on gross floor area basis, arrived at after taking into account differences in the transaction time, location, and individual factors, such as floor area, tenure, unit siting, catchment, and frontage, between the comparables and the property and observed sale rates for comparables ranging from S\$14,179 to S\$24,605 per square meter on gross floor area basis	30 April 2024: An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.

Type of property	Valuation technique and key input	Significant unobservable inputs	Relationship of unobservable inputs to fair value
31 August 2023: Shop units of commercial building S\$10,500,000	Direct comparison method The key input is: adjusted unit sale rate	31 August 2023: Unit sale rate of S\$31,627 per square meter on gross floor area basis, arrived at after taking into account differences in the transaction time, location, and individual factors, such as floor area, tenure, unit siting, catchment, and frontage between the comparables and the property and observed sale rates for comparables ranging from S\$24,312 to S\$32,221 per square meter on gross floor area basis	31 August 2023: An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.
31 August 2022: Shop units of commercial building S\$10,500,000	Direct comparison method The key input is: Adjusted unit sale rate	31 August 2022: Unit sale rate of S\$31,627 per square meter on gross floor area basis, arrived at after taking into account differences in the transaction time, location, and individual factors, such as floor area, tenure, unit siting, catchment, and frontage between the comparables and the property and observed sale rates for comparables ranging from S\$30,099 to S\$30,619 per square meter on gross floor area basis	31 August 2022: An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.

Type of property	Valuation technique and key input	Significant unobservable inputs	Relationship of unobservable inputs to fair value
31 August 2021: Shop units of commercial building S\$10,000,000	Direct comparison method The key input is: adjusted unit sale rate	31 August 2021: Unit sale rate of S\$30,120 per square meter on gross floor area basis, arrived at after taking into account differences in the transaction time, location, and individual factors, such as floor area, tenure, unit siting, catchment, and frontage between the comparables and the property and observed sale rates for comparables ranging from S\$20,028 to S\$34,331 per square meter on gross floor area basis	31 August 2021: An increase in the unit sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa. An increase in the rental yield sale rate used would result in an increase in the fair value measurement of the investment property by the same percentage increase, and vice versa.

The Target Company's policy is to recognise transfer between levels of the fair value hierarchy as at the end of the reporting period in which they occur. There were no transfers between levels during the years ended 31 August 2021, 2022 and 2023 and the eight months ended 30 April 2024.

As at 31 August 2021, 2022 and 2023 and 30 April 2024, the investment property of the Target Company has been pledged to secure bank overdrafts and short-term banking facilities for the ultimate holding company, Second Chance Properties Pte Ltd. Under the terms of the pledge, the Target Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

For the purposes of measuring deferred tax arising from the investment property, the directors of the Target Company have reviewed the investment property and concluded that the Target Company's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time. Therefore, in determining the deferred taxation on the investment property, the directors of the Target Company have determined that the presumption that the carrying amount of investment property measured using the fair value model is recovered entirely through sale is not rebutted. The Target Company has not recognised any deferred tax on changes in fair value of investment property as the Target Company is not subject to any income taxes on the fair value changes of the investment property on disposal.

At the respective reporting dates, the details of the Target Company's investment property are as follows:

Location	Description/existing use	Tenure
Block 710A Ang Mo Kio Avenue 8, #01–2625, Singapore 560710	A leasehold unit of approximately 332 square metres	Leasehold 86 years commencing from 1 July 1993

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Target Company in future periods as follows:

	As at 31 August		As at 30 April	
	2021	2022	2023	2024
	S\$	S\$	S\$	S\$
Within 1 year	492,275	513,315	242,418	401,277
After 1 year but within 2 years	<u>22,000</u>	<u>242,418</u>	<u>—</u>	<u>10,250</u>
	<u><u>514,275</u></u>	<u><u>755,733</u></u>	<u><u>242,418</u></u>	<u><u>411,527</u></u>

14. Other receivables and deposits

	As at 31 August		As at 30 April	
	2021	2022	2023	2024
	S\$	S\$	S\$	S\$
Other receivables	16,469	31,596	29,959	3,697
Deposits	<u>2,700</u>	<u>2,700</u>	<u>3,770</u>	<u>4,590</u>
	<u><u>19,169</u></u>	<u><u>34,296</u></u>	<u><u>33,729</u></u>	<u><u>8,287</u></u>

15. Trade and other payables

	As at 31 August		As at 30 April	
	2021	2022	2023	2024
	S\$	S\$	S\$	S\$
Rental deposits	123,429	123,829	123,830	123,929
Accrued expenses	2,000	2,500	3,000	—
Receipt in advance	<u>23,403</u>	<u>4,100</u>	<u>4,100</u>	<u>300</u>
	<u><u>148,832</u></u>	<u><u>130,429</u></u>	<u><u>130,930</u></u>	<u><u>124,229</u></u>

16. Amount due to ultimate holding company

The balance is unsecured with effective interest rate of 0.60% per annum as 31 August 2021 and 0.75% per annum as at 31 August 2022, 31 August 2023 and 30 April 2024 per annum. The amounts are repayable on demand as at 31 August 2021, 31 August 2022, 31 August 2023 and 30 April 2024. As at 30 April 2024, tax payables balances of S\$41,555 were to be borne by the ultimate holding company and were transferred to the ultimate holding company.

17. Share capital

	Number of shares	Share capital S\$
Issued and fully paid:		
<i>Ordinary shares without par value</i>		
As at 1 September 2020, 31 August 2021, 31 August 2022, 31 August 2023 and 30 April 2024	<u>2</u>	<u>2</u>

18. Reconciliation of liabilities arising from financing activities

The table below details changes in the Target Company's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Target Company's statement of cash flows as cash flows from financing activities.

