



F&B HOLDINGS LIMITED

HKEX : 2108

Incorporated in the Cayman Islands with Limited Liability



INTERIM REPORT 2024

COMPANY INFORMATION

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY'S WEBSITE

www.fuchangroup.com

COMPANY SECRETARY

Man Yun Wah ACG, HKACG

AUTHORISED REPRESENTATIVES

Chu Chee Keong (Zhu Zhiqiang)
Man Yun Wah ACG, HKACG

COMPLIANCE OFFICER

Chu Chee Keong (Zhu Zhiqiang)

AUDIT COMMITTEE

Mah Seong Kung (*Chairman*)
Ng Yong Hwee
Wong Loke Tan

REMUNERATION COMMITTEE

Ng Yong Hwee (*Chairman*)
Wong Loke Tan
Mah Seong Kung
Chu Chee Keong (Zhu Zhiqiang)

NOMINATION COMMITTEE

Wong Loke Tan (*Chairman*)
Mah Seong Kung
Ng Yong Hwee
Chu Chee Keong (Zhu Zhiqiang)

INTERNAL CONTROL COMPLIANCE COMMITTEE

Ng Yong Hwee (*Chairman*)
Chu Chee Keong (Zhu Zhiqiang)
Yin Hongzhi

The board (the “**Board**”) of directors (the “**Directors**”) of K2 F&B Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**” or “**1H2024**”) together with the comparative figures for the six months ended 30 June 2023 (“**1H2023**”), which have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 S\$'000 (Unaudited)	2023 S\$'000 (Unaudited)
Revenue	5	28,619	26,384
Other gains and losses, net		135	113
Cost of inventories consumed		(9,446)	(8,785)
Staff costs		(8,979)	(8,492)
Property rentals and related expenses		(2,165)	(1,891)
Management, cleaning and utilities expenses		(1,573)	(1,670)
Depreciation on property, plant and equipment		(876)	(1,076)
Depreciation on right-of-use assets		(1,810)	(1,330)
Other operating expenses		(2,065)	(2,339)
Finance costs	6	(1,715)	(1,242)
Profit/(loss) Before Tax		125	(328)
Taxation	8	(255)	(247)
Loss for the period		(130)	(575)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Note	Six months ended 30 June	
		2024 S\$'000 (Unaudited)	2023 S\$'000 (Unaudited)
Other comprehensive income			
Item that will be reclassified to profit or loss:			
Currency translation differences arising from consolidation		—*	—
Total comprehensive loss for the period		(130)	(575)
Loss attributable to:			
Owners of the Company		(114)	(575)
Non-controlling interests		(16)	—
		(130)	(575)
Total comprehensive loss attributable to:			
Owners of the Company		(114)	(575)
Non-controlling interests		(16)	—
		(130)	(575)
Loss per share			
Basic and diluted (Singapore cents)	10	(0.01)	(0.07)

* Less than S\$1,000.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Note	30 June 2024 S\$'000 (Unaudited)	31 December 2023 S\$'000 (Audited)
Non-current assets			
Investment properties		132,750	132,750
Property, plant and equipment	11	48,653	43,473
Right-of-use assets		7,348	9,158
Deferred tax assets		51	51
Deposits paid		1,102	1,182
Investment in an associate		4	4
Financial assets at fair value through profit or loss		775	743
		190,683	187,361
Current assets			
Inventories		179	219
Trade and other receivables	12	421	526
Prepayments and deposits paid		2,060	1,574
Other financial assets		48	48
Pledged bank deposit		1,015	1,015
Cash and cash equivalents		6,481	7,386
		10,204	10,768
Current liabilities			
Trade payables	13	3,039	3,273
Accruals, other payables and deposit received		7,239	6,033
Borrowings	14	10,346	7,106
Lease liabilities		3,180	3,353
Tax payables		256	613
		24,060	20,378
Net current assets/(liabilities)		(13,856)	(9,610)
Total assets less current liabilities		176,827	177,751

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Note	30 June 2024 S\$'000 (Unaudited)	31 December 2023 S\$'000 (Audited)
Non-current liabilities			
Borrowings	14	84,359	83,547
Lease liabilities		4,879	6,459
Provision for reinstatement costs		302	302
Other payables and deposits received		999	1,025
		90,539	91,333
Net assets		86,288	86,418
Capital and reserves			
Share capital	15	1,381	1,381
Reserves		84,923	85,037
		86,304	86,418
Non-controlling interests		(16)	–
		86,288	86,418

