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Singapore Food Holdings Limited

新加坡美食控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 8496)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of Singapore Food Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) dated 29 April 2020 (the “**Prospectus**”) in relation to the proposed use of net proceeds from the Share Offer (the “**Net Proceeds**”), the interim report of the Group for the six months ended 31 December 2020 published on 11 February 2021 (the “**2020 Interim Report**”) in relation to the utilisation of the Net Proceeds from the Listing Date up to 31 December 2020 and the announcement dated 28 May 2021 (the “**Announcement**”) with regards to business updates in relation to the recent outbreak of the novel coronavirus (the “**Outbreak**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus, 2020 Interim Report and the Announcement.

USE OF PROCEEDS

The Net Proceeds, after deducting the underwriting commissions and expenses payable by the Company in relation to the Share Offer, were approximately S\$2.7 million (equivalent to HK\$15.2 million). As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Net Proceeds were originally intended to be applied by the Group for the following purposes (adjusted on a pro-rata basis according to the final Offer Price and actual Net Proceeds received):

- (i) approximately S\$2.0 million, representing approximately 75.2% of the Net Proceeds, was intended to be used for opening artisanal bakery outlets and fast casual dining restaurants under “*Proofer*”, “*Yuba Hut*” and “*Laura*” brands;
- (ii) approximately S\$0.3 million, representing approximately 9.3% of the Net Proceeds, was intended to be used for expanding the workforce of the Group;

- (iii) approximately S\$0.2 million, representing approximately 9.0% of the Net Proceeds, was intended to be used for upgrading the existing central kitchen of the Group and setting up a new cake room;
- (iv) approximately S\$0.1 million, representing approximately 1.7% of the Net Proceeds, was intended to be used for purchasing a lorry; and
- (v) approximately S\$0.1 million, representing approximately 4.8% of the Net Proceeds, was intended to be used as general working capital.

Since the Listing Date and up to the date of this announcement, the Group has utilised approximately S\$1.5 million (equivalent to approximately HK\$8.5 million) of the Net Proceeds for (i) opening new artisanal bakery outlets and fast casual dining restaurants and (ii) its general working capital purposes, which is in line with the purposes shown above.

As at the date of this announcement, approximately S\$1.2 million (equivalent to approximately HK\$6.7 million) of the Net Proceeds remains unutilised, representing approximately 44.4% of the Net Proceeds (the “**Unutilised Net Proceeds**”).

CHANGE IN USE OF NET PROCEEDS

For reasons set out in the paragraph headed “Reasons for and Benefits of the Change in Use of Proceeds” of this announcement, the Board has resolved to change the use of Net Proceeds as follows:

- approximately S\$0.6 million (equivalent to approximately HK\$3.4 million) of the Unutilised Net Proceeds, which were originally allocated for the opening of new artisanal bakery outlets and fast casual dining restaurants under “*Proofer*”, “*Yuba Hut*” and “*Laura*” brands, will be used for the opening of new restaurants under “*Nana*” brand; and
- approximately S\$0.3 million (equivalent to approximately HK\$1.6 million) of the Unutilised Net Proceeds, which were originally allocated for the upgrade of existing central kitchen and set up of a new cake room as well as the purchase of a lorry, will be used for opening new restaurants under “*Nana*” brand, enhancing the marketing efforts of Group and increasing its general working capital.

The utilisation of the Net Proceeds up to the date of this announcement and the proposed use of Unutilised Net Proceeds after reallocation are set out as follows:

	Planned use of Net Proceeds as disclosed in the Prospectus <i>S\$ million</i> (approximately)	Utilised Net Proceeds up to the date of this announcement <i>S\$ million</i> (approximately)	Unutilised Net Proceeds up to the date of this announcement <i>S\$ million</i> (approximately)	Proposed re- allocation of the Unutilised Net Proceeds <i>S\$ million</i> (approximately)	Proposed application of the Unutilised Net Proceeds <i>S\$ million</i> (approximately)
(i) Opening new artisanal bakery outlets and fast casual dining restaurants	2.0	1.4	0.6	+0.1	0.7
(ii) Expansion of workforce	0.3	0.0	0.3	—	0.3
(iii) Upgrade of existing central kitchen and set up of a new cake room	0.2	0.0	0.2	(0.2)	0.0
(iv) Purchase of a lorry	0.1	0.0	0.1	(0.1)	0.0
(v) Enhancing marketing efforts	—	—	—	+0.1	0.1
(vi) General working capital	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>+0.1</u>	<u>0.1</u>
Total	<u><u>2.7</u></u>	<u><u>1.5</u></u>	<u><u>1.2</u></u>	<u><u>—</u></u>	<u><u>1.2</u></u>

Note: Any discrepancies in this table between totals and sums of amounts listed herein are due to rounding.