	Amount due to ultimate holding company S\$
At 1 September 2020	8,041,513
Changes from financing cash flows:	
Repayment	(431,743)
Finance costs paid	(29,639)
Non-cash changes:	
Finance costs	<u>29,639</u>
At 31 August 2021	7,609,770
Changes from financing cash flows:	
Repayment	(339,280)
Finance costs paid	(37,048)
Non-cash changes:	
Finance costs	<u>37,048</u>
At 31 August 2022	7,270,490
Changes from financing cash flows:	
Repayment	(363,617)
Finance costs paid	(37,048)
Non-cash changes:	
Finance costs	<u>37,048</u>
At 31 August 2023	6,906,873
Changes from financing cash flows:	
Repayment	(234,906)
Finance costs paid	(24,699)
Non-cash changes:	
Tax payables	41,555
Dividend declared	2,670,534
Finance costs	<u>24,699</u>
At 30 April 2024	<u>9,384,056</u>

19. Financial instruments by category

	As at 31 August		As at 30 April	
	2021	2022	2023	2024
	S\$	S\$	S\$	S\$
Financial assets				
<i>Financial assets at amortised cost:</i>				
— Other receivables	19,169	34,296	33,729	8,287
	<u>19,169</u>	<u>34,296</u>	<u>33,729</u>	<u>8,287</u>
Financial liabilities				
<i>Financial liabilities at amortised cost:</i>				
— Trade and other payables	125,429	126,329	126,830	123,929
— Amount due to ultimate holding company	7,609,770	7,270,490	6,906,873	9,384,056
	<u>7,735,199</u>	<u>7,396,819</u>	<u>7,033,703</u>	<u>9,507,985</u>

20. Financial risk management objections and policies

The Target Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, market risk and liquidity risk.

The following sections provide details regarding the Target Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Target Company. The major class of financial asset of the Target Company is other receivables. The Target Company adopts the policy of dealing only with high credit quality counterparties.

As the Target Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

In respect of other receivables, the credit risk is considered to be low as the existing counterparties do not have defaults in the past. Therefore, ECL rate of other receivables is assessed to be close to zero and no provision was made as at 31 August 2021, 2022, 2023 and 30 April 2024.

(b) Market risk**(i) Interest rate risk**

The Target Company does not expose to cash flow interest rate risk.

The Target Company currently does not have any interest rate hedging policy. However, management closely monitors its exposure to future cash flow interest rate risk as a result of changes in market interest rates and will consider hedging changes in market interest rates should the need arise.

The Target Company's exposures to interest rates on financial liabilities are detailed in the liquidity risk management note 20(c).

(ii) Currency risk

The Target Company is not exposed to currency risk as the business is operated locally and transactions are all denominated in Singapore Dollar, which is the functional currency of the Target Company.

(c) Liquidity risk

Liquidity risk is the risk that the Target Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Target Company's approach to managing liquidity risk is to ensure, as far as possible, it will always have sufficient liquidity to meet its liabilities when due.

The table below summaries the maturity profile of the Target Company's financial liabilities based on contractual undiscounted repayment obligations.

As at 31 August 2021

	Weighted average effective interest rate %	On demand or within 1 year S\$	Total undiscounted cash flows S\$	Carrying amount S\$
Financial liabilities				
Trade and other payables		125,429	125,429	125,429
Amount due to ultimate holding company	0.60%	<u>7,685,068</u>	<u>7,685,068</u>	<u>7,609,770</u>
		<u>7,810,497</u>	<u>7,810,497</u>	<u>7,735,199</u>

As at 31 August 2022

	Weighted average effective interest rate %	On demand or within 1 year S\$	Total undiscounted cash flows S\$	Carrying amount S\$
Financial liabilities				
Trade and other payables		126,329	126,329	126,329
Amount due to ultimate holding company	0.75%	<u>7,362,067</u>	<u>7,362,067</u>	<u>7,270,490</u>
		<u>7,488,396</u>	<u>7,488,396</u>	<u>7,396,819</u>

As at 31 August 2023

	Weighted average effective interest rate %	On demand or within 1 year S\$	Total undiscounted cash flows S\$	Carrying amount S\$
Financial liabilities				
Trade and other payables		126,830	126,830	126,830
Amount due to ultimate holding company	0.75%	<u>6,906,873</u>	<u>6,906,873</u>	<u>6,906,873</u>
		<u>7,033,703</u>	<u>7,033,703</u>	<u>7,033,703</u>

As at 30 April 2024

	Weighted average effective interest rate %	On demand or within 1 year S\$	Total undiscounted cash flows S\$	Carrying amount S\$
Financial liabilities				
Trade and other payables		123,929	123,929	123,929
Amount due to ultimate holding company	0.75%	<u>9,384,056</u>	<u>9,384,056</u>	<u>9,384,056</u>
		<u>9,507,985</u>	<u>9,507,985</u>	<u>9,507,985</u>

21. Capital management

The Target Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Company's overall strategy remains unchanged throughout the periods/years. The capital structure of the Target Company consists of debt, which includes trade and other payables and amount due to ultimate holding company, as disclosed in note 15 and note 16 respectively, and equity attributable to owners of the Target Company, comprising share capital and reserve. The management of the Target Company reviews the capital structure from time to time. In order to maintain or achieve an optimal capital structure, the Target Company may adjust the amount of dividend payment, return capital to shareholder or issue new shares. The capital risk is managed by its ultimate holding company.

The management monitors capital based on a gearing ratio.