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 S\$'000 (Unaudited)	2023 S\$'000 (Unaudited)
Net cash generated from operating activities	4,165	3,863
Net cash used in investing activities	(5,408)	(1,368)
Net cash generated/(used in) from financing activities	338	(1,738)
Cash and cash equivalents at the beginning of the period	7,386	5,946
Cash and cash equivalents at the end of the period	6,481	6,703

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share capital S\$'000	Share premium S\$'000	Other reserves (Note) S\$'000	Properties revaluation reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Total S\$'000	Non-controlling interests S\$'000	Total S\$'000
As at 1 January 2024 (Audited)	1,381	21,708	2,790	1,534	–	59,005	86,418	–	86,418
Issue of share capital by non-controlling interests in subsidiaries	–	–	–	–	–	–	–	–*	–*
Profit and total comprehensive loss for the period	–	–	–	–	–	(114)	(114)	(16)	(130)
As at 30 June 2024 (Unaudited)	1,381	21,708	2,790	1,534	–	58,891	86,304	(16)	86,288
As at 1 January 2023 (Audited)	1,381	21,708	2,790	–	–	51,695	77,574	–	77,574
Profit and total comprehensive loss for the period	–	–	–	–	–	(575)	(575)	–	(575)
As at 30 June 2023 (Unaudited)	1,381	21,708	2,790	–	–	51,120	76,999	–	76,999

Note: The other reserves of the Group represent the reserves arising from restructuring of the Group on initial public offering which are non-distributable.

* Less than S\$'000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

K2 F&B Holdings Limited was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 March 2018. Its parent company is Strong Oriental Limited which is incorporated in the British Virgin Islands and the ultimate controlling shareholder of the Company is Mr. Chu Chee Keong, who is also an executive director of the Company. The shares of the Company have been listed and traded on the Main Board (the “**Main Board**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 6 March 2019. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The headquarters and principal place of business of the Company in Singapore is located at 51 Ubi Avenue 1, #02-17/18 Paya Ubi Industrial Park, Singapore 408933 and the principal place of business of the Company in Hong Kong is located at Unit 1307A, 13/F., Two Harbourfront, 22 Tak Fung Street, Hunghom, Kowloon, Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in leasing, outlet and stall management of food establishment premises and operation of food and beverage stalls. This unaudited condensed consolidated financial statements of the Group for the Reporting Period are presented in Singapore dollar (“**S\$**”), which is the functional currency of the Company. All values are rounded to the nearest thousand (“**S\$’000**”), except when otherwise indicated.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the Reporting Period (the “**Interim Financial Statements**”) have been prepared in accordance with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standard Board (“**IASB**”). The Interim Financial Statements have been prepared under the historical basis, except for investment properties which are measured at fair value and certain financial assets measured at fair value through profit or loss.

The interim report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2023.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 December 2023, except for the application of new and revised International Financial Reporting Standards as described below.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Application of new and amendments to IFRSs

In the Reporting Period, the Group has applied a number of amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group's unaudited condensed consolidated financial statements:

- Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to IAS 1, *Classification of Liabilities as Current or Non-Current*
- Amendments to IAS 1, *Non-current Liabilities with Covenants*
- Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*

The application of the amendments to IFRSs in the Reporting Period had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management's purpose, the Group is organised into two operating business segments, namely:

a. Rental and outlet management

The business segment of rental and outlet management operation is involved in the leasing of food establishment premises to tenants and the provision of cleaning and utilities services to tenants (the "**Rental and Outlet Management**").

b. Food and beverage stalls

The business segment of food and beverage stalls operation is primarily involved in the retailing of beverage, tobacco products, and cooked food directly to consumers such as mixed vegetable rice, zi char, roasted meat and chicken rice located in food establishments operated and managed by the Group and third parties (the "**Food and Beverage Stalls**").