Save for the aforesaid changes, there are no other changes in the use of the Net Proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Tightened Measures implemented by the Singapore government in relation to the Outbreak have been explained in details in the Announcement. Having monitored and assessed the current impact brought by the Outbreak and the business needs of the Group, the Board had resolved to change the use of the Unutilised Net Proceeds having considered the following factors:

(a) Increase in the need to diversify the restaurant portfolio and shop locations of the Group

The Outbreak and the Tightened Measures implemented by the Singapore government have resulted in a reduction in the number of customers visiting the Group's bakery outlets and restaurants. As a result, as disclosed in the 2020 Interim Report, the Group had recorded a decrease in revenue attributable to its bakery outlets, Japanese and Western fast casual dining restaurants by approximately 20.9% from approximately

S\$9.1 million (equivalent to approximately HK\$52.3 million) for the six months ended 31 December 2019 to approximately S\$7.2 million (equivalent to approximately HK\$40.9 million) for the same period in 2020.

After due consideration, the Board has decided to re-allocate the Unutilised Net Proceeds originally allocated for the opening of new artisanal bakery outlets and fast casual dining restaurants under “*Proofer*”, “*Yuba Hut*” and “*Laura*” brands to the opening of new restaurants under “*Nana*” brand which mainly serve comfort food to customers. In the experience of the executive Directors, the demand for comfort food is generally stable and less susceptible to changes in the economic environment. The Board is of the view that such strategy would diversify the Group’s restaurant portfolio, broaden its earning base and mitigate its business risks.

Further, traditionally, the outlets and restaurants of the Group have been mainly concentrated in high-traffic retail areas and convenient locations such as shopping malls and MRT stations. In light of the reduced customer traffic in downtown areas and central business districts, the new restaurants under “*Nana*” brand would be located in residential areas as the customer traffic in such areas are less likely to be affected by the work-from-home policy and the leased premises generally entail lower rents.

(b) Increase in general working capital requirement

The Board has considered a number of factors including (i) the adverse impact of the Outbreak on the business and financial results of the Group; (ii) the uncertainty as to when the Outbreak would be contained and whether recurrence of the Outbreak would take place in light of the situations worldwide; and (iii) the uncertainty as to whether the Singapore government will continue to provide subsidies and support measures to the food and beverage industry. In view of the aforesaid, the Board believes that it is financially prudent to maintain additional working capital and strengthen the liquidity management of the Group to meet its current operation needs. Hence, the Group will be re-allocating an amount of approximately S\$0.1 million from the Unutilised Net Proceeds to increase its general working capital.

(c) Enhancing marketing efforts

In order to enhance the sales of bakery outlets and restaurants, the Board considers that it is beneficial to allocate more resources for strengthening the marketing efforts of the Group. In particular, the Board intends to re-allocate part of the Unutilised Net Proceeds for the implementation of the membership programme for “*Proofer*” bakery outlets in order to provide incentives to customers to increase their purchase. Also, the Board plans to promote the bakery outlets and restaurant brands through various social

media platforms and other marketing channels so as to build brand awareness, attract new customers, enlarge market share of the Group and support new restaurant openings.

(d) Lesser focus on the sales of bakery products

As mentioned above, the Group currently plans to re-allocate some of the Unutilised Net Proceeds to the opening of new restaurants under “Nana” brand which mainly serve comfort food to customers. Under the new shop opening strategy, the new restaurants and outlets are expected to be less focused on the sales of bakery products than the original expansion plan. As such, the Directors consider there is no imminent need for the Group to allocate additional resources for expanding its production and transportation capacity for bakery products. As such, the Directors believe that it is in the interest of the Group to postpone the plan in relation to: (i) upgrade of existing central kitchen and set up of a new cake room, and (ii) purchase of a lorry to a later stage.

THE BOARD’S VIEWS

The Board considers that the change in the use of the Net Proceeds is fair and reasonable, which allows the Group to meet its financial needs more efficiently and flexibly. The Board is of the view that the business development direction of the Group is still in line with the disclosure in the Prospectus in spite of such change in the use of Net Proceeds as stated above. The aforesaid change in the use of Net Proceeds from the Share Offer is in the interests of the Group and the Shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

The Directors will continuously assess the plans for the use of the Net Proceeds and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance of the Group.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

The Company will make further announcement if and when there is any material development on the matter or otherwise as required by the GEM Listing Rules.

By order of the Board
Singapore Food Holdings Limited
Goh Leong Heng Aris
Chairman and executive Director

Singapore, 23 June 2021

As at the date of this announcement, the executive Directors are Mr. Goh Leong Heng Aris, Ms. Anita Chia Hee Mei (Xie Ximei); and the independent non-executive Directors are, Mr. John Lim Boon Kiat, Mr. Kwok Kin Kwong Gary, Mr. Wong Wah and Mr. Kuan Hong Kin Daniel.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement 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 announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for at least seven days from the date of its posting and on the Company’s website at www.proofer.com.sg.