The gearing ratio is calculated as debt divided by total capital. Debt is calculated as amount due to ultimate holding company plus trade and other payables. Total capital is calculated as total equity plus debt.

	As at 31 August			As at 30 April	
	2021	2022	2023	2024	
	S\$	S\$	S\$	S\$	
Debt	7,735,199	7,396,819	7,033,703	9,507,985	
Total equity	<u>2,204,799</u>	<u>3,080,801</u>	<u>3,442,780</u>	<u>2</u>	
Total capital	<u>9,939,998</u>	<u>10,477,620</u>	<u>10,476,483</u>	<u>9,507,987</u>	
Gearing ratio	<u>78%</u>	<u>71%</u>	<u>67%</u>	<u>99%</u>	

22. Related party transactions

In addition to the information disclosed elsewhere in the Historical Financial Information, the Target Company has the following transactions with related parties:

- (a) Compensation of key management personnel

The directors are considered as the key management personnel of the Target Company. The directors of the Target Company did not receive any remuneration from the Target Company during the Relevant Periods.

- (b)

Nature of related party relationship	Nature of transaction	Year ended 31 August			Eight months ended 30 April	
		2021	2022	2023	2023	2024
		S\$	S\$	S\$	S\$	S\$
Ultimate holding company	Interest expenses	<u>29,639</u>	<u>37,048</u>	<u>37,048</u>	<u>24,699</u>	<u>24,699</u>

23. Subsequent financial statements

No audited financial statements have been prepared by the Target Company in respect of any period subsequent to 30 April 2024 and up to the date of this report.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF K2 F&B HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of K2 F&B Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”), including New Chance Properties Pte Ltd (the “**Target Company**”) and together with the Group hereinafter referred to as the “**Enlarged Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2023 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages III-4 to III-7 of Appendix III of the circular issued by the Company dated 22 August 2024 (the “**Circular**”) in connection with the proposed acquisition of the entire issued share capital of the Target Company (the “**Acquisition**”) by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-4 to III-7 of Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's consolidated financial position as at 31 December 2023 as if the Acquisition had taken place at 31 December 2023. As part of this process, information about the Group's consolidated assets and liabilities has been extracted by the Directors from the Group's consolidated financial statements as included in the Group's published annual report for the year ended 31 December 2023, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 December 2023 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Fan, Chan & Co. Limited

Certified Public Accountants

Leung Kwong Kin

Practising Certificate Number P03702

Hong Kong, 22 August 2024

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the “**Unaudited Pro Forma Financial Information**”) set out below has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants and is solely for the purpose to illustrate the effect of the acquisition of the entire issued share capital of New Chance Properties Pte Ltd (the “**Target Company**”) (the “**Acquisition**”) on the Group’s assets and liabilities as at 31 December 2023 as if the Acquisition had been completed on 31 December 2023.

The Unaudited Pro Forma Financial Information has been prepared based on (i) the consolidated statement of financial position of the Group as at 31 December 2023 as extracted from the published annual report of the Company for the year ended 31 December 2023; and (ii) the statement of financial position of the Target Company as at 30 April 2024 as extracted from the accountant’s report of the Target Company set out in Appendix II to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been completed as at 31 December 2023. The Unaudited Pro Forma Financial Information has been prepared under accounting policies consistent with those of the Group as set out in the published annual report of the Company for the year ended 31 December 2023.

The Unaudited Pro Forma Financial Information has been prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Due to its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition been completed as at 31 December 2023. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group’s future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this circular, and that of the Target Company, as set out in Appendix II and Appendix III to this circular, and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND
LIABILITIES OF THE ENLARGED GROUP

	The Group	The Target Company	Pro forma adjustments		Unaudited pro forma of the Enlarged Group
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>	
Non-current assets					
Investment properties	132,750	9,500	—	—	142,250
Property, plant and equipment	43,473	—	—	—	43,473
Right-of-use assets	9,158	—	—	—	9,158
Deferred tax assets	51	—	—	—	51
Deposits paid	1,182	—	—	—	1,182
Investment of an associate	4	—	—	—	4
Financial assets at fair value through profit of loss	743	—	—	—	743
	<u>187,361</u>	<u>9,500</u>	<u>—</u>	<u>—</u>	<u>196,861</u>
Current assets					
Inventories	219	—	—	—	219
Trade and other receivables	526	8	(8)	—	526
Prepayments and deposits paid	1,574	—	—	—	1,574
Financial assets at fair value through profit of loss	48	—	—	—	48
Pledged bank deposits	1,015	—	—	—	1,015
Cash and cash equivalents	7,386	—	(9,500)	2,114	—
	<u>10,768</u>	<u>8</u>	<u>(9,508)</u>	<u>2,114</u>	<u>3,382</u>

	The Group	The Target Company	Pro forma adjustments		Unaudited pro forma of the Enlarged Group
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>	
Current liabilities					
Trade payables	3,273	—	—	—	3,273
Accruals, other payables and deposits received	6,033	124	(124)	—	6,033
Amount due to ultimate holding company	—	9,384	(9,384)	—	—
Borrowings	7,106	—	—	2,114	9,220
Lease liabilities	3,353	—	—	—	3,353
Tax payables	613	—	—	—	613
	<u>20,378</u>	<u>9,508</u>	<u>(9,508)</u>	<u>2,114</u>	<u>22,492</u>
Net current liabilities	<u>(9,610)</u>	<u>(9,500)</u>	<u>—</u>	<u>—</u>	<u>(19,110)</u>
Total assets less current liabilities					
	<u>177,751</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>177,751</u>
Non-current liabilities					
Borrowings	83,547	—	—	—	83,547
Lease liabilities	6,459	—	—	—	6,459
Provision for reinstatement costs	302	—	—	—	302
Other payables and deposits received	1,025	—	—	—	1,025
	<u>91,333</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>91,333</u>
Net assets	<u><u>86,418</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>86,418</u></u>