Inter-segment revenue from service income and rental income are priced with reference to prices charged to external parties for similar services and premises, and inter-segment management fee revenue included in service income is charged at a mark up percentage over staff costs.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the Interim Financial Statements. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' emoluments, exchange gain/(loss), bank interest income and finance cost on general working capital borrowings.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

For the six months ended 30 June 2024

	Rental and outlet management S\$'000 (Unaudited)	Food and beverage stalls S\$'000 (Unaudited)	Unallocated S\$'000 (Unaudited)	Total S\$'000 (Unaudited)
Segment revenue				
External revenue from contracts with customers	2,134	22,062	–	24,196
External rental income	4,423	–	–	4,423
	6,557	22,062	–	28,619
Inter-segment revenue: Rental and service income	10,955	–	–	10,955
	17,512	22,062	–	39,574
Adjustment and elimination	(10,955)	–	–	(10,955)
Total revenue	6,557	22,062	–	28,619
Segment profit/(loss)	(301)	2,371	(1,945)	125
Other segment information:				
Exchange gains	–	–	1	1
Finance costs	(1,582)	–	(133)	(1,715)
Depreciation of property, plant and equipment	(459)	(258)	(159)	(876)
Depreciation of right-of-use assets	(1,755)	(55)	–	(1,810)
Staff costs	(1,635)	(5,501)	(1,843)	(8,979)
Property rentals and related expenses	(994)	(1,171)	–	(2,165)
Interest income	–	–	–*	–*
Assets and liabilities:				
Segment assets	158,826	8,620	32,441	200,887
Segment liabilities	85,937	7,507	21,155	114,599

* Less than S\$1,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

For the six months ended 30 June 2023

	Rental and outlet management S\$'000 (Unaudited)	Food and beverage stalls S\$'000 (Unaudited)	Unallocated S\$'000 (Unaudited)	Total S\$'000 (Unaudited)
Segment revenue				
External revenue from contracts with customers	1,941	20,631	–	22,572
External rental income	3,812	–	–	3,812
	5,753	20,631	–	26,384
Inter-segment revenue:				
Rental and service income	10,321	–	–	10,321
	16,074	20,631	–	36,705
Adjustment and elimination	(10,321)	–	–	(10,321)
Total revenue	5,753	20,631	–	26,384
Segment profit/(loss)	(621)	2,304	(2,011)	(328)
Other segment information:				
Exchange losses	–	–	(57)	(57)
Finance costs	(1,191)	–	(51)	(1,242)
Depreciation of property, plant and equipment	(666)	(267)	(143)	(1,076)
Depreciation of right-of-use assets	(1,178)	(152)	–	(1,330)
Staff costs	(1,504)	(5,390)	(1,598)	(8,492)
Property rentals and related expenses	(1,084)	(807)	–	(1,891)
Interest income	–	–	–*	–*
Assets and liabilities:				
Segment assets	152,917	12,890	25,270	191,077
Segment liabilities	90,601	7,442	16,035	114,078

* Less than S\$1,000.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

Information about major customers

No single major customer contributed more than 10% of the Group's total revenue. The revenue is spread over a broad base of customers.

Geographical information

The Group operates mainly in Singapore with revenue generated in, and non-current assets situated in Singapore. Accordingly, an analysis of revenue and assets of the Group by geographical distribution has not been presented.

5. REVENUE

	Six months ended 30 June	
	2024 S\$'000 (unaudited)	2023 S\$'000 (unaudited)
Revenue from contract with customers		
Sales of goods at point in time		
— Sales of cooked food, beverage and tobacco products	22,062	20,631
Service income over time		
— Provision of management, cleaning and utilities services	2,134	1,941
	24,196	22,572
Revenue from other sources		
Rental from leases of premises to tenants	4,423	3,812
	28,619	26,384

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

6. FINANCE COSTS

	Six months ended 30 June	
	2024 S\$'000 (unaudited)	2023 S\$'000 (unaudited)
Interest on:		
Bank borrowings	1,785	1,293
Lease liabilities	176	123
	1,961	1,416
Capitalised interest in relation to acquisition of land and development cost	(246)	(174)
	1,715	1,242

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Six months ended 30 June	
	2024 S\$'000 (unaudited)	2023 S\$'000 (unaudited)
Staff costs (including directors' emoluments)		
Salaries and benefits	8,560	8,088
Contributions to defined contribution retirement plans	419	404
	8,979	8,492

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

8. TAXATION

No provision of taxation in Hong Kong has been made as the Group's income neither arose in nor derived from Hong Kong.