Notes:

- (1) The consolidated statement of assets and liabilities of the Group as at 31 December 2023 were extracted from the published annual report of the Company for the year ended 31 December 2023.
- (2) The statement of assets and liabilities of the Target Company as at 30 April 2024 were extracted from the accountant's report of the Target Company as set out in Appendix II to the Circular.
- (3) The adjustments reflect the acquisition of the entire issued share capital of the Target Company, which principally owns the Property. Pursuant to the Share Sale and Purchase Agreement, the Seller has agreed to sell and a subsidiary of the Company has agreed to purchase the entire issued share capital of the Target Company at a total consideration of S\$9,500,000.

The pro forma adjustments in connection with the Acquisition represent:

	<i>S\$'000</i>	<i>S\$'000</i>
Cash consideration for the Acquisition		9,500
Less:		
Carrying amount of identifiable net assets acquired:		
Net assets of Target Company as 30 April 2024	—	
Settlement of all liabilities upon completion of Acquisition (<i>note (i)</i>)	(9,508)	(9,508)
Clearing of all other assets upon completion of Acquisition (<i>note (ii)</i>)	<u>8</u>	<u>8</u>
Pro forma adjustment to investment property		<u>—</u>

- (i) Pursuant to the Share Sale and Purchase Agreement, the Seller shall settle all liabilities of the Target Company as at the date of completion of the Acquisition.
- (ii) Pursuant to the Share Sale and Purchase Agreement, the Seller shall clear all other assets of the Target Company as at the date of completion of the Acquisition.

The Acquisition is accounted for as acquisition of asset. The property held by the Target Company is currently held for earning rental income and it is expected that the Group will continue to hold the property for the same purpose. The investment property is initially measured at cost, which represents the fair value of the property held by the Target Company amounting to S\$9,500,000, which is determined with reference to the contracted selling price set out in the Share Sale and Purchase Agreement.

- (4) The adjustment represents the reclassification of pro forma negative cash and bank balances to pro forma bank overdraft in current liabilities.
- (5) No adjustment has been made to the Unaudited Pro Forma Financial Information for acquisition- related costs (including fees to legal advisors, reporting accountant, valuers, and other expenses) as the Directors determined that such costs are insignificant.
- (6) No adjustments have been made to adjust any trading results or other transactions of the Group or the Target Company entered into subsequent to 31 December 2023 and 30 April 2024 respectively.

Set forth below is the management discussion and analysis of the Target Company for the three financial years ended 31 August 2021, 2022 and 2023 and the eight months ended 30 April 2024 (collectively, the “**Reporting Period**”) based on the financial information on the Target Company set out in Appendix II to this circular.

BUSINESS OVERVIEW

The Target Company is an investment holding company incorporated in Singapore with limited liability. Immediately prior to Completion, the Target Company was wholly-owned by the Seller. Upon Completion, the Target Company shall become an indirect wholly-owned subsidiary of the Company.

The Target Company holds the Property located at Block 710A Ang Mo Kio Avenue 8, #01–2625, Singapore 560710 which is comprised of three retail units with a total strata area of approximately 3,574 sq.ft. All three retail units are currently let to independent third parties.

For further details of the Property, please refer to the valuation report of the Property as set out in Appendix V of this circular.

FINANCIAL REVIEW

Financial Information on the Target Company

Set out below is a summary of the financial information of the Target Company extracted from Appendix II of this circular.

	Year ended 31 August			Eight months ended	
	2021	2022	2023	2023	2024
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
Revenue — rental income	493	513	515	344	336
Profit/(loss) before tax	416	912	415	279	(747)
Profit/(loss) and total comprehensive income/ (expense) for the year/period	363	876	362	249	(772)

For further financial information of the Target Company, please refer to Appendix II of this circular.

Revenue

The revenue generated by the Target Company mainly represented the rental income generated from the leasing of the Property. The revenue generated by the Target Company increased from approximately S\$493,000 for the year ended 31 August 2021 to approximately S\$513,000 for the year ended 31 August 2022 and further increased to approximately S\$515,000 for the year ended 31 August 2023, which was mainly attributable to the increase in monthly rental of the leased Property.

The revenue generated by the Target Company remained relatively stable for the eight months ended 30 April 2023 and 2024 at approximately S\$344,000 and S\$336,000, respectively.

Profit/(loss) and total comprehensive income/(expense) for the year/period

The profit and total comprehensive income generated by the Target Company increased significantly from approximately S\$363,000 for the year ended 31 August 2021 to approximately S\$876,000 for the year ended 31 August 2022, which was mainly attributable to the one-off fair value gain recorded on the Property of approximately S\$500,000 for the year ended 31 August 2022. The profit and total comprehensive income generated by the Target Company was approximately S\$362,000 for the year ended 31 August 2023 which was comparable to that for the year ended 31 August 2021.

The Target Company recorded profit and total comprehensive income of approximately S\$248,996 for the eight months ended 30 April 2023 as compared to a loss and total comprehensive expense of approximately S\$772,000 for the eight months ended 30 April 2024 which was mainly attributable to the one-off fair value loss recorded on the Property of approximately S\$1,000,000 for the eight months ended 30 April 2024.

Charges on assets

As at 31 August 2021, 2022 and 2023 and 30 April 2024, the investment property of the Target Company has been pledged to secure bank overdrafts and short-term banking facilities for the ultimate holding company, Second Chance Properties Pte. Ltd.. Under the terms of the pledge, the Target Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity. As at the Latest Practicable Date, all the pledges against the Property have been released.

Contingent liabilities

As at 31 August 2021, 2022, and 2023, the Target Company did not have any contingent liabilities.

Liquidity and financial resources

The Target Company recorded amount due to its ultimate holding company, namely Second Chance Properties Pte Ltd, in the amount of approximately S\$7,610,000, S\$7,270,000, S\$6,907,000 and S\$9,384,000 as at 31 December 2021, 2022 and 2023 and 30 April 2024, respectively. The balance is unsecured with effective interest rate of 0.60% per annum as at 31 August 2021 and 0.75% per annum as at 31 August 2022, 31 August 2023 and 30 April 2024 per annum. The amounts are repayable on demand as at 31 August 2021, 31 August 2022, 31 August 2023 and 30 April 2024.

Pursuant to the Share Sale and Purchase Agreement, the Target Company shall settle the amount due to its ultimate holding company on or before Completion. Going forward, the Target Company shall finance its operation by cash generated from operations.

Foreign exchange risk

The Target Company is not exposed to foreign exchange risk as all of its business operations are located in Singapore and all of its transactions are denominated in Singapore dollars, which is the functional currency of the Target Company. The Target Company currently does not have a foreign currency hedging policy.

Material acquisitions and disposals of subsidiaries and associated companies

The Target Company did not have any material acquisitions or disposal of subsidiaries and affiliated companies during the Reporting Period.

Gearing ratio

The gearing ratio of the Target Company, which is calculated by the amount due to ultimate holding company plus trade and other payables divided by total capital, was approximately 78%, 71%, 67% and 99% as at 31 August 2021, 2022 and 2023 and 30 April 2024, respectively.

Significant investments held

Save as disclosed, the Target Company does not have other significant investments nor any material acquisitions or disposal of subsidiaries and affiliated companies during the Reporting Period.

Risks and uncertainties

The primary risks associated with the Target Company include market conditions affecting rental rates, tenant turnover, and potential regulatory changes impacting property management. Additionally, macroeconomic factors such as interest rate fluctuations and economic downturns could influence the property market and rental demand. We will actively monitor these risks and implement strategies to mitigate their impact post-acquisition.

Future plans and prospects

We are optimistic about the prospects of the acquired Property. With the strategic location of the Property, we anticipate continued high occupancy rates and stable rental income. We plan to further enhance the Property's value through change of use of the Property to food and beverage business, with plans for a food centre, which will potentially increase returns and align with our overall growth strategy.

As at the Latest Practicable Date, the Target Company did not plan to make material investments or capital assets.

Conclusion

The acquisition of the Target Company and its prime commercial property is expected to significantly enhance our property portfolio. The management discussion and analysis of the Target Company underscores the strategic rationale behind the Acquisition and highlights the potential for long-term value creation for our shareholders. The Property's location, high occupancy rates, and strong financial performance contribute to a positive outlook for the future financial performance and growth of the Group.



Knight Frank Petty Limited
4/F, Shui On Centre
6–8 Harbour Road
Wanchai, Hong Kong

22 August 2024

The Board of Directors
U Property Holdings Pte Ltd
51 Ubi Avenue 1
#02-17/18 Paya Ubi Industrial Park
Singapore 408933

Dear Sirs

**VALUATION OF BLOCK 710A ANG MO KIO AVENUE 8 #01-2625 SINGAPORE
561710 (THE “PROPERTY”)**

In accordance with the instruction to us from U Property Holdings Pte Ltd (hereinafter referred to as the “**Company**”) to value the Property, we confirm that we have made relevant enquiries and carried out searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property in its existing state as at 24 June 2024 (the “**Valuation Date**”) for public disclosure purposes.

Basis of Valuation

In arriving at our opinion of the market value, we followed “The HKIS Valuation Standards 2020” issued by The Hong Kong Institute of Surveyors (“**HKIS**”), “The RICS Valuation — Global Standards” issued by the Royal Institution of Chartered Surveyors (“**RICS**”) and the Singapore Institute of Surveyors and Valuers (“**SISV**”) Valuation Standards and Practice Guidelines. Under the said standards, Market Value is defined as:

“the estimated amount for which an asset or liability should exchange on valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is also understood as the estimated exchange price of an asset without regard to the seller’s costs of sale or the buyer’s costs of purchase and without adjustment for any taxes payable by either party as a direct result of the transaction.

Market Value is the most probable price reasonably obtainable in the market on the valuation date in keeping with the market value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

Our valuation complies with the requirements set out in “The HKIS Valuation Standards 2020” issued by HKIS and “RICS Valuation — Global Standards” issued by RICS, “The Valuation Standards and Practice Guidelines” issued by SISV and Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”).

Our valuation is based on 100% of the leasehold interest in the Property.

Valuation Methodology

Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. In arriving at the market value of the Property, we have considered the Market Approach as relevant sale transactions are available in the open market. We have adopted the Market Approach on the basis of a collation and analysis of appropriate comparable transactions. To ensure fairness and reasonability of our valuation, we have made appropriate adjustments to reflect the differences between the Property and the selected comparable properties. The considered adjustments include location, accessibility, size, tenure, unit siting, catchment, frontage and other material factors.

Our valuation is prepared on the basis that the Property was available for sale in the market on an immediate vacant possession basis and in its existing physical state. We have also assumed that its title being free of all material encumbrances and defects as at the Valuation Date.