The Singapore Corporate Income Tax ("CIT") rate was 17% (2023: 17%) during the Reporting Period. Income tax expense for the Group relates wholly to the profits of the subsidiaries of the Company, which were taxed at 17% in Singapore. Major components of income tax expense for the Reporting Period and 1H2023 are as follows:

	Six months ended 30 June	
	2024 S\$'000 (unaudited)	2023 S\$'000 (unaudited)
Singapore CIT	254	257
Under provision in respect of prior years	1	(10)
	255	247

9. DIVIDENDS

The Board did not recommend the payment of an interim dividend for the Reporting Period (1H2023 interim dividend: nil).

10. LOSS PER SHARE

The calculation of basic earnings per share is based on the loss attributable to the Company for the Reporting Period of approximately S\$114,000 (1H2023: S\$575,000) and the weighted average number of ordinary shares of the Company in issue during the Reporting Period is 800,000,000 (1H2023: 800,000,000) shares.

No adjustment is made in arriving at diluted earnings per share as there were no potential ordinary shares in issue during both periods.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired land property, plant and equipment at cost of approximately S\$6,054,000 (1H2023: approximately S\$5,097,000), which included the property construction-in-progress of approximately S\$5,364,000 (1H2023: S\$ 1,152,000).

As at 30 June 2024, property, plant and equipment with carrying amount of approximately S\$43,627,000 (31 December 2023: S\$33,484,000) were secured under mortgage loan as below mentioned in Note 14 to this condensed consolidated financial statements for the six months ended 30 June 2024.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

12. TRADE AND OTHER RECEIVABLES

	30 June 2024 S\$'000 (Unaudited)	31 December 2023 S\$'000 (Audited)
Trade receivables (Note)	321	291
Other receivables	100	235
	421	526

Note: During the Reporting Period, no trade receivables were written off (1H2023: nil).

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

	30 June 2024 S\$'000 (Unaudited)	31 December 2023 S\$'000 (Audited)
0 ~ 30 Days	302	267
31 ~ 90 days	15	14
91 ~ 180 days	4	10
	321	291

An average credit period for customers is 7 days.

13. TRADE PAYABLES

	30 June 2024 S\$'000 (Unaudited)	31 December 2023 S\$'000 (Audited)
Trade payables	3,039	3,273

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

As at 30 June 2024 and 31 December 2023, trade payables were mainly denominated in Singapore dollars.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

Ageing analysis of trade payables based on invoice date as at the end of the Reporting Period is as follows:

	30 June 2024 S\$'000 (Unaudited)	31 December 2023 S\$'000 (Audited)
0 ~ 30 Days	3,033	3,270
31 ~ 90 days	2	2
91 ~ 180 days	4	1
	3,039	3,273

14. BORROWINGS

	30 June 2024 S\$'000 (Unaudited)	31 December 2023 S\$'000 (Audited)
Secured loans	93,417	88,731
Working capital loans	1,288	1,922
	94,705	90,653

Notes:

- The bank borrowing was secured by the pledge of certain of the Group's property, plant and equipment, investment properties and bank deposits.
- The loan is from the Temporary Bridging Loan Programme ("TBLP"), which provides access to working capital for businesses as announced by the Singapore Government. The loan under the TBLP has a one year deferral in principal repayment.

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
Effective interest rate	2.00% ~ 5.46%	1.35% ~ 5.45%

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

Analysis by payment term:

	30 June 2024 S\$'000 (Unaudited)	31 December 2023 S\$'000 (Audited)
Within one year or on demand	10,346	7,106
More than one year	84,359	83,547
	94,705	90,653

15. SHARE CAPITAL

The authorised and issued share capital of the Company is as follows:

	HK\$'000	S\$'000
Authorised share capital:		
10,000,000,000 Shares	100,000	17,668
	HK\$'000	S\$'000
Shares in issue and fully paid:		
8,000,000,000 Shares	80,000 ⁽ⁱ⁾	1,381

⁽ⁱ⁾ S\$1 = HK\$5.79 as at 6 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND PROSPECT

The core business and revenue structure of the Group remains unchanged. The Group owns and operates food centres in Singapore since 2004. The revenue of the Group is primarily derived from the Group's two main operating business segments, being (i) the 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 **"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 food and beverage industry remains challenging as the operating environment continues to deteriorate. High interest rates have increased financing costs, while rising labour and rental expenses have further squeezed margins, necessitating rigorous cost control measures. In response, we have intensified our focus on cost efficiency by closely monitoring suppliers' pricing against industry benchmarks to secure the best rates and meticulously managing expenses. Additionally, we are optimising asset utilisation by reallocating resources and maximising productivity to mitigate economic pressures and maintain financial stability. Although challenges are expected to persist, we remain committed to navigating this landscape with a focus on efficiency, strategic asset management, and prudent financial practices. Our strategy is centred on sustaining profitability and ensuring long-term growth despite ongoing uncertainties.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The following table sets forth the revenue breakdown by the three categories of the revenue for the Reporting Period and 1H2023 as indicated:

	For the six months ended 30 June			
	2024		2023	
	S\$'000	%	S\$'000	%
Sale of cooked food, beverages and tobacco products	22,062	77.1	20,631	78.2
Rental income from lease of premises to tenants	4,423	15.4	3,812	14.4
Provision of management, cleaning and utilities services	2,134	7.5	1,941	7.4
Total	28,619	100.0	26,384	100.0

For the Reporting Period and 1H2023, the sale of cooked food, beverages and tobacco products was the largest revenue contributor, accounting for approximately 77.1% and 78.2% of the Group's revenue respectively. Revenue generated from sale of cooked food, beverages and tobacco products increased by approximately S\$1.5 million, or 6.9%, from approximately S\$20.6 million to approximately S\$22.1 million, which was mainly due to an increase in the number of food and beverage stalls 1H2024 as compared to 1H2023.

The revenue generated from rental income from lease of premises to tenants increased by approximately S\$0.6 million, or 16.0%, from approximately S\$3.8 million to approximately S\$4.4 million, which was mainly driven by an improved occupancy rate in 1H2024 as compared to 1H2023.

The provision of management, cleaning and utilities services income increased by approximately S\$0.2 million or 9.9%, from approximately S\$1.9 million to approximately S\$2.1 million. The increase was mainly in line with the rental income from lease of premises to tenants.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of inventories consumed

The cost of inventories consumed increased by approximately S\$0.6 million, or 7.5%, from approximately S\$8.8 million to approximately S\$9.4 million, which was in line with the increase in revenue from sale of the cooked food, beverages and tobacco products. The cost of inventories consumed increased at a slower rate compared to sale of the cooked food, beverages and tobacco products due to upward adjustment of selling prices of cooked food, beverages and tobacco products to cover the increasing costs and electricity tariffs. The cost of inventories consumed primarily represents the cost of purchases of food ingredients for its food and beverage retail business, consisting of fresh and frozen meat, seafood, vegetables, eggs, dried food, canned food, seasonings, beverages, coffee powder and cigarettes.

Staff costs

Staff cost accounts for the second largest component under operating expenses which amounted to approximately S\$8.9 million and S\$8.5 million for the Reporting Period and 1H2023, respectively, representing approximately 31.4% and 32.2% of revenue for the respective periods.

Staff costs increased by approximately S\$0.5 million or 5.7%, which was due to increase in salaries and increase in head count for new stalls opened during the Reporting Period.

Property rentals and related expenses

The property rentals and related expenses primarily represent the rental expenses paid for the leasing of properties from independent third parties for the operation of short-term food and beverage stalls and food centers. The property rentals and related expenses increased by approximately S\$0.3 million, or 14.5%, from approximately S\$1.9 million to approximately S\$2.1 million. The increase was mainly attributable to the opening of several new stalls during the Reporting Period.

Management, cleaning and utilities expenses

The management, cleaning and utilities expenses decreased by approximately S\$0.1 million, or 5.9%, from approximately S\$1.7 million to approximately S\$1.6 million. The decrease was mainly attributable to the decrease in utility expenses as a result of lower electricity tariffs in 1H2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Other operating expenses

	Six months ended 30 June	
	2024 S\$'000	2023 S\$'000
Administrative fee	430	483
Advertisement and promotion	47	90
Insurance	7	9
Property tax and related costs	591	603
Repairs and maintenance	381	383
Legal and professional fee	157	338
Telephone and communication	25	24
Donation	319	168
Others	108	241
	2,065	2,339

The other operating expenses decreased slightly by approximately S\$0.2 million or 11.7% from approximately S\$2.3 million to approximately S\$2.1 million. The decrease was primarily due to reduced administrative fees and legal and professional expenses, partially offset by an increase in donations.