Expertise

The valuer, on behalf of Knight Frank Petty Limited, with the responsibility for this report is Mr. Joel Teh MRICS MHKIS RPS(GP) RICS Registered Valuer who has about 10 years of valuation experience. We confirm that the valuer meets the requirements of HKIS Valuation Standards and the RICS Valuation — Global Standards, having sufficient current knowledge of the particular market and the skills and understanding to undertake the valuation competently. Our valuation is prepared in an unbiased and professional manner.

Valuation Assumptions and Conditions

Our valuation is subject to the following assumptions and conditions:

Title Documents and Encumbrances

We have conducted relevant land search from the Singapore Land Authority. We have not, however, examined the original documents to verify ownership or to ascertain the existence of any amendment which does not appear on the copies handed to us. In our valuation, we have assumed a good and marketable title and that all documentation is satisfactorily drawn. We have also assumed that the Property is not subject to any unusual or onerous covenants, restrictions, encumbrances or outgoing. These assumptions are considered valid by the Company.

Disposal Costs and Liabilities

No allowance has been made in our report for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale.

Sources of Information

We have relied to a very considerable extent on information given by the Company and have accepted advice given to us such as floor areas, tenancy details and all other relevant matters. We have not verified the correctness of any information, whether in writing or verbally by yourselves, your representatives or by your legal or professional advisers or by any (or any apparent) occupier of the Property or contained on the register of title. We assume that this information is complete and correct. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company which is material to the valuations. We were also advised by the Company that no material facts have been omitted from the information provided.

Inspection

We have inspected the Property on 16 May 2024. Inspection of the Property was undertaken by Ms. Woo Ai Lian MSISV Registered Valuer, who has more than 30 years of experience in valuing properties in Singapore. Nevertheless, we have assumed in our valuation that the Property was in satisfactory order without any unauthorized extension or structural alterations or illegal uses as at the Valuation Date, unless otherwise stated.

Identity of the Property to be Valued

We have exercised reasonable care and skill to ensure that the Property, identified by the Property address in your instructions, is the Property inspected by us and contained within our valuation report. If there is ambiguity as to the property address, or the extent of the Property to be valued, this should be drawn to our attention in your instruction or immediately upon receipt of our report.

Property Insurance

We have valued the Property on the assumption that, in all respects, it is insurable against all usual risks including terrorism, flooding and rising water table at normal, commercially acceptable premiums.

Areas and Age

We have not carried out on-site measurements to verify the correctness of the floor area of the Property but have assumed that the floor area shown on the documents available to us are correct. Dimensions, measurements and areas included in the property valuation report are based on information provided to us and are, therefore, only approximations, unless stated otherwise.

Structural and Services Condition

We have carried out a visual inspection only without any structural investigation or survey. During our limited inspection, we did not inspect any inaccessible areas. We are unable to confirm whether the Property is free from urgent or significant defects or items of disrepair, or any deleterious materials have been used in the construction of the Property. Our valuation has therefore been undertaken on the assumption that the Property was in satisfactory condition and contains no deleterious materials and it is in sound order and free from structural faults, rot, infestation or other defects.

Ground Condition

We have assumed there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the site of the Property are sufficient to support the building constructed or to be constructed thereon; and that the services are suitable for any existing or future development. Our valuation is therefore prepared on the basis that no extraordinary expenses or delays will be incurred in this respect.

Environmental Issues

We are not environmental specialists and therefore we have not carried out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor have we undertaken searches of public archives to seek evidence of past activities that might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect the potential of contamination, our valuation is prepared on the assumption that the Property is unaffected. Where contamination is suspected or confirmed, but an adequate investigation has not been carried out and made available to us, then the valuation will be qualified.

Compliance with Relevant Ordinances and Regulations

We have assumed the Property was constructed, occupied, and used in full compliance with, and without contravention of any ordinance, statutory requirement and notices except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, any and all required licenses, permits, certificates, consents, approvals, and authorisation have been obtained, expected only where otherwise stated.

Remarks

In accordance with our standard practice, we must state that this report and valuation is for the use of the party to whom it is addressed, and no responsibility is accepted to any third party for the whole or any part of its contents. We do not accept liability to any third party or for any direct or indirect consequential losses or loss of profits as a result of this report.

We have prepared the valuation based on information and data available to us as at the Valuation Date. It must be recognised changes in policy direction, mortgage requirements, social and international tensions could be immediate and have sweeping impact on the real estate market apart from typical market fluctuation. It should therefore be noted that any market, policy, geopolitical or social changes or other unexpected incidents after the Valuation Date may affect the value of the Property.

Currency

Unless otherwise stated, all money amounts stated in our valuations are in Singapore Dollars (S\$).

Area Conversion

The area conversion factors in this report are taken as follows:

1 square metre (sq. m.) = 10.7639 square feet (sq. ft.)

We enclose herewith our valuation report.

Yours faithfully

For and on behalf of

Knight Frank Petty Limited

Joel Teh

MRICS MHKIS RPS(GP) RICS Registered Valuer

Director, Valuation & Advisory

Cyrus Fong

FRICS FHKIS RPS(GP) RICS Registered Valuer

Executive Director, Head of Valuation & Advisory

Note: Mr. Joel Teh is a qualified valuer who has about 10 years of extensive experiences in valuation of properties including development sites, residential, commercial, industrial properties in Hong Kong and the Asia Pacific region.

Mr. Cyrus Fong is a qualified valuer who has about 15 years of extensive experiences in valuation of properties including development sites, residential, commercial, industrial properties in Hong Kong, Asia Pacific region for various valuation purposes.

PROPERTY TO BE ACQUIRED BY THE GROUP VALUATION

Property Interest	Description and tenure	Particulars of occupancy	Market value in existing state as at 24 June 2024
Block 710A Ang Mo Kio Avenue 8, #01-2625, Singapore 561710 (the “Property”)	<p>The subject block is located on the western side of Ang Mo Kio Avenue 8, within Housing and Development Board (HDB) Ang Mo Kio Town Centre, and approximately 10.0 km from the City Centre. It is within walking distance to the Ang Mo Kio MRT station and bus interchange.</p> <p>The Property is a shop unit located on the 1st storey of a 2-storey HDB commercial block within the HDB Ang Mo Kio Town Centre. It was completed in 1984.</p> <p>According to the information from Subsidiary Strata Certificate of Title from the Singapore Land Authority, the total strata area of the Property is approximately 3,574 sq. ft. (332.0 sq. m.).</p> <p>The Property is held under a Government Lease for a term of 86 years commencing from 1 July 1993.</p>	As of the Valuation Date, the Property is leased to three tenants for a term of 1 to 2 years commencing between 2022 and 2024. The total monthly rental is S\$37,050 inclusive of service charge and excluding Temporary Occupation License (TOL) fees.	S\$9,500,000 (Singapore Dollars Nine Million and Five Hundred Thousand)

Notes:

- (1) This valuation was conducted in collaboration with Knight Frank Singapore, which includes two licensed local valuers holding Licence Nos AD041-2008950C and AD041-2004048B registered with the Inland Revenue Authority of Singapore. They bring extensive experience of 20 to 30 years in property valuation and consultancy in Singapore.
- (2) Pursuant to the Subsidiary Strata Certificate of Title records obtained from the Singapore Land Authority, the registered owner of the Property as at the Valuation Date is New Chance Properties Pte Ltd.
- (3) Based on our recent search and information provided by the Company’s legal advisors, we are not aware of any (i) liens, pledges or mortgages; or (ii) investigations, notices, pending litigation, breaches of law or title defects being made against the Property.
- (4) According to the 2019 Edition of Master Plan, the Property falls within the “Commercial and Residential” zoning.

- (5) A private title search was made at the Singapore Titles Automated Registration System from Singapore Land Authority on 3 May 2024. Brief particulars of the title are as follows:

Legal Description : Strata Lot No. U78730M Mukim 18
 Tenure : Leasehold 86 years commencing from 1 July 1993
 Strata Area : 332.0 sq m

- (6) Based on information provided by the Company, we understand that the Group intends to apply for a change of use for the Property to food and beverage business, with plans for a food centre.
- (7) Our valuation has been undertaken using appropriate valuation methodology and our professional judgement. We have valued the Property primarily by using the Market Approach. In the course of our valuation of the Property, we have referred to sales transaction of HDB shophouses, which are considered comparable to the Property in terms of property type, location, timing of transaction and other property characteristics.

The sales transactions are shown below:

Property	Strata Area (SA) (sq m)	Price	Rate (S\$ per sq m)	Date of Sale	Remarks
Block 453 Ang Mo Kio Avenue 10 #01-1805	150.0 (including LQ of 81 sq m)	S\$2,900,000	S\$19,333 over SA or (S\$36,812 over retail area excluding LQ)	02/2024	<ul style="list-style-type: none"> HDB Shop with LQ on the 2nd storey Leasehold 84 years wef 01/10/1994 Estimated LQ value S\$360,000
Block 114 Ang Mo Kio Avenue 4 #01-351	134.0 (including LQ of 67 sq m)	S\$1,900,000	S\$14,179 over SA (S\$23,433 over retail area excluding LQ)	12/2023	<ul style="list-style-type: none"> HDB Shop with LQ on the 2nd storey Leasehold 81 years wef 01/07/1996 Estimated LQ value S\$330,000
Block 727 Ang Mo Kio Avenue 6 #01-4256	152.0 (including LQ of 83 sq m)	S\$3,740,000	S\$24,605 over SA (S\$48,406 over retail area excluding LQ)	10/2023	<ul style="list-style-type: none"> HDB Shop with LQ on the 2nd storey Leasehold 86 years wef 01/10/1993 Estimated LQ value S\$400,000

Note: LQ-Living Quarters. LQ is generally located on the 2nd storey and for residential use.

Source: Knight Frank Database and HDB Resale Flat Prices.

The market comparables range from S\$14,179 per sq m to S\$24,605 per sq m over strata area, or approximately S\$23,433 per sq m to S\$48,406 per sq m over retail area excluding LQ area.

In arriving at the market value of the Property, we have excluded the estimated value of the LQ of the market comparables as the Property is a shop unit located on the 1st storey with no LQ. Further adjustments were made, where appropriate, for differences in floor area, tenure, location, unit siting, catchment, frontage and other material factors, before arriving at the market value of the Property.