Finance costs

The finance costs increased from approximately S\$1.2 million in 1H2023 to S\$1.7 million during the Reporting Period, an increase of approximately 40.0% mainly due to higher interest rates on outstanding loans and additional working capital loans in 1H2024.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024 and 31 December 2023, the Group's key financial position indicators are as follows:

	30 June 2024 S\$'000	31 December 2023 S\$'000
Current assets	10,204	10,768
Current liabilities	24,060	20,378
Net current liabilities	(13,856)	(9,610)
Interest-bearing bank borrowings	94,705	90,653
Equity	86,288	86,418

The overall net current liabilities of the Group increased by approximately S\$4.3 million, primarily due to an increase in current portion of loans.

As at 30 June 2024, the Group had aggregate outstanding bank borrowings of approximately S\$94.7 million, which was a slight increase of S\$4.0 million or 4.5% from approximately S\$90.7 million as at 31 December 2023. The increase was primarily attributed to a S\$3.5 million loan for working capital and a S\$2.6 million construction loan in relation to the redevelopment of the property held by an subsidiary, and partially offset by repayments of bank borrowings during the Reporting Period.

All secured borrowings were secured by the pledge of certain of the Group's (i) property, plant and equipment; (ii) investment properties; (iii) future rental income; (iv) bank deposit; and (v) corporate guarantee of the Company and two subsidiaries of the Group, which carry a weighted average effective interest rate of approximately 4.21%.

The Group had unutilised banking facilities of at least S\$12.1 million as at 30 June 2024. The Group aims to have enough liquidity by keeping sufficient cash balances and having committed credit lines available, which would enable the Group to continue its business in a manner consistent with its short-term and long-term financial needs.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing ratio is calculated based on interest-bearing bank borrowings divided by total equity as at the respective period or year end and multiplied by 100%.

As at 30 June 2024, the gearing ratio is approximately 109.8%, compared to approximately 104.9% as at 31 December 2023. The increase in gearing ratio was mainly attributable to increase in borrowings during the Reporting Period.

Use of proceeds

The shares of the Company were listed on the Main Board of the Stock Exchange on 6 March 2019 for which the Company issued 200,000,000 new shares at HK\$0.75 per offer share on 6 March 2019, as set out in the announcement of the Company dated 5 March 2019. After deducting related listing expenses, the net proceeds of the Share Offer were approximately HK\$110.0 million (the “**Net Proceeds**”).

The Net Proceeds have been fully utilised by the year ended 31 December 2023.

Capital commitment and significant investments held

As at 30 June 2024, the Group had a capital commitment of approximately S\$1.7 million in relation to the redevelopment of the property held by one subsidiary.

Reference is made to the announcement of the Company dated 10 May 2024 and the circular of the Company dated 22 August 2024. On 3 April 2024, an indirect wholly-owned subsidiary of the Company, entered into the Share Sale and Purchase Agreement with the Seller in respect of the sale and purchase of the entire issued share capital of New Chance Properties Pte. Ltd. (“**New Chance**”), a private company incorporated in Singapore and is principally engaged in the holding of properties as investments for rental income, at a consideration of S\$9.5 million. The acquisition is still under progress as at the date of this report and the consideration paid by the Group to-dated amounted to S\$475,000. The major asset of New Chance is a leasehold property in Singapore with market value of S\$9.5 million as at 23 June 2024. The acquisition of the entire equity interest of New Chance will be accounted for as asset acquisition of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign currency risks

Most of the Group's revenues and operating costs were denominated in Singapore dollars. Except for the bank deposits denominated in Hong Kong dollars, the Group's operating cash flow or liquidity is not directly subject to any significant exchange rate fluctuations. The management closely monitors foreign currency exposures and will consider hedging for significant foreign currency exposures if required.

Pledge of Assets

As at 30 June 2024, the Group pledged certain of its property, plant and equipment, investment properties and bank deposit amounting to approximately S\$165,377,000 (31 December 2023: approximately S\$155,234,000) to secure bank borrowings of the Group.

CONNECTED TRANSACTIONS

The Group had no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules during the Reporting Period.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

The Group had not provided any financial assistance and guarantee to affiliated companies during the Reporting Period.

HUMAN RESOURCE

As of 30 June 2024, the Group had 420 employees (31 December 2023: 412). The remuneration policy and package of the Group's employees are structured in accordance with market norms and statutory requirements where appropriate. On top of pension funds and insurances, the Group also provides staff benefits such as incentives and subsidized medical fees to motivate and reward employees at all levels, to achieve the Group's business performance targets.

OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the “**CG Code**”) contained in Appendix C1 to the Listing Rules as its own code of corporate governance. Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. Under the current organisational structure of the Company, Mr. Chu Chee Keong is the chairman of the Board and the chief executive officer. With extensive experience in the food and beverage industry, the Board considers that the vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises three executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Save as otherwise disclosed herein, the Company has complied with the code provisions as set out in the CG Code for the Reporting Period. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries to all Directors, all Directors confirm that they have fully complied with the relevant requirements set out in consistent with interim results announcement and its own code of conduct during the Reporting Period.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the “**Share Option Scheme**”) on 1 February 2019. The purpose of the Share Option Scheme is to enable the Company to grant options to eligible persons as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high calibre eligible persons and attract human resources that are valuable to the Group.

As at 30 June 2024, no share option was outstanding under the Share Option Scheme. No share option has been granted, exercised, cancelled or lapsed under the Scheme since its adoption.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

CHANGES TO INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, up to the date of this report, there were no changes to the information which is required to be disclosed and which has been disclosed by the Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

DIRECTORS AND THE CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2024, the interests or short positions of each Director and the chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, where as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Capacity/nature of interest	Number of shares held (Note 1)	Percentage of shareholding
Mr. Chu Chee Keong	Interest in a controlled corporation (Note 2)	600,000,000 (L)	75.00%
Ms. Leow Poh Hoon	Interest of spouse (Note 3)	600,000,000 (L)	75.00%

Notes:

1. The letter "L" denotes the long position in the relevant shares.
2. The entire issued share capital of Strong Oriental Limited ("**Strong Oriental**") is legally and beneficially owned by Mr. Chu Chee Keong ("**Mr. Chu**"). Accordingly, Mr. Chu is deemed to be interested in the 600,000,000 shares held by Strong Oriental by virtue of the SFO.
3. Ms. Leow Poh Hoon ("**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.

OTHER INFORMATION

Save as disclosed above, as at 30 June 2024, none of the Directors and the chief executive of the Company had any interest or short position in shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouse or children under 18 years of age, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, the following corporation (other than a Director or the chief executive of the Company) had interests or short positions in the Shares as recorded in the register required to be kept under section 336 of the SFO were as follows:

LONG POSITIONS IN ORDINARY SHARES OF THE COMPANY

Name of Shareholder	Capacity/nature of interest	Number of Shares held (Note)	Percentage of shareholding
Strong Oriental	Beneficial Owner	600,000,000 (L)	75.00%
Lee Kek Choo	Interest of your spouse	56,536,000 (L)	7.07%
Toh Soon Huat	Beneficial owner	56,536,000 (L)	7.07%

Note:

The letter "L" denotes the long position in the Shares.

Save as disclosed above, as at 30 June 2024, no other corporation which/person (other than a Director or the chief executive of the Company) had any interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend to declare any interim dividend for the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated 10 May 2024 and the circular of the Company dated 22 August 2024. On 3 April 2024, an indirect wholly-owned subsidiary of the Company, entered into the Share Sale and Purchase Agreement with the Seller. Pursuant to the Share Sale and Purchase Agreement, the Seller agreed to sell and the Purchaser agreed to purchase the Sale Shares at a total consideration of S\$9,500,000. The acquisition is expected to complete on 11 October 2024.

Reference is made to the announcement of the Company dated 21 June 2024. the Purchaser was granted the Option by the Vendor to purchase the Property pursuant to the Option Agreement. On 19 June 2024, the Purchaser exercised the Option pursuant to the Option Agreement to acquire the Property from the Vendor at a total consideration of S\$8,800,000. The disposal was expected to completed on 11 September 2024.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company had maintained the prescribed percentage of public float under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee, comprising all the independent non-executive Directors, namely Mr. Mah Seong Kung (Chairman), Mr. Ng Yong Hwee and Mr. Wong Loke Tan, has reviewed with the management the accounting principles and policies adopted by the Group and the unaudited interim results of the Group for the Reporting Period.

APPRECIATIONS

On behalf of the Board, I would like to extend our sincere thanks to the shareholders, business partners and customers for their continuous support to the Group. I would also extend my gratitude and appreciation to all the Directors, management and staff for their hard work and dedication throughout the Reporting Period.

By Order of the Board
K2 F&B Holdings Limited
Chairman
CHU CHEE KEONG (ZHU ZHIQIANG)

Singapore, 30 August 2024