We are of the opinion that the derived Market Value of the Property based on the Market Approach at S\$9,500,000 or a unit rate of S\$28,614 per sq m over strata area of 332 sq m is fair and reasonable and falls within the approximate retail area value per sq m of the market comparables.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and/or short positions in Shares, underlying Shares and debentures of the Company or its associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company or their respective associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) to be recorded in the register required to be kept by the Company under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “**Model Code**”), were as follows:

Long positions in the Shares and underlying Shares of the Company

Name of Director	Capacity in which interests in Shares are held	Number of Shares held <i>(Note 1)</i>	Approximate percentage of Shares in issue as at the Latest Practicable Date <i>(Note 2)</i>
Mr. Chu Chee Keong (Zhu Zhiqiang) (“ Mr. Chu ”)	Interest in a controlled corporation <i>(Note 3)</i>	600,000,000 (L)	75.00%
Ms. Leow Poh Hoon (Liao Baoyun) (“ Ms. Leow ”)	Interest of spouse <i>(Note 4)</i>	600,000,000 (L)	75.00%

Notes:

1. The letter “L” denotes the person’s long position in the relevant Shares.
2. As at the Latest Practicable Date, the total issued share capital of the Company was 800,000,000 Shares.
3. The entire issued share capital of Strong Oriental Limited (“**Strong Oriental**”) is legally and beneficially owned by Mr. Chu. Accordingly, Mr. Chu is deemed to be interested in 600,000,000 Shares held by Strong Oriental by virtue of the SFO.
4. Ms. Leow is the spouse of Mr. Chu. She is deemed to be interested in all the Shares in which Mr. Chu is interested or deemed to be interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their respective associates had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) to be recorded in the register maintained by the Company under section 352 of the SFO; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors’ rights to acquire Shares or debentures

Apart from the share option scheme adopted by the Company on 1 February 2019, as at the Latest Practicable Date, none of the Company or any of its subsidiaries, holding companies or fellow subsidiaries was a party to any arrangements which enable the Directors or the chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Save for the disclosed, as at the Latest Practicable Date, none of the Directors or chief executives of the Company or their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

Substantial Shareholders' and other person' interests and short positions in the Shares and underlying Shares of the Company

As at the Latest Practicable Date, to the best of the Directors' knowledge, the following, not being a Director or the chief executives of the Company, have an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and are recorded in the register kept by the Company under section 336 of the SFO:

Name of Shareholder	Capacity in which interests in the Shares are held	Number of Shares held (Note 1)	Approximate percentage of Shares in issue as at the Latest Practicable Date (Note 2)
Strong Oriental Limited	Beneficial owner	600,000,000 (L)	75.00%
Toh Soon Huat ("Mr. Toh")	Beneficial owner	56,536,000 (L)	7.07%
Lee Kek Choo ("Ms. Lee")	Interest of spouse (Note 3)	56,536,000 (L)	7.07%

Notes:

1. The letter "L" denotes the person's long position in the relevant Shares.
2. As at the Latest Practicable Date, the total issued share capital of the Company was 800,000,000 Shares.
3. Ms. Lee is the spouse of Mr. Toh. She is deemed to be interested in all the Shares in which Mr. Toh is interested or deemed to be interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any interests or short positions in the Shares or underlying Shares of the Company which were required to be recorded in the register kept by the Company under section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered into any service agreement with any member of the Enlarged Group nor were there any proposed service agreements which would not expire or be determinable by the member of the Enlarged Group within one year without payment of compensation (other than statutory compensation).

4. DIRECTOR'S INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

(a) Interests in assets

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2023 (the date up to which the latest published audited consolidated financial statements of the Group was made), acquired or disposed of by, or lease to any member of the Enlarged Group, or which were proposed to be acquired or disposed of by, or leased to any member of the Enlarged Group.

(b) Interests in contracts of significance

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Enlarged Group.

(c) Interests in competing business

As at the Latest Practicable Date, none of the Directors nor their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Enlarged Group.

5. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance and, insofar as the Directors were aware, no litigation or claims of material importance was pending or threatened against any member of the Enlarged Group.

6. MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by members of the Group within two years immediately preceding the date of this circular:

- (a) the Share Sale and Purchase Agreement and
- (b) the option agreement dated 30 April 2024 entered into by 362 Degree Pte Ltd ("**362 Degree**"), as the purchaser, and CK Chu Holdings Pte Ltd ("**CK Chu Holdings**"), an indirect wholly-owned subsidiary of the Company, as the vendor. Pursuant to the option agreement, CK Chu Holdings agreed to grant an option to 362 Degree to acquire a property located at 200 Jalan Sultan, #01-05 Textile Centre, Singapore 199018 from CK Chu Holdings. On 19 June 2024, 362 Degree exercised the option pursuant to the option agreement to acquire the property at a total consideration of S\$8,800,000 (equivalent to approximately HK\$50,776,000). For further details, please refer to the announcement of the Company dated 21 June 2024.

7. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have been named in this circular or have given opinion or advice which is contained in this circular:

Name	Qualifications
Knight Frank Petty Limited	Independent property valuer
Fan, Chan & Co. Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter(s), report(s), opinion and/or references to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of the experts had any shareholding in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, none of the experts had any direct or indirect interest in any assets which have been, since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. DOCUMENTS ON DISPLAY

Copies of the following documents are available on the website of the Stock Exchange (<http://www.hkexnews.hk>) and on the website of the Company (<http://www.fuchangroup.com/>) for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the financial years ended 31 December 2021, 2022 and 2023;
- (c) the report from Fan, Chan & Co. Limited in respect of the financial information of the Target Company, the text of which is set out in Appendix II to this circular;
- (d) the report from Fan, Chan & Co. Limited in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;
- (e) the valuation report issued by Knight Frank Petty Limited, the text of which is set out in Appendix V to this circular;
- (f) the written consents referred to in the paragraph headed “7. Experts and Consents” in this appendix;

- (g) the material contracts referred to in the paragraph headed “6. Material Contracts” in this appendix;
- (h) the Share Sale and Purchase Agreement; and
- (i) this circular.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Man Yun Wah. He is an associate member of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.
- (b) The registered office of the Company is 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 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 at Unit 1307A, 13/F, Two Harbourfront, 22 Tak Fung Street, Hunghom, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar of the Company is Